

VOLUME 2 : STRATEGIES AND POLICIES

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1. FINANCIAL STRATEGY

The Financial Strategy outlines how we will manage our finances over the next ten years. It sets out our general approach and principles that we will follow and provides a guide to assess spending proposals.

The Strategy includes limits on rates levels, rates rises and borrowing, and aims to promote financial stability and affordability over the short, medium and long-term. In simple terms, the strategy determines the size of our cake over the next ten years, while our policy decisions will determine how the cake is cut.

Our district has been growing and this growth coupled with fast-approaching regulatory deadlines for some of our network infrastructure, will see an increased capital expenditure programme for our district over the next ten years. This will mean that we will be increasing our debt to levels that we have not done so before. However, we are currently in a strong financial position, largely due to previous Council decisions and direction focused on infrastructure renewals and replacements.

The aim of our Financial Strategy is to ensure Council remains financially stable, while financing key priorities.

Our financial future

Our projections for the next ten years show the following picture for 2031:

- Total assets are forecast to be \$462 million (2020/21: \$275 million).
- Total equity is forecast to be \$449 million (2020/21: \$260 million).
- Liabilities are forecast to be \$13million (2020/21: \$14.1 million) & 2.5% of total assets (2020/21: 5.1%).
- Cash investments are budgeted to be \$5 million, (2021/21: \$7.2 million)
- Rates revenue is budgeted to contribute 60.6% of total income (2020/21: 48%).
- At no time over the period 2021/22 – 2030/31 do we expect to breach our debt ratio limits
- Council will retain its strong financial position

2. INTRODUCTION

For decades, Council has held rates at a low level however we now require investment across a range of our Council property, infrastructure and business as usual operational services to ensure that our district is fit for the future.

In response to the short-term impacts of COVID-19 last year, we reduced our rates rise as a one-off support to the community. We acknowledge that there may still be households and businesses with reduced incomes due to the prolonged effects of COVID-19 that remain concerned about their financial stability. We appreciate this has a flow on effect to their wider wellbeing, however it is necessary for Council to take a financially prudent approach in setting its rates requirements going forward.

Our strategy addresses the need to increase service levels while taking account of our growth pressures. In the last Long Term Plan (2018-2028) Council signalled they would increase rates by 8% until 2025 and thereafter our rates increases would be 7% per year to 2028. Last year Council recognised that our community was impacted by the border closures and the drop in international tourism. Council reduced the rates take to 4.5% and Council utilised internal reserves and used the proceeds from the sale of carbon credits to offset the rates increase. This is not a sustainable or resilient approach going forward.

MANAGING OUR TOURISM DESTINATION

Pre-COVID-19, tourism increased at a significant rate. While this was good for our economy, it placed considerable pressure on our district, communities and infrastructure. We have used central government funding when available for tourism infrastructure projects, but this still comes at a cost to our communities who pay for the ongoing maintenance and replacement of these facilities. We are taking the opportunity to prepare a destination management plan (Te Manahuna Ki Uta) with our tourism partners to ensure that we can plan for and manage the tourism future that benefits our communities, environment and economy. We will continue to progress Te Manahuna Ki Uta / Destination Mackenzie to map a more sustainable future for our taoka (treasure).

HISTORICALLY LOW RATES

Council has for many years prided itself on holding rates at a low level. With changes in regulatory requirements and greater expectations from our community it is now necessary for Council to increase rates requirements going forward. These increased rates mean that Council will be able to provide a higher level of service as well as ensuring an appropriate level of stewardship of our core infrastructure assets and buildings while meeting new legislative standards.

OUR DISTRICT PLAN NEEDS TO BE FIT FOR FUTURE

Our District Plan became operative in 2004 and although we have completed a few plan changes and updates the remainder of the Plan needs updating. We need to keep up with the changes in our district, environment and government reform.

To ensure our District Plan is fit for the future, we are developing Spatial Plans with a 30-year vision of our communities, and these will form the visual blueprint of our new District Plan.

BIG DISTRICT SMALL POPULATION

One of the main challenges facing the Mackenzie is that we have a small population base (the third smallest in NZ) dispersed across a wide geographic location (the tenth largest). All councils have to comply with the same drinking and wastewater standards, regardless of their size and population. This means that the cost of providing these services is higher per ratepayer. The geographic spread of the communities that we service also means that we have to provide more services than councils who have a large population in one area.

EXTERNAL FACTORS

Many external factors can impact how the Council delivers services and infrastructure and how we fund these. Although these factors are generally beyond our control, it is important that we continue to monitor these external influences, their impacts and how we respond to ensure that our plans mitigate risk, take advantage of new opportunities and remain fit for purpose.

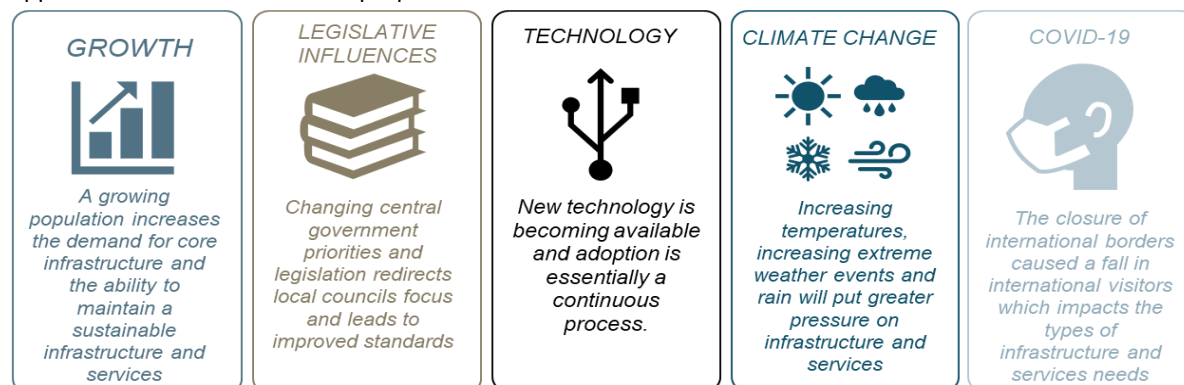


Figure 1: Summary of the Mackenzie Context and Strategic Issues – abbreviated from the Environmental Scan

Key strategic work (Te Manahuna Ki Uta/Destination Mackenzie, the District Plan Review and Spatial Planning, and key strategies) will guide the nature of future planning. These processes are underway and are not sufficiently advanced to inform this Long Term Plan or its supporting Financial Strategy.

3. GROWTH

Population Growth and our Built Environment

The Mackenzie District has experienced significant growth over the past ten years and this is projected to continue in the immediate future.

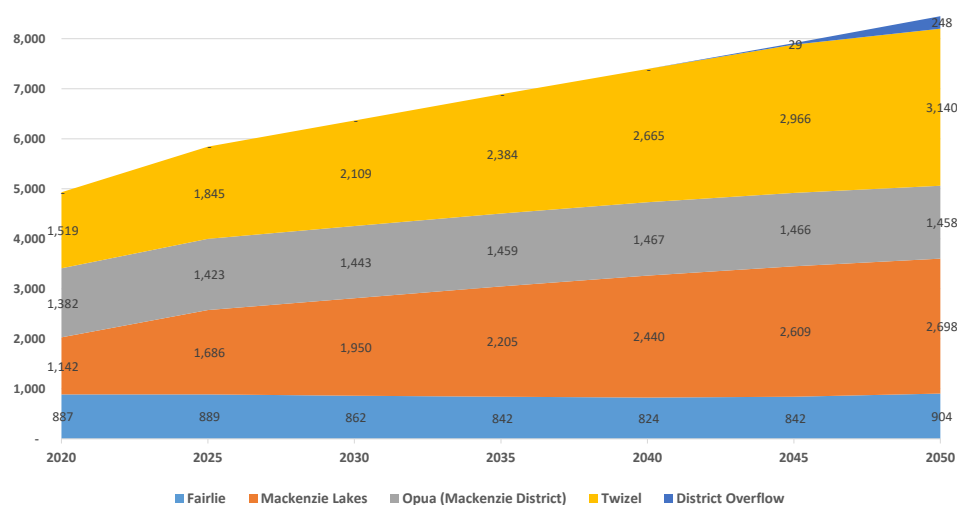


Figure 2 MDC Usually Resident Population

Development (and associated demand for services) has increased beyond the level indicated by population growth, largely driven the tourist and holiday destination potential of the Mackenzie Basin. Increases in dwelling numbers are significantly higher than corresponding population changes.

The Mackenzie District is unique in that the district has a significantly high proportion of non-resident ratepayers. This is most noticeable in the townships of Lake Takapō/Tekapo and Twizel. A consequence of this is a marked change in population of townships during peak times. Fluctuations in population levels throughout the year can pose challenges for activities such as traffic and water management.

Managing the demands of tourism recovery on infrastructure and services post COVID-19 and the population growth against affordable rates and sustainable debt levels remains an ongoing challenge for small councils like Mackenzie.

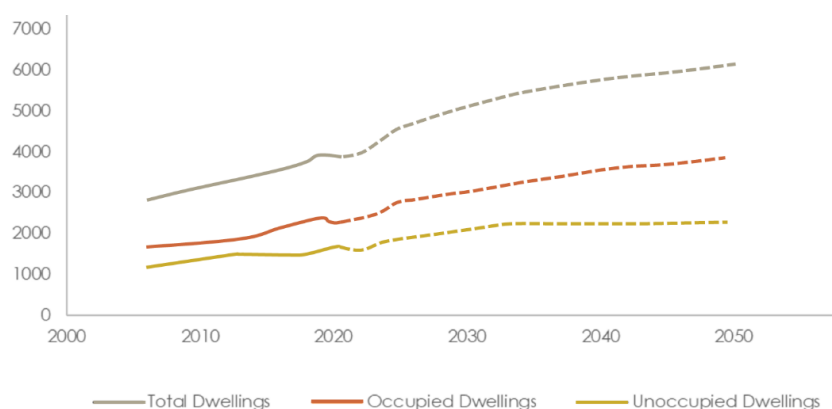


Figure 3 Mackenzie District Occupied and Unoccupied Dwellings

Land use changes and trends

The district is changing and there are several workstreams in process to better understand and plan for this. Demand for permanent and holiday housing remains strong, and the forthcoming District Plan will create a platform for changes to the development and subdivision within our landscapes. Key land change matters are detailed below:

- **Primary Production Intensification** - Council anticipates an increase in primary production as the result of on-farm intensification and irrigation consents being implemented.
- **Large scale accommodation (hotel/resort)** - The hospitality sector is a significant part of the Mackenzie economy. The return of tourists following the COVID-19 pandemic is expected to determine the time for these developments to proceed.

3.2 Legislation

3.2.1 Three waters reform

In the wake of the Havelock North Inquiry and subsequent Three Waters Review, central government is embarking on significant water reform which will establish a new water regulator - Taumata Arowai, and big changes to the way water services are delivered nationwide. We have signed a Memorandum of Understanding (MoU) with Central Government to explore future service delivery options and have secured \$5.12 million in the first tranche of funding.

While the impacts of this change are yet to be finalised, it appears likely that water will be delivered by a new statutory authority instead of council. Our community needs three waters services regardless of what happens. As such, we have assumed the status quo for three waters in our financial and infrastructure strategies. For more information on the Government reforms visit www.dia.govt.nz/three-waters-reform-programme.

3.2.2 Central Government requirements

Increasing central government requirements and reforms are driving additional standards and reporting, particularly within our three waters (water, wastewater and stormwater) infrastructure. We will continue to improve our services to meet increasing standards, however this comes with a cost.

3.3 Technology

Investing in our information technology will improve the quality, value and transparency of the services we provide and will mean our residents can engage with us in different ways. That investment will also allow us to improve the timeliness and accessibility of information that supports decision making by the Council, communities, Mackenzie businesses, and individuals. Council has formalised an Information, Communication and Technology strategy.

3.4 Climate Change

Climate change is a critical consideration in the Council's long-term planning and the Council is developing a Climate Change Response Policy. Council uses guidance from the New Zealand Government, based upon the best available climate science, to support the planning.

Adaptation to climate change is important and a matter that our community needs to consider and start planning for. Climate change is expected to change the frequency of extreme weather events, as well as introduce some long-term shifts in climate patterns both locally and across the country. This may impact our infrastructure, levels of service and see more council resources required to respond to natural hazards (fires, floods etc). Building resilience to the changes and challenges presented by climate change requires long-term planning. We are proposing several programmes in this Long-Term Plan which will have the effect of improving or increasing our resilience in relation to climate change impacts. These include:

- Rolling out water meters to encourage sustainable water use.
- The installation of a water reservoir for Fairlie which will increase resilience and security of water supply by increasing storage capacity.

- A proposal to build a monetary reserve to fund activations of our emergency operations centre in response to emergency events.
- A review of our District Plan which will consider the impacts of climate change.

3.5 COVID-19

The COVID-19 pandemic is still ongoing. The impacts will be wide ranging and could include a significant and protracted recovery period for tourism operators and related businesses. The pandemic has created a very fluid environment which can change rapidly. Visitor projections are difficult to determine due to the ongoing impact of COVID-19. Council is working to develop future scenarios. Currently a return to pre-COVID activity is expected in 2023.

3.6 Expenditure Drivers

Our Long-Term Plan 2021-2031 prepares for the delivery of key services and infrastructure. We intend to:

- **Adequately fund the required levels of service in township maintenance**
- **Tackle deferred capital and operational maintenance backlog** and ensure we meet the required compliance requirements (roading safety improvements, building control, Council property, township maintenance and dog control).
- **Resource appropriately to deliver key projects**
- **Fund building control compliance requirements** for the Fairlie Council building and the Twizel Events Centre
- **Improve roading infrastructure.** This is driven by the need to undertake this work to prevent fatalities, especially on high traffic tourist routes.
- **Address additional central government requirements** especially the new Drinking Water Standards
- **Increase associated costs (depreciation and interest payments) for increased capital expenditure**

Operating costs for Council range from \$24.8m in 2021/22 to \$28.9m in 2030/31. Inflation (using the BERL mid scenario) will add a cumulative effect of 18.33% over the ten years.

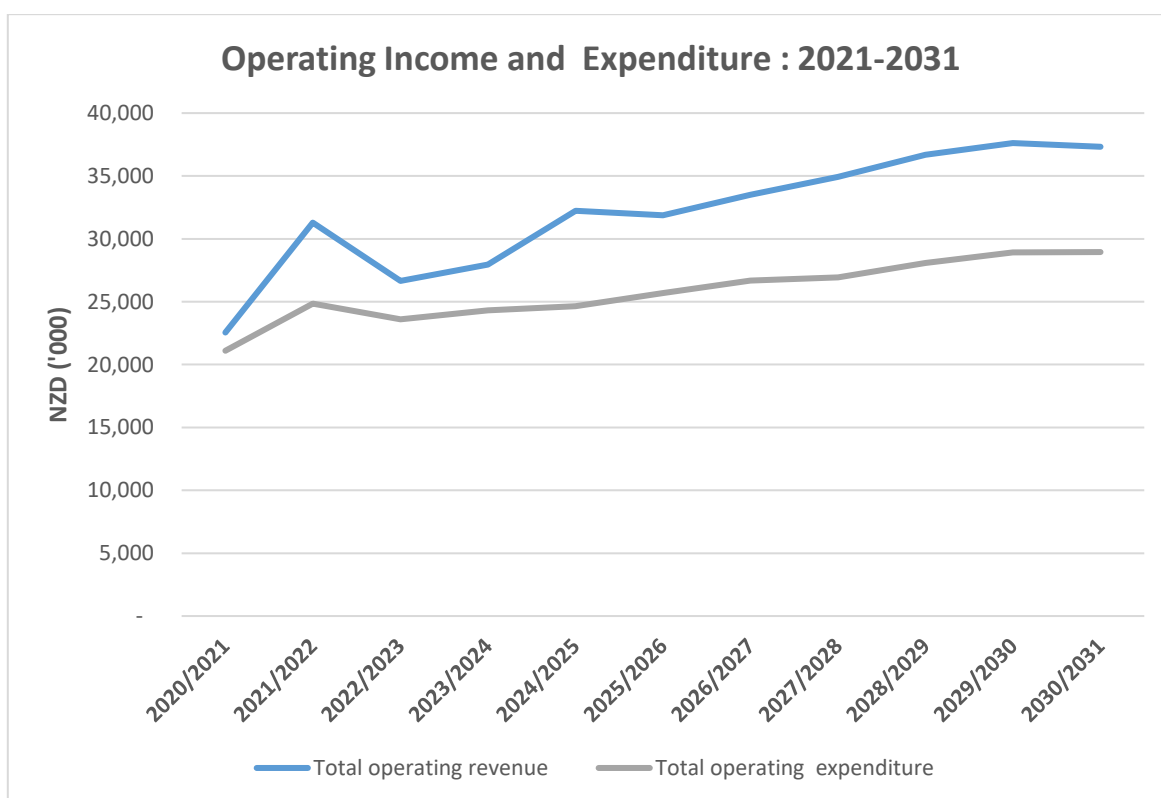


Figure 4 Operating Income and Expenditure 2021-2031. Operating income peaks in 2021/2022 due to grants for water reform and stimulus funding. Thereafter income increases in line with the operating expenditure.

4 OUR FINANCIAL STRATEGY

Our Financial strategy supports Council to deliver on our required levels of service and supports our investment in resilient infrastructure. We have worked to balance the affordability of rates increases, debt and to balance our budget.

In planning for our future, we have sought to put the long-term needs of our community first, taking a proactive approach to addressing the opportunities and challenges facing our district. The choices being made today, will lay the foundation for tomorrow's Mackenzie.

This means that the headline rate increase for the next ten years will be higher than rate increases have been in previous years. We are confident, however, that this will put our district in a stronger position to meet the needs of our current and future community.

We've pulled every lever and used every tool we can to minimise our rates rise and to deliver the things we really need to. We've applied external funding and prioritised all of our work programmes. Despite this, we still face large rate increases for the first few years of our Long-Term Plan 2021-2031.

Our financial strategy illustrates how we will live within our means – to do everything we need to do, while balancing the cost to our communities now and into the future.

The financial strategy sets out our goal to:

- Manage our finances in a prudent and strategic manner which will ensure that adequate funds are available to deliver on the levels of service we have agreed with our community, cater for growth and support the maintenance, renewal and upgrade of our assets to meet community expectations and legislative requirements.
- Remain operationally and financially sustainable while achieving our strategic goals and priorities.
- Manage borrowing levels to ensure that investment in and funding of core infrastructure is within our capacity and to ensure that appropriate intergenerational equity is achieved.
- Sustainable management of investments including how distributions and investment income will be utilised.

5 OUR FUNDING APPROACH

Funding of Council activities will be in accordance with Council's Revenue and Financing Policy.

5.1 Inflation

We are required to budget for an inflation adjustment in each year of our plan. Our costs reflect the type of work we undertake for the community and are significantly affected by the price of items such as energy, bitumen and civil contracting services. This is quite different from the average household, and so using the Consumer Price Index (CPI) for inflation is not appropriate. Instead, Business and Economic Research Limited (BERL) have prepared specific inflation values for councils - referred to as the Local Government Cost Index (LGCI).

All councils are required to set limits on rates and rate increases over the 10 year period of the Long Term Plan.

All budgets across the ten years have been adjusted using these values. They are also used as part of our setting of limits on rates and borrowing.

5.2 Rates

We'll keep rates as low as is prudent

Rates are a form of property tax and must be paid by all property owners in the district. As much as we would all like to keep rates low, we need to increase rates. We know this will be felt by our community however we need to invest now to avoid even higher increases in the future.

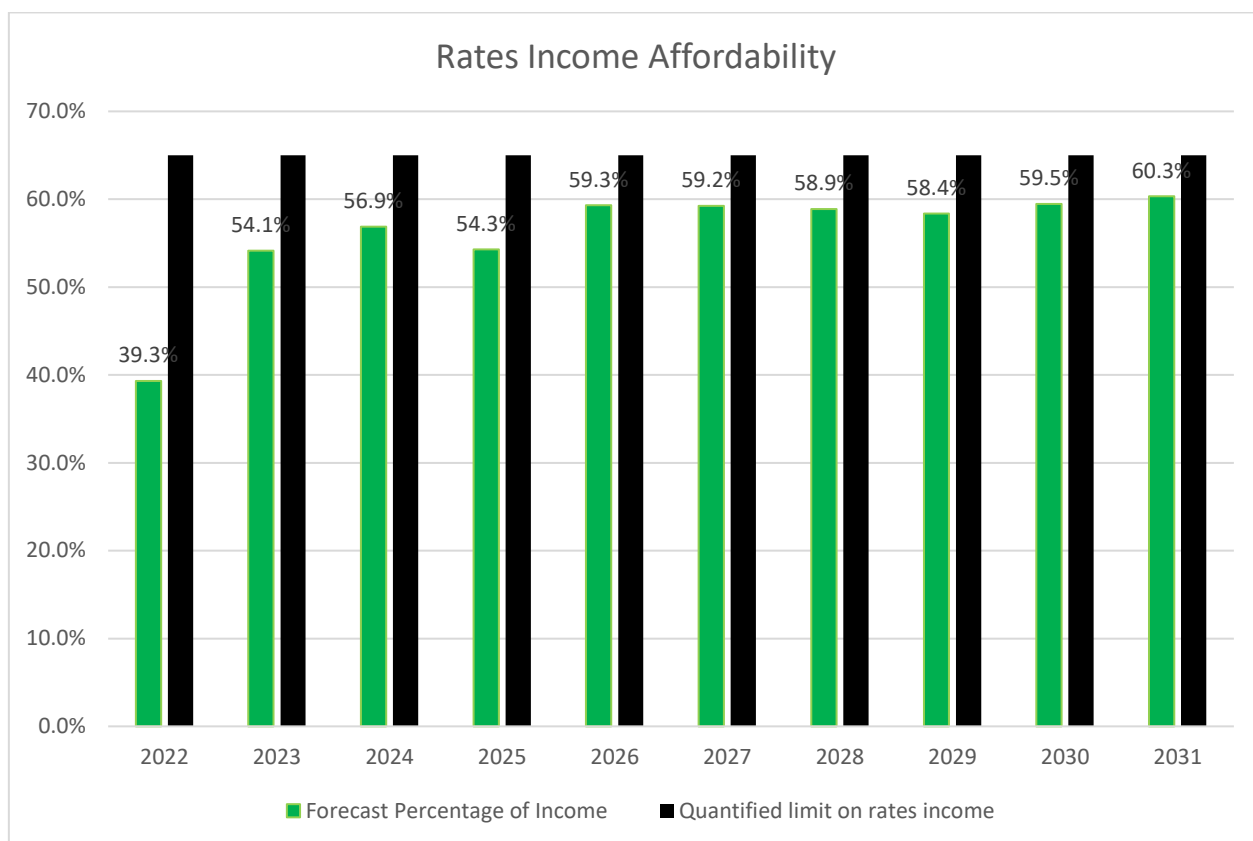
With the economic impact of Covid-19 likely to continue to affect the Mackenzie District for the next few years, we were faced with an option of making substantial reductions in levels of service to help moderate rates revenue increases. However, in considering overall well-being now and in the future, the Council decided that maintaining services to the community and continuing to invest in assets and infrastructure was the better option. Not only does this help make progress in the district but also recognises the Council's important role as a significant consumer of goods and services that support the local economy. By investing in the economy, the Council can have a much larger impact on jobs than by reducing rates by an equivalent amount.

Even though we are having to face large rates rises in the next few years, we're starting from a very low base - the third lowest in the country. The rates increases being proposed, will still keep our rates in the bottom five nationally.

Our plan for the next ten years has been prepared based on the following limits on total rates and annual total rates increases. There are no rules around how we are to determine what limits are appropriate.

The Council has set the following rates limits:

Rates Limit One: Total rates will not be more than 65% of the total revenue.

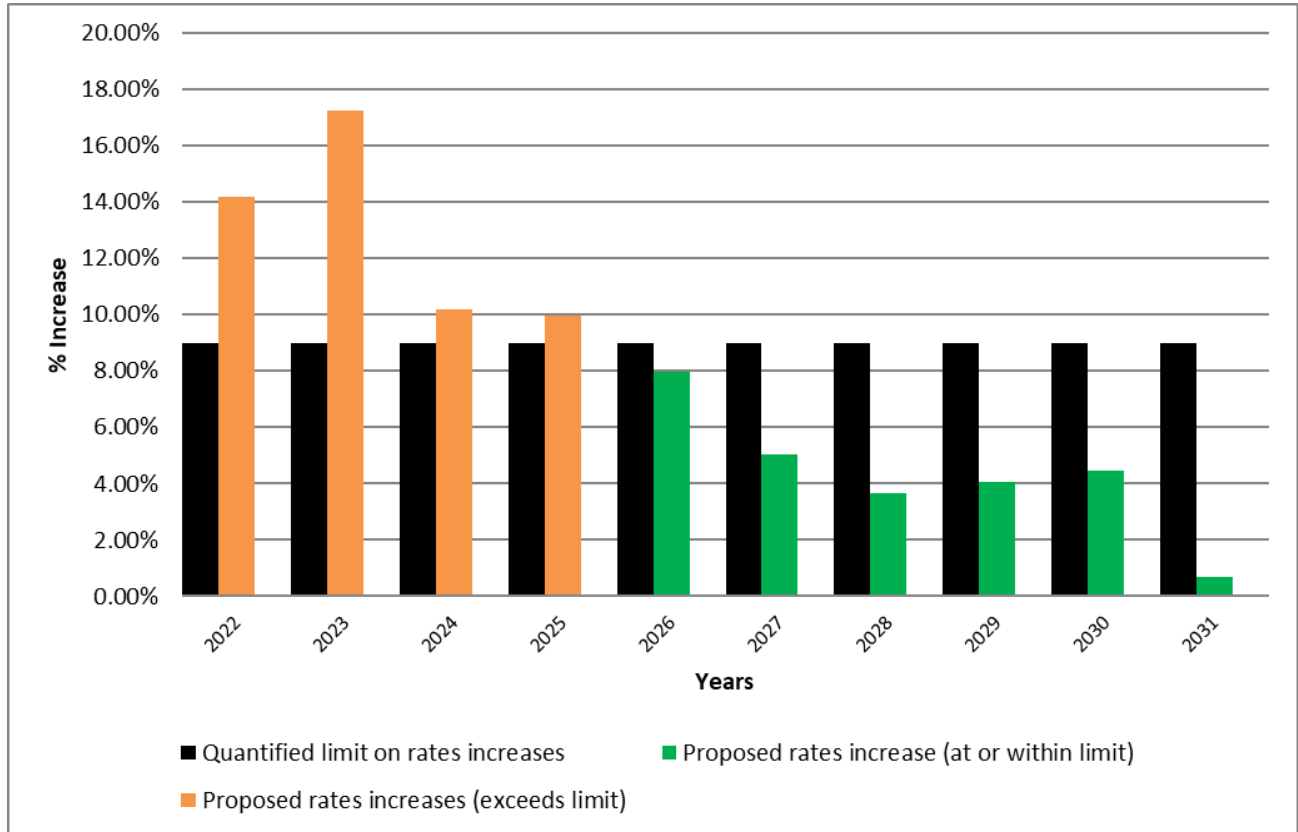


What does this graph show?

Our rates affordability graph shows our rates limits are not exceeding 60% of our total income. This means that each year we will find at least 40% of everything we do from sources other than your rates (fees and charges, government subsidies, investment returns and spreading costs through borrowing). The graph shows that, although we need to increase our rates across the Long Term Plan 2021-2031, we will remain within this limit.

Rates Limit Two: Annual rates increases will not be more than 6% + LGCI.

The LGCI is the Local Government Cost Index which is used to calculate annual inflation of expenses. This inflation factor is determined by BERL. Over the life of this plan the LGCI is expected to be 2.97%. This means that the annual rates increase per year should not be more than 8.97%.



What does this graph show?

Our first four years of proposed rates rises will exceed out limits but will drop within our target from year five onwards. We believe we need to increase rates for the first few years at a higher rate to address the challenges Council faces

Over the 10 years of this LTP the average rates increases are 7.7 % which is lower than the benchmark of 6% plus the LGCI.

5.3 Operating Expenditure

Our services and day-to-day maintenance of our assets are paid for using operating expenditure. We aim to raise enough revenue each year to cover our budgeted operating expenditure (including depreciation), unless it is prudent not to do so.

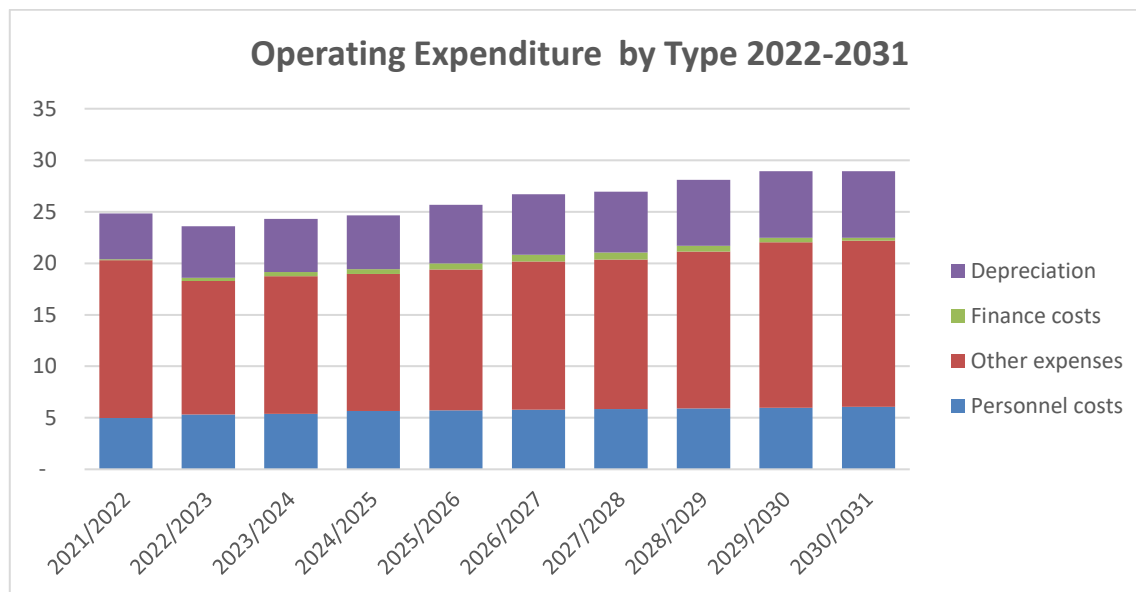
Rates are used to fund the balance of operating expenditure after all other revenue streams are accounted for. We have budgeted for operating expenditure to increase from \$21.1 million to \$28.9 million between July 2021 and June 2031.

The increase is the result of:

- price increases (inflation);
- improvements to the level of service we provide; and

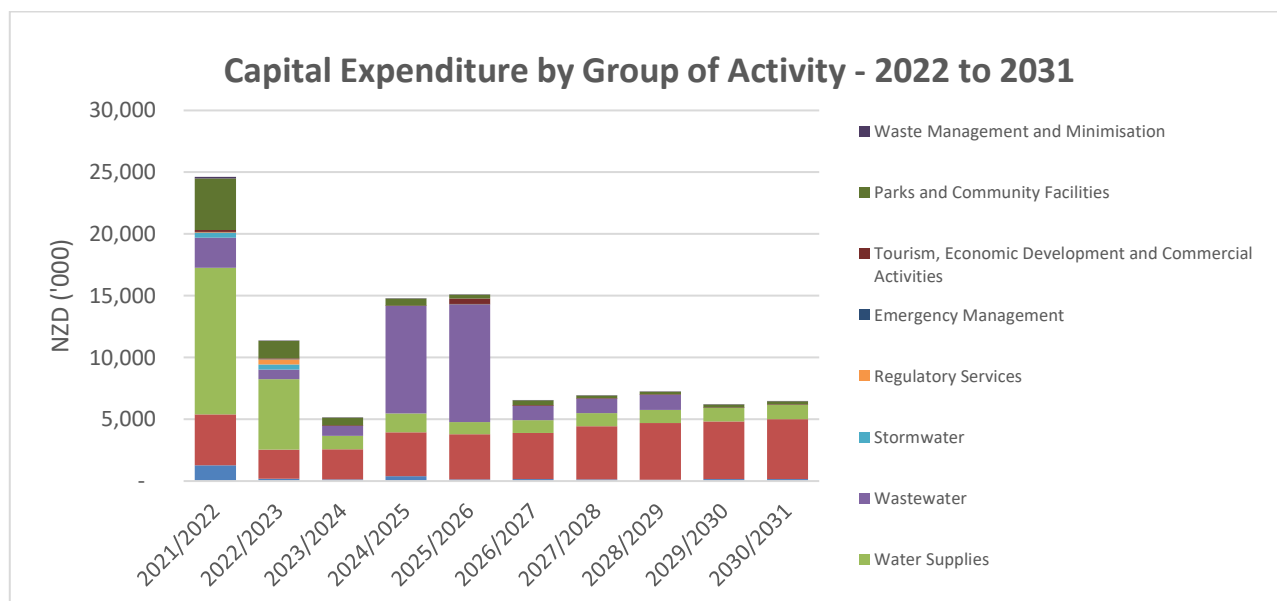
- to a lesser extent - population growth.

The following graph provides a breakdown of our forecasted operational expenditure.



5.4 Capital expenditure

Capital expenditure includes both renewal of existing assets and new assets that increase the levels of service or build resilience into the core Council assets. We project capital expenditure of \$104.4million between July 2021 and June 2031



5.5 Depreciation Funding

We're spreading the cost of replacing our assets.

Depreciation is the spread of the cost of an asset over its useful life. By funding depreciation, we are putting aside money to replace the asset at the end of its life. This means that future ratepayers won't be hit with expenditure to replace failing assets. For example, if a water treatment plant was installed at a cost of \$30 million, and is expected to last for 30 years, it would have a depreciation charge of \$1 million per year.

In an ideal world, the Council would rate to fund depreciation so that when the asset needs replacing, we are holding cash reserves (from years of rating for depreciation) equal to the cost of the replacement. Sometimes it is appropriate not to fully fund depreciation. This might include when we can assume that we will be able to get external funding assistance to assist with the replacement or where external borrowing is planned. Sometimes the decision to not fully fund depreciation has been made to keep our rates low.

To balance costs, we have decided it is prudent to continue with our current depreciation funding (to not fully fund the depreciation on all assets). We consider that, in most instances, where an asset needs to be replaced there will be sufficient funds available to do this or we will have the capacity to borrow if required. We have made some key changes to our approach in the funding of depreciation:

- **Transportation:** to fund the proposed roading programme outlined in the Infrastructure Strategy, we will need to increase our depreciation from 10% to 75% over the life of the plan.
- **Halls and Swimming Pools:** we were planning to increase our depreciation funding to 100% over the first five years of our Long-Term Plan 2021-2031. We have reassessed this and consider that remaining at 50% is appropriate as we will engage our community in funding initiatives and look for external support for the replacement of these assets. Despite this our rural halls (Albury, Sherwood and Skipton) will remain at 0% depreciation.

5.6 Borrowing

5.6.1 *Internal borrowing*

We'll continue to use internal borrowing.

Council uses a mix of rates, reserves (accumulated funds), subsidies and grants, financial contributions and central government contributions to fund our expenditure. In the first instance capital expenditure is funded from reserves. In the past - project overruns, unforeseen projects and unanticipated events (e.g. COVID response) have been funded from internal reserves resulting in some of these reserves having deficit balances. Deficit reserves represent internal loans.

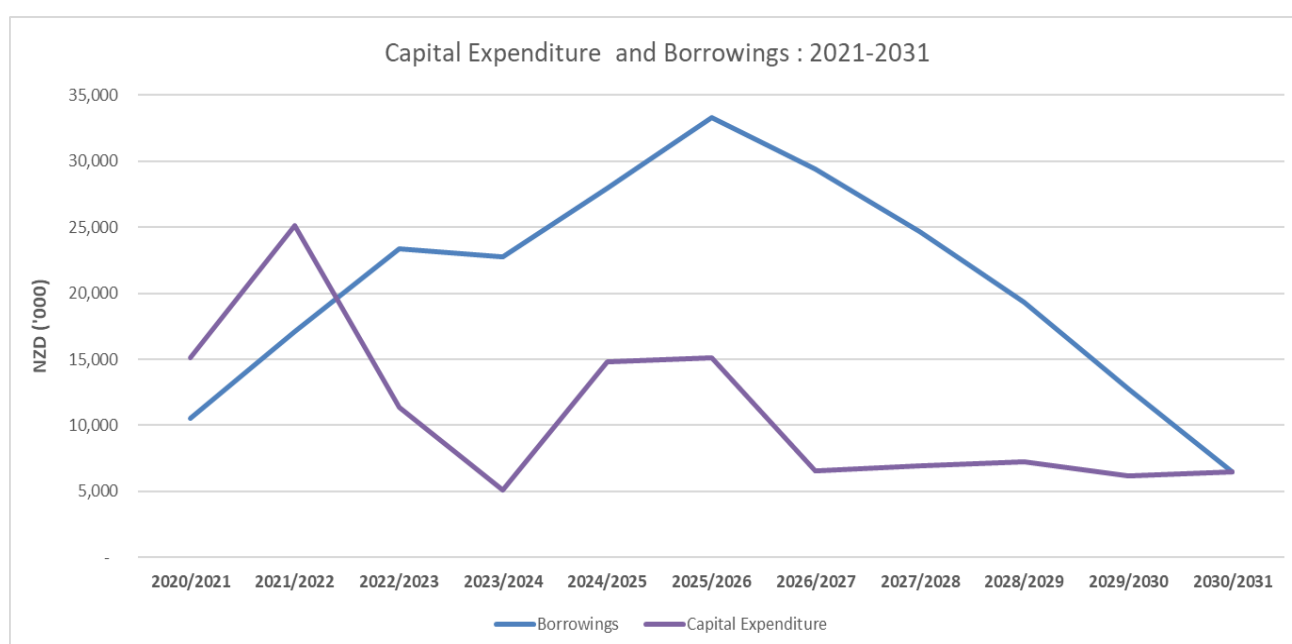
Council will continue to use internal borrowing to fund its Capital projects when it believes it is prudent to do so. This may be when the benefits of a project are intergenerational, or it is fair and equitable to do so. Council will also use internal loans to fund certain operational projects where there is a long-term benefit to the community such as the District Plan review.

5.6.2 External Borrowing

We're taking on external debt.

While Council has not previously had external debt, our ten-year capital expenditure programme requires external borrowing. If these works did not use external borrowing, the impacts on rates would be significantly higher. The appropriate use of external borrowing ensures appropriate levels of service are maintained for our infrastructure and facilities and in the long-term intergenerational equity is achieved.

All councils are required to set quantified limits borrowing over the 10 year period of the Long Term Plan.



When there is a shortfall of internal funds, Council will utilise external borrowings. In one area however, pending the outcome of the Central Government Reform, Council has made a conscious decision to borrow externally for the Three Waters capital expenditure.

The Long-Term Plan 2021-2031 will see more external borrowings utilised, increasing from \$17.08 million at the end of June 2022 to a peak of \$33.3 million in 25/26. Thereafter debt levels are projected to reduce to \$6.5 million by the end of 2031.

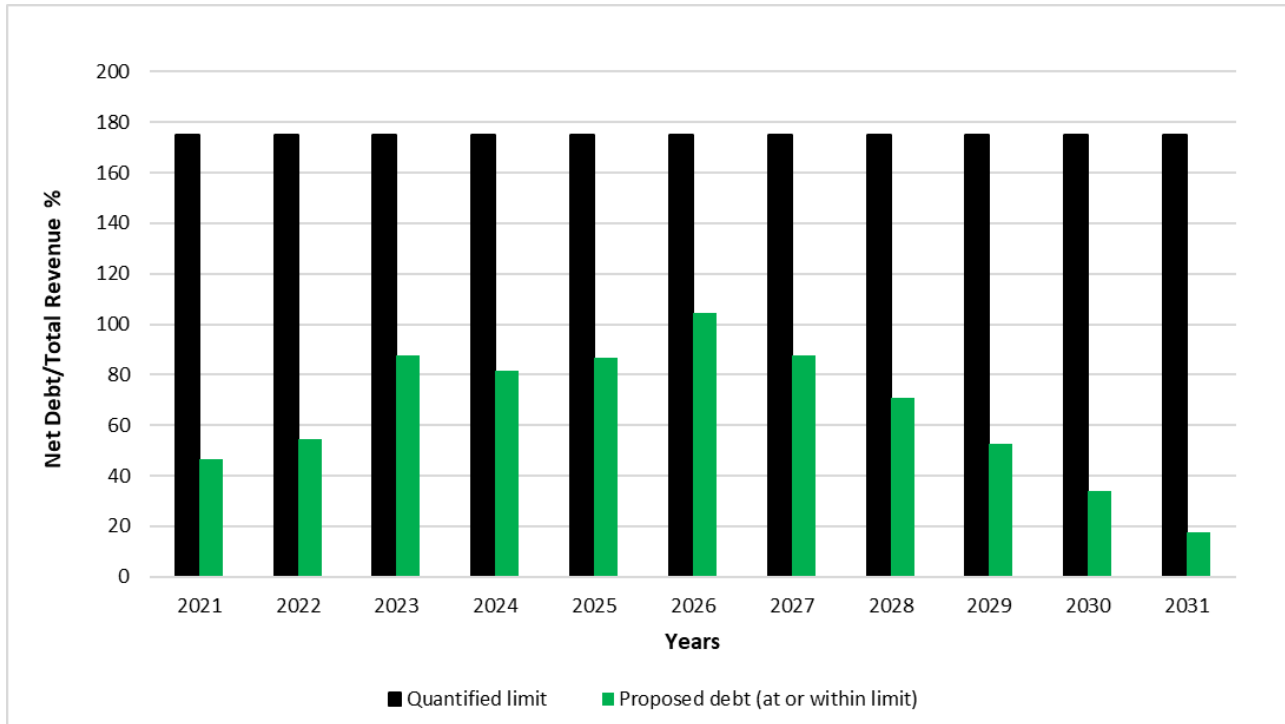
21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
\$17.08 m	\$23.38m	\$22.79m	\$27.96 m	\$33.3 m	\$29.4m	\$24.69 m	\$19.30 m	\$12.78m	\$6.5 m

In the first few years of the plan, the Council has taken on large amount of debt to fund major capital projects. As Council accumulates investment funds and reserves, these are utilised to pay down the debt. This means proposed debt decreases sharply from \$ 24.9m in 27/28 to \$7.1m in 2030/2031. This aggressive repayment of debt may be reviewed in subsequent years if unanticipated projects arise.

To ensure that our debt remains within affordable levels, we have set the following limits:

Debt Limit One: Net debt will not exceed 175% of our total revenue.

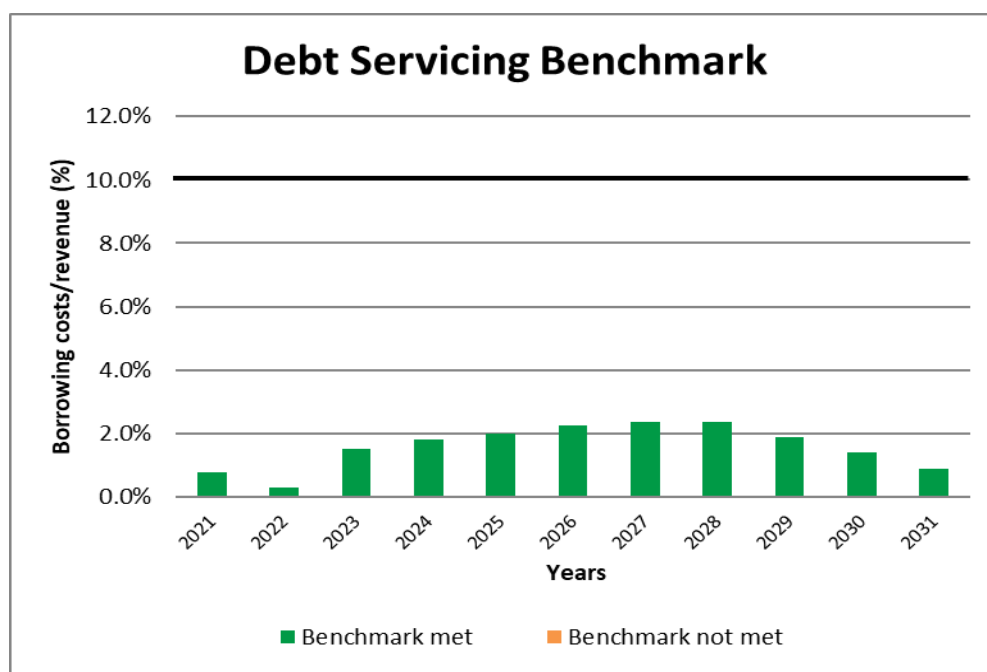
Council must not take on too much debt so has set a limit that the maximum debt on the balance sheet will not be greater than 175% of total revenue. Across the 10 years of this LTP debt is not expected to exceed 94% of total revenue. This provides Council with capacity to increase debt should this become necessary to cope with events like natural disasters.



Debt Limit Two:

Debt servicing will not exceed 10% of total revenue.

To ensure that Council can pay for the debt the cost of servicing this debt must not exceed 10% of total revenue. This ensures that we can continue to manage our debt repayments and interest now and into the future.



What does this graph show?

This graph shows that although we will be taking on more debt, we can continue to pay the associated costs (interest) within our 10% of revenue limit. This shows that our debt is sustainable.

Managing our debt

Council has the ability to offer as security a charge over rates. This allows us to offer strong security to secure lower interest rates. Full details are provided in our External Liability Management Policy available on our website.

Council will borrow from the Local Government Funding Agency (LGFA) and will be subject to the following relevant debt covenants required by the LGFA.

LGFA Financial Covenants

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280%
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

What if interest rates increase?

Like many of the uncertainties we have to deal with in this Long Term Plan, we have made assumptions about our borrowing rate on the basis of the Official Cash Rate (OCR) which will be adjusted annually. There is a risk that borrowing rates could rise before the required funds are drawn, meaning the costs of borrowing could be higher than we have forecast. Our Significant Forecasting Assumptions outlines our assumption on borrowing interest rates and other key assumptions we've made.

5.7 Investments

We're going to continue to invest.

Council has a range of investments which provide returns which offset rates. Our investments include cash on term deposit, equity (our 4.96% share of Alpine Energy Ltd), forestry (1,000 hectares of plantation), and a range of property investments.

5.7.1 Cash Investments

The Council funds cash investments for the following reasons:

- To support the balance of cash backed reserves
- To ensure strong lines of liquidity and access to cash remain available to the Council. Cash is supplemented by the use of committed banking facilities.
- As a reserve for an unforeseen event

Overall Term investments will remain stable at approximately \$ 9.9 m over the next ten years.

Cash is invested on short term deposits to manage cash-flows and maximise returns. The Council targets returns that exceed the 90-day bank bill rate

The following limit has been set to ensure that our investments continue to pay off for our community:

Investment Limit One: the returns on investments and equity securities will be between 1.5% and 2%.

During this Long-Term Plan, Council will review its investment portfolio and how we approach new opportunities to ensure that they are bringing the best outcomes for our community.

5.7.2 Equity Investments

Currently, we hold one equity investment being a 4.96% share in Alpine Energy Ltd. This asset is not readily tradeable on the open market. It is our objective is to retain ownership of this investment.

5.7.3 Forestry Investments

We hold approximately 1,000 hectares of plantation trees. Forestry assets are held as long-term investments and an appropriate technique is used to establish fair value. Income from forestry is used to offset rates. The Investment policy also determines what the proceeds from forestry may be applied towards.

5.7.4 Property Investments

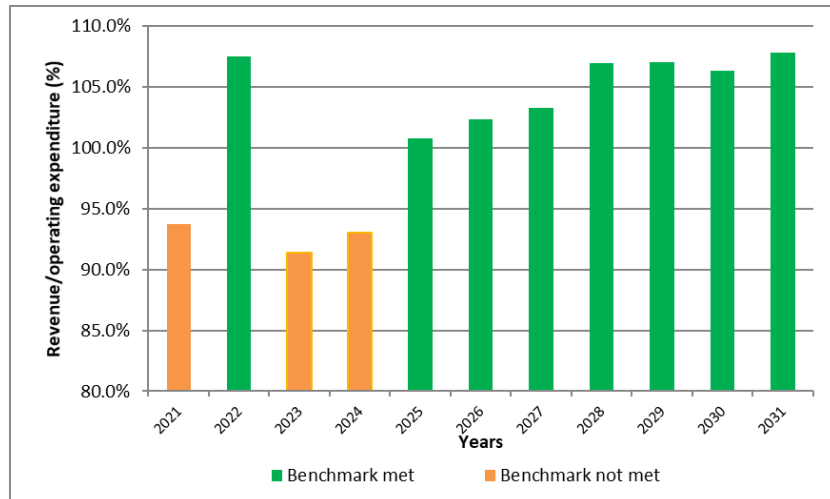
The overall objective is to own property that is necessary to achieve Council’s strategic plan objectives. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services. A similar process is applied for considering new property and land investments. More information can be found in the Te Manahuna Land Strategy on the Council website.

5.8 Balanced Budget

We’re working towards balancing our budget.

Although Council shows an operating surplus on our comprehensive revenue and expenditure statement, the prudence balanced budget prudence measure excludes revenue which is used to fund capital expenditure such as development and financial contributions and revenue which is non-cash such as vested assets and derivative gains. The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

For years two and three our revenue (when excluding the items above) is less than our operating expenses. We are increasing our levels of service and spending more money on renewing and upgrading assets and have instead utilized debt in the short term. We’ve done this to avoid increasing rates any further as this would be unaffordable for our community.



A local authority meets the balanced budget benchmark for a year if its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) for the year exceeds its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment) for the year.

In 2021/2022 the higher levels rating coupled with significantly higher capital funding grants for Three Water projects (\$4.3 m) have resulted in a balanced budget. Council has met the requirements of section 100 of the Local Government Act and although Council does not meet the balance budget prudence benchmark for 2022/2023 and 2023/2024, Council does return to a balanced budget for the remaining years of the Long Term Plan.

What does this graph show?

Simply put, we are running a balanced budget if we are bringing in at least the same amount of income, as the costs we will incur during a year. While this is important, we can run an unbalanced budget for a few years to keep rates down when we have high expenses in particular years, but it is important that we get back to balancing our budget by meeting all of our costs.

Our balanced budget graph shows that we will have an unbalanced budget in Years Two and Three returning to a balanced budget from Year Four. We think that we need to do this to pay for everything that we need to do without further increasing rates.

30 YEAR INFRASTRUCTURE STRATEGY : 2021-2050

The purpose of the 30-year Infrastructure Strategy (the Strategy) is to identify significant infrastructure challenges for Mackenzie District Council (the Council) over the next 30 years. The Strategy sets out what issues are currently and likely to impact on our core infrastructure assets, our response to those issues and the costs associated with maintaining, operating, renewing, and developing the range of assets Council is responsible for. This includes:

- Water Supply
- Wastewater Disposal
- Stormwater Disposal
- Roads and Footpaths, also referred to more holistically as Transportation.

The Council manages assets to provide services to residents and visitors, and to contribute to our community wellbeing. It is Council's responsibility to do this in a way in which meets our sustainability goals. This means making the best decisions across the four well-beings (cultural, economic, environmental and social) of the community for the long term. Rather than focussing on the infrastructure itself, the outcomes sought are key.

At a high level, Council's priorities align with the community wellbeings:

- A Treasured Environment
- Resilient successful Communities
- Strong and Innovative economy
- Embrace Heritage and Diversity

This moves the discussion from pipes and roads, to how the infrastructure will support the community and enable the future we seek together.

The following three issues are key focus areas for the Council which need to be addressed over the next 30 years.

RENEWAL: Renewal and replacement of aging infrastructure

Assets change and the assets wear out. This means replacement or upgrades are necessary.

A fit for purpose transportation network continues to serve an increasing number and variety of users. Replacements and upgrades across the network support transport in Mackenzie evolving for the future, with safety for all users as the priority. Providing better linkages so walking and cycling is encouraged will require both stronger spatial planning and network improvements.

Where there is a conflict between the user's expectations and the infrastructure itself, changes will be required. Examples of this include bridges that are inadequate for heavier vehicles, drainage that cannot cope with storms and cyclists having to share the Alps to Ocean route with forestry trucks.

Community satisfaction with service - along with future planning exercises - will be used to gauge what changes are required. Monitoring tools and resources will also be used to assess the condition and performance of our infrastructure.

LEVEL OF SERVICE: Responding to increasing standards and changing priorities

Government priorities and national legislation change with changing governments. This is to increase nationwide standards, improve the overall level of service and respond to increase customer expectation. These changes trigger Councils to either invest in improving the quality of core infrastructure or alternatively risk being non-compliant.

Recently there have been a number of legislative and governmental changes which impact on required level of service for Council owned infrastructure. This includes:

- Changes to the National Policy Statement for Freshwater

- Changes to NZs response to climate change (Zero Carbon vision for 2050)
- Increased focus on delivering sustainable outcomes
- Changes to Land Transport policies and legislation
- Increase in customer expectations regarding the level of service of infrastructure

GROWTH: Delivering sustainable infrastructure to a growing population

Prior to the COVID-19 Pandemic the growth within Mackenzie was largely driven by investor confidence in the tourist and holiday destination potential of the Mackenzie Basin. The recent lockdown has slowed this demand in the short term; however, it is expected that the population will continue to increase overtime, with tourist numbers reaching pre-covid numbers by 2023.

This growing population means a growing demand for core infrastructure. Moving forward, the provision of all community assets must be undertaken to ensure a sustainable future. Council's sustainable approach involves investing in appropriate infrastructure which achieves the existing community outcomes without compromising the ability of future generations to meet their own needs.

A growing population in the Mackenzie District impacts key infrastructure in the following ways:

- An increase in vehicles means an increase in potential contaminants such as vehicle emissions, tyres, brake pads, fuels, and lubricants. This impacts on stormwater discharge quality
- An increasing population increases the effluent flows
- An increasing population increases the demand for potable water
- An increase in vehicles means an increase to the demand for parking and safe road crossings in the main townships. Increasing number of vehicles also causes greater wear and tear on local roads and potentially have congestion effects, particularly in town centres.

Core water and transport infrastructure must be planned in order to cater for this demand, particularly during peak tourism periods.

External Factors Influencing Key Infrastructure Decisions

There are a number of moving parts which influence and effect how and when Council respond to the above infrastructure issues. Table 1 below summarises these factors.

Table 1 Externalities

Externality	Impact
Population Growth	As indicated above, a growing population increases the demand for core infrastructure and the ability to maintain a sustainable infrastructure
Climate Change	Increasing temperatures, increasing extreme weather events and rain will put greater pressure on infrastructure and a need to build in greater resilience within any new infrastructure.
Technology	Changing technologies can potentially provide a catalyst for upgraded or new infrastructure. Increasing regulatory standards has meant local governments need to consider innovative technologies and new building processes.

Externality	Impact
Legislative influences	Central Government's commitment to meet a zero carbon economy by 2050 will require significant changes to the existing infrastructure in Mackenzie District over the next 30 years and also in the way in which new infrastructure is built. The governance of Three Waters infrastructure is currently being reassessed. The increasing regulatory focus on improved environmental and health outcomes means there is a need for local governments to upgrade much of its Three Waters infrastructure.
COVID-19	The closure of international borders as a result of COVID-19 has led to a drop in international visitors, which in 2018/19 made up approximately 65% of total visitor spend in the Mackenzie Region ¹ . This fall in tourism has reduced the demand for short term accommodation. It is expected that visitor numbers will increase back to pre-covid numbers by 2023.

Key strategic infrastructure projects over the next 30 years

The Strategy maps out key capital, renewal and replacement activities which will need to be undertaken over the next 10, 20 and 30 years for each of the core infrastructure categories. Key projects (i.e. projects which exceed \$100,000 over the 10 year period) are outlined in the table below:

¹ Source: [Mackenzie Region \(mbie.govt.nz\)](https://mbie.govt.nz)

Table 2 Infrastructure Strategy – Summary of Works

Year		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2035/36	2040/41	2045/46	2050/51		
LTP year		1	2	3	4	5	6	7	8	9	10	15	20	25	30		
Water		New Service Connections										Renewal of water take consents (Tekapo, Burkes Pass, Rural WS)	Renewal of water consent for Fairlie	Renewal of water take consent for Twizel			
		Reticulation -renewals															
		New Treatment - Fairlie															
		Water Supply Renewals															
		Water Metering Trial - Twizel Install															
		Potable Water Supply Remote Properties – installation															
Wastewater		New Sewer Reticulation													Replacement of assets such as switchboards, pump stations, SCADA and CCTV	Renewal of discharge consents to land for Fairlie, Tekapo and Burkes Pass	
		Pump Station Renewal															
		Tekapo Treatment Plant															
		WWTP monitoring equip - design & install															
		Rising Main Mackenzie Park to Twizel WWTP – Design/Construct															
		Stimulus Package – Programme Delivery															
Stormwater		Reticulation renewals										Council may need to take on additional risk of vested stormwater assts from Tekapo development	Renewal of Stormwater discharge consent for Lochinvar and Sealy Street & Twizel River	Renewal of Damian discharge consent and SH8, Simpson Lane & Lakeside Dr			
			Reticulation renewals														
Transportation		Unsealed Road Metalling										Continuation of sealed and unsealed renewals.					
		Sealed Road Resurfacing															
		Drainage Renewal															
		Sealed Road Pavement Rehabilitation															
		Structures Component replacements bridges															
			Structures Component replacements cattle stops		Structures Component replacements cattle stops		Structures Component replacements cattle stops										
		Bridge & Structures Renewals															
		Traffic Service Renewals															
		Cycle Path Renewal															
		Footpath Renewal															
	Streetlight LED Upgrade																
Low Cost Low Risk											Bridges and structures - replacement / renewal / divest of bridges						
									Geometric improvements	Step-up Low Cost Low Risk programme - As tourism increases, project prioritisation may shift							

Year		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2035/36	2040/41	2045/46	2050/51					
LTP year		1	2	3	4	5	6	7	8	9	10	15	20	25	30					
											Intersection improvements									
									Kerb and channel											
					Seal extensions															
					Seal widening		Seal widening		Seal widening											
		Sight benching																		
					Traction seals		Traction seals				Traction seals									
						Traffic management systems														
						Travel Demand Management														
				Intersection improvements																
		Other, as agreed with NZTA																		
		Speed Management																		
					Car Parking Renewal															
					Walking & Cycling Projects															

INTRODUCTION

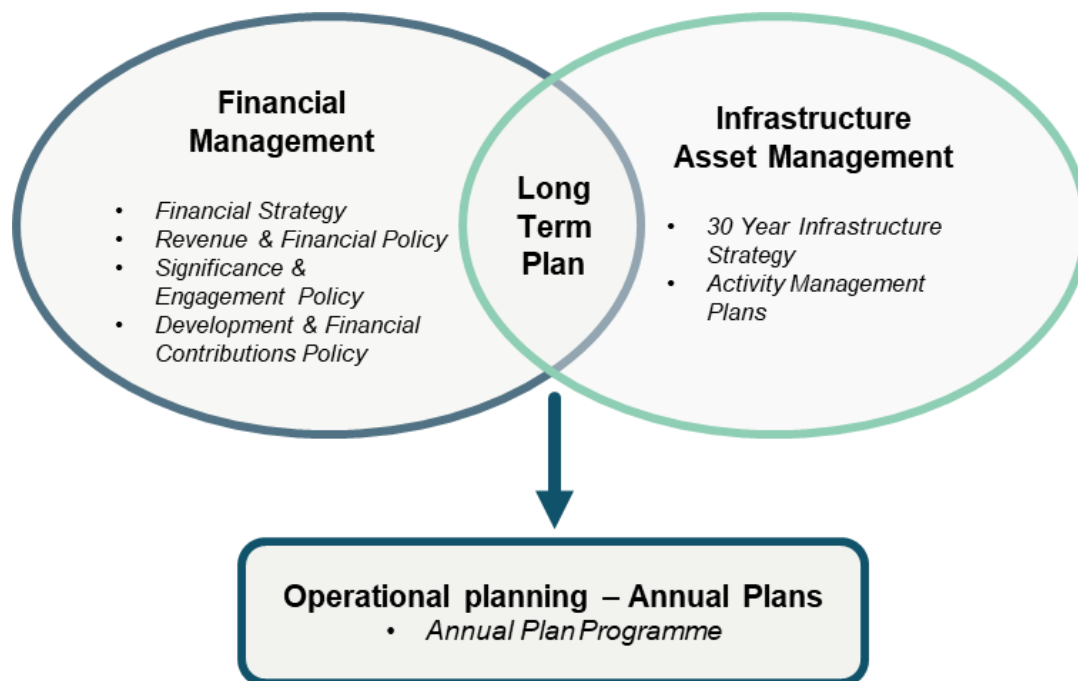
Strategic Purpose & Outcomes

The purpose of this Strategy is to identify significant infrastructure issues for our district and the options for managing those issues. The strategy covers the areas of:

- Stormwater Disposal
- Wastewater Disposal
- Water Supply
- Transportation

This information forms the backbone of the Activity Management Plans (AMPs) for these activities that then flow into the 2021/22 – 2030/31 LTP (See Figure 5Error! Reference source not found.).

Figure 5 Strategic Alignment



The Council manages assets to provide services to residents and visitors, and to contribute to our community wellbeing. It is Council's responsibility to do this in a way in which meets our sustainability goals. This means making the best decisions across the four well-beings of the community for the long term. Rather than focussing on the infrastructure itself, the outcomes sought are key. The Council's overriding goal is:

"The outcome desired by the community is to have safe, effective and sustainable water, communication, energy and transport systems in place when required, through sound long term planning and funding".

More specifically, Council's four main priorities align with the four community wellbeings:

- A Treasured Environment (Environment)
- Resilient successful Communities (Community)
- Strong and Innovative economy (Economy)
- Embrace Heritage and Diversity (Culture)

These are further outlined in the figure below.

Figure 6 Our Strategic Vision



Mackenzie District Core Infrastructure Assets

Waters and Transportation

The core Mackenzie District Infrastructure Assets included in this strategy are tabled below:

Table 3 Mackenzie District Core Infrastructure Assets

Asset	Description	Replacement Value (30 June 2020)	% of Total
WATER	Water extraction, treatment, and distribution	\$46.0M	18%
WASTEWATER	Wastewater collection, treatment, and discharge	\$34.9M	13%
STORMWATER	Stormwater collection and discharge	\$9.8M	4%
TRANSPORTATION	Roads (arterial, collectors, local; curbs and gutters), bridges, footpaths	\$170.6M	65%
TOTAL		\$261.3 M	100%

Other Activities

Council has opted to continue with the Infrastructure Strategy discussing Three Waters and Transportation activities.

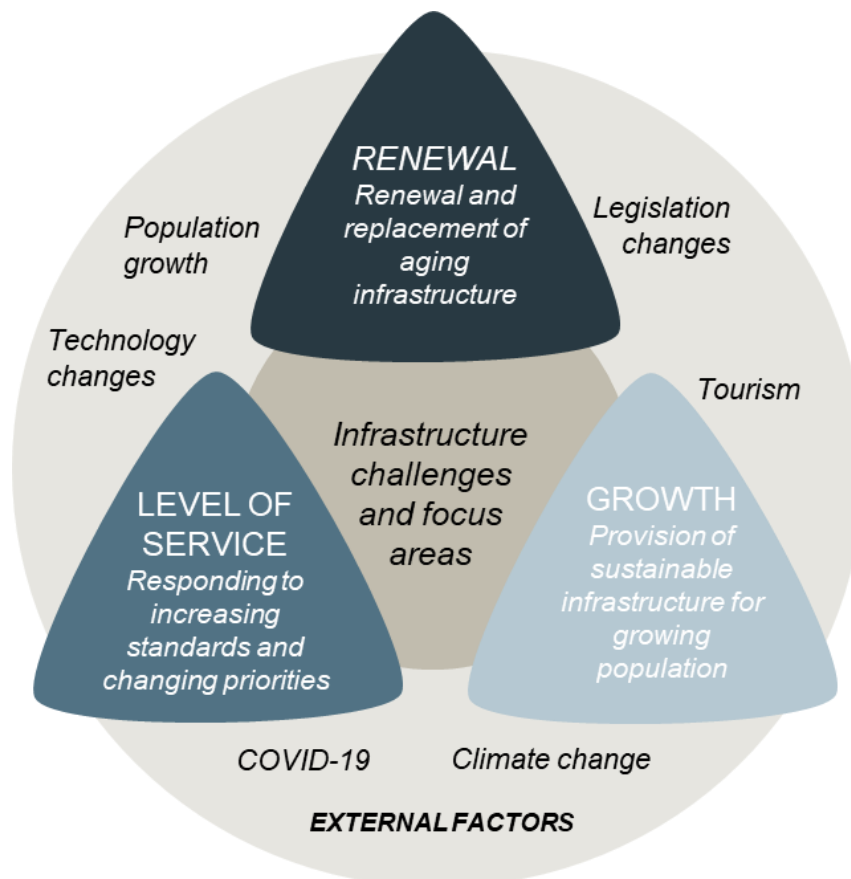
Mackenzie District also recognises waste management and township/community facilities (township amenity areas and recreational facilities, including the district's pools, parks, reserves, libraries, community centres and halls; as well as pensioner housing, cemeteries, medical centres, public and toilets) as important activities. Council has committed to improving the data and management strategies associated with these activities over the next three years.

KEY STRATEGIES ISSUES & ACTIONS

The purpose of the Infrastructure Strategy is to identify the infrastructure issues that Council will need to address and set out a 30-year strategy to address those issues in order to best meet the communities needs.

Figure 7 **Error! Reference source not found.** below outlines the key issues along with external factors which influence the development of core infrastructure.

Figure 7 Mackenzie District Infrastructure challenges and focus areas.



Currently there are three main issues which are driving the need for infrastructure improvements across the Mackenzie District: the need to replace and renew aging infrastructure, the need to improve the level of service of existing infrastructure and the need to meet the needs of a growing population.

Renewal

Renewal and replacement of aging infrastructure

As with all councils across the country, Mackenzie's infrastructure is aging and the district is approaching an important period to ensure that its infrastructure assets continue to meet the needs of the community in the future. We need to consider if we are going to apply a 'just in time' philosophy to asset renewals or apply pro-active renewal programmes.

Management of ageing infrastructure is closely aligned with the discussion of system resilience above. The key aspect is the recognition of failure mechanisms for our assets, and initiation of a suitable response to minimise cost and disruption to the community. Underground pipe networks represent the greatest risk to the community because of their extent and inaccessibility. Affordability is a key challenge for council in this space and careful planning is needed.

The three key aspects for effectively managing ageing infrastructure are:

- to ensure the organisation has sufficient knowledge of asset status
- that funding is available
- that remedial work (maintenance and renewals) is actioned in a timely manner

The asset management process also needs to identify where investment in upgrading assets will provide the most appropriate service delivery levels in the longer term.

Some data is collected for the transport assets, but it is acknowledged that council can do better. Funds have been put forward for a data analyst to support decision making in this space. Council is investing funds into better understanding its piping network and has embarked on a large AC pipe renewal programme. The 2024/34 LTP will be based on updated data analysis should council still own the asset.

Changing Level of Service

Responding to increasing standards and changing priorities

Government priorities and national legislation change with changing governments. This is to increase nationwide standards, improve the overall level of service and respond to increase customer expectation. These changes trigger Councils to either invest in improving the quality of core infrastructure or alternatively risk being non-compliant.

Recently there have been a number of legislative and governmental changes and general increases in customer expectations which impact on required level of service for Council owned infrastructure. This includes:

- Changes to the National Policy Statement for Freshwater
- Changes to NZs response to climate change (Zero Carbon vision for 2050)
- Increased focus on delivering sustainable outcomes
- Changes to Land Transport policies and legislation
- Increased in customer expectations regarding the level of service of infrastructure

National Policy Statement for Freshwater Management

The National Policy Statement for Freshwater Management provides direction on how local authorities should carry out their responsibilities under the Resource Management Act 1991 for managing fresh water.

This policy was replaced on 3 September 2020 and requires regional councils to improve water quality and meet targets, giving effect to Te Mana o Te Wai. Te Mana o te Wai refers to the vital importance of water. Any resource consent application must demonstrate how it will ensure that freshwater is managed in a way that prioritises (in this order):

- the health and well-being of water
- the health needs of people
- the ability of people and communities to provide for their social, economic and cultural well-being.

There are now new requirements for regional councils to follow when managing the level of nutrients – such as nitrogen and phosphorus – which can get into waterways. This requires the consideration of cumulative effects.

The National Policy Statement on Fresh Water, which has influenced the Canterbury Land and Water Regional Plan, will require increased standards for all stormwater and wastewater discharges over the life of this Infrastructure Strategy. Both these changes impact on how councils manage its core infrastructure.

Sustainable practices within Three Waters management

There are increasing signals from Central Government that the focus on more holistic approach to Three Waters management including improved management of water resources. Regional Councils are increasing water take/discharge consent conditions to encompass sustainable use of water. Increasing conditions will lead to a need for investment in additional infrastructure.

The Havelock North Water incident provided the catalyst for the Three Waters Review which resulted in the establishment of a Water Regulator and a Water Services Act. Regulatory coverage will extend to all water suppliers,

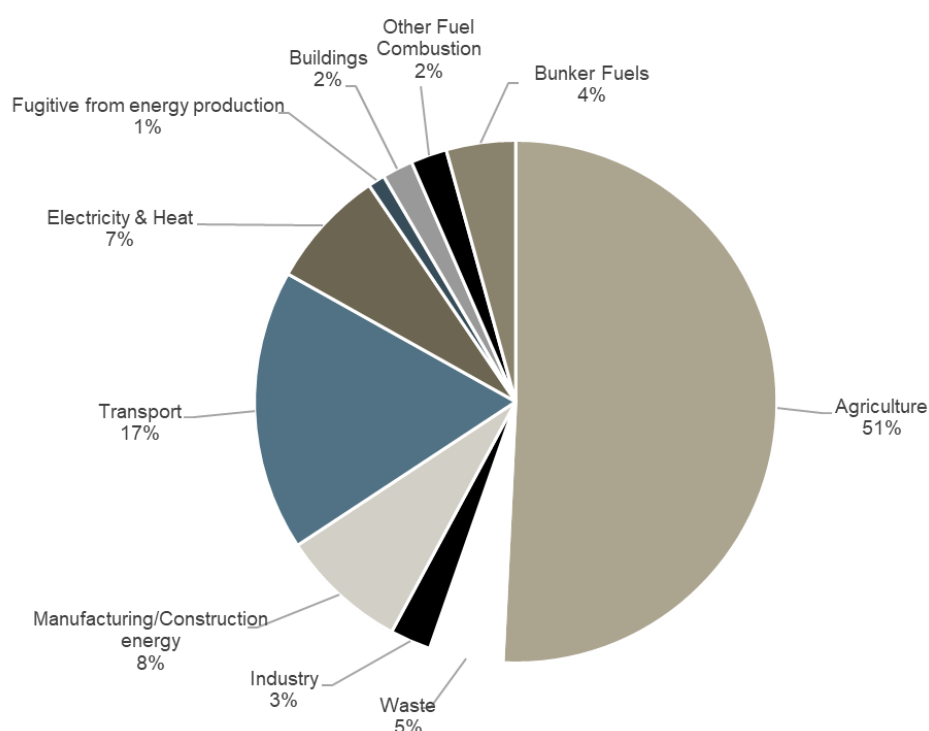
except individual household self-suppliers. It will also include a multi-barrier approach to drinking water safety, including mandatory disinfection of water supplies, stronger obligations on water suppliers and local authorities to manage risks to sources of drinking water; and strengthened compliance, monitoring and enforcement of drinking water regulation. Furthermore, Central Government have also signalled through its 'Action for Healthy Waterways' discussion document improved stewardship of wastewater and stormwater services, with Risk Management Plans for wastewater and stormwater networks a likely outcome. This has renewed the focus on the very high standard of care and diligence required to supply drinking water and collect, treat and discharge wastewater and stormwater. A significantly more holistic approach to Three Waters management is dawning.

Zero Carbon Initiative

Since the implementation of the Paris Agreement in 2016, NZ has been working towards its own Climate Change policy changes. In 2019, NZ's Climate Change Response (Zero Carbon) Amendment came into effect. This amendment showed NZ's commitment to a Zero Carbon economy by 2050. More specifically this means by 2050 the "net accounting emissions of greenhouse gases (GHG) in a calendar year, other than biogenic methane, are zero."

This places greater pressure on local councils to plan, renew and develop infrastructure, which is carbon neutral, or is futureproofed so that it can become carbon neutral in the future. Whilst the majority of NZ's carbon emissions is produced by the agricultural sector, buildings, manufacturing and construction, waste, Industry, transport and electricity and heat use are cumulatively responsible for about 40 percent of New Zealand's total carbon emissions (see **Error! Reference source not found.** below)².

Figure 8 Carbon emissions contribution by industry for NZ (2016)



The reduction in carbon emissions within some of these industries can be directly influenced by Council's infrastructure management response. For example, the wastewater treatment processes use biological and physio-chemical processes for the removal of contaminants which produce the three primary GHGs (carbon dioxide, methane and nitrous oxide) during the treatment operation and energy generation processes. There are newer technologies which are capable of reducing this production of GHGs and even achieving carbon neutral wastewater treatment processes, however the council currently does not have the necessary scale (or flows) to justify this change in technology, at least within the

² [Greenhouse gas emissions by sector, World, 2016 \(ourworldindata.org\)](https://ourworldindata.org/greenhouse-gas-emissions-by-sector-world-2016)

short to medium term. Growth and additional changes to Three Waters management and governance may make this more achievable in the long term.

Transport is currently the second biggest contributor to carbon emissions in the country. It is important that Council recognises this and seeks to reduce reliance on vehicles, particularly for shorter trips. The Mackenzie District has a very large land area, with one of the largest areas per capita, meaning there is generally a high reliance on private vehicles. However, well maintained footpaths, lighting, pedestrian crossings and bike paths within the town centres, can encourage more people to walk and cycle. This will become particularly important during peak tourism periods.

Transport related policy and legislative changes

Land Transport Management Amendment Act

The introduction of the Land Transport Management Amendment Act (LTMA) saw the establishment of the Waka Kotahi (NZTA) with greater flexibility in determining funding alternatives to Transportation and methods of improving the efficiency of the Transport Sector in New Zealand.

The Act has changed Waka Kotahi's (NZTA's) objective from allocating resources to achieve a "safe and efficient Transportation system" to allocating resources "in a way that contributes to an integrated, safe, responsive and sustainable land transport system."

Specific targets have been set for the whole transport sector which are detailed in two key documents that are part of a raft of changes contained in the LTMA and are to be the driving force behind achieving an affordable, integrated, safe, responsive and sustainable transport system throughout New Zealand. The two documents are:

- New Zealand Transport Strategy 2013 (NZTS)
- Government Policy Statement on Land Transport Funding (GPS 2020)

Under the Act, all land transport programmes (including those prepared by local authorities) must take into account all the NZTS objectives and the purpose of the Act, which includes ensuring funding is allocated in an efficient and effective manner.

GPS for Land Transport 2021

The previous Government's GPS on land transport (2018) prioritised economic growth and productivity, and focused on putting the right infrastructure in place to support high growth urban areas and the regions, improving freight movement, and ensuring that the road network is resilient.

The current GPS shifts the focus of the Government's investment, and prioritises access to transport and safety, supplemented by a focus on the environment and value for money.

Safety is particularly relevant given the Easter road toll was the highest in eight years. The Government's safety priority focuses on creating a safe system, free of deaths and serious injury. This is now part of the "Road to Zero" vision which has been adopted by Waka Kotahi.

This shift in priorities will redirect Council's focus away from delivering economic growth to delivering safer and more sustainable and resilient transport networks.

Customer expectations regarding the level of service of infrastructure

In recent years there has been an increasing awareness on the part of customers with respect to wastewater, water, stormwater and transportation issues. It is anticipated that the following issues will become an increasing priority for Council in determining design and operational standards:

- Water:
- Increased level of awareness of water quality
- Increasing demand for better pressure and flow
- Wastewater:
- Extended areas being desiring to be connected to reticulated wastewater systems

- Improved response times
- Stormwater:
 - Increased level of protection from rainfall events
 - Improved response times
- Transportation:
 - Improved safety district wide
 - Reduction in the number of loss of control crashes.
 - Slower speed limits in busy areas or where vulnerable users are present.
 - Improved accessibility and amenity on rural roads with future request for seal extensions and traction seals. Less tolerance for dust nuisance.
 - Urban areas little to no acceptance for any unsealed carriageway. Further request for seal extension and seal widening.
 - Demarcation / protection between
 - Increased carriageway and shoulder widths.
 - Improved surface condition of unsealed roads.
 - Improvements in modal shift, active modes, amenity, connectivity and accessibility in urban areas.
 - Further shared space areas.
 - Appropriate facilities and parking provision.
 - Improvements in surfacing selection for amenity.
 - Improvements in urban form.
 - Upgraded Intersection controls, delineation, warning signage traffic calming.
 - Bridge end protection.
 - Destination signage, information and wayfinding for tourists/ visitors to the district.

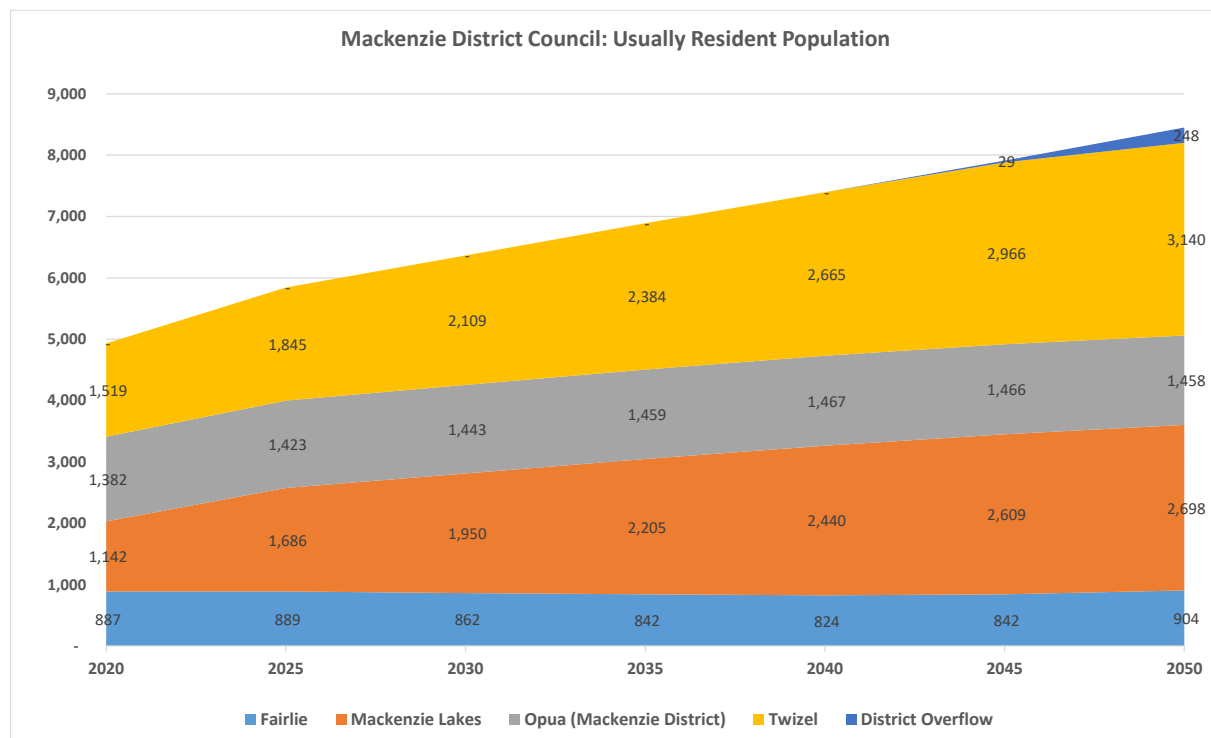
Growth

Provision of sustainable infrastructure for a growing population

Infrastructure is critically important to ensuring the plan for each town is both sustainable and achievable. An increasing population puts greater pressure on the existing core infrastructure and can compromise the Council's ability to maintain sustainable outcomes. An in depth understanding of the existing infrastructure and its technical ability to support growth is therefore required, as is an appraisal of its current limitations.

MDC's population is predicted to continue to grow in all areas, at differing rates. Fairlie's population is predicted to decline through to 2045. This is due to the age profile of the district and low migration. However, after 2045 a slight increase in population is predicted this is due to Tekapo reaching capacity and 'spilling-over' into Fairlie.

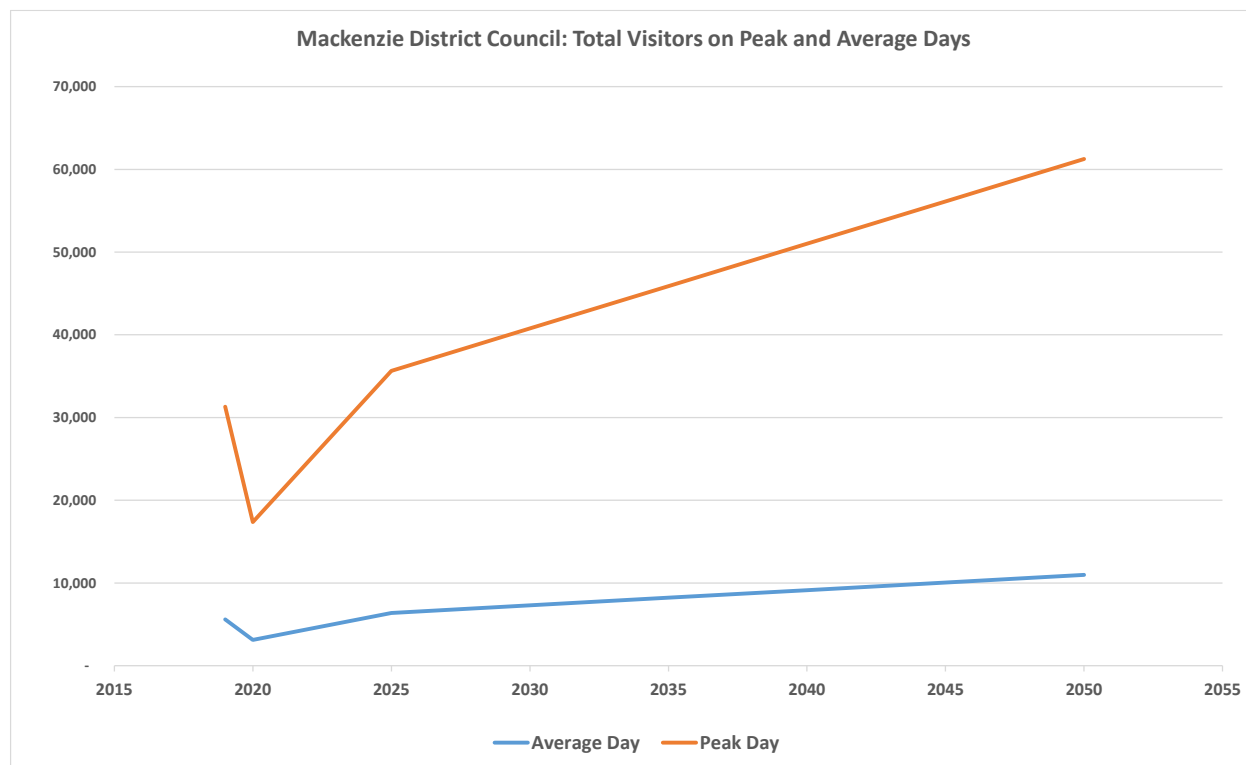
Figure 9 MDC Usually Resident Population



Due to COVID-19 and the closure of New Zealand's borders, the number of international tourists visiting Mackenzie has significantly reduced in the projections from 2020 to 2025.

Based on current assumptions around the reopening of New Zealand's borders and the speed at which tourists are likely to return to New Zealand, the industry is expected to recover by around 2025, as shown in Figure 10.

Figure 10 Mackenzie District – Peak and Average Day Visitors



It is evident that the effects of COVID-19 will have an impact on tourism in the Mackenzie District. This will slow down other areas such as population growth and dwellings.

The projected deceleration in demand over the next few years provides Council an opportunity to reassess existing systems capacity and performance and focus on master planning for service provision.

However, Council is also mindful that COVID-19 also invigorated the domestic tourism market as data indicates that there were almost as many domestic visitors to the Mackenzie area at midday on the Saturday of Queens Birthday as there were on the Saturday of Waitangi weekend pre-COVID-19 lockdown.

The influx of domestic holiday-makers into the district, particularly the Mackenzie Basin impacts key infrastructure in the following ways:

- An increase in vehicles means an increase in potential contaminants such as vehicle emissions, tyres, brake pads, fuels, and lubricants. This impacts on stormwater discharge quality
- An increasing population increases the effluent flows
- An increasing population increases the demand for potable water
- An increase in vehicles means an increase to the demand for parking and safe road crossings in the main townships. An increase in the number of vehicles also increases the wear and tear on local roads and potentially have congestion effects, particularly in town centres.

Additional and unusual demands on the infrastructure networks requires special attention when developing a plan for Council's infrastructure. Table 4 below summarises the impacts of tourism specific growth on the region's infrastructure.

Table 4 Key Tourism Attractions and Associated Impacts for Council on Infrastructure

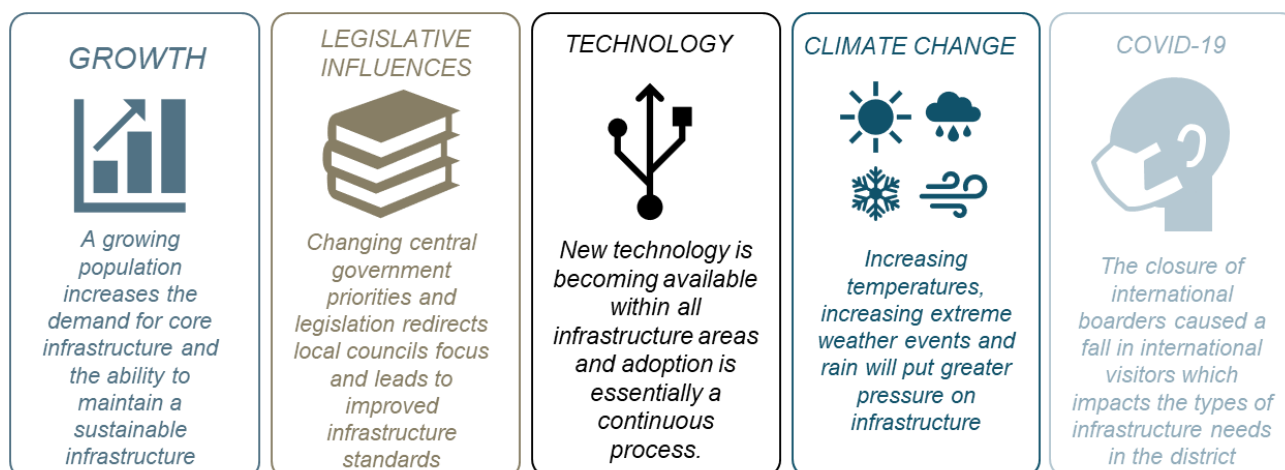
Fairlie township	Day visitors – parking and safe road crossing
Takapō/Tekapo	Day visitors – parking and safe road crossing
Mt John	Along with the International Dark Sky Reserve – tourists are putting increasing pressure on Godley Peaks Road as people travel to the top of Mt John.
Lake Alexandrina	As with Mt John this is also a popular area for visitors. This road is narrow and unsealed, the challenge is ensuring tourists remain on the correct side of the road, along with the associated wear of the sealed and unsealed pavements.
Haldon Camp	This is on the shore of Lake Benmore and puts high summer traffic numbers on Haldon Road.
Ski Fields	During opening season, traffic on the feeder roads can increase by 1200%.
Alps2Ocean Cycle Trail	This relatively new attraction is starting to put increased demands on Mt Cook Station Road and Hayman Road. It also creates conflict with other road users such as the logging operations. Plans are underway to progressively move this trail off the road carriageway, improving safety and road user experiences for all drivers and cyclists.
Fairlie township	Increase in short term visitors in larger communities, temporarily increases wastewater flows and demand on water supply. An increase in vehicles means an increase in potential contaminants such as vehicle emissions, tyres, brake pads, fuels, and lubricants. This impacts on stormwater discharge quality
Takapō/Tekapo	
Twizel	
Takapō/Tekapo	In Lake Tekapo the disposal system needs to be upgraded. During winter periods ponding issues are experienced. Due to the increase in development and tourists the effluent discharge volumes increase accordingly. This places further strain on existing effluent disposal systems. Investigations indicate that a larger effluent disposal system is required.

The district is changing and there are several workstreams in progress to better understand and plan for this. These includes spatial planning, the District Plans and Te Manahuna Ki Uta 'Destination Mackenzie'. Demand for permanent

and holiday housing remains strong, and the forthcoming District Plan will create a platform for changes to the development and subdivision within our landscapes.

EXTERNAL FACTORS

There are many external factors that will impact how the Council delivers infrastructure in the future. Although these factors are generally beyond the control of the Council, it is important that we continue to monitor and respond to them to ensure that our infrastructure plans take advantage of new opportunities and remains fit for purpose.



Growth

The Mackenzie District has experienced significant growth over the past ten years and this is projected to continue in the immediate future. It is significant that building activity and the associated demand for Council infrastructure has increased beyond the level that population growth would indicate. Prior to the COVID-19 Pandemic this dynamic appears to be driven by investor confidence in the tourist and holiday destination potential of the Mackenzie Basin.

Infrastructure demand has been considered using general demand criteria:

- population growth
- dwelling growth
- land development ability

The District Plan Review and Spatial Planning programme will guide the nature of future development. These processes are underway and are not sufficiently advanced to inform this Infrastructure Strategy. This alignment will be progressed, once the planning process is sufficiently advanced to guide strategic responses.

The COVID-19 pandemic has caused a much higher level of uncertainty with projections than would have otherwise been the case³. The summarised residential growth pattern is shown in

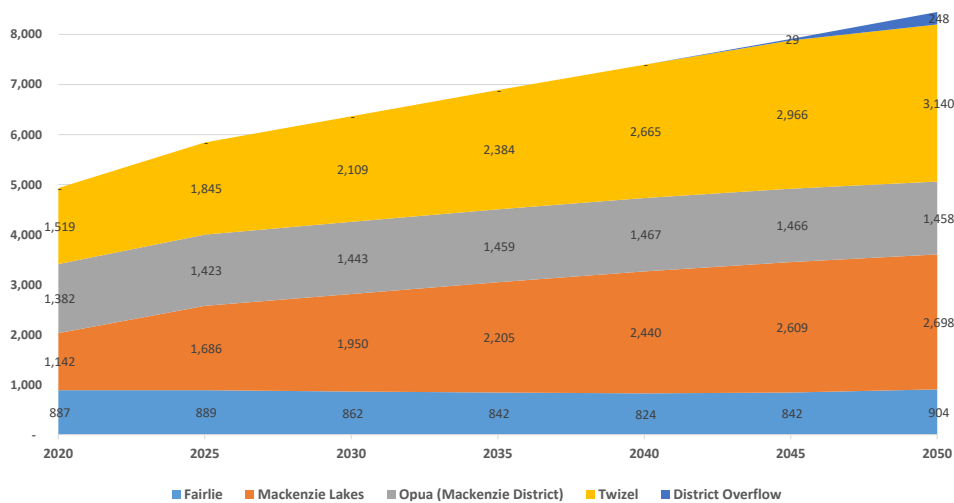


Figure 2 above.

Council also anticipates a growth in household numbers that is consistent with the population growth trajectory. There is a need to consider unoccupied housing stock as this can be a major driver in many areas.

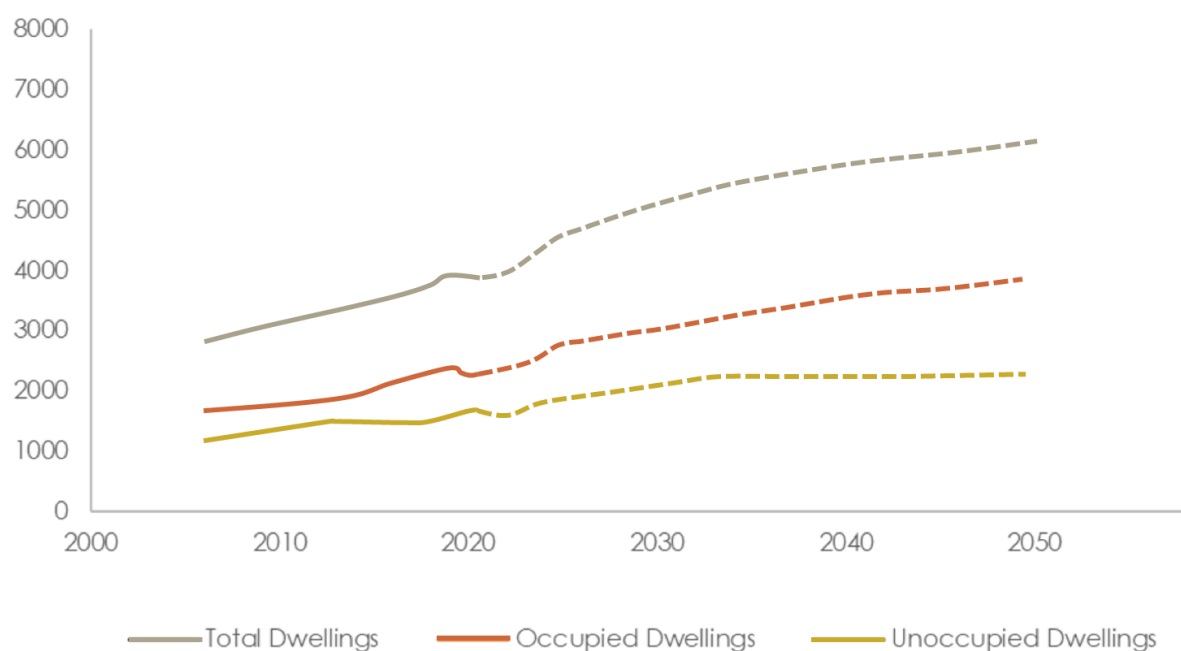
The Mackenzie District is unique in that the district has a significantly high proportion of non-resident ratepayers. This is most noticeable in the townships of Takapō/Tekapo and Twizel. This factor must be considered when viewing trends for building consents within the district, noting that not all dwellings will be used as permanent residences. A consequence of this is a marked change in population of townships (most notably Twizel) during peak times. Fluctuations in population levels throughout the year can pose challenges for activities such as traffic and water management. There is also a growing number of private dwellings being made available as short-term accommodation rentals.

Currently there is adequate water supply and wastewater services to meet peak demand, but this does involve water restrictions. A more sustainable approach to water use is proposed (water meters) to bring overall water consumption down.

Current and projected increases in dwelling numbers are significantly higher than corresponding population changes. The following shows the usually resident proportion of households to unoccupied dwellings.

³ Detailed information can be accessed through Spatial Planning and District Plan Review documents and supporting reports.

Figure 11 Mackenzie District Occupied and Unoccupied Dwellings



As noted above visitor numbers are a significant factor in infrastructure planning in the Mackenzie District. There are significant differences between the resident population and visitor population numbers. The growth in dwelling numbers outlined above is ultimately sustained by the visitor demand.

Visitor projections are difficult to determine due to the impact of COVID-19. While domestic tourism has remained strong. Council is working with Tourism sector groups and Queenstown Lakes District Council to develop future scenarios. Currently a return to pre-COVID activity is expected in 2025 as shown below. Overall the impact of COVID-19 must be considered from a wider perspective. The slow down impacts the ability to adjust visitor planning to cater better for when visitors return.

Land use changes and trends

There is a significant amount of interest in the environmental values of the Mackenzie Basin. This has generated a high degree of complexity in relation to environmental planning within the district. A number of the Environment Court decisions associated with Council's Plan Change 13 (PC13) have introduced constraints that may limit the conversion of rural land for residential or other development. These matters are being addressed through the District Plan Review, with a greater level of environmental protection being a clear and measured community priority.

Increasing commercial activity is expected in District townships, in particular Tekapo/Takapō, where town centre redevelopment will be occurring over the next 20 years.

It is expected that modest allocations for industrial and commercial activities can be catered for with the current provision of infrastructure. Residential development for permanent residents and holidaymakers will continue to be the main component of growth.

A number of major land change matters are detailed below:

- **Tenure Review** - Tenure review is a voluntary process that gives pastoral lessees an opportunity to buy some of their leasehold land. The rest of the land returns to Crown ownership, usually for conservation purposes. There are several high-country stations that have undergone tenure review. Historically this has involved part of the station passing into the public estate and being opened for access.

Potential Impact: As an example, there is a higher expectation from the Department of Conservation (DoC) and other road users that better access be made available with no extra funding from either NZTA or DoC. Staff are working with DoC to try to minimise this effect, so significant allowance has been made for this.

- **Primary Production Intensification** - Council anticipates an increase in primary production as the result of on-farm intensification and irrigation consents being implemented. There is the possibility of further dairy conversions in the Fairlie Basin. There is also a 30-year forestry cutting plan for Mt Cook Station that (if continued by the new owners) will see extensive traffic over fragile unsealed roads every year during that period.

Potential Impact: An increase in traffic for industrial purposes continues to occur in some of the most remote areas of the District and at the extents of the maintained network. There is increased use of the high-country roads by the NZ Defence Force for training, this involves specialised machinery, with axle loading higher than typical. The council is already struggling to maintain its unsealed roads with the number of heavy vehicles using these roads. Currently the Council is investigating different gravels and maintenance techniques for unsealed roads to improve their resilience. The Council would eventually like to seal some of the higher trafficked roads within the region

- **Large scale accommodation (hotel/resort)** - The hospitality sector is a significant part of the Mackenzie economy. Three consents have been issued for development for large scale accommodation in Takapo/Tekapo. The return of tourists following the COVID-19 Pandemic is expected to determine the time for these developments to proceed.

Potential Impacts: Currently the Council is able to prioritise other infrastructure issues (unrelated to tourism) whilst visitor numbers remain relatively low. However, the Council will start readjusting their priorities once visitor numbers start to increase again. This may lead to more growth related infrastructure projects as visitor numbers start to put greater pressures on the Council's infrastructure.

Development

Future development is challenging to predict as it depends solely on market demands and developer confidence. The table below provides an estimate of the future direction of developments across the Mackenzie District. These projections will be clarified following the completion of the spatial planning project and district Plan review.

Table 5 Future Developments and value of vested assets

Period	Future Development	Vested asset value (inflated)
2018-2021	Tekapo/Takapō: 10 residential lots per year Twizel: 46 lots per year	\$6,429,000
2021/22- 2024/25	Tekapo/Takapō: 41.6 lots per year Twizel: 65.2 lots per year Fairlie: 3.4 lots per year	\$12,066,000
2025/26- 2029/30	Tekapo/Takapō: 14.8 lots per year Twizel: 56 lots per year Fairlie: 1.4 lots per year	\$11,291,000
2030-2035	Tekapo/Takapō: 0 lots per year Twizel: 58.4 lots per year Fairlie: 2.2 lots per year	

Potential Impacts

The increase in developments across the district will mean the council will need to take on increasing number of vested assets. This means Council will need to plan for the renewal and improvements to level of service, once assets have been vested. This relates mostly to roading assets and stormwater infrastructure and directly influences the future expenses to the Council.

Legislative Influences

Several of the changing government priorities and changing legislations are outlined the section above. However, there are a number of pre-existing legislations which impact the way in which Council's deliver their infrastructure services. For example, the 2015 update of the National Infrastructure Plan (NIP 2015) sets out the following key objective:

“By 2045 New Zealand’s infrastructure is resilient and coordinated and contributes to a strong economy and high living standards.”

This continues to be at the forefront of Council’s Infrastructure planning.

National Infrastructure Plan (NIP)

Council will see the above objective achieved through better use of existing assets and better allocation of new investment.

The NIP 2015 is the third National Infrastructure Plan to be released by the Government and identifies the following challenges:

- We have several aging infrastructure networks that will need renewing.
- Some of our regions will grow and others will shrink.
- Our population is also aging.
- At the same time, our lifestyles are changing.
- Technology is driving change everywhere.
- We also face economic challenges.
- On top of these challenges, our climate is changing, and our natural resources are under pressure.
- These challenges need to be met at a time when central and local government face financial constraints.

There are three main elements to the response outlined in the National Infrastructure Plan.

- a better understanding of the levels of service we want to deliver
- more mature asset management practices
- more effective decision-making that considers non-asset solutions

Local Government Act 2002

The Local Government Act 2002 is the paramount statute for Council. It directs and enables Council to undertake its day-to-day activities.

Section 10 of the LGA 2002 states: *the purpose of local government is—*

to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

Section 17A of the LGA requires:

local authorities to review the cost-effectiveness of current arrangements for meeting the needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

Council has undertaken two Section 17A reviews in record time (roading and pools) and will continue to use this mechanism to refine its service delivery provision.

These embody a requirement to meet the current and future needs of communities for good-quality local infrastructure and local public services in a way that is most cost-effective for households and businesses.

Mandatory reporting standards require additional data collection and reporting obligations associated with operational activities.

Potential Impacts:

The above legislative influences have been in place for a number of years and therefore Council have had time to adapt both their process and priorities to reflect current legislation. However, recently governments are more focused on the robustness and accuracy of Council’s data management systems. It’s important for this system to provide a high level of confidence in order to effectively plan the necessary improvements across the network.

The Three Waters Stimulus package has provided Council an opportunity to improve its data monitoring systems particularly in relation to sewerage and water supply so real time data can be collected and investigated.

New Technologies

New technology is becoming available within all infrastructure areas and adoption is essentially a continuous process. Some innovations, such as the use of increased fines content aggregate on unsealed roads, improve the quality of service provided (in this case lowering dust levels) while others such as pipe bursting for water main replacement provide cost reductions.

From a strategic point of view Council seeks to remain aware of technological advances through staff involvement in industry developments via training, seminar attendance and directly from suppliers. Internal development of new technologies is advanced through collaboration between staff and with other councils. Staff maintain strong relationships with professional staff from neighbouring councils. Council is also looking to introduce technological changes through contract partnerships and alliances.

Potential Impacts

Changing technologies can have a direct impact on the Council's infrastructure in the following ways:

- Improvements in construction materials (e.g. more resilient roading materials to provide longer lasting roads)
- Improvements to construction techniques (e.g. It's becoming more and more important for Council's to seek out carbon neutral construction techniques, sourcing materials locally where possible and recycling older assets where possible)
- Improvements to data capturing methodologies can improve the accuracy of the data, and therefore help Council's make more informed decisions around infrastructure improvements
- Changing infrastructure (e.g. the pivot towards carbon neutrality has led to the investigation of biogas and renewable energy sources to power wastewater facilities.)

Climate Change

Climate change is a critical consideration in the Council's long-term planning. This Council uses guidance from the New Zealand government, based upon the best available climate science, to support the planning.

Mackenzie District Council is in the process of developing a Climate Change Response Policy for the whole of Council. The policy acknowledges the role of Council and the outcomes sought by the community. Key inputs into this policy and its implementation are the National Climate Risk Assessment for New Zealand (Ministry for the Environment, 2020) and the Climate Change Projections for the Canterbury Region (NIWA, 2020). The Ministry for the Environment information on <https://www.mfe.govt.nz/climate-change/likely-impacts-of-climate-change/how-could-climate-change-affect-my-region/Canterbury> provides a summary of projected climate changes over the period 2031-2050 and 2081-2100, compared with 1986-2005 and the key impacts this is likely to have.

Table 6 Climate Change effects on infrastructure

Climate Change	Impact on environment	Impact on infrastructure
Temperature	<p>Compared to 1995, temperatures are likely to be 0.7°C to 1.0°C warmer by 2040 and 0.7°C to 3.0°C warmer by 2090.</p> <p>By 2090, Canterbury is projected to have from 6 to 35 extra days per year where maximum temperatures exceed 25°C and the number of frosts could decrease by around 13 to 38 per year.</p>	<p>A reduction of frosts per year will likely have a positive effect on the council's roading, with fewer incidents and damage related to frost heave.</p> <p>Extreme heat can also mean roads fail more quickly from buckling, cracking creating potholes. However, it is unlikely temperatures will reach this high.</p>

Climate Change	Impact on environment	Impact on infrastructure
Rainfall	<p>By 2090, winter rainfall is projected to decrease by up to 12 per cent in Christchurch and up to 10 per cent in Hanmer, but increase by 6 to 28 per cent in Tekapo.</p> <p>According to the latest projections, the frequency of extreme rainy days in the Canterbury region is not projected to significantly change as a result of climate change.</p>	<p>Whilst projections indicate that extreme rainfall will not increase significantly, the recent flooding events indicate that the impacts from these events can be significant. Currently estimates indicate that between \$1 and \$3 million has been invested in the restoration of roads across the Mackenzie District.</p> <p>It is therefore critical that the council have emergency funding available for these events, and to ensure the roads are kept at a relatively high level of service.</p> <p>Extreme rainfall events can also impact water infrastructure. Soil run-off/ oversaturated soils can lead to slips which can damage infrastructure and could also pollute water sources.</p>
Snowfall	<p>The Canterbury region will likely experience significant decreases in seasonal snow. By 2090 the number of snow days is projected to decrease by up to 30 days per year. The duration of snow cover is also likely to decrease, particularly at lower elevations.</p> <p>Less winter snowfall and an earlier spring melt may cause marked changes in the annual cycle of river flow in the regions. Places that currently receive snow are likely to see increasing rainfall as snowlines rise to higher elevations due to rising temperatures. So for rivers where the winter precipitation currently falls mainly as snow and is stored until the snowmelt season, there is the possibility of larger winter floods.</p>	<p>As indicated above, flooding events will have an impact on both roading and water infrastructure.</p> <p>Again, Council will need to be sure its infrastructure is maintained to an appropriate level of service. Additional engineering resilience's will need to be implemented as these events increase.</p>
Wind	<p>The frequency of extremely windy days in Canterbury by 2090 is likely to increase by between 2 and 10 per cent. Changes in wind direction may lead to an increase in the frequency of westerly winds over the South Island, particularly in winter and spring.</p>	<p>Extreme wind events and increase in wind speeds, could increase the damages to infrastructure. Fallen trees, signs, etc. will mean council will gain need to ensure its emergency response funding is adequate to quickly and efficiently repair damages</p>
Water Shortages	<p>Higher temperatures, less rainfall and greater evapotranspiration are likely to cause increasing pressure on water resources, particularly in North Canterbury. Droughts are likely to become more frequent and more extreme.</p>	<p>Potential future water shortages will increase the need for Council to improve or increase its water storage capacities. The Council is already investigating the potential for water metering in Twizel. This will reduce water leakages within the water network. Additionally the Council are looking to improve the reservoirs in Fairlie within this LTP period.</p>
Fire risks	<p>Strong winds, combined with high temperatures, low humidity and seasonal drought may result in an increased fire risk in some areas. The length of the fire season is expected to increase.</p>	<p>Fire resilience's within existing and new infrastructure will need to be prioritised as fire risks become more prevalent.</p>

The potential resilience issues and mitigations are further discussed below.

Resilience

MDC customers have a high expectation of continuing functionality and service delivery. A changing climate and the recent high profile natural disasters have raised public awareness, but there is still a significant need to increase actual preparedness – both in general (e.g. household plans and emergency supplies) and for specific circumstances (e.g. tsunami preparedness in lake communities). However, resilience is not only applicable to natural hazards, but also needs consideration at an operational level where an asset failure is not necessarily a service failure.

Robust systems are designed to prevent failure. Resilience is about early detection and fast recovery. Resilience is defined as the intrinsic ability of a system to adjust its functioning prior to, during, or following changes and disturbances, so that it can sustain required operations under both expected and unexpected conditions.

Council acknowledges that resilience is not only about physical assets. It is about the people. It includes but are not limited to:

- connecting people and communities (neighbour to neighbour; educate; access to household resilience items, etc.)
- supporting community organisations
- the built environment and asset systems which are robust

Adverse weather events, natural disasters, climate change and the related impacts cannot be avoided and as a result Council has to factor this into long term planning, civil defence planning and determining the infrastructure requirements moving forward to ensure the community's expectations are met with regard to safe and reliable services and general wellbeing.

In order to improve resilience Council approach will be to:

- Actively participate in CDEM planning and activities, at both regional and local levels
- Investigate options for alternative service provision and system redundancy
- Identify critical assets and ensure mitigation methods are developed
- Obtain insurance where this is deemed to be the most cost effective approach

Council also has a number of bridges that are at risk from natural flood disasters and earthquakes. Some of these are being replaced and others have had work completed to improve their resilience. Staff recommend that it is worth undertaking a study of structures focused around lifelines to assess critical structures and look at ensuring these against natural events.

COVID-19

The 2019–20 coronavirus pandemic is ongoing at the time of writing of this Plan. The timeline of events are as follows:

Table 7 Covid-19 Government response timeline

Date	Event	NZ Government Response	MDC Response
11/02/2020	World Health Organisation declares an official pandemic		
28/02/2020	NZ first reported case		
18/03/2020			
21/03/2020		Alert Levels (1-4) announced	
			EOC activated
24/03/2020		Move to Alert Level 3	
26/03/2020		Move to Alert Level 4	

Date	Event	NZ Government Response	MDC Response
1/04/2020			
25/04/2020			
27/04/2020		Move to Alert Level 3	
14/05/2020		Move to Alert Level 2	
15/05/2020			Economic & Community Recovery Action Plan
10/06/2020		Move to Alert Level 1	

Potential impacts

The impacts will be wide ranging and could include a significant and protracted recession. This presents an opportunity for Council to collaborate with Central Government to invest and progress infrastructure projects giving the economy the injection it will desperately need.

As an initial response Central Government decided to fast track eligible development and infrastructure through amendments to the Resource Management Act. This will aid in getting much-needed infrastructure programmes underway as soon as possible.

Further response includes the establishment of the Infrastructure Industry Reference Group (IIRG) to seek out infrastructure projects that are ready to start as soon as the construction industry returns to normal to reduce the economic impact of the COVID-19 pandemic. These 'shovel ready' projects include water, transport, clean energy and buildings. They would also have a public or regional benefit, create jobs and be able to get underway in short order.

Council did not apply for Government funding for shovel-ready projects, instead opting to bring forward shovel-ready projects as part of MDC COVID-19 recovery including \$9.5m of water supply projects. Projects include the new Fairlie Water Treatment Plant and associated reservoir, replacing water pipes in Twizel and Fairlie and upgrading the Burkes Pass water supply treatment plant. In roading, prioritising key shovel ready minor and safety improvement projects, maximising available NZTA co-funding and low interest rates for Council's 49% share. The majority of these projects will be footpaths and shared-use paths to promote a fit and healthy community.

The COVID 19 pandemic created a very dynamic environment where circumstances can change on a daily basis. At the time of writing this Plan the assumption is that the Mackenzie district will be able to weather the storm as the districts' primary industries, agriculture, and forestry, are less affected than for example tourism. Domestic tourism numbers appear to hold steady, but international tourism which made a significant contribution to the Mackenzie district economy is severely affected. The Department of Internal Affairs 'Local Government Sector COVID-19 Financial Implications Report 2 – Alert Level Scenarios, Assumptions and Updated Analysis' report projects "The agriculture sector is expected to perform relatively well in the short- and long-term".

Council will first attempt to reduce spending in ways that do not require reductions to service levels. Higher levels of reduction in spending would be more likely to require deferral of larger capital projects which may impact on Council's ability to comply with legislation and environmental standards in the 3Waters area.

Council could defer the replacement of assets for a period and potentially reduce the priority of capital expenditure so they can sustain service levels. The deferral of asset replacement may increase infrastructure resilience risks and increase long term costs.

The response to COVID 19 provided a snapshot of how quickly our environment can change and how quickly we can adapt. People working from home. The uptake of technology. Change in transportation patterns. Online sales and deliveries. Outdoor activities. Socio economic impacts and response. Furthermore, the incidence of a pandemic has the potential flow-on effect of the Council failing some of its non-financial reporting measures.

PARTNERSHIP OPPORTUNITIES

There is a need for the Council to establish strong and long-lasting relationships with key partners. These include:

- Nga Rūnanga o Ngai Tahu, (Arowhenua, Waihao, Moeraki)
- Environment Canterbury
- Waka Kotahi (NZTA)
- Mackenzie Community
- Property Developers
- Other Local Councils
- Central Government

Strong partnerships and relationships; based on trust and information sharing, allow councils to fully understand and acknowledge key infrastructure issues and address these issues using a collaborative approach. The Strategy will seek to improve these relationships by including key partners in the decision making process. More specifically, the Council will consider the partnership opportunities that exist for infrastructure projects when it is prioritising what infrastructure investment decisions to progress within strategies and plans.

Table 8 key partners and how they can contribute to core infrastructure for the district.

Table 8 Partnership contribution to strategic infrastructure and planning

Partner	Contribution	Current Projects
Nga Rūnanga,	Working in collaboration with iwi strengthens Council's decision making by providing alternative views and approaches to be put in place prior to the commencement of a project	The District Plan Review Three Waters Management Te Manahuna Ki Uta
Environment Canterbury	Provide regulatory standards which must be met by councils	Te Manahuna Ki Uta 'Destination Mackenzie'. Overall regulation management
Waka Kotahi (NZTA)	Waka Kotahi are a major shareholder of assets within the Mackenzie District (51% of roads)	Transportation system provision Te Manahuna Ki Uta 'Destination Mackenzie'.
Mackenzie Community	Council engagement with the community is important to ensure the communities needs are being met by core infrastructure	The District Plan Review Three Waters Management Te Manahuna Ki Uta 'Destination Mackenzie'.
Property Developers	It is important for the Council to work closely with potential developers to ensure that residential or commercial developments are timed to coincide with growth related infrastructure.	District wide developments

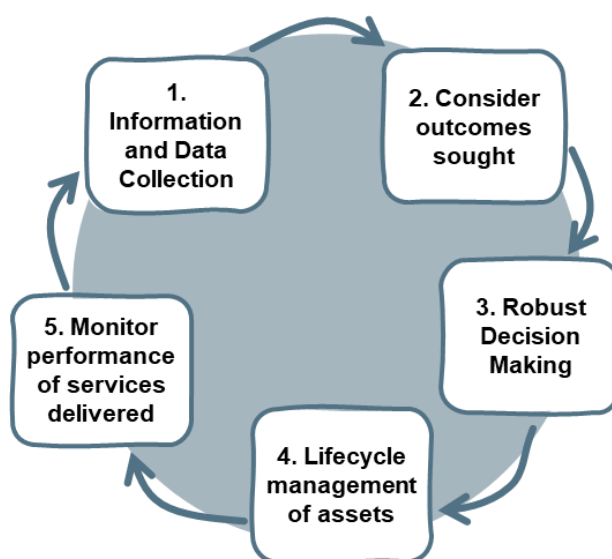
Partner	Contribution	Current Projects
Other Local Councils	The Council partners with other neighboring councils when there is a shared asset.	The Alps to Ocean upgrade project is shared between Waitaki and Mackenzie District. Te Manahuna Ki Uta 'Destination Mackenzie'.
Central Government	Central government partners with the Council when providing and funding infrastructure that has benefits that are beyond the local area.	Three Waters Management
Department of Conservation (DOC)	Council must collaborate with DOC when considering any project which could impact on DOC owned land, or could impact visitors within the Mackenzie Basin	Te Manahuna Ki Uta 'Destination Mackenzie'. The Alps to Ocean upgrade project is shared between Waitaki and Mackenzie District.

COUNCIL STRATEGY

It is necessary for foreseeable community needs and environmental impacts to be reflected in a defined Infrastructure Strategy to ensure that Council can provide cost effective local infrastructure for households and businesses.

In order to develop infrastructure operations and maintenance programmes, as well as identify capital projects, a strategic approach is taken. The following cyclical steps are necessary to ensure core infrastructure is consistently developed and maintained in a way which provides for the community.

1. **Information and data collection:** The Council uses a number of data management tools to process and store information and manage the Council's infrastructure assets. This develops an evidence base which helps inform any key decisions. These are outlined below
2. **Consider outcomes sought:** The overarching vision and goals for the Council is outlined in Section 1. However, in addition to achieving the wider community outcomes, Councils is also responsible for maintaining core infrastructure to a certain Level of Service. This is further outlined below
3. **Robust decision making:** Providing services that meet the needs of customers have to be balanced with affordability. The opportunities for Council to contribute to the wellbeing of its community are endless, so key decisions must be robust and timed accordingly. This is further outlined below
4. **Lifecycle management of assets:** Lifecycle asset management focuses on management options and strategies from initial planning through to disposal, while considering all relevant economic and physical consequences. Council's approach to lifecycle management is further outlined below
5. **Monitor performance of services delivered:** Data is systematically collected and stored to monitor and assess the performance of key infrastructure against its Level of Service indicators. This is further discussed below

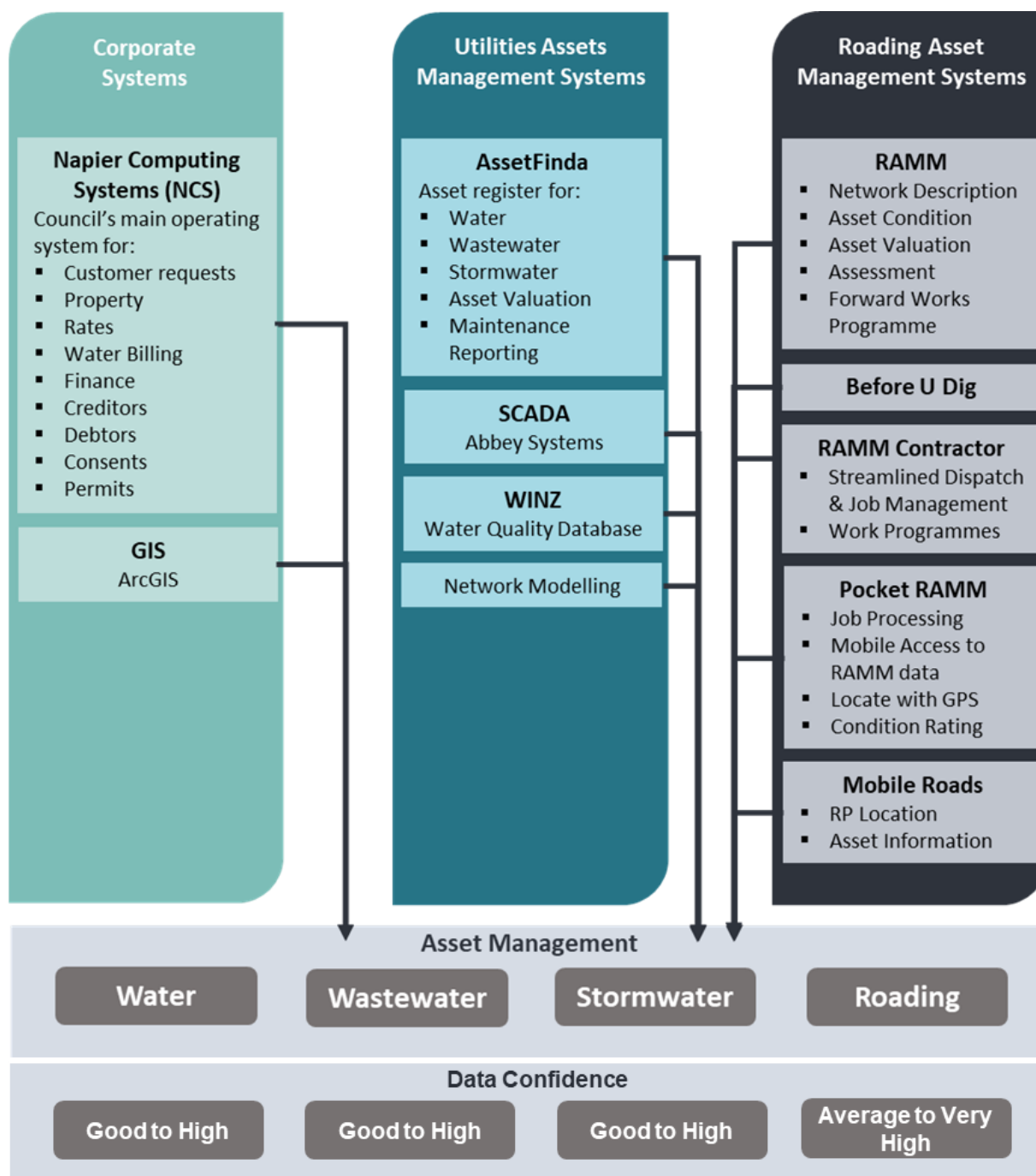


Asset Management Practices

Evidence based decision-making is crucial to achieve asset management and sustainability goals. Having the correct asset information available is important to support the decision-making process.

The information and data systems available to Council staff are shown below and discussed within this section. These systems are used to provide Council with information which can be used to assess performance and provides insights into what can be improved to better service the community. It is vital that the information and data collection systems accurately portray the current state of infrastructure and are updated and maintained regularly.

Figure 12 Information and Data Systems Support



Three waters

Data confidence grades are held against each individual asset within the AssetFinda asset register. These grades indicate the type of data source and the confidence in the specific data source. Since the last independent data confidence review there has been a significant improvement in base asset information. An independent assessment to reassess the data confidence grades of the AssetFinda register would be of value to determine the improvement opportunities prior to the next LTP. An in-house assessment showed an improvement to the data confidence ratings from previous years but the table below reflects the data confidence status at the last independent review (2019). A summary of the confidence levels in the attributes of the assets are detailed in the following table.

Table 9 Data confidence for three waters asset

Valuation element	Water Supply	Wastewater	Stormwater
Asset register or database	Good Condition	Good Condition	Good Condition
Attribute details	Good Condition	Good Condition	Good Condition
Asset category	High confidence	Good Condition	Good Condition
Optimisation information	Average Condition	Average Condition	Average Condition
Useful lives information	Good Condition	Good Condition	Good Condition
Unit rates	Good Condition	Good Condition	Good Condition

In general, there is a relatively high understanding of the conditions of three waters assets. However, the Council are, through the Three Waters Stimulus Funding, undertaking a full CCTV assessment of its wastewater network which will allow for a much better understanding of condition of these pipes and their expected lifespan. The assessment will be undertaken in accordance with the New Zealand Gravity Pipe Inspection Manual 2019 and data captured and assessed accordingly.

Unfortunately, CCTV monitoring cannot be replicated for water pipe assets. Instead, Council performs condition assessments on its water pipes when a failure occurs, or a larger connection or pipework cut in is undertaken. Pipelines are inspected in general accordance with best practise and relevant Water New Zealand Technical Manuals, and the results reported to the 3 Waters Manager for an assessment of the likely remaining life of the asset. In some cases, the section of pipe removed during the repair process may be sent away for detailed deterioration and expected remaining life analysis, as Council engineers have done for AC pipe in the past. By taking this information on selected pipelines the data can be used to infer the condition of that section of pipeline to give a complete picture of the network.

Despite the lack of real time data for these water assets, the Assetfinda register still has an expected remaining life of majority of its pipe network aligned with national best practise. Council is working on improving its data relating to criticality and vulnerability.

Transportation

The level of confidence with roading and transportation data has remained relatively static since the last iteration of the IS completed in 2018. Data has been updated, but the focus has been on removing historic errors to improve data quality going forward. Council has carried out a significant auditing and validation programme on its RAMM data, completed by OPUS Consultants Ltd (now WSP). All previous assets excel spreadsheets and modelling practises have been integrated with this validated data. Subsequent to this as part of the Road Efficiency Group (REG) group there has been a report released rating all Local Authorities RAMM Data sets. There are still areas that require Council attention in the RAMM databases:

- Traffic count data could be more complete and representative of the wider network
- Missing remaining useful life data makes it difficult to determine renewal profiles based on the age of the asset
- More complete records of asset attributes would assist in the monitoring and assessing of assets.

Council undertakes regular inspections and condition assessments on its assets to determine whether the asset is in need of replacing (see section 6.2.2 of the Transportation AMP for details on how condition assessments and inspections are undertaken on roading assets). More complete and accurate data would help streamline and forecast for future renewals and capital works.

The table below shows the assessed data confidence quality of the Council RAMM and spread sheet data tables as described in the 2019 Roding Asset “Mackenzie District Infrastructure Revaluation” report.

Table 10 Data confidence for transportation assets

Valuation Element	Pavement	Footpath	Structures	Drainage	SWC	Signs	Lights
Asset Registers or Databases	High	Good	High	High	Good	Good	Good
Attribute Details	Good	Good	Good	High	Average	High	Good
Asset Categorisation	Very high	High	Very high	High	High	High	Good
Optimisation Information	High	Good	High	High	High	High	High
Useful Lives Information	Average	Good	Average	Average	Average	Average	High
Unit Rates	High	High	Good	Good	Good	Average	Good

The Council recognise that there is significant improvement which can be made with regards to its data management for roading assets and has since contracted Geo-Solve to undertake pavement testing over various locations within the district. This will provide data to check pavement depths and ensure performance, deflection and strength.

Through the retendering of its Road Maintenance Contract in 2020/2021, Council has secured Waka Kotahi support to undertake a quality based procurement methodology as it looks to secure a maintenance delivery partner that brings not only physical network maintenance services, but also Asset management and Data capability. This, alongside Council seeking to employ a dedicated asset data manager in order to prioritise the improvement and confidence level of the roading data, will support significant improvement in data over the coming years.

Risks of using aging data

Mackenzie District Council has historically planned its renewals and investments to address compliance requirements. Traditionally it has based its renewals on age and limited asset condition information. The useful life of an asset is theoretical. The actual life of an asset varies depending on several conditions which is why regular inspections and condition assessments are necessary. There is a risk that Council's current renewal and investment strategy will vary significantly as more information is discovered about the assets. It is important that as much asset condition and performance information is gathered to better inform infrastructure investment decisions. Council has recognized this and projects are in place to update and generate more up to date and reliable asset management information.

As previously mentioned, Council has aligned its age data with national best practice. It is improving this data through the collection of specific asset condition information. While our age data is aligned with national best practice there is a risk that if these national figures under-estimate the life of the asset Council could be replacing assets earlier than required. If however the life is over estimated, Council will experience an increasing number of breakages and failures. It needs to be noted that a lot of the Council's three waters infrastructure was installed as part of the hydro developments within the Mackenzie basin and as such is approaching the end of its theoretical life at the end of this LTP. Now is therefore an optimum time for Council to gather detailed asset condition data

Level of Service

Asset management planning requires a clear understanding of customer needs and preferences and the minimum obligations that must be met. A key objective of this activity plan is to match the level of service provided by the asset

with the expectations of the customers given legislative, financial, technical and safety constraints. Service standards, set to meet this objective, provide the basis for the life cycle management strategies and work programmes.

During 2020 Council developed a new vision statement, mission statement, supporting value statements and community outcomes (see Figure 6Error! Reference source not found.). The new community outcomes align with the Local Government (Community Well-being) Act which focuses and restores the four wellbeings. (See Table 11Table 11).

Table 11 Wellbeings aligned with Council's Community Outcomes

Community Outcomes	Well beings			
	Cultural	Economic	Environmental	Social
A Treasured Environment	✓		✓	✓
Resilient successful Communities			✓	✓
Strong and Innovative economy	✓	✓	✓	✓
Embrace Heritage and Diversity	✓	✓	✓	

This acknowledges Councils' broader role in looking after our communities, rather than simply providing core services.

Specific Level of Service performance measures and their targets over the next 10 years are outlined within Appendix A.

Robust Decision Making

Providing services that meet the needs of customers have to be balanced with affordability. The opportunities for Council to contribute to the wellbeing of its community are endless, so prioritisation, transition and risk management are required in order to make effective decisions.

Council's highest priority for activities is meeting legal compliance, this may occur over a period of time where improvements are required. Similarly, it may not be affordable for the community to fund and implement many compliance initiatives at the same time. Often there is the ability to transition such changes, such as with Drinking Water Standards compliance.

Investment levels and funding capability (affordability) are a fine balance. Decision making need not only consider the impact of either progressing or not progressing particular actions.

Figure 13 Investment and Affordability Considerations



Taking a long-term view to the management of infrastructure assets, Council needs to make key decisions in a timely manner. Much of the improvement work for Three Waters is underway, while any improvements that might be required as a result of the Three Water Reform process are largely unknown.

In addressing Community desires and priorities the following key decisions have been identified.

Table 12 Key Decisions Identified in Addressing Community Desires and Priorities

Period	2021/22 - 2031/32	2031/32 - 2041/42	2041/42 - 2051/52
Core Infrastructure Activity:	<i>These are discussed in greater detail in the Long Term Plan</i>	<i>Basic scope required</i>	<i>Conceptual</i>
Water Supply	Water sector reforms – role of Council anticipated to change to regional management. Key Decision: <i>How will that best serve our community?</i>	Level of compliance across all schemes Demand management Key Decision: <i>What will implementing the actions from the Sustainable Infrastructure Strategy and the Sustainable Water Strategy look like?</i>	Improved efficiencies
Wastewater	Water sector reforms – role of Council anticipated to change to regional management. Key Decision: <i>Treatment and disposal options for Takapō/Tekapo– what form should then take and when will it be required?</i>	Level of compliance across all schemes Key Decision: <i>Does valuing our environment mean going ‘above and beyond’ legal requirements for treatment and discharges?</i>	
Stormwater	Water sector reforms – role of Council expected to continue for stormwater management	Key Decision: <i>Does valuing our environment mean going ‘above and beyond’ legal requirements for treatment and discharges?</i>	
Transportation	Replacement or upgrade of low use/end of network bridges	Drainage upgrade to cope with storms	
	Transition of unsealed roads methodology	Seal extensions on key unsealed roads	
	Better linkages for walking and cycling	Major linkages for walking and cycling	
	Funding assistance rate review		
	Key Decision: <i>Upgrading our road network so it is more suited to the future? How rapidly do we make changes and how do we fund it?</i>		

Lifecycle Management Plans

Lifecycle asset management focuses on management options and strategies from initial planning through to disposal, while considering all relevant economic and physical consequences. The effective application of asset management principles will ensure the reliable delivery of service and reduce the long-term cost of ownership and in this way reduce

service costs. A well-structured lifecycle management plan will reduce the long-term costs of ownership and in so doing reduce the service cost.

The Lifecycle Management Programme cover five key categories of work necessary to achieve the required outcomes. These key categories and goals are:

Table 13 Lifecycle Management Categories

Lifecycle Categories		Aim
Management Plan	Management functions required to support the other Programmes	To maintain the assets to ensure that the assets achieve their service potential
Operations and Maintenance Plan	To ensure efficient operation and serviceability of the assets so that they achieve their service potential over their useful lives. This includes the day-to-day work to keep the assets operating	
Renewal Plan	To provide for the progressive replacement of individual assets that have reached the end of their useful lives (restores the original capacity)	
Development Plan	To improve parts of the system currently performing below target service standards and to allow development to meet future demand requirements	To meet future demand and close any service gaps
Disposal Plan	To better plan for disposal of assets through rationalisation of asset stock or when assets become uneconomic to own and/or operate	To dispose of assets appropriately

The AMPs for each of the core assets (water, wastewater, stormwater and transportation) outline the detailed changes for each of the lifecycle categories.

Monitor Performance of Service Delivered

Currently monitoring of operational performance is tracked through a number of activity specific parameters, asset management practices and detailed budget control. Performance reviews are undertaken with Waka Kotahi NZTA, industry groups (e.g. Water New Zealand), regional Council (resource consent reporting) and central Government (e.g. water test results, Three Waters Reform and mandatory reporting standards).

However, Council acknowledges there are limitations with its data that affect decision-making. A commitment to improving data collection and analysis is indicated below. These are further outlined in the section above.

Table 14 Data Improvements

Activity	Data to be collected	Data to be analysed	Value this data provides
Transportation	Traffic counts of Heavy Vehicles	Counts – numbers and proportion of total traffic	Heavy traffic counts will help identify key routes and align these with pavement management
	Asset Criticality	Demand patterns	Inform programmes
Three Waters	Asset Criticality	Demand patterns	Inform programmes
Water Supply	Water use	Water demands	Universal metering provides a comprehensive data set which is currently not

			leveraged to understand peak demands
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Council has good condition and performance data to support decision-making alongside these improvement areas.

The approach to data collection and management will be discussed in the respective AMPs and budgets where appropriate. Data quality programmes for Transportation follow national guidance.

Infrastructure Sustainability Strategy

Council is progressively moving to a more sustainable approach to delivery of services. This is in response to changing community priorities and Government direction. In lieu of this, Council is embarking on a Sustainable Infrastructure Strategy that will be critical to inform the district plan and the next Long-Term Plan. In the meantime, the Council's level of service focus on environmental outcomes and are outlined in Table 15.

The table shows that over the past five years there have been no non-compliances recorded against resource consents for water supply, wastewater, or stormwater activities. Water use per household remains high along with the number of dry weather sewerage overflows. While this is associated with the dry summers, Council can encourage a reduction in water use through education and policy change.

Whilst many of the set KPIs are being met, the existing three waters network is still very vulnerable to failures especially as the number of households start increasing and regulatory standards become more rigid. Several water and wastewater infrastructure upgrades are planned to accommodate for the increase in regulatory focus and environmental standards.

Table 15 Performance Measure that contribute to Sustainability Outcomes in Three Waters

Sustainability Outcomes		Performance Measure	Estimated target:	Results 2015/16	Results 2016/17	Results 2017/18	Results 2018/19	Results 2019/20
WATER	Water and energy use	The percentage of real water loss from the networked reticulation system (Approximate)	<25%	Ü 12%	Ü 24%	Ü 12%	Ü 19%	Ü 21%
	Water and energy use	The average consumption of drinking water per day per resident within the district.	<1.2m ³ per person per day within urban schemes	Ų 2.27	Ų 2.41	Ų 2.30	Ų 1.95	Ų 1.6
WASTEWATER	Discharges to the environment	The number of dry weather sewerage overflows from Council's sewerage system, expressed per 1000 sewerage connections to that sewerage system	≤5 Reduced in 2018/19 to ≤2	Ų 7.2	Ü 0	Ü 1.5	Ų 3.26	Ų 3.11
	Discharges to the	Compliance with the Council's resource consents for discharge from its	Nil	Ü Nil	Ü Nil	Ü Nil	Ü Nil	Ü Nil

Sustainability Outcomes		Performance Measure	Estimated target:	Results 2015/16	Results 2016/17	Results 2017/18	Results 2018/19	Results 2019/20
		sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders, and d) convictions						
STORMWATER	Discharges to the environment	Compliance with the Council's resource consents for discharge from its stormwater system, measured by the number of abatement notices, infringement notices, enforcement orders, and convictions	Nil abatement or infringement notices, enforcement orders, or convictions	Ü Nil	Ü Nil	Ü Nil	Ü Nil	Ü Nil

Whilst the above performance measures relate specifically to the improvement of environmental outcomes, sustainability in general goes beyond just building a sustainable environment. Transport related performance measures can be found in Appendix A.

Sustainable asset management practices include action that recognise the need for environmental, economic, social and cultural sustainability in the following ways:

- The natural environment needs to be preserved for future generations and not degraded as a result of Council's asset management operations, maintenance, management and development projects
- Financially there is a limit to what ratepayers and developers, and therefore Council, can afford. Expenditure needs to remain within this limit and the costs need to fall equitably on the generations which derive the benefits
- Social relationships between individuals, interest groups and Local Government are valuable, and Council needs to facilitate and encourage this by providing infrastructure that services and facilitates these stakeholders
- Our history, customs and creativity are valuable to us. Their preservation and enhancement over time is facilitated by providing venues and services which can support the ways in which they are practiced, preserved and displayed

The Council has identified a number of actions to take place over the next 30 years which will contribute to more sustainable outcomes. These actions include various policy changes, behavioural changes and changes to the physical infrastructure and are classified under six key themes:

- Our environment is a taonga
- Resilient Infrastructure and Communities
- Climate Change
- Partnership with Nga Rūnanga,
- Growth (sustainable development)

- Economy (incl. Tourism)

It should be noted that this strategy is still under development and the following strategic timelines are indicative only at this stage.

Table 16 Actions contributing to sustainable outcomes

LTP Year	1	2	3	4	5	10		20		30
Themes / Year	2021	2022	2023	2024	2025	2030	→	2040	→	2050
Our environment is a taonga		Establish Global consent for Transportation works	Replicate natural processes for stormwater disposal	Full wastewater system compliance						
Our environment is a taonga		Green waste collection and composting						Revise Wastewater management eg. Biosolids to compost	Zero Waste	
Resilient Infrastructure and Communities		Stormwater Management (culverts)	Water Use							
Resilient Infrastructure & Communities		Coordinate responsible gravel extraction process								
Climate Change - Mitigation			Transitioning to Hybrid Fleet					Transitioning to Electric Fleet		ZERO CARBON
Climate Change - Mitigation				Carbon footprint assessment						ZERO CARBON
Climate Change - Mitigation	Sustainable / Enviro building requirements Power Materials Water Landscaping		Energy Audit	Water use		Efficiency of use - modifying practices		Assess alternative energy options	Energy neutrality	
Climate Change - Adaptation	Unsealed roads practices	Water storage reliability	Infrastructure upgraded to							

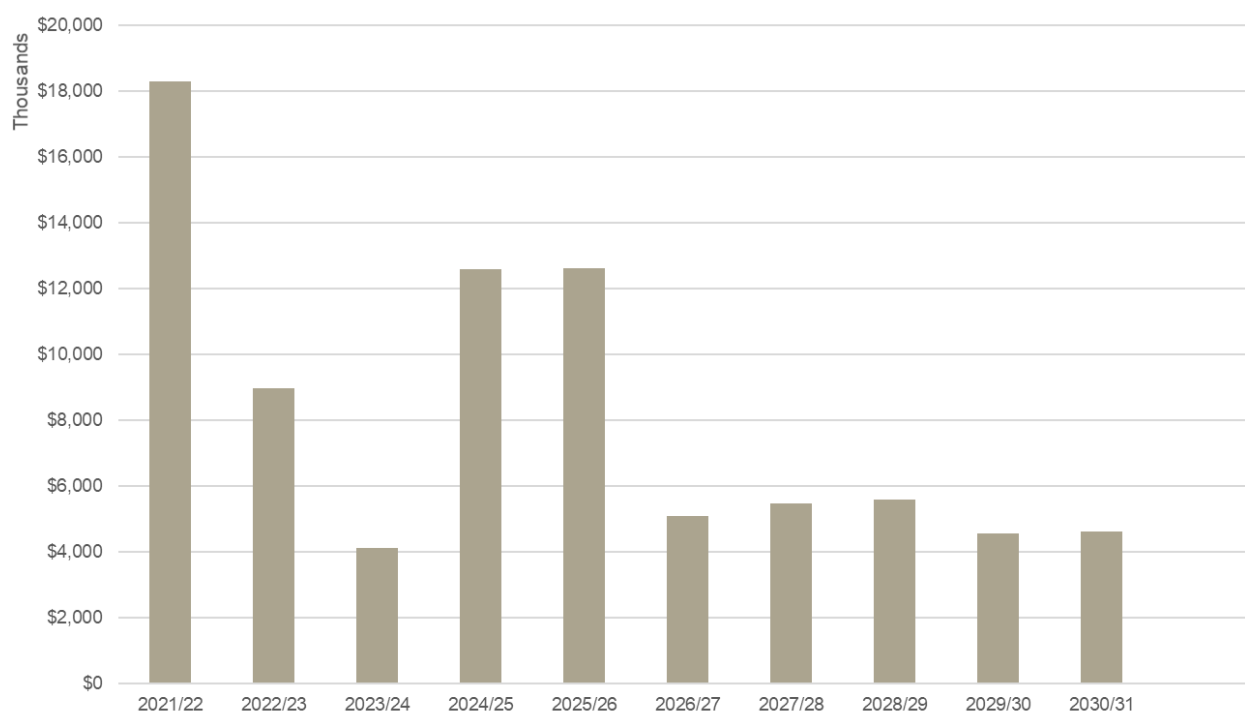
LTP Year	1	2	3	4	5	10		20		30
Themes / Year	2021	2022	2023	2024	2025	2030	→	2040	→	2050
	<i>cope with storms</i>									
Climate Change - Leadership on the Community	<i>Climate Change Impact Assessment and Response Policy</i>	<i>Reducing Water use</i>	<i>Water meter trial</i>	<i>Demonstration landscaping</i>						ZERO CARBON
Partnership with Nga Rūnanga,										
Growth (sustainable development)		<i>Spatial Planning</i>								
Growth (sustainable development)			<i>Walking and Cycling Linkages</i>							
Economy (incl. Tourism)										

Capital Programme Summary

A large majority of Council projects over the 10 years of the Long-Term Plan (LTP) are front loaded into years 1 and 2, and many of these carry forward works, or works that have been allocated over two financial years (the Three waters Stimulus Program is a good example).

Year 4 and 5 see an increase in investment due to the renewal of the Tekapo Wastewater Treatment plant.

Figure 14 Total Capex Programme (three waters and transport – uninflated)



Council has traditionally had a small Capex program (in the past between \$3.5 – \$5.5m) and delivered most of the projects in house, through existing roles and as part of “Business as Usual”.

In the 2020/21 Annual Plan Council accelerated its AC water main renewal program and shared use path network in response to the Covid 19 pandemic. This was alongside the already budgeted for Fairlie Water Treatment Plant and reservoir Project.

The level of complexity of these projects, the value associated with them and the risk of non-delivery, prompted Council to contract out the project management and delivery of the works via an open process. Beca Limited (Beca) were successful in securing the works and are progressing delivery via a dedicated project manager and delivery team.

Progress on these works is outlined in the table below:

Table 17 2021 Capital works programme (three waters and transport)

Project Title		Stage of Progress	Progress	Expected Completion Date
Water Main Renewals - Twizel	Package 1	Tender let	In progress, construction underway	Oct-21
	Package 2	Tender Let	Contractor mobilisation phase in	Construction phase - 24 weeks Possession of site 10 days following award (28/06)

Project Title		Stage of Progress	Progress	Expected Completion Date
	Package 3	On Government Electronic Tender Service (GETS) week 5th July	Tender drafted and sent to pre qualified contractors via GETS	Est. Completion Date December 2021
Water Main Renewals - Takapo		In Design		Smallest package, estimated completion date Dec 2021
Water Main Renewals - Fairlie		In Design	May not progress due to budget issues	TBA – if affordable
Fairlie Water Treatment Plant and Reservoirs		Concept Design	Completed and internal review	July 2022, next stage to determine detailed design pathway
Shared Use Paths (roading)		Construction and handover	Completed	In hand over phase

Beca provide monthly reports on progress of the works, which is reported to Council via the Engineering and Services Committee.

Unspent funds will be carried forward into this LTP. The annual plan contained an insufficient allocation of funds for the Fairlie WTP upgrade and additional funds to deliver the project are in year 1 and 2 of the 2021/31 LTP. This work will be externally resourced in both detailed design and construction monitoring.

Council has also received an additional \$5.11 million allocated to Council for opting into Tranche one of the Three waters Reform Program. The funding was allocated for the delivery of non LTP funded projects. In November 2020 Council signed a Memorandum of Understanding (MoU) with Central Government outlining the funding and delivery of works which is to be completed by March 2022.

The funding is allocated to a number of projects (16 Capital and 20 Operational Projects) and Council have contracted a dedicated resource to project manage its delivery. The stimulus package consists of approximately 5% of the total three waters capital works program.

The balance of Councils Capital works program for the Long-Term Plan contains projects related to the stimulus works (the upgrade of the Tekapo Wastewater Treatment Plant) and projects focused on upgrading Council owned buildings to address condition issues.

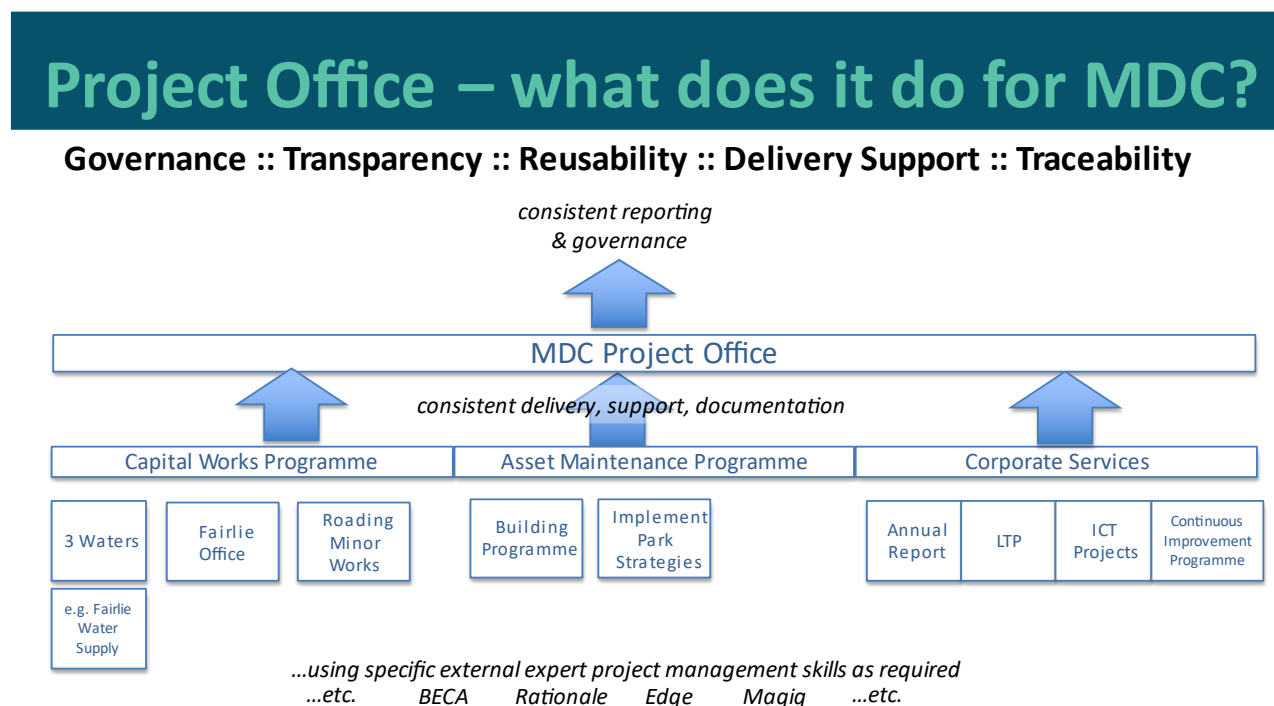
As mentioned previously, Council has traditionally relied on internal staff to deliver works alongside their BAU and does not have a Project Management Framework in place to support delivery. Outside of the major projects mentioned above, Council have focused on allocating funds to projects over a period of years to reflect the need to investigate, design, tender and construct works. An example of this is the Tekapo Wastewater Plant upgrade, with works progressing over a number of years reflecting a process of consenting, land procurement, design and construction.

Councils Transport Capital works program is small in comparison to many of its other workstreams and the first three years of the LTP has a significantly reduced Low Cost Low Risk project program. The new Road Maintenance Contract has been tendered with an ability to add capital and renewal works via a performance-based approach and this has been approved by Waka Kōwhiri. This will result in a seamless approach to the delivery of these works, on the basis of contractor performance.

To facilitate the delivery of the large works program, Council is proposing the set up of a Program Management Office and employment of a Program Manager. This approach has been endorsed by Council and work is commencing on setting the delivery framework and engaging a resource to run the office.

Shown below is the suggested framework for any PMO.

Figure 15 New project management office structure



Council focus in the first years of the LTP will continue to be a “Smart Procurer” of services and use all tools available to it through its Procurement Policy, to ensure the delivery of the works program.

Council is a member of the All of Government Procurement Panel and also has a Procurement Assurance Contract set up with Audit New Zealand to support procurement processes and ensure that the speed of delivery does not suffer from poor procurement processes.

Key Assumptions

This strategy is based on the same assumptions developed for the 2021-2031 Long Term Plan. These are available in the Long Term Plan document. Key issues associated infrastructure planning are highlighted below. Refer to Appendix B for a full list of assumptions, the level of uncertainty and potential mitigation strategies.

Organisation

This strategy is based on the philosophy that Mackenzie District Council will remain a viable unit of local Government in its own right. This assumes it will continue to own, manage and operate the Three Waters (water, wastewater and stormwater) infrastructure, either directly or through another entity.

Even though there may be some form of shared service arrangement with neighbouring Councils, Mackenzie will continue to manage and maintain the local road network and the Three Waters (water, wastewater and stormwater) networks.

Population, demographic, and household forecasts

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. 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.

Tourism and dwelling 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.

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 particularly after 2022/23 when international visitors start increasing above previous numbers.

COVID-19

The Pandemic will be controlled in New Zealand and Level 1 restrictions will cease prior to 1 July 2021

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. However, there is still relatively high uncertainty regarding when international borders will be opened. Prolonged periods of closed borders will impact economic activity in the council limiting population and business growth.

Levels of Service

It is expected that Council will continue to provide similar services to the community in the future to those delivered currently. Changes to the delivery of water services are imminent, but Council will in some form remain responsible.

System upgrades are complete or underway for many treatment plants, and there is an ongoing programme of renewals and upgrades to meet the required service level standard.

The roading infrastructure maintains the current levels of service over most of the activity. The exception to this would be the replacement of weight restricted bridges. If renewed they will all be able to take Class 1/HPMV/50 Max traffic loading, which is an improved level of service. Waka Kotahi has introduced new funding requirements for work to replace small bridges as a “like for like” upgrade in the 2021-2024 National Land Transport Plan. “Like for like” should be interpreted as providing for a modern replacement to current design standards appropriate for the network that is to be serviced over the life of the new replacement structure, e.g. replacing a timber bridge with a steel and / or concrete structure that meets the current base design standard (generally to Class 1).

Insurance and Risk

There are numerous active faults within Mackenzie District and surrounding areas. Of these, some of the most significant - in terms of potential lifeline impacts - include the Ostler and the Irishman Creek Fault Zones in the Mackenzie Basin. Both fault zones have the ability to generate significant earthquakes. The Alpine Fault on the District’s northern boundary has the ability to generate the largest earthquakes and the greatest spread of damage which could severely impact Council’s lifelines.

The Council holds \$3,000,000 in cash reserves and has a strong balance sheet to enable it to borrow to meet its local share obligations. Council also insures its above ground assets such as water tanks and reservoirs. It is unlikely Council would obtain insurance for underground assets. It is essential that Council continues to maintain the cash reserve or put in place an insurance regime to replace/complement it, should changes to the current policy be implemented.

In addition to Council’s insurance, in the event of natural disaster it is expected that Central Government will contribute up to 60% towards the restoration of water, drainage and sewerage assets and provide a subsidy of 55-75% towards the restoration of roads.

Funding Assumptions

The following assumptions have been made regarding the levels of funding from the various funding sources, and how inflation, interest rates and borrowing has been treated within our forecasts.

- **Inflation** - All budget projections have allowed for inflation (September 2020 projections).
- **Interest Rates and borrowing** - Borrowing costs are assumed to be as included in Financial Forecasts.

- **Three Waters (water, wastewater and stormwater)** - In the process of producing this Infrastructure Strategy and the underlying supporting plans, Council has considered the following:
- Council priorities in terms of the overarching aim for delivering core services
- Implementation of the Three Waters Reform in-progress through Parliament
- Alignment with the Community Outcomes in the LTP
- Delivery against the four community well-beings (environmental, economic, social, and cultural)
- The need to manage the assets at a Core (3 Waters - water, wastewater and stormwater) level in accordance with appropriate asset management best practice
- Delivering cost effective services that are efficient, effective and appropriate
- Providing an appropriate level of resilience

Useful Lives of the Infrastructure Assets

The assumed useful lives of the assets have a significant impact on renewal planning and depreciation calculations; Expected Useful Lives (taken from the LTP) are used in preparing this Strategy:

Table 18 Useful Lives of the Infrastructure Assets

Operational assets	Depreciation method	Life (years)	Operational assets	Depreciation method	Life (years)
Transportation			Water supplies		
Plant and machinery	Straight line	10-25	Piping mains	Straight line	60-80
Land under roads	Not depreciated	-	Pumps	Straight line	25
Roads and footpaths	Straight line	6-80	Service lines	Straight line	80-100
Formation	Not depreciated	-	Hydrants	Straight line	80
Sub-base	Not depreciated	-	Valves and air valves	Straight line	80
Base course	Straight line	75-100	Meters	Straight line	25
Surfacing	Straight line	0-17	Reservoirs	Straight line	80
Kerb and channelling	Straight line	10-100	Wastewater		
Street signs	Straight line	13	Mains	Straight line	60-80
Resource consents	Straight line	10-33	Pumps	Straight line	15
Street lighting	Straight line	20-40	Manholes	Straight line	80
Bridges	Straight line	80-100	Oxidation ponds	Not depreciated	-
Stormwater			Box culverts	Straight line	100
Lines	Straight line	60-150			
Manholes	Straight line	150			
Open drains	Not depreciated	-			

WATER

Existing Infrastructure and performance

Mackenzie District operates four public water supplies in the following townships:

- Burkes Pass
- Fairlie
- Takapō/Tekapo
- Twizel

It is also the asset owner of the Allendale and Albury schemes. Along with the physical treatment and reticulation infrastructure assets, resource consents to take water are also key assets. The term of these consents is key to forward planning and can often determine the timeframes for upgrades.

The replacement costs of the following water supply assets were estimated to be \$46.0 million (as of the June 2020 valuation). This includes \$345,000 of treatment plant and facility assets, \$882,000 on rural water supply assets and \$44.8 million on all other assets (e.g. reticulation and pump stations).

Table 19 Water Supply Overview

Supply	Population Supplied	Type of Supply	Source	Treatment	Storage (m ³)	Pump Stations	Reticulation (km)	Valves	Hydrants
Fairlie/Kimbell	1,000	U	S	Cl ₂	190	1	43.1	196	122
Takapō/Tekapo	552	U	G	Cl ₂ & UV	1,100	2	27.7	235	100
Twizel	1,500	U/R	BG	F & Cl ₂ & UV	7,500	1	71.4	563	312
Burkes Pass	30	Ut	CG	Cl ₂	22	-	3.3	2	1
Allendale	291	R	R	Cl ₂	NA	-	117.7	64	2
Albury	200 (est)	R	C		180	-	107.9	2	-
Stockwater (Ashwick, School Rd)						114km of open water race			
Water Total	3,343					4	373	1,059	532
Type of Supply <i>U = Urban (on demand)</i> <i>Ut = Urban (tank)</i> <i>R = Restricted</i>			Source <i>B = Bore</i> <i>C = Creek</i> <i>G = Gallery</i> <i>S = Spring</i> <i>R = River</i> <i>WR = Water Race</i>				Treatment <i>Cl₂ = Chlorine</i> <i>F = Filtration</i> <i>N = No treatment/disinfection</i> <i>UV = Ultra-Violet Irradiation</i>		

Resource Consents

All the water scheme resource consents will require renewal during the life of this strategy. The following table lists the water resource consents that are presently held for the taking of water and land use:

Table 20 Resource Consents - Water

System	Consent #	Description	Expiry Date
Fairlie	CRC176495	Take and use water	19 August 2044
Lake Tekapo	CRC971414	To take groundwater	13 August 2033
Twizel	CRC042741	Take and use water	20 August 2047
Burkes Pass	CRC971594	to divert water for Burkes Pass community supply	29 October 2032
	CRC971595	to discharge by-wash water to Paddy's Market Stream	29 October 2032
Allandale	CRC020124.1	Take and use water	19 October 2030
Albury	CRC990685	To divert water	20 January 2034
	CRC990686	To take water for community water supply	20 January 2034
	CRC991431	To disturb, and place and maintain structures	20 January 2034
	CRC991418	to discharge water	20 January 2034

Resource consents are required for the abstraction of all natural water that is used for public supplies. These usually stipulate the quantity of the water that can be taken, and a maximum rate for its extraction. When water is treated and backwash is part of the process, consents are also required for discharge of the backwash water.

Current Performance

The Water Supply networks are generally performing well with a few leakage problems in Fairlie. These are generally tied to older concrete pipes with perished rubber sealing rings. Specific condition for each asset is not currently measured, but as noted above, representative sections of the network are inspected and the results extrapolated across the network. There is good condition information for Water Supply assets with the majority of assets graded at 2 or better (89%). Only 3% of the network is graded as having a rating of 4 and no asset is graded as requiring replacement. However, Fairlie has a programme to replace all the pipework installed in the 1940s as this has defective rubber sealing rings allowing significant leakage.

A significant portion of the Twizel reticulation is Asbestos Cement pipe (21.9km/31%) was installed during the early 1970s. A replacement programme for the AC pipe in Twizel based on a predictive failure model from the various pipe samples started during 2015. As part of the COVID 19 recovery package Council have accelerated this renewal programme and the completion is programmed for the end of 2021.

Additional key issues are summarised in Table 21 below. The table highlights both where the issues are occurring, the key driver for change (i.e. Growth, Level of Service or Renewal) and a potential resolution.

Table 21 Key water issues

Issues	Resolution
All Systems	
3 Waters Reform	Collaborate with the Government and other local authorities in the region to consider future 3Waters service delivery arrangements
Integrity of water supply	Backflow prevention
Demand management	Universal (smart) metering in urban on demand supplies
Maintaining and monitoring chlorine residual	Install FAC monitoring at pump stations and connect to SCADA
Water Safety Plans	Gap analysis to align with regulatory changes
DWSNZ Protozoa compliance	Investigate resolution (connect Allandale to Fairlie, upgrade Fairlie WTP).

Issues	Resolution
Fairlie	
DWSNZ compliance	Treatment Plant upgrade (2021-23)
Storage	Build additional reservoir (2021-23)
AC pipe	Planned renewals
Lake Tekapo	
Cast Iron, Galvanised Iron & AC mains	Planned renewals
Resilience – trunk main from reservoir to reticulation	Double trunk main
Resilience - storage	Provide storage on east and west side of the Tekapo River
Twizel	
AC pipe	Planned renewal (completion programmed for end of 2022)
Trunk main capacity	Modelling to ascertain trunk main capacity
Resilience – trunk main from treatment plant to reticulation	Double trunk main
Burkes Pass	
Manage demand within consent limits	Consider changing from on demand to restricted supply
Equal access to water supply	
Allandale	
Poor workmanship on PE pipes	Investigate resolution
DWSNZ Compliance -	Potentially connect to Fairlie
Protozoa compliance	
Power to treatment plant	
Didymo clogging up filter	
Albury	
Locally managed (Risk)	Water Safety Plan in place and implemented

It is probable that new legislation will be passed that will place responsibility for water fluoridation with District Health Boards. At the time of writing this strategy it is unclear whether this change will lead to a requirement to fluoridate drinking water supplies in our district. Any move to introduce fluoride is likely to be contentious and this strategy has been formulated on the basis that the status quo will remain.

Critical Assets

Council engineers have not performed a documented formal criticality assessment of the infrastructure assets, but Council engineers use practical experience and skilled application of staff and service providers in consideration of critical assets. Development of a formal documented criticality assessment is included as an improvement item (**IP 1**).

In the absence of a formal criticality assessment Council's approach in the water activity is based on the following methodology:

Table 22 Critical asset assessment approach

Criticality Category	Condition Assessments	Renewal
Critical Assets Trunk mains, rising mains and large diameter mains supplying significant areas or key	Condition assessments performed during connections and pipe repairs. Detailed analysis obtained as deemed necessary	Renewal timing based on conservative base live and actual condition assessments

industries or businesses/customers. Treatment plants are also considered to be critical assets		of asset and estimated future deterioration.
Non-Critical Assets – distribution network of smaller diameter mains and property laterals	Sample inspections of material types and age bands during connections and pipe repairs. Greater proportion for assets nearing end of base life. Inspections of assets associated with major roading asset renewals to confirm condition.	Generally “run to failure” with renewals on a reactive basis.

A number of aspects could be considered in identifying those assets that are critical including but not limited to:

- Location of asset, e.g. State Highway
- Asset type, e.g. pump stations and detention dams
- Flood hazard assessments and areas without adequate existing secondary flow paths
- Network configuration, e.g. single main servicing large area
- Customer type, e.g. Central Business District, Medical Facilities, Rest Homes.

Water Infrastructure strategy

Council seeks to improve water treatment in all parts of the District to meet the requirements of the Health (Drinking Water) Amendment Act 2007. Council has been upgrading numerous treatment plants over the last number of years to meet the requirements of the Act.

Over the next ten years Council plans to:

- Maintain consumer’s access to water,
- Comply with the Health Act,
- Continue to monitor and respond to the Government’s new Water Regulatory Framework, and
- Continue maintenance and renewal of the water network to meet the needs of current and future consumers.

This vision is supported by a detailed Water AMP.

Key Capital & Renewal Projects

There are some significant water capital and renewal projects which are planned over the next 10 years. These projects are driven by the need to improve the level of service for water quality and to renew aging infrastructure.

Table 23 Significant Infrastructure decisions - Water

Issue – Compliance with Drinking Water Standards - Fairlie	
Main Options	Implication of Options
Option 1 -	Upgrade Fairlie’s water supply to meet the NZ Drinking Water Standards. This involves the construction of a new plant capable of managing the current source water quality fluctuations (this project has been delayed).
Option 2 -	Do nothing. This is not a viable option as the MOH requires compliance with the NZDWS and the current treatment does not meet required treatment standards.
Time period	2021- 2023
What is the benefit	Growth and increased Levels of Service

Assumption	This is based on the new source confirming the ability to provide 28 l/sec flow rate. Initial test pumping has confirmed this but has been carried out with the new gallery in place.
Issue – Insufficient Storage of Treated water - Fairlie	
Main Options	Implication of Options
Option 1 -	Construct a new reservoir on the Fairlie water supply.
Option 2 -	Do nothing. The current reservoir has served the town very well over many years and will continue to do so for some time. However, if there is increased demand then the few hours' storage will be inadequate even though it the supply is fed by a continuous gravity supply.
Time period	2021 – 2023 (upgrades in 2026/27 and again in 2030/31)
What is the benefit	Levels of Service
Issue – AC Reticulation renewals	
Main Options	Implication of Options
Option 1 -	Undertake renewals based on current understanding of pipe condition
Option 2 -	Delay replacement until failures become more common
Option 3	Accelerate replacement programme
Time period	Between 2021/22 to 2030/31
What is the benefit	Renewal and increased Levels of Service

The biggest issue facing the three communities in the next thirty years is the need to replace AC water mains. There is 34.6km of AC pipe in the district; 6.9km in Fairlie, 5.8km in Takapō/Tekapo and a further 21.9km in Twizel. AC pipe is affected by both internal water and external soil conditions. External stresses such as soil conditions, quality of installation, additional loadings, and maintenance have a significant effect on the useful life of underground assets. The inherent variations of in-situ conditions and subsequent rate of deterioration make it difficult to accurately formulate a renewals priority programme without a sampling regime.

The recent sampling and testing programme for Twizel has confirmed the level of deterioration and the associated risk. This strategy provides for continuation of a district wide sampling and testing programme in Takapō/Tekapo and Fairlie, to further our understanding of the level of deterioration and the associated risks in those towns.

In the 2020/21 Annual Plan, Council fast tracked the replacement of AC pipes, investing \$7.5 million the first year. Works are primarily focused on Twizel, with some work in Fairlie to be completed. It is expected that all of the AC network is planned to be replaced in the first 10 years. Pipe renewals will continue beyond 2031 for all other water pipes in the district. However, this timing will be confirmed or amended depending on the outcome of the proposed sampling programme.

The preferred option is to continue tracking asset condition and refine an ongoing programme of renewals. Some accelerated renewal is being undertaken to utilise stimulus funding available and undertake works during periods of less tourism.

It should also be noted that currently the council invest 4% of total costs towards the Downlands Water Supply Scheme which is completely managed by Timaru District Council. This is not included within this Infrastructure strategy as the council has no involvement in the projects development.

All other significant projects and their funding sources are summarised in the following table and chart.

Table 24 Water Projects – Capital Costs

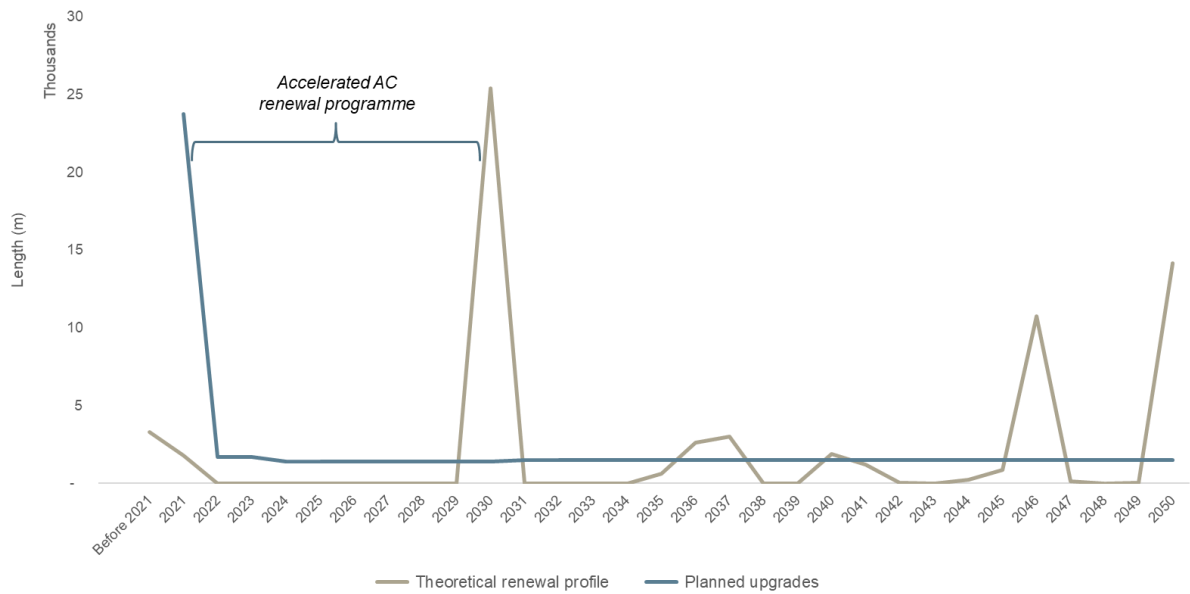
Project	Priorit y Type	Year	Amount (uninflated)	Amount (inflated)	Description
Service Connections - new	Renewal	2021/31	\$3,024,000	\$3,532,714	Existing mains and service connections to water supply which are being upgraded
Reticulation – new	LOS	2021/31	\$13,021,928	\$13,764,718	Renewals – refurbishment, replacement of pipes and facilities equipment for water supplies is estimated to be \$13.8m over the next 10 years. This includes the planned renewal the AC pipes in Twizel (completion programmed for end of 2022). This will replace all the small diameter mains that require replacing.
Treatment - new	LOS	2021/31	\$7,214,080	\$7,390,514	Fairlie Water Treatment Plant Upgrade and storage.
Allandale/Spur Road water supply - Reticulation extension	LOS	2025/26	\$554,660	\$599,960	Installation of connection of Allandale to Fairlie water supply
Water Supply Renewals ¹	LOS	2021/22	\$0	\$0	Renewal works to Water supply infrastructure (this has since been completed in 2020/21)
Water Metering Trial - Twizel Install ¹	LOS	2021/22	\$322,753	\$322,753	Installation of water meters in Twizel.
Potable Water Supply Remote Properties - install ¹	LOS	2021/22	\$175,000	\$175,000	Remote supply of potable water investigation and implementation
Total			\$24,312,421	\$25,785,659	

¹Projects funded by the three waters stimulus package (refer to section 10.3.1)

Table 17 provides the cost spend cashflow over the next 30 years. Cost estimates from year 2031/32 through to 2050/51 were developed based on the following:

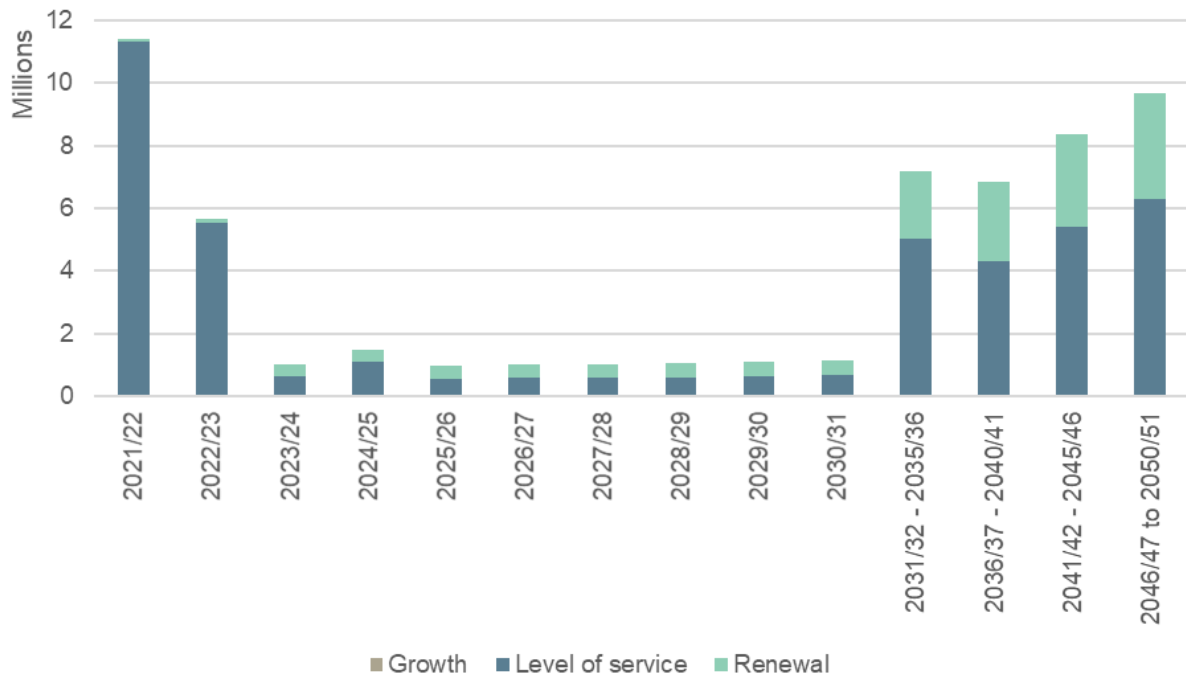
- Average expenditure over the first ten years which was then extrapolated out. This includes a renewal profile for water pipes. It should be noted that the Stimulus package altered the renewal programme by pushing forward the AC pipe renewal programme. This was originally planned out over a 20-year period but is now occurring within the next two years. The figure below outlines the theoretical replacement of the districts water pipes over the next 30 years based on the theoretical design life of the pipe. This has been compared against the planned replacement programme. A significant portion of the replacements are occurring in 2021/22. The remaining renewals have been evenly spread across the 30 year timeframe. Regular testing will still be undertaken on the district's water pipes to assess their condition. This may change the future profile of water pipe replacement.
- Increase in vested assets which will require additional operations and maintenance expenditure overtime
- The renewal of resource consents – all 10 resource consents listed above will need to be renewed between 2032 and 2044. It is assumed that water take resource consent for larger takes will cost up to \$250,000 while smaller water take consents will cost \$100,000.

Figure 16 Theoretical vs planned water reticulation programme



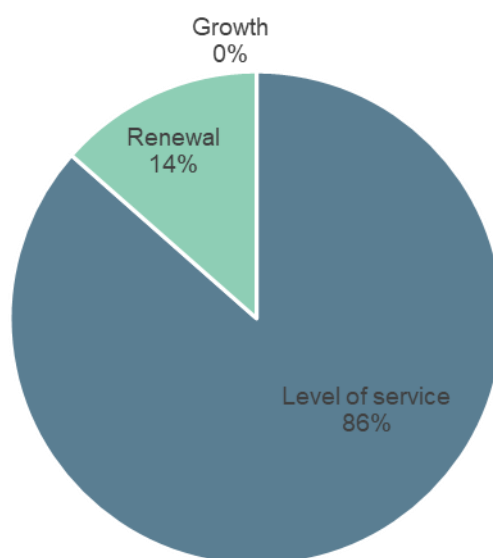
Future expenditure is represented in the table below as the total inflated cost over 5-year periods.

Figure 17: Water Project Cost Profile (Inflated)



Each of the above infrastructure upgrades responds to one of the of the three key drivers: meeting growth, improving the level of service and replacement and renewal of aging infrastructure. The figure below shows the proportion of water projects over the next 10 years which respond to each of these drivers. Majority of water infrastructure projects seek to improve the level of service.

Figure 18 Key priority types of Water Infrastructure projects (year 1 to 10)



WASTEWATER

Existing Infrastructure and performance

The Council operates four wastewater schemes:

- Burkes Pass
- Fairlie Township
- Takapō/Tekapo Twizel

Along with treatment and reticulation infrastructure, resource consents for treated wastewater are key assets. The term of these consents is key to forward planning and can often determine the timeframes for treatment upgrades.

The replacement costs of the following wastewater assets were estimated to be \$34.9 million (as of the June 2020 valuation). This includes \$3.2 million of wastewater treatment plants and facility assets and \$31.7 million on all other assets (e.g. reticulation, pump stations and manholes).

Table 25 Wastewater overview

System	Population (UR)	Length of Reticulation (km)	Manholes	Pump Stations	Treatment Facility
Fairlie	693	12.9	104	1	Oxidation ponds
Takapō/Tekapo	369	27.8	362	3	Oxidation ponds
Twizel	1,137	64.8	554	2	Oxidation ponds
Burkes Pass	30	1.6	17	-	Oxidation pond
Total	2,229	107.1	1,037	6	4

Resource Consents

All of these resource consents will require renewal during the life of this strategy.

Table 26 Resource Consents - Wastewater

System	Consent #	Description	Expiry Date
Fairlie	CRC992647	Discharge odour to air	17 December 2038
	CRC992608.1	Discharge to land	17 December 2038
Lake Tekapo	CRC042914	Discharge to land	17 December 2038
Twizel	CRC172311	Discharge to land & air	11 April 2053
Burkes Pass	CRC992607	Discharge to land	7 June 2040

Discharge permits are required for the discharge of treated effluent to land or water, and the discharge of odours associated with wastewater treatment plants. There are no resource consents which will expire within the next 10 years.

Current Performance

The four sewer networks are performing well with limited blockages. These are generally tied to tree root intrusion. Specific condition for each asset is not currently measured but internal inspections of representative sections of the network are carried out and the results extrapolated across the network. There is good condition information for Wastewater assets with the majority of assets graded at 2 or better (88%). Only 1% of the network is graded as having a rating of 4 and no asset is graded as 5 (unserviceable).

Whilst the sewer network is in relatively good condition, there are a number of issues with the wastewater treatment process and the monitoring system which need to be addressed. These are summarised in Table 27 which outlines the issue and a basic resolution.

Table 27 Key wastewater issues

Issues	Resolution
All Systems	
3 Waters Reform	Collaborate with the Government and other local authorities in the region to consider future 3Waters service delivery arrangements
Sludge levels	Monitor, and desludge (Fairlie, Tekapo, Twizel programmed for 2021)
System capacities	Develop hydraulic model for each system to help identify problem areas through simulation and to evaluate the benefits of specific solutions.
Fairlie	
Dumping of septage	Surveillance cameras at treatment plant
Consent compliance	Reduce high faecal count through improved treatment efficiency. Increased monitoring of DO, COD, BOD
Sludge levels	Milliscreen at intake to improve treatment
Lake Tekapo	
Disposal of effluent (consent limits)	Investigate, consider resolution options and implement.
Capacity of Lakeside Drive Pump Station	Station Bay subdivision triggered the need for an upgrade and has extra storage added and pumps replaced
Twizel	
Dumping of septage	Review Wastewater Bylaw to provide mechanism to prosecute offenders
Condition of the AC pipe	Review with surveillance cameras and determine remaining useful life of the asset with a view to developing a replacement programme

Issues	Resolution
Mackenzie Park Pump Station	Connect Mackenzie Park PS to the treatment plant through new rising main
Burkes Pass	
Consent compliance	High faecal count at discharge – investigate and consider options (aeration/additional pond)

Critical Assets

Council engineers have not performed a documented formal criticality assessment of the infrastructure assets, but Council engineers use practical experience and skilled application of staff and service providers in consideration of critical assets. Development of a formal documented criticality assessment is included as an improvement item (**IP 1**).

In the absence of a formal criticality assessment Council's approach in the wastewater activity is based on the following methodology:

Table 28 Critical asset assessment approach

Criticality Category	Condition Assessments	Renewal
<u>Critical Assets</u> trunk mains, rising mains and large diameter mains supplying significant areas or key industries or businesses/customers	Condition assessments performed during connections and pipe repairs. Detailed analysis obtained as deemed necessary	Renewal timing based on conservative base live and actual condition assessments of asset and estimated future deterioration.
<u>Non-Critical Assets</u> – distribution network of smaller diameter mains and property laterals	Sample inspections of material types and age bands during connections and pipe repairs. Greater proportion for assets nearing end of base life. Inspections of assets associated with major roading asset renewals to confirm condition.	Generally “run to failure” with renewals on a reactive basis.

A number of aspects could be considered in identifying those assets that are critical including but not limited to:

- Location of asset, e.g. State Highway
- Asset type, e.g. treatment plant and pump stations
- Network configuration, e.g. single main servicing large area
- Customer type, e.g. Central Business District, Medical facilities, Rest Homes.

Wastewater Infrastructure Strategy

In order to achieve the above goal the Council plans to:

- Continue to collect, treat, and dispose of wastewater
- Upgrade treatment facilities where required to comply with resource consent conditions
- Plan for future development and needs
- Consult with the community on issues such as health and legislative compliance issues

This vision is supported by a detailed Wastewater AMP.

Key Capital and Renewal Projects

There are some significant wastewater capital and renewal projects which are planned over the next 30 years. These projects are driven by the need to improve the level of service for effluent quality, to renew aging infrastructure and to meet a growing population.

Table 29 Significant Infrastructure project - Wastewater

Issue – Potential for increased effluent flows coming from the Takapō/Tekapo wastewater treatment plant and issues associated with growth.	
Main Options	Implication of Options
Option 1 -	<p>Identify a new permanent disposal site, and design and install the system to dispose of the effluent for the next 50 years.</p> <p>Council is presently constructing a new disposal field adjacent to the existing site. This will address the problem in the short term and is an interim measure only.</p> <p>Council's strategic planning work is programmed to start in Year 1 of the LTP (2020/21), with design, construction and implementation programmed to commence in 2022/23.</p> <p>The total cost of this work is estimated to be \$18.1 million (see table below)</p>
Option 2 -	Do nothing: This is unlikely to address the longer term issues associated with growth.
Time period	Between 2021/22 and 2025/26
What is the benefit	Growth/LoS/Renewal
Assumption	Option 1 assumes that an appropriate site can be identified, that infiltration testing confirms that and that Council is able to obtain a discharge consent on that site.

Key wastewater projects being implemented over the next 10 years are listed below, and costed in Table 30.

- **Takapō/Tekapo upgrades – Wastewater treatment plant: between 2021/22 and 2025/26:** Installation of additional pond aerators and the establishment of a new discharge site
- **Takapō/Tekapo upgrades – Lakeside Drive: 2021/22:** renewal of the lakeside pump station including installation of additional monitoring equipment.
- **Twizel AC pipe replacement 2021/22:** acceleration of asbestos cement line previously planned for 2026/27 due to 3 waters stimulus funding.
- **Twizel – Mackenzie Park: 2021/22:** A new rising main is also programmed from Mackenzie Park to the Twizel oxidation ponds in order to improve the treatment and manage growth. All other significant projects are summarised in the following table and chart below.

To ensure on-going affordability of the wastewater service Council will continue to consider options in delivering the service, including collaboration with other local authorities as we did with the SCADA and Timaru District Council.

Table 30 Wastewater Projects – Capital Costs

Project Description	Priority Type	Amount (uninflated)	Amount (Inflated)	Year	Description of work
Sewer Reticulation - new	LOS	\$4,160,000	\$4,788,569	2021/29	Renewals – refurbishment, replacement of pipes and facilities equipment for wastewater systems is estimated to be \$4.8m over the next 10 years. This includes the replacement of AC pipeline in Twizel.
Pump Station Renewal	LOS	\$300,000	\$300,000	2021/22	Lakeside drive pump station upgrade to improve performance. Will also deliver additional capacity
Treatment	Growth	\$17,450,000	\$19,232,125	2021/26	Disposal of effluent for the Tekapo treatment plant - Investigate, consider resolution options, updating resource consents and implement and construct option. Station Bay subdivision triggered the need for an upgrade and requires extra storage added and pumps replaced
Upsize foul sewer - Fairlie Golf Course ¹	LOS	\$35,000	\$35,000	2021/22	Upsize foul sewer - Fairlie Golf Course ¹
Rising Main Mackenzie Park to Twizel WWTP – Design ¹	Growth	\$14,690	\$14,690	2021/22	Connect Mackenzie Park PS to the treatment plant through new rising main
Rising Main Mackenzie Park to Twizel WWTP – Construct ¹	Growth	\$990,000	\$990,000	2021/22	
Lakeside WW pump station - Design/Construct ¹	Growth	\$48,598	\$48,598	2021/22	Station Bay subdivision triggered the need for an upgrade and has extra storage added and pumps replaced
Deer Fence ponds - Tekapo, Fairlie ¹	LOS	\$15,000	\$15,000	2021/22	Deer Fence around ponds in Tekapo and Fairlie
Burkes Pass WWTP upgrade - install outlet flowmeter ¹	LOS	\$25,540	\$25,540	2021/22	Investigate and consider options (aeration/additional pond)
Burkes Pass WWTP upgrade – baffles ¹	Growth	\$50,000	\$50,000	2021/22	Burkes Pass WWTP baffles installation
WWTP monitoring equip - design & install ¹	LOS	\$210,000	\$210,000	2021/22	Upgrade / relocate equipment so that Council can get real time updates of the condition of the oxidation ponds.
WWTP Influent Screens Design - 3 Sites ¹	LOS	\$22,525	\$22,525	2021/22	Milliscreen at intake to improve treatment
Connect Allandale Rd WW to Fairlie WW Network ¹	LOS	\$45,000	\$45,000	2021/22	Connect Allandale Rd WW to Fairlie WW Network
Stimulus Package - Delivery	LOS	\$62,722	\$62,722	2021/22	Programme delivery of the three waters stimulus package projects
Total		\$23,429,075	\$25,839,769		

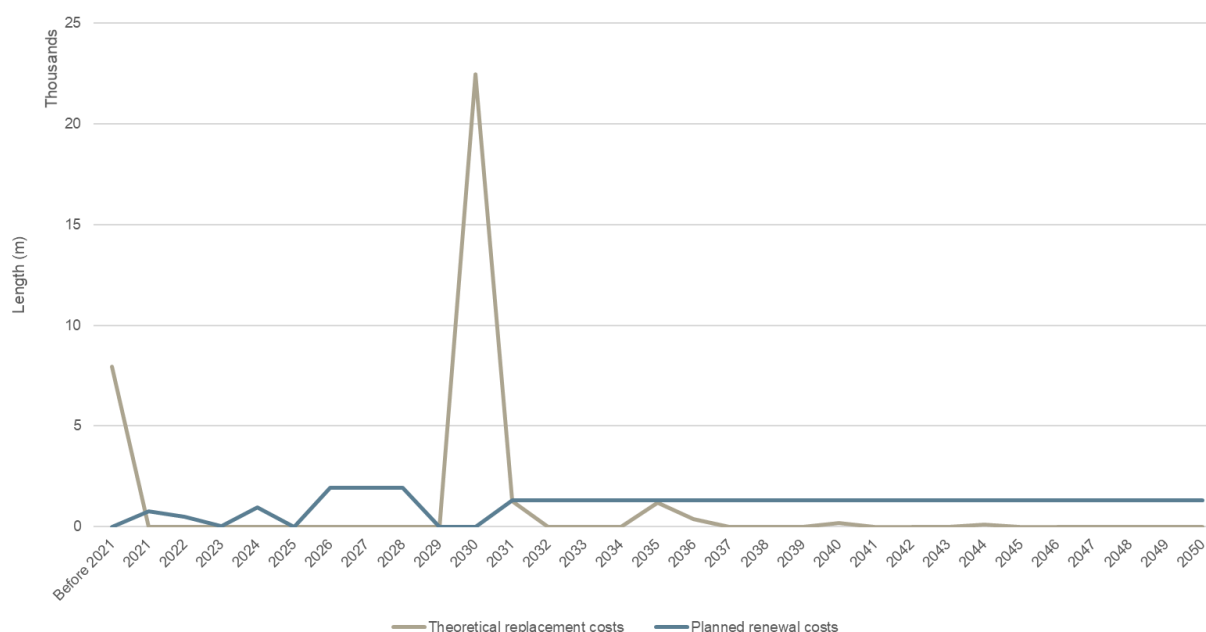
¹Projects funded by the three waters stimulus package

Figure 20 provides the cost spend cashflow over the next 30 years. Beyond 2031, the Council has budgeted an annual average expenditure of approximately \$856,000 for wastewater renewals and improvements to levels of service. This will include the renewal of pump stations and switch boards, etc. and the likely increase or change in government standards. Other considerations which were used to estimate costs beyond 2031 include:

- Average expenditure over the first ten years which was then extrapolated out to inform our base estimates
- Increase in vested assets which will require additional operational and maintenance expenditures overtime
- The renewal of resource consents – 4 of the 5 resource consents listed above will need to be renewed between 2038 and 2040.
- The renewals of wastewater mains which has been spread across the next 20 year period.

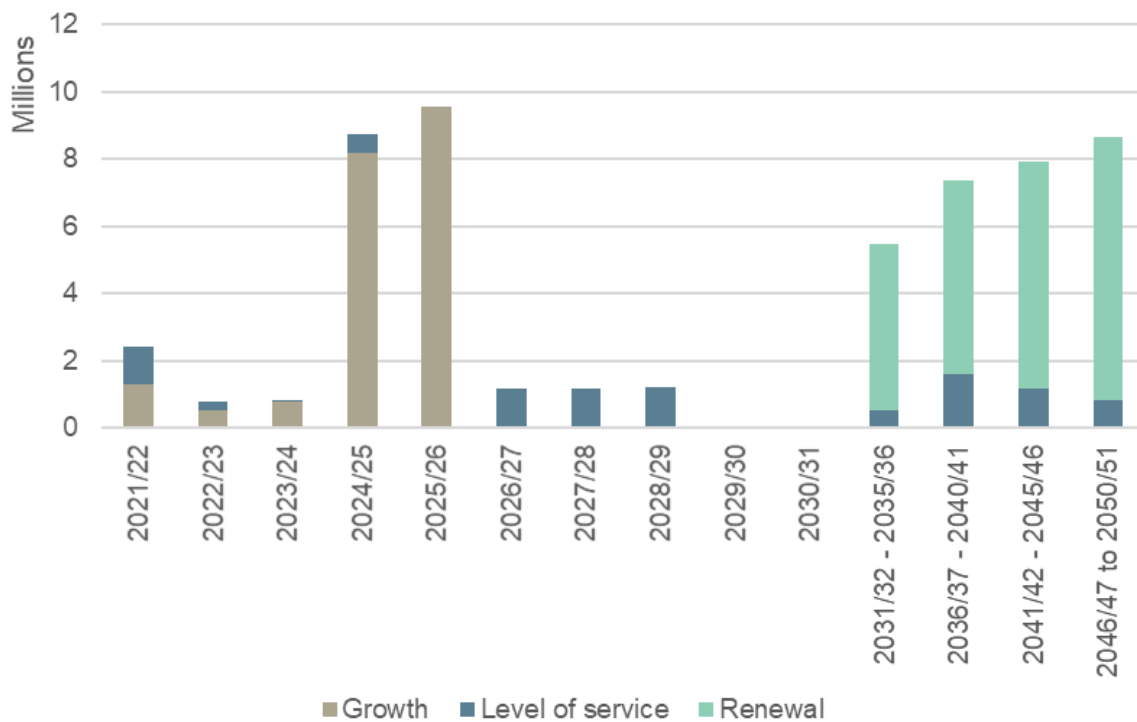
It should be noted that the Stimulus package altered the renewal programme by pushing forward the Twizel reticulation renewal programme. This was originally planned out over a 20-year period but is now occurring within this LTP period. The council is still assessing the impact of this change on their water asset renewals profile and therefore expenditure beyond 2031. An estimated renewal expenditure has been determined based on the existing theoretical renewals profile of wastewater mains. This is reflected in Figure 20 below which shows a gradual replacement of pipes over the next 30 years in order to avoid large spikes in rates. CCTV is currently being upgraded to better assess the condition of these pipes which may alter the future cost profiles.

Figure 19 Theoretical vs planned wastewater reticulation programme



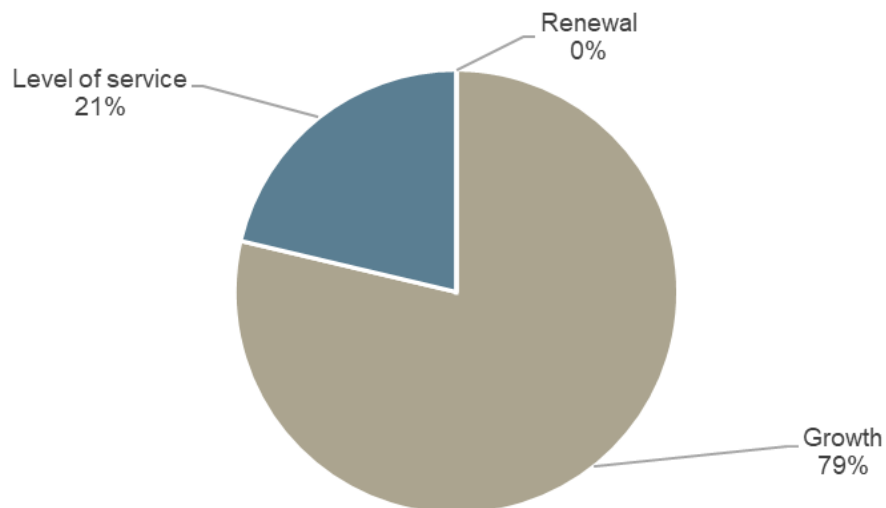
Future expenditure is represented in the figure below as the total inflated cost over 5-year periods.

Figure 20 Wastewater Project Cost Profile (Inflated)



Each of the above infrastructure upgrades responds to one of the of the three key drivers: meeting growth, improving the level of service and replacement and renewal of aging infrastructure. The figure below shows the proportion of wastewater projects over the next 10 years which respond to each of these drivers. The majority of wastewater projects respond to growth issues across the district.

Figure 21 Key priority types of wastewater infrastructure projects (Year 1 to 10)



STORMWATER

Existing Infrastructure and performance

The Council manages stormwater networks in Fairlie, Tekapo and Twizel. Each of these schemes are subject to resource consent conditions imposed by Environment Canterbury. The term of these consents is key to forward planning and can often determine the timeframes for treatment upgrades.

Table 31 below summarises the extent of the existing stormwater assets within the Mackenzie region.

The replacement costs of the following wastewater assets were estimated to be \$9.8 million (as of the June 2020 valuation). This includes all the council's drainage assets.

Table 31 Stormwater Overview

System	Population (UR)	Length of Pipe Reticulation (km)	Manholes	Sumps	Pump Stations	Retention/ Treatment area
Fairlie	693	5.0	36	9	-	-
Takapō/Tekapo	369	10.2	213	216	-	5
Twizel	1,137	7	93	186	-	-
Total	2,199	22.2	342	411	-	5

Council is currently preparing a Stormwater Management Plan for the district as required by the Regional Plan, and to give effect to Te Mana o te Wai through the requirements of the National Policy Statement for Freshwater Management. It is likely that there will be a need to install improvements on the small non-consented discharges particularly in Fairlie and Takapō/Tekapo.

Resource Consents

All the following resource consents will require renewal during the life of this strategy.

Table 32 Resource Consents - Stormwater

Scheme	Consent Number	Expires
Fairlie	CRC203556	In Progress
Takapō/Tekapo - Sealy Street Discharge	CRC042748	18 February 2040
Takapō/Tekapo - Hamilton Drive Discharge	CRC146447 & CRC146445	24 September 2039
Takapō/Tekapo – Domain Discharge	CRC 141077	23 December 2049
Twizel Stormwater Discharge	CRC042742	18 February 2040
Pukaki Airport Stormwater Discharge	CRC081120	7 December 2042
Takapō/Tekapo – Simpson Lane	CRC157319	3 August 2050

Current Performance

Performance issues for drainage control assets relate to:

- coverage (i.e. are there open water tables or ponding areas that could be serviced by pipe drains or formed channels?)

- improving drainage where storm events cause flooding problems
- stormwater capacity to culverts
- conformity with provision standards (e.g. kerb and channel in all urban streets)

Overall, the performance of drainage assets is adequate. The main concern is coverage. A number of urban streets are without any kerb and channel. Most existing drainage assets are performing well and have been adequately designed. Some swale drains are still being developed.

Upcoming issues during the next ten years

The Canterbury Land and Water Regional Plan (LWRP) became operative in January 2014 and is a key driver for the stormwater activity, as it imposes increased environmental requirements for stormwater discharges.

Discharges to land or water require resource consent. Council has obtained resource consent for Lake Tekapo and Twizel and the global resource consent for stormwater discharge from the Fairlie stormwater system is being processed at the time of writing this Plan.

The Regent Street stormwater line (in Fairlie) takes water from an open ditch off School Road and conveys it to the river. The pipeline is the old steel penstock pipe from an obsolete power generation plant. In one location it is poor condition but in the balance of the pipe it is okay. A number of camera access ports have been cut into this pipe to monitor its condition by CCTV. It is planned to internally inspect the Regent Street storm water pipe to assess its condition. Depending on the results of that inspection it may be necessary to programme a replacement sometime in the next 10 years. The Sloane Street timber main is being replaced as part of the three waters stimulus package in 2021/22

For compliance with Environment Canterbury's Land and Water Regional Plan, it is likely that there will be a need to install improvements on the other non-consented discharges in 2027 - 29. Estimated cost of \$15,000 each at Denmark Street and Regent Street. This will necessitate an operational increase in maintenance and compliance monitoring costs.

The Stormwater Management Plan for Fairlie is under development at the time of writing this Plan.

Both the Lochinver subdivision and stages 1 to 3 of the west Tekapo subdivision known as The Cairns, have dedicated stormwater disposal systems using a dry pond, detention areas and wetlands that require specific maintenance requirements to operate as designed. Every five years, depending on the results of soil tests, any bare areas will be re-vegetated and contaminated soils replaced at a cost of \$10,000 each time. The Lochinver system is expected to require revegetation in 2022/23. Lake Tekapo Enterprises Ltd (CRC094183 and CRC184387) and Bluewater Resort Ltd (CRC094181.1) hold the stormwater discharge consents for their catchment areas respectively. This resource consent will stay private until such time as assets are vested to Council. Although Council has no control over the consent compliance it is important for Council to ensure at such time the stormwater system performed to specification and complied with resource consent conditions.

Other key issues relating to compliance, aging infrastructure and general improvements for all stormwater assets are outline in Table 33 below. This identifies key issues, their main drivers for change (level of service, renewal or growth) and potential resolutions.

Table 33 Key stormwater issues

Issues	Resolution
All Stormwater Systems	
Environmental compliance	Comply with the requirements of the Canterbury Land and Water Regional Plan including but not limited to Stormwater Management Plans etc.
Monitoring (first flush)	Develop and implement monitoring plan
Fairlie	

Old timber stormwater systems	Programmed for replacement
Condition of steel pipe at the top end of Regent Street	Investigate issues, resolution options and implement
Lake Tekapo	
Increased environmental conditions and compliance parameters	Consideration of options and resolution. Application for resource consent lodged
Old discharge points and retention basins	
Twizel	
No specific issues	

3.1.1. Critical Assets

There has been no formal criticality assessment performed on the stormwater system assets. This is included as an Improvement Item (**IP 1**).

In the absence of a formal criticality assessment Council's approach in the stormwater activity is based on the following methodology:

Table 34 Critical asset assessment approach

Criticality Category	Condition Assessments	Renewal
<u>Critical Assets</u> The flow treatment of stormwater in Tekapo and its discharges into significant water bodies	Condition assessments performed during connections and pipe repairs. Detailed analysis obtained as deemed necessary	Renewal timing based on conservative base live and actual condition assessments of asset and estimated future deterioration.
<u>Non-Critical Assets</u> – distribution network of smaller culverts and drainage and property laterals	Sample inspections of material types and age bands during connections and pipe repairs. Greater proportion for assets nearing end of base life. Inspections of assets associated with major roading asset renewals to confirm condition.	Generally "run to failure" with renewals on a reactive basis.

Many of the critical stormwater assets are already covered through roading asset management. For example, culverts and kerbs are both considered a roading asset. One of the key critical assets is the stormwater treatment facility at Tekapo.

Stormwater Infrastructure Strategy

Council plans to maintain current levels of service for the life of this plan, unless legislation, consent conditions, or community expectations change. Over the next ten years Council plans to:

- Continue to collect, treat, and dispose of stormwater in a manner that protect public health, property, and the environment.
- Develop and implement Catchment Management Plans
- Plan for future development and needs
- Consult with the community on issues such as health and legislative compliance issues.

This vision is supported by a detailed Stormwater Activity Management Plan (AMP).

Key Capital and Renewal Projects

There are a number of stormwater capital and renewal projects which are planned over the next 30 years. These projects are largely driven by the need to improve the level of service to meet new legislative standards in stormwater.

Table 35 Significant Infrastructure projects - Stormwater

Issue – Canterbury Land and Water Regional Plan - Compliance	
Main Options	Implication of Options
Option 1 -	<p>The Council is preparing a Management Plan prior to lodging a discharge permit application in order to comply with Rule 5.93 of the plan. It is anticipated that this will lead to improved treatment at some of the more significant discharges from the various stormwater networks in Fairlie, Takapō/Tekapo and Twizel.</p> <p>Those improvements will arise out of the plan, but budget has been allowed to install cyclonic separation devices on four outfalls.</p>
Option 2 -	Do nothing. Whilst this an option it is not deemed realistic due to the strategic direction central government is taking on protection of water quality.
Time period	2021-23
What is the benefit	Increase in Levels of Service
Assumption	It is anticipated that most but not all outfalls will require treatment and the installation of a “Humeceptor” or similar will be the appropriate level of treatment due to the confined nature of each of the outfalls.

Significant projects and their funding sources are summarised in the following table and chart:

Table 36 Stormwater Projects – Capital Costs

Project	Primary Type	Year	Amount (uninflated)	Amount (Inflated)	Project Description
Reticulation - new	LOS	2021/23	\$750,000	\$764,000	Refurbishment, replacement of stormwater assets estimated to be \$0.750m over the next 10 years. All stormwater system renewal work will be funded either by stimulus package funding or by the annual depreciation provision where funds are available
Stormwater Management Control (Flooding) ¹	LOS	2021/22	\$25,000	\$25,000	Comply with the requirements of the Canterbury Land and Water Regional Plan including but not limited to Stormwater Management Plans etc.
Sloane St Box Culvert Replacement ¹	LOS	2021/22	\$34,670	\$34,670	Sloane St Box Culvert Replacement
Total			\$809,670	\$823,670	

¹Projects funded by the three waters stimulus package

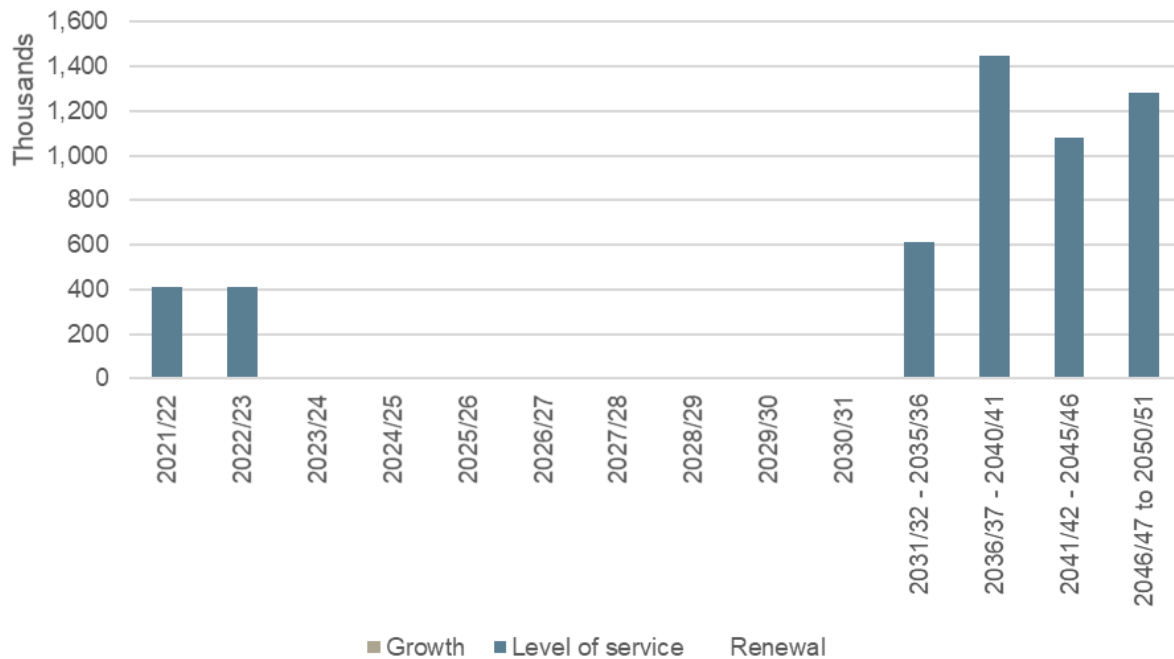
The figure below provides the cost spend cashflow over the next 30 years. Beyond 2031, the Council has budgeted between \$80,000 and \$161,000 per year for improvements to Level of Service. These future costs were estimated based on:

- Average expenditure over the first ten years which was then extrapolated out to inform our base estimates
- The renewal of all six consents which are estimated to cost the council approximately \$100,000 each

- The increase in operations and maintenance related to the increase in vested assets overtime
- Currently no renewals are planned for stormwater assets. This may change depending on the outcomes of inspections and assessments of stormwater assets.

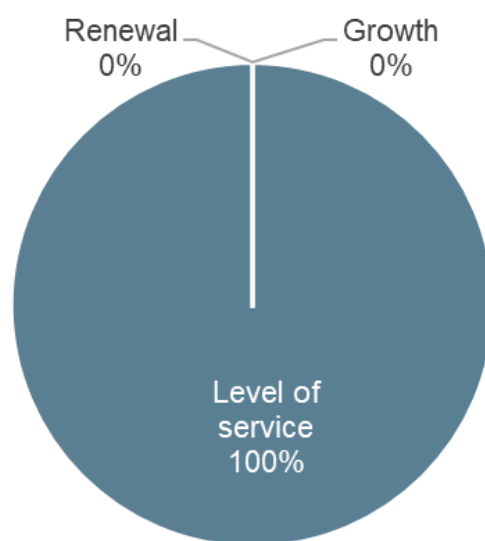
Future expenditure is represented as the total inflated cost over 5-year periods.

Figure 22 Stormwater Projects Cost Profile (Inflated)



Each of the above infrastructure upgrades responds to one of the of the three key drivers: meeting growth, improving the level of service and replacement and renewal of aging infrastructure. The figure below shows the proportion of stormwater projects over the next 10 years which respond to each of these drivers. One hundred percent of stormwater projects seek to improve the level of service.

Figure 23 Key priority types of Stormwater infrastructure projects



TRANSPORTATION

Existing Infrastructure and Performance

The backbone of the roading network in the district is provided by the following State Highways which are the responsibility of Waka Kotahi New Zealand Transport Agency (NZTA).

- State Highway 8: Timaru - Fairlie - Lake Tekapo/Takapō Twizel - Omarama
- State Highway 79: Fairlie - Geraldine
- State Highway 80: Twizel - Mt Cook Village

The Mackenzie District roading consists of a network of Secondary Collector, Access and Access (Low Volume) "Principal" and "Local" roads leading from the state highways to many remote localities and providing convenient access in and around the three main urban centres of Twizel, Lake Tekapo/Takapō and Fairlie (Mt Cook Village is administered by the Department of Conservation). The network is predominantly rural (93%), unsealed (71%) and with light average daily traffic volumes (less than 500 vehicles per day).

The transport asset includes all Council owned & managed road reserve, roads, streets, bridges, footpaths and related infrastructure within the District as shown in Table 37. The June 2020 valuation estimated the costs of the Council's transportation assets at \$170.6 million.

Table 37 Existing transport assets

Asset Description	Sub-Asset Description	Quantity	Quantity	Unit
Land		1,395Ha		
Roads	All roads	732.19km		
	Urban - Sealed	50.07km	1,486,074	m
	Urban - Unsealed	5.12km	2,357,730	m2
	Rural - Sealed	163.3km		
	Rural - Unsealed	513.65km		
Footpaths		59km	163,743	m2
Drainage	Culverts	18.07km	18,040	
	Catch Pits	309	309	
	Side Drains	16.1km	16,102	
	Soak Pits	40	61	
	Earth Surface Water Channel	739.97	632,269	m
	Kerb and Channel	63.8km		
Bridges	Bridges - Timber	7	8,377	m2
	Bridges – Other (Including 7 large Box Culverts)	88		
	Cattle stops	58	56	each

Asset Description	Sub-Asset Description	Quantity	Quantity	Unit
	Concrete Fords	20	45	each
Signage	Signs	3342	5,984	each
	Posts	1145		
Lighting	Lanterns (include brackets)	791	1,008	each
	Columns	696		
Features (gates, Intersections, Monuments, stockpile sites)		164		

Unformed and paper roads are not included.

Resource Consents

There are a number of activities within the roading activity that require resource consents from Environment Canterbury. These all relate to the use and maintenance of structures, bridges or ford structures on, in or under the bed of a lake or river. These are detailed below:

Table 38 Resource Consents – Transportation

Scheme	Consent Number	Expires
ROADING	CRC971431	15-Jan-32
ROADING - Lochaber Road	CRC980696	04-Feb-33
ROADING - Clayton Road Bridge	CRC980697	04-Feb-33
ROADING- Clayton Settlement Road	CRC980698	04-Feb-33
ROADING - Clayton Road Bridge	CRC980699	04-Feb-33
ROADING- Lochaber Road Bridge	CRC980700	04-Feb-33
ROADING- Lillybank Road Bridge	CRC980701	04-Feb-33
ROADING -Haldon Road Bridge	CRC980702	04-Feb-33
ROADING - Tengawai River	CRC980703	04-Feb-33
ROADING - Orari River, Lochaber Road Bridge	CRC980704	04-Feb-33
ROADING - Macauley River Ford	CRC980705	04-Feb-33
ROADING - Snow River Bridge	CRC980706	04-Feb-33
ROADING- Glen Lyon Road	CRC001191	09-Mar-35
ROADING- Cass River Ford Maintenance	CRC054668	16-Dec-40
ROADING- Pareora River	CRC062058	18-Oct-41
ROADING –Stoneleigh Road	CRC064164	14-Dec-41

All these current resource consents will require renewal during the life of this strategy unless Environment Canterbury changes its rules to allow any of these activities to be permitted. This is unlikely and allowance has been made to re-apply for them prior to their expiry date.

Current Performance

The basis of lifecycle management planning is the current condition and performance of the asset. These allow assessment of the delivery of services in comparison with the prescribed level of service. From this, a gap analysis was completed to determine the current performance of the assets compared to the level of service requirements (this is further detailed in Appendix A). Table 39 below provides a high-level summary of the current performance of transportation assets, focusing specifically on some of the key issues.

Table 39 Key transport asset issues

Asset	Issues
Sealed Pavements	Many of the District's sealed roads evolved from tracks to unsealed roads that were constructed to absolute minimum standards in terms of pavement strength, width and drainage facilities. Only since the 1970's has pavements been designed to carry an expected traffic loading over a projected 25-year design life, and the 1970's design loads were significantly less than the current design loads given recent increases in heavy commercial vehicles (HCV). The cost of construction has also been considered in the past and it is often that the pavement design comes in at a significant cost which are outside of budget allowances meaning a risk assessment is undertaken and pavement reduced or a shorter length of construction is completed.
Unsealed Pavements	High use routes (Godley Peaks Road, Braemar Road, Lilybank Road and Haldon Road) remain a challenge. Ideally, these would be upgraded and sealed - with adequate strength to withstand the freeze-thaw conditions. The cost is considerable, and this is problematic for funding by Council and Waka Kotahi. A separate business case would be appropriate for this programme. Other roads are performing well following the application of blended materials.
Bridges	<p>Seven bridges will reach their end of remaining useful life in this period, however, approximately only five have been identified for replacement with the remaining two potentially to be handed over to the adjacent landowner or replaced with a box culvert/concrete ford. This would come to a total replacement cost of \$3.25 million.</p> <p>Unfortunately, due to funding constraints the Council are unable to do any of the bridge replacement works within this LTP period. Instead, the Council will conduct regular inspections to ensure the bridges are safe to use. Each bridge only services a single owner and is therefore not deemed an immediate priority for Council.</p> <p>It should be noted that if funding does become available, the Council will prioritise the Otama Road Bridge (as this bridge services three properties and has only 3 to 10 years of remaining useful life) and Cass River Bridge (due to the weight restrictions and increased number of heavy vehicles accessing the site).</p>
Footpaths	<p>Footpath resurfacing has been delayed until the high speed fibre network is installed.</p> <p>New footpath linkages are being investigated as part of the spatial planning work.</p> <p>Footpath work focuses on supporting mode shift and particular safety benefits.</p>
Drainage	<p>Performance issues for drainage control assets relate to:</p> <ul style="list-style-type: none"> • Coverage (i.e. are there open water channels or areas where water accumulates that should be serviced by pipe drains or formed channels?) • Pavement damage due to drainage problems • Improving drainage where storm events cause recurring scour problems • Entrance capacity of culverts • A large quantity of wash over culverts/fords

Asset	Issues
	<ul style="list-style-type: none"> River fords may require closing four to five times per year Conformity with standards (kerb and channel in all urban streets)
Streetlights	Streetlight capacity and performance issues relate to light intensity, reliability and safety. The District street lighting other than on the state highways has evolved from perceived need rather than being based on standard performance design requirements. Older fluorescent and mercury vapour lanterns had been upgraded over the last ten years to low pressure sodium. The change out to LED fittings will provide improved performance, resilience and energy savings.
Traffic Services	Performance issues for signs and road marking relate to legibility, ease of comprehension, absence of too many signs, accuracy of placement, visibility and conformity with standards. Overall, the condition of traffic services assets is considered to be good. But with traffic increases and as the district moves away from its historic rural nature it is important that improve delineation and signage quality and quantity is implemented as well as traffic calming measures. The level provided is dependent on the ONRC classification which is transitioning to the One Network Framework (ONF).

Critical Assets

Critically is based on ONRC and redundancy. Much of the network is a 'fishbone pattern' running off the State Highway and is very important to users. Traffic volumes can be used as a proxy for criticality, but this ignores the level of access the assets provide:

- As lifelines for people (evacuation routes)
- As corridors for reaching critical infrastructure and utilities

These additional factors are considered when council are assessing criticality.

Formal asset criticality assessments are yet to be undertaken. These have been identified as an action item in the Activity Management Plan. Once complete these assessments will be used to guide operations and renewal planning.

The table below outlines a high level methodology the council currently use to identify, assess and renew critical and non-critical assets.

Table 40 Critical asset assessment approach

Criticality Category	Condition Assessments	Renewal
Critical Assets Critical assets include; main feeder roads, secondary connectors, roads servicing critical utilities, Bridges/ all structures servicing more than one landowner, Culverts >400mm diameter, roads with only one access point, failures which impact access (i.e. there are no alternative route or it's an interconnecting route), footpaths (when the failure destroys all	The council currently undertake <ul style="list-style-type: none"> Roughness and rating of sealed road network Random pavement testing samples and collection across the network Footpath ratings Continual condition rating of unsealed network (assessing potholes, scours etc.) Three yearly bridge inspections (Annual inspection for at risk structures or as required) 	At the moment, Council have been maintaining its assets in perpetuity due to budgetary constraints. The Council optimize their assets with innovating and exploring new maintenance techniques to reduce future maintenance costs, extending their design life and undertake inspections to prevent any critical failures. This approach is expected to change moving forward.

other available and safe walkways)		Renewals will in future be aligned with their design life, assuming budgetary constraints allow for it.
<p><u>Non-Critical Assets</u></p> <p>Non-critical assets include; roadside furniture, bridges accessing one property, fords which can be crossed even when a failure occurs, roads servicing one land owner, roads which have alternative access, smaller culverts <400 mm diameter</p>	<p>Non-critical assets are assessed slightly differently:</p> <ul style="list-style-type: none"> - Bridges are inspected default as a 3 yearly programme where a third are inspected each year. - Any structure which has changed from the previous inspection is put on annual cycle of inspections until fixed - Timber and/or posted structure are inspected annually - Road classification will determine the frequency of inspection - All other non-critical assets are inspected over a greater time period than critical assets. For overall network condition assessments, they are typically inspected as per the above for efficiency 	<p>Design lives for non-critical assets are typically extended further by seeking alternative methods of treatment and/ or risk profiling if there is a LoS drop or access is disturbed (e.g. gravel materials and two coat seals).</p>

Whilst there is no formal criticality assessment, the Council are able to physically inspect their roads on a regular basis. This is due to the fact that the network is relatively small with easy access. Roadway assets are also all above ground and visible, making it easier to assess their condition.

Transportation Infrastructure Strategy

Changes in practice such as unsealed road management align with the shift to delivering sustainable infrastructure outcomes. Incremental changes are intended to progress the network to being fit for purpose in the future.

Funding will continue to be a challenge in maintaining a satisfactory level of service for the users of Mackenzie's road network. The major portion of cost to maintain the network is associated with resealing of the sealed portion of the network and re-metaling of the unsealed roads. This strategy sets a conservative approach. This means keeping a tight rein on maintenance budgets, while still ensuring we include enough to avoid backlogs and to maintain appropriate levels of service and operating conditions for vehicles.

There are currently a number of options available for council to fund the appropriate transport improvements across the network. These are discussed in Table 41 below.

Table 41 Significant Infrastructure decisions – Transportation

Issue – Pressures on our Transport network due to growth, land use intensification and tourism growth.	
Main Options	Implication of Options
Option 1	At the moment there are issues across the district both within the urban and rural areas that may drive increased levels of service to address maintenance and safety issues. Proposed projects to address these issues come under the NZTA work category "Low Cost

Issue – Pressures on our Transport network due to growth, land use intensification and tourism growth.	
	<p>Low Risk” for isolated roading improvements. These are being worked through as part of our Transportation Strategy where specific improvements will be identified.</p> <p>Option 1 is for Council to budget \$1,050,000 in year 1 for “Low Cost Low Risk” roading improvement projects. This increases to 1.6 million by year 10 (\$789,000 being our share)⁴. This gradually increases rates over the period of the LTP, and gives ratepayers certainty regarding the level of funding of these projects. However it means that projects will have to be prioritised and some delayed.</p> <p>In terms of maintenance, the Council will match what NZTA will co-fund to undertake required maintenance to maintain current levels of service. The maintenance budget will be unaffected.</p>
Option 2	<p>That Council borrows to co-fund/match NZTA funding for all “Low Cost Low Risk” roading improvement projects as they are proposed. This would more quickly address issues of pressure on parts of the road network from increased use and growth in the district. However, it would result in larger rates rises across the ten years of the LTP. Council sees value in the improvements but due to the impact on rates, for reasons of fiscal responsibility and prudence and following consultation with ratepayers, it decided against this option.</p> <p>In terms of maintenance, the Council will match what NZTA will co-fund to undertake required maintenance to maintain current levels of service. The maintenance budget will be unaffected.</p>
Time period	2021 - 2031
What is the benefit	Growth/LoS/Renewal
Assumption	That the land use intensification and tourism growth continues at similar levels to current.

Key capital and renewal projects

The significant transportation improvements for the next 10 years include:

- **Low-Cost Low Risk Projects: 2021/31:** This includes safety focused projects like site benching, seal widening, traction seals, speed management, travel management demand measures, kerb and channel improvements and intersection improvements.
- **Unseal road metalling: 2021/31:** Road metalling will continue particularly on high risk and high trafficked road like Lilybank and Braemar Road. An investigation will be undertaken in 2021/22 to assess the viability of seal extensions along these roads.
- **Alps to Ocean upgrades: 2021/22:** The council has planned to take the Alps to Ocean great ride fully off-road to improve safety and increase the attractiveness of the trail
- **Upgrading of footpaths in the major urban centres: 2021/31:** Footpaths will be upgraded in all major towns in response to the increasing focus on active modes of travel and reducing carbon emissions
- **Ongoing sealed road resurfacing upgrades: 2021/31:** Resurfacing of sealed roads is programmed to respond to the need to improve the condition of sealed roads across the district

The transportation programme includes works that will assist with meeting the current and future demands on the network. The majority of the infrastructure projects identified within the AMP are either responding to an increase in the Level of Service or are the replacement or renewal of an aging asset.

⁴ Inflated figures

Table 42 Transportation projects - Capital costs (inflated)

ROADING	Primary Type	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		(thousands)									
Plant and Equipment	Renewal	20	12	13	3	13	3	3	4	4	4
Rural Seal Extensions	LOS	12	0	0	0	0	0	0	0	0	0
Unsealed Road Metalling	Renewal	700	722	743	898	924	951	979	1,007	1,036	1,066
Sealed Road Resurfacing	Renewal	500	516	531	579	596	613	631	772	794	817
Drainage Renewal	Renewal	90	93	96	120	124	127	131	135	139	143
Sealed Road Pavement Rehabilitation	Renewal	130	134	138	229	236	243	250	257	265	272
Structures Component replacements bridges	Renewal	30	31	32	74	64	79	81	70	86	88
Structures Component replacements cattle stops	Renewal	0	0	0	0	18	0	0	20	0	0
Bridge & Structures Renewals	Renewal	52	54	55	58	78	61	63	85	67	69
Environmental Renewals	Renewal	25	25	26	0	0	0	0	0	0	0
Cycle Path Renewal	Renewal	466	0	0	0	0	0	0	0	0	0
Footpath Renewal	Renewal	210	217	223	229	236	243	250	257	265	272
Streetlight LED Upgrade	LOS	727	12	13	13	13	14	14	15	15	16
Low Cost Low Risk Improvements	LOS	1,053	464	462	948	947	976	1,484	1,509	1,523	1,610
Car Parking Renewal	LOS	0	0	0	219	225	231	238	245	252	259
Urban Seals	LOS	0	0	0	0	0	0	0	0	0	0
Walking & Cycling Projects	LOS	0	0	0	82	84	87	89	92	95	97
Traffic Services Renewal	Renewal	88	91	93	98	101	104	107	110	113	117

ROADING	Primary Type	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		(thousands)									
Total Roding Capital Expenditure		4,102	2,370	2,425	3,552	3,659	3,733	4,321	4,576	4,653	4,831

Future costs, beyond 2031 were estimated based on the first 10 years costs. Additional deferred renewals were also considered. This included the following bridge renewals which have been deferred over this LTP period.

- Otama Road
- Coal Pit Rd No 2
- Clayton Settlement
- Single Hill
- Cass River
- Black Birch Stream

Council has decided to take a prudent approach with regards to its bridge replacement strategy. Of the bridges listed above most only serve a single owner or have alternative access by an adjacent ford. These low access, low volume bridges are therefore not an immediate priority for Council and will not be replaced.

Council has also commenced a process to determine which bridges can potentially be divested back to the owner or alternatively which bridges can be replaced with a ford, or culvert. At this stage Goodman's Bridge fits into this category. Otama Road and Mowbray Road could also be replaced with a box culvert, which current funding can facilitate, if necessary.

A significant portion of the renewals budget from year 11 to year 30 is dedicated to the renewal, replacement and divestment of bridges (an average budget of \$741,000 has been allocated to bridge replacements for years 2031 to 2051)⁵.

There are other projects which were also deferred within this LTP period. One of the key projects includes the seal extensions of Lilybank Road, Braemar Road, Hayman Road and Haldon Road. The Council are budgeting an average cost of \$785,000 pa for unsealed road metalling for the next 10 years. It's anticipated that this budget will continue beyond 2031. It is also anticipated that metalling costs are likely to increase with increasing difficulty obtaining materials and increasing number of vehicles and heavy vehicles putting greater pressure on the network⁶.

The seal extension work has been deferred to 2031. Between 2031 and 2041 an average annual spend of \$300,000 is budgeted for these seal extensions. Beyond 2041 this budget has been reduced to \$100,000 per year. A business case is to be undertaken in year 1 of this LTP period to determine the financial feasibility of the seal extensions and the most appropriate location. In addition to this, alternative longer lasting materials are being investigated in order to increase the lifespan of the existing unsealed roads. This will allow the Council to minimise bow waves in the future as design lifespans are improved⁷.

High level theoretical renewal profiles were developed for other transportation assets. It is assumed that the current expenditure profiles will be adequate for funding future renewals beyond 2031. However, the council are seeking to improve their data capture processes, which will allow Council to better understand the age and condition of its assets in order to better forecast for its replacement or upgrade.

The table below provides high level indicate theoretical renewal costs (based on assets age) and compares this against the planned spend profile.

⁵ These values represent uninflated values

⁶ Ibid

⁷ Ibid

Table 43 Theoretical vs planned renewal profiles (uninflated values)

Road Asset	Theoretical Renewal Average cost per year (2021-2030)	Planned Average cost per year (2021-2030)	Theoretical Renewal Average cost per year (2031-2050)	Planned Average cost per year (2031-2050)
Unsealed Road Metalling	Unknown - insufficient data	\$785,000	Unknown - insufficient data	\$785,000
Sealed Road Resurfacing	\$435,500	\$551,000	\$1,174,020	\$551,000
Drainage Renewal	\$176,000	\$104,000	\$176,000	\$104,000
Sealed Road Pavement rehabilitation	Unknown - insufficient data	\$186,000	Unknown - insufficient data	\$186,000
Structures Component replacement bridges	See bridges below	\$54,000	See bridges below	See bridges below
Structures Component replacement cattlestops	\$7,900	\$3,200	\$7,900	\$3,200
Bridge & structures renewals ⁸	\$15,000	\$56,000	\$15,000	\$56,000
Traffic services renewals	\$110,000	\$89,000	\$188,000	\$89,000
Footpath Renewal	\$114,000	\$210,000	\$95,000	\$210,000
Bridge renewal (Typically this is part of the low cost low risk line item)	\$207,000	\$0	\$665,000	\$741,000

The theoretical values shown in the table above are based on data sourced from RAMM. The following assumptions were made:

- Cattlestops, fords (i.e. bridges and structures) and drainage structures did not have age or construction date data. The theoretical renewal cost is therefore the total cost of all the assets divided by the theoretical design life
- In the case where there were only some missing data points (with regards to the material, size and cost of the asset) an assumed value was given based on the average of all other assets
- All unit costs were sourced from the 2019 Valuation report.

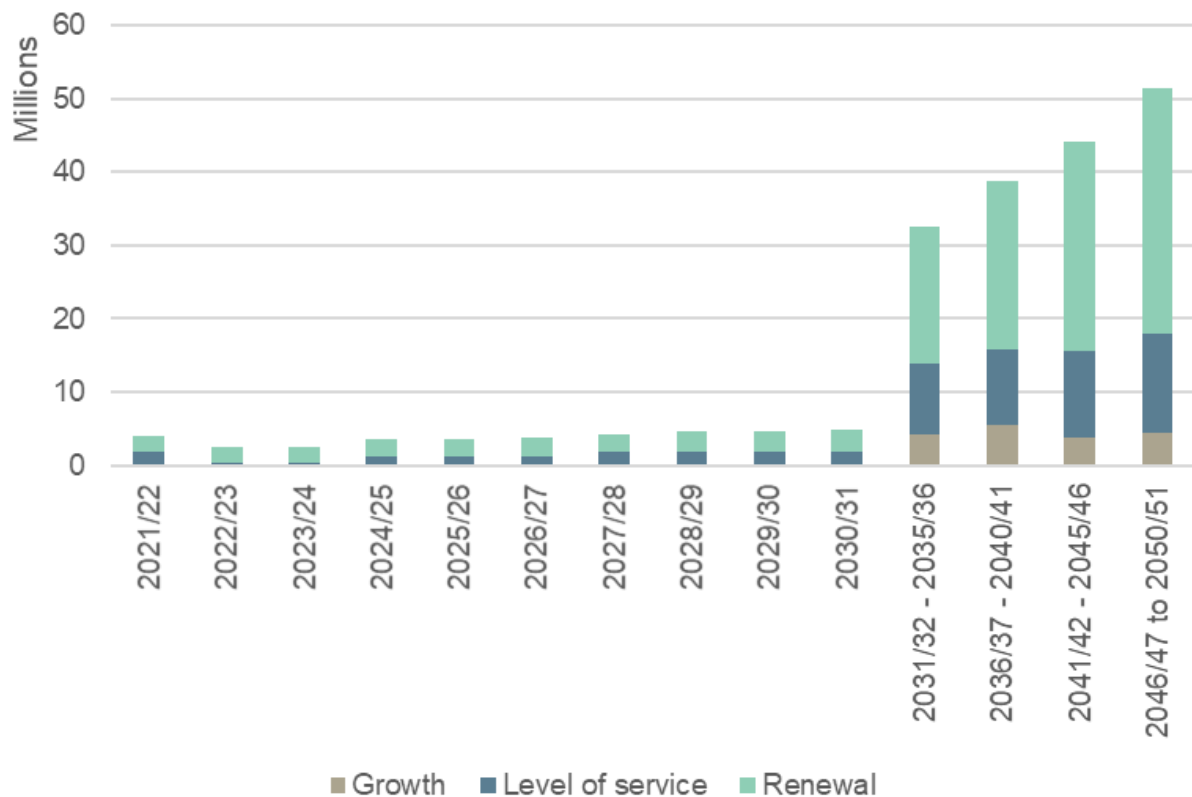
In most cases the average renewal cost proposed for this LTP period has been carried through to all future costs, except for bridges which sees a substantial increase in costs over the 2031-2051 period. It is noted that both traffic services and footpath renewals may need to be reinvestigated. Council wishes to improve its asset data and data management systems before any reallocations are made to the above renewals.

Future costs also consider the expected growth in Twizel and Tekapo over the next 30 years. Growth projections show that the residential population of both Tekapo and Twizel will more than double over the next 30 years. This doesn't

⁸ This refers to Minor structures and includes Fords Only. The bridge renewal profile is outlined in the bottom row

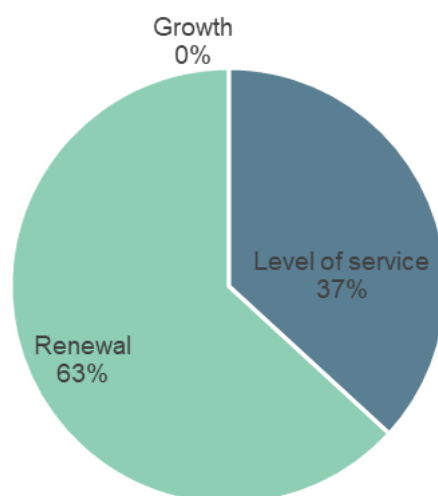
include the expected increase in visitor numbers (once international borders are reopened). The Council has budgeted between \$300,000 and 370,000 per year between 2031 and 2041 to cater for this additional growth⁹.

Figure 24 Transportation Project Cost Profile (Inflated)



Each of the above infrastructure upgrades responds to one of the of the three key drivers: meeting growth, improving the level of service and replacement and renewal of aging infrastructure. The figure below shows the proportion of transportation projects over the next 10 years which respond to each of these drivers. The majority of transportation projects respond to the renewal of aging assets and improvements to the level of service.

Figure 25 Key priority types of transportation infrastructure projects



⁹ The above values are uninflated

FINANCIAL SUMMARY

Total Capital Expenditure

The projected capital expenditure associated with the significant infrastructure assets are outlined in Table 44 and Table 45.

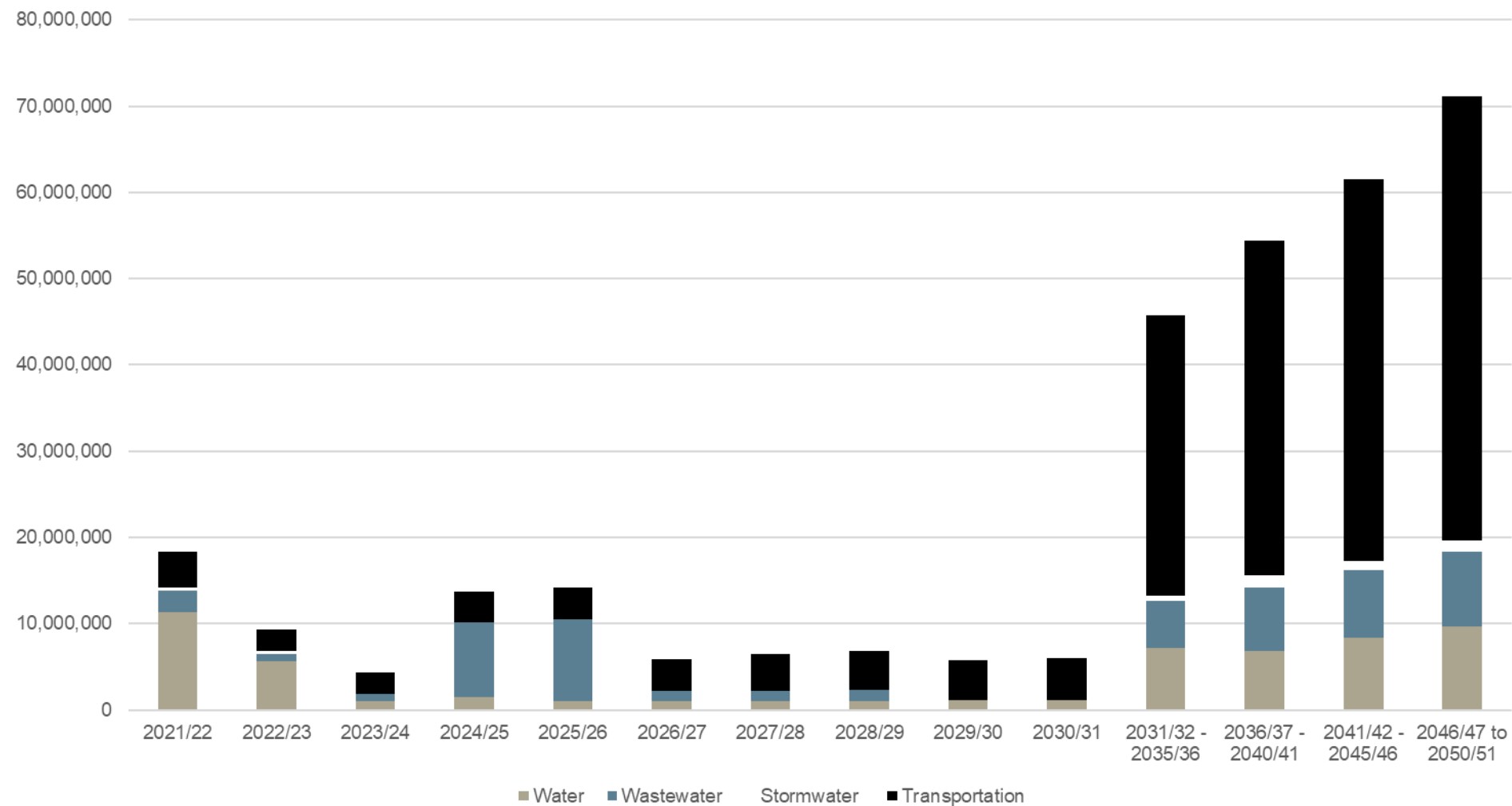
Table 44 Total expenditure summary (Uninflated Costs)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 - 2035/36	2036/37 - 2040/41	2041/42 - 2045/46	2046/47 - 2050/51
Thousands														
Stormwater														
Growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LoS	410	400	0	0	0	0	0	0	0	0	405	805	505	505
Renewal	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transport														
Growth	0	0	0	0	0	0	0	0	0	0	3,007	3,347	2,049	2,049
LoS	1,792	462	447	1,155	1,129	1,131	1,533	1,518	1,495	1,528	6,745	6,245	6,095	6,095
Renewal	2,310	1,837	1,837	2,096	2,126	2,096	2,096	2,217	2,196	2,196	13,024	13,791	14,907	15,048
Wastewater														
Growth	1,303	500	750	7,500	8,500	0	0	0	0	0	0	0	0	0
LoS	1,116	250	10	500	0	1,000	1,000	1,000	0	0	358	958	608	358
Renewal	0	0	0	0	0	0	0	0	0	0	3,422	3,422	3,422	3,422
Water														
Growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LoS	11,295	5,353	600	1,000	500	515	500	500	500	525	3,500	2,600	2,800	2,800
Renewal	100	100	353	353	353	353	353	353	353	353	1,512	1,512	1,512	1,512

Table 45 Total expenditure summary (Inflated Costs)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 - 2035/36	2036/37 - 2040/41	2041/42 - 2045/46	2046/47 - 2050/51
Thousands														
Stormwater														
Growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LoS	410	414	0	0	0	0	0	0	0	0	612	1,446	1,077	1,280
Renewal	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transport														
Growth	0	0	0	0	0	0	0	0	0	0	4,283	5,521	3,915	4,535
LoS	1,792	476	475	1,262	1,269	1,308	1,825	1,860	1,885	1,982	9,606	10,302	11,646	13,490
Renewal	2,310	1,893	1,950	2,290	2,390	2,425	2,495	2,716	2,768	2,848	18,544	22,743	28,472	33,288
Wastewater														
Growth	1,303	518	796	8,180	9,539	0	0	0	0	0	0	0	0	0
LoS	1,116	259	11	545	0	1,154	1,191	1,230	0	0	517	1,611	1,191	817
Renewal	0	0	0	0	0	0	0	0	0	0	4,942	5,757	6,707	7,814
Water														
Growth	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LoS	11,295	5,540	637	1,091	561	594	595	615	636	688	5,018	4,329	5,415	6,290
Renewal	100	104	375	385	396	407	420	434	449	463	2,168	2,518	2,924	3,397

Figure 26: Projected Capital Expenditure - Infrastructure Assets (Inflated)



Total Operational and Maintenance Expenditure

The projected operational and maintenance expenditure associated with the significant infrastructure assets are outlined in Table 46 and Table 47 and are also graphically represented below.

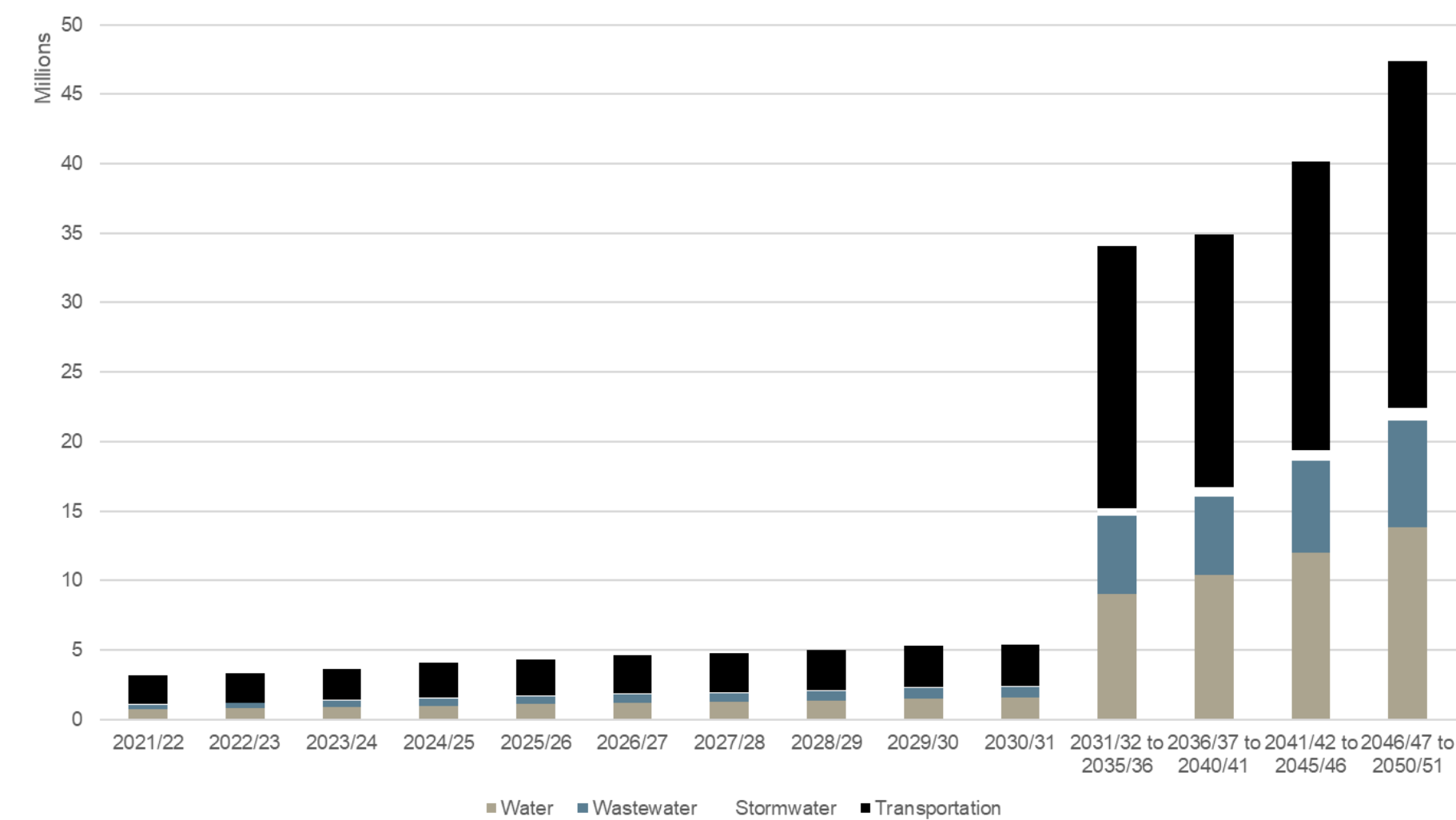
Table 46 Total expenditure summary (Uninflated Costs)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 2035/36	2036/37 2040/41	2041/42 2045/46	2046/47 2050/51
Thousands														
Water	732	760	846	905	995	1,067	1,085	1,099	1,195	1,196	6,375	6,374	6,374	6,374
Wastewater	348	395	430	470	488	530	537	585	592	583	3,929	3,400	3,400	3,400
Stormwater	40	43	44	48	48	52	52	57	57	58	400	400	400	400
Transportation	1,897	1,916	1,935	2,344	2,382	2,409	2,384	2,410	2,429	2,382	13,938	11,900	12,019	12,738

Table 47 Total expenditure summary (Inflated Costs)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 2035/36	2036/37 2040/41	2041/42 2045/46	2046/47 2050/51
Thousands														
Water	732	785	896	983	1,111	1,224	1,284	1,341	1,507	1,554	9,010	10,402	12,010	13,868
Wastewater	348	408	456	512	547	612	639	719	753	765	5,633	5,662	6,576	7,638
Stormwater	40	45	47	52	53	60	62	70	73	76	573	666	774	899
Transportation	1,897	1,968	2,041	2,526	2,630	2,724	2,761	2,860	2,954	2,971	18,851	18,247	20,895	25,109

Figure 27 Projected Operational Expenditure –Infrastructure Assets (Inflated)



Funding Sources

Typical sources of funding used to fund both the operation and maintenance and capital expenditure for all three waters and transport infrastructure projects include:

- Targeted rates
- Development and financial contributions
- Lump sum contributions
- Borrowing
- User charges
- Grants and subsidies
 - Three Waters stimulus package
 - Waka Kotahi contributions

Some of the above funding sources are further detailed below.

Three Waters Programme stimulus package

The Council has accepted crown stimulus grant funding for projects as part of the Three Waters Services Reform. The crown has committed approximately \$500m nationwide in tranche 1, and the MDC allocation is \$5.11m, of which \$2.56m has already been received by MDC as an advance payment. These stimulus projects are in addition to current LTP projects already underway. There are 33 projects listed in the approved Three Waters Reform Delivery Plan, which the Department of Internal Affairs (DIA) require to be completed by 31 March 2022 as part of the stimulus package. Of these projects, around 24 involve studies or design, with 8 of these resulting in physical works within this tranche 1 funding. There will be additional capital or operational expenditure to follow these designs/studies, with funding from either tranche 2 or in the LTP. Approximately \$455k is forecast to be spent from the stimulus grant this FY20-21, with the balance to be spent FY21-22.

It should be noted that 19 of these projects have been identified as operational activities. A breakdown of the Three Waters Programme activities is outlined in Table 48.

Table 48 Three Waters Programme

	Project	Capex/O pex	2020/21	2021/22 (LTP yr 1)	Total
Water	Water Supply Mains Renewals - scope/design/constn (Fa/Tek/Twi)	CAPEX	\$573,247	\$0	\$573,247
	Potable Water hydraulic modelling - 2 sites - study	OPEX	\$165	\$49,835	\$50,000
	Water Supply Sources Database (identify sources and quality)	OPEX	\$3,590	\$41,410	\$45,000
	Water Metering Trial - scope Twizel & tender package	OPEX	\$8,267	\$16,734	\$25,000
	Water Metering Trial - Twizel (part) Install	CAPEX	\$0	\$322,753	\$322,753
	Potable Water Demand Study (usage reduction) & Exemplar projects	OPEX	\$5,562	\$284,438	\$290,000
	Potable Water Supply to remote properties - study	OPEX	\$6,270	\$38,730	\$45,000
	Potable Water Supply to remote properties - install new	CAPEX	\$0	\$175,000	\$175,000
	Albury WS Scheme - Compliance incl Protozoa - study	OPEX	\$330	\$29,670	\$30,000
	Allandale WS Scheme - Compliance incl Protozoa - study	OPEX	\$165	\$29,835	\$30,000
	Preparation for Reform - implications for MDC structure/ops/rates	OPEX	\$31,505	\$18,495	\$50,000
Wastew	Future Planning for Tekapo WWTP - Study	OPEX	\$9,158	\$290,843	\$300,000
	Upsize Foul Sewer through Fairlie Golf Course - Design only	CAPEX	\$0	\$35,000	\$35,000

	Project	Capex/O pex	2020/21	2021/22 (LTP yr 1)	Total
	New Rising Main Mackenzie Park to Twizel WWTP - Design	CAPEX	\$20,310	\$14,690	\$35,000
	New Rising Main Mackenzie Park to Twizel WWTP - Construct	CAPEX	\$0	\$990,000	\$990,000
	Lakeside wastewater pump station, Takepo/Tekapo - design /construct	CAPEX	\$1,403	\$48,598	\$50,000
	Iwi - review the wetlands planting (Miscanthus) in the disposal zone at Fairlie.	OPEX	\$0	\$15,000	\$15,000
	Review existing fencing - Deer fence the ponds	CAPEX	\$0	\$15,000	\$15,000
	Removal of non-natives such as wilding pines	OPEX	\$0	\$15,000	\$15,000
	Stock Truck effluent station - Twizel (Study)	OPEX	\$0	\$20,000	\$20,000
	Septic Tank disposal - Twizel (Study)	OPEX	\$0	\$45,000	\$45,000
	Burkes Pass WWTP upgrade - assess/install outlet flowmeter for compliance	CAPEX	\$4,460	\$25,540	\$30,000
	Burkes Pass WWTP upgrade - assess/design baffles to increase residence time	CAPEX	\$0	\$50,000	\$50,000
	CCTV condition assessments networks	OPEX	\$10,000	\$190,000	\$200,000
	Sewerage hydraulic modelling (uncalibrated) - 3 sites - study	OPEX	\$825	\$199,175	\$200,000
	WWTP monitoring equipment all sites - study	OPEX	\$165	\$24,835	\$25,000
	WWTP monitoring equipment all sites - design & install	CAPEX	\$0	\$210,000	\$210,000
	Desludge Ponds - 3 sites - design incl tender prep	OPEX	\$30,000	\$0	\$30,000
	Desludge Ponds - 3 sites - contract	OPEX	\$0	\$850,000	\$850,000
	WWTP Influent Screens - 3 sites - Study/Concept Design	CAPEX	\$2,475	\$22,525	\$25,000
	Connect Allandale Rd Industrial WW to Fairlie WW network - study/design	CAPEX	\$0	\$45,000	\$45,000
	Twizel WWTP - Groundwater monitoring sites (compliance testing)	OPEX	\$908	\$14,093	\$15,000
	Stimulus Package - Programme Delivery*	CAPEX	\$53,678	\$62,722	\$116,400
	Stimulus Package - Programme Delivery*	OPEX	\$41,785	\$41,815	\$83,600
SW	Stormwater Management Control (Flooding) - Alloway area, Fairlie - study/des	CAPEX	\$0	\$25,000	\$25,000
	Realign or replace Sloane Street SW timber box culvert - design only	CAPEX	\$330	\$34,670	\$35,000
	Review stormwater discharges in Fairlie and Takepo/Tekapo	OPEX	\$0	\$15,000	\$15,000
	TOTAL COSTS		\$804,596	\$4,306,404	\$5,111,000

*Stimulus package - programme delivery is categorised under Wastewater, however it applies to the wider programme. This cost has also been split between capital and operational activities.

Table 49 below provides a timeline of *all* three waters capital projects (including those funding from other sources). Whilst the table illustrates the large portion of projects which are being funded by the stimulus package, the figure shows that the stimulus package funds only 4% of the total capital cost for three waters projects for the Council over the next 10 years.

Table 49 Three Waters CAPEX project timeline

		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		1	2	3	4	5	6	7	8	9	10
Three waters stimulus funding	Wastewater	Upsize foul sewer - Fairlie Golf Course									
		Rising Main Mackenzie Park to Twizel WWTP – Design									
		Rising Main Mackenzie Park to Twizel WWTP – Construct									
		Lakeside WW pump station – D&C									
		Deer Fence ponds - Tekapo, Fairlie									
		Burkes Pass WWTP upgrade - install outlet flowmeter									
		Burkes Pass WWTP upgrade – baffles									
		WWTP monitoring equipment all sites - design & install									
		WWTP Influent Screens Design - 3 Sites									
		Connect Allandale Rd WW to Fairlie WW Network									
	Water	Water Supply Renewals									
		Water Metering Trial - Twizel Install									
		Potable Water Supply Remote Properties - install									
		Stimulus Package - Programme Delivery									
	SW	Stormwater Mgmt Control (Flooding)									
		Sloane St SW box culvert									
Other funding sources	Wastewater	Sewer Reticulation - new									
		Treatment									
		Pump Station Renewal									
	Water	Service Connections - new									
		Reticulation - new									

Waka Kotahi Financial Assistance

To fund roading maintenance, operating, and renewals (capital) expenditure, Council receives a percentage of the cost as a subsidy from Waka Kotahi (New Zealand Transport Agency). The level of subsidy, or co-investment, is the Financial Assistance Rate (FAR), the level of which is reviewed tri-annually by Waka Kotahi. Council's FAR rate is 51%. In association with this, through the National Land Transport Plan (NLTP), Waka Kotahi requests from Council a three-year work program and supports, or otherwise, the requested investment level by funding 51% of the costs.

A recent funding announcement from Waka Kotahi lowered their level of investment into the Councils submitted roading programme for the next 3 years. This has seen Council receive 51% funding for a substantially smaller program (in 21/22 the roading programme applied for totalled 5.3m – NZTA only approved a programme totalling \$3.4 m) that it deems is required to manage the roading asset appropriately. The funding Assistance rate is still 51% for most categories (except LED which attracts a funding assistance rate of 85%).

Council is supporting continuing the increased local funding share in 21/22 the total roading programme notwithstanding Waka Kotahi's reduced support meaning that ratepayers now fund a higher portion of the overall roading programme. This brings the total roading programme to \$4.2 m. We deem this necessary to ensure we maintain our roading network to meet expected levels of service. This trend is likely to continue in 22/23 and 23/24.

Staff are working with Waka Kotahi to understand the reduction in funds in the Asset Management area, where Council earlier signalled an increased investment was required and which was formally endorsed (increase in 2.5 FTE's).

Affordability and prioritisation

Investment into both three waters and transportation infrastructure was prioritised by using the following high-level principles:

- Improvements to the Level of Service was generally prioritised first, specifically around improved safety and compliance.
- The renewal of aging infrastructure was prioritised next. Specifically, infrastructure which is high use and/or showing signs of failure. Assets which are at the end of their theoretical design life but are still structurally sound (no signs of failure) and are also used very infrequently are not targeted for replacement, but are instead regularly inspected.
- Projects which address growth were prioritised last. Currently the Mackenzie district are seeing a fall in visitor numbers giving Council breathing space to prioritise other aspects of infrastructure improvement first and get in place appropriate planning and delivery tools. Additionally, developers are, in the first instance, responsible for providing the infrastructure for new developments.

The following sections provide further details regarding the prioritisation and affordability of its infrastructure projects.

Three Waters Infrastructure

As noted above, levels of service was prioritised first, particularly when related to community safety. The Health (Drinking Water) Amendment Act 2007 requires water suppliers to take all practical steps to comply with the (previously voluntary) NZ Drinking Water Standards. To comply with the Act, Council must have in place a water safety plan which is approved by the Ministry of Health for each urban water supply. Dates for compliance with the Act are staggered depending on the size of the community.

For Fairlie, Tekapo and Twizel, the compliance date was 1 July 2014. The Tekapo and Twizel supply both meet the drinking water standards for bacteriological compliance. Further technical work is needed to demonstrate compliance with Protozoological standards. This work will be partly funded through the Three Waters Tranche One project process. In Fairlie, the expected capital outlay to enable compliance is approximately \$7.4 million. This is programmed for 2021/26.

Upgrades to sewerage and stormwater systems are also required in the Long Term Plan (LTP) period. While no significant change to the operation of most of the Council's stormwater assets is proposed, the Council is required to develop

‘stormwater management plans’ under the Land and Water Regional Plan, and stormwater discharges will be required to be progressively upgraded to improve discharge quality.

For wastewater treatment, the Takapo wastewater Plant is flagged for renewal in 2021-26 with funding allocated within the LTP. Fairlie and Twizel are both pond based systems and minor improvements being undertaken in the first year through the Three Waters Program (desludging and instrumentation as examples) will set the plants up for continued compliant operation over the foreseeable future. CCTV’ing of the entire wastewater network will allow Council to better understand pipe condition and plan for renewals when and where necessary.

The district’s urban water supply schemes vary in age and condition and there are some large renewal costs over the next decade. This, combined with an increase in costs to meet new drinking-water standards and other requirements, leads to a large financial burden of providing these water supplies.

The Council will fund large capital spends associated with the upgrades either through internal borrowing from its own cash reserves, or external borrowing. The Three Waters Stimulus Package will also assist with the funding of several capital and operational projects. Depreciation and repayment of debt is charged as part of the targeted water rate.

The general approach to funding of the annual costs of the Three Waters schemes starts from the premise that those who benefit (either directly or indirectly) should pay. – termed targeted rating.

Transportation

Recent funding constraints has limited the Council’s ability to renew or improve some of its roading assets. The council have had to mitigate these issues by prioritising their renewals based on the overall condition of the asset, the frequency of use and its criticality with regards to access. Furthermore, the Council is investigating ways of improving the lifespan of its current assets. The following provides a brief summary of some of the key affordability issues and how these are being addressed:

- **Bridges:** The following bridge renewals have been deferred over this LTP period:
 - Otama Road
 - Coal Pit Rd No 2
 - Clayton Settlement
 - Single Hill
 - Cass River
 - Black Birch Stream
- In Lieu of replacing these bridges, Council will instead conduct regular inspections to ensure the bridges are safe to use. Each bridge only services a single owner or have an alternative ford adjacent and is therefore not seen as an immediate priority for Council. Currently an average annual budget of approximately \$200,000 (uninflated) is dedicated to the replacement of bridge structural components, bridges and structures and operational and maintenance activities.
- **Seal extensions:** One of the key projects includes the seal extensions of Lilybank Road, Braemar Road, Hayman Road and Haldon Road. The Council are budgeting an average of \$785,000 pa (uninflated) for unsealed road metalling for the next 10 years. It’s anticipated that this budget will continue beyond 2031. It is also anticipated that metalling costs are likely to increase with increasing difficulty obtaining materials and increasing number of vehicles and heavy vehicles putting greater pressure on the network. The seal extension work has been deferred indefinitely and has not been included in any future cost estimates. A business case is to be undertaken in year 1 of this LTP period to determine the financial feasibility of the seal extensions. In addition to this, alternative longer lasting materials are being investigated in order to increase the lifespan of the existing unsealed roads. This will allow the Council to minimise bow waves in the future as design lifespans are improved.
- **Sealed road renewals:** The theoretical renewal profile estimated an average expenditure of \$435,000 pa over 2021-2031 and then increases to \$1,174,020 from 2031-51. Currently the LTP budget has a stepped up approach to sealed road resurfacing starting at approximately \$500,000 in year 1 and \$630,000 by year 10. The theoretical renewals profile is based on an expected design life between 10 and 18 years (depending on

whether a second coat has been applied). However, in reality it is likely that the surface will be able to see a design life of between 20 and 25 years. This reduces the risk of a bow wave occurring in the future.

- **Footpath renewals:** Currently the council are able to budget up to \$210,000 pa (uninflated) for this LTP period. Based on the theoretical renewals profile, this budget will likely be able to deliver the appropriate level of service without the risk of bow waves in the future.
- **Traffic services renewals:** Traffic services include both lights and signage. A high-level estimation has been undertaken to determine a theoretical renewal profile which was then compared against the planned investment. It showed that the average theoretical cost of replacing these assets was slightly higher than planned costs over the next 10 years. However, it should be noted that the actual life span of these assets is expected to be longer than its theoretical design life.
- **Drainage renewals:** The current LTP budgets approximately \$100,000 pa (uninflated) on its drainage assets. The theoretical average annual renewal cost was estimated to be \$176,000 pa (uninflated). However, this makes a conservative assumption that the average lifespan of the existing drainage assets is between 50 and 75 years when in reality drainage assets can last to up to 100 years. It is assumed that this budget will be adequate to provide the appropriate level of service without causing a bow wave in the future.
- **Pavement renewals:** The majority of council roads and assets have evolved over time meaning; the pavement was never 'properly' constructed in the first instance and also that data wasn't sufficiently recorded. Because of the general lack of information regarding the pavement condition, it has been assumed that the pavement acts like dirt or subgrade rather than a pavement. Some pavement testing has been undertaken this financial year and some work is still to be completed on the analysis of this data. This will help Council understand the relative condition of the pavement. Until there is enough data to understand the condition of pavements, a provisional average cost of \$186,000 per year (uninflated) has been budgeted for the pavement renewal of 1km of pavement.

Impacts of recent flooding event

A significant storm event occurred at the end of May 2021, impacting on our district.

Damage to our roading network includes 282km of roads, 46 bridges and 705 culverts. The impact on three waters infrastructure from the flooding event was relatively minor.¹⁰

Preliminary assessments estimate repair costs between \$2.3 and \$3.075 million. Waka Kotahi has confirmed it will co-fund a total of \$2.04m of flood damage. The flood damage assistance rates is capped at 51% for the first 10% of the Council's maintenance budget and then the FAR rate will be increased by a maximum of 20%. This means that Council's maximum funding rate would be 71%. Over the past few weeks Council staff have developed a priority programme. This program reflects that some of the initial works were undertaken in the first days of the event and therefore are reflected in the previous financial year. The priority programme outlines a total of \$553,000 of works that need to be addressed as soon as possible. The balance of the works will need to wait to be completed when local funds can be allocated or an alternative source of funds can be identified. The value of works will attract the enhanced funding assistance rate but will be limited to \$200,000. It is not possible to increase the local share any further given the sizeable rates increases. Discussions are being held with the agency to understand the process for applying for higher levels of funding assistance.

Staff are taking a whole of network approach to addressing the priority one works list. This will mean that the works will occur over the next 6-12 months and or as needs require them to be. This will allow for the network to be managed in consultation with customers in the impacted areas and adjusting maintenance activities district wide to accommodate

¹⁰ Council ordered in a tanker of water to supplement the water supply, whilst the boil water notice was in place. The council also undertook extra testing, rediverted a stream, and pumped out a pump station overnight with sucker trucks. The cost of these activities was not significant and covered within the operational cost budget.

these works. Should further funding eventuate, the programme can be accelerated in line with the funding. As such the approach will see no impact in the overall Long term plan estimates and levels of service.

APPENDIX A LEVEL OF SERVICE PERFORMANCE MEASURES

A1 Water Performance Measures and Targets

Council has suite of performance measures agreed with the community and reported on annually by the Annual Reports. This performance is measured as per contractual requirements and changes in indicators such as increased flooding or maintenance. However Central Government introduced a suite of mandatory performance measures covering Transportation, Three Waters and Flood Control that came into force on 1 July 2014.

These mandatory performance measures have been adopted by Council for inclusion in the 2021-31 Long Term Plan and no other measures will be used.

Table 50 Water performance measures and targets

What you can expect from us	What we will measure	Latest result (2019/20)	Targets:			
		2021/22	2022/23	2023/24	By 2030/31	
Water supply						
Provide safe drinking water.	Compliance with Drinking Water Standards (part 4) – Bacterial Compliance*	75%	≥ 95%	≥ 95%	≥ 95%	≥ 95%
	Compliance with Drinking Water Standards (part 5) – Protozoal Compliance ^{11*}	0%	2 of 5 suppliers compliant	2 of 5 suppliers compliant	3 of 5 suppliers compliant	3 of 5 suppliers compliant
Maintain excellent water supply network services.	The percentage of real water loss from the networked reticulation system*	21%	≤ 25%	≤ 25%	≤ 25%	≤ 25%
Maintain excellent customer services	The median response times to attend a call-out in response to a fault or unplanned interruption to the network reticulation system:*					
	a) attendance for urgent call- outs	1hr 21m	≤ 2h	≤ 2h	≤ 2h	≤ 2h
	b) resolution of urgent call-outs	1h 21m	≤ 12h	≤ 12h	≤ 12h	≤ 12h
	c) attendance for non-urgent call-outs	25h	≤ 72h	≤ 72h	≤ 72h	≤ 72h
	d) resolution of non-urgent call- outs	26h	≤ 120h	≤ 120h	≤ 120h	≤ 120h

¹¹ This measures the water quality of Tekapo, Twizel, Fairlie, Allendale and Albury water supplies. It is expected that Twizel and Tekapo will be compliant by 2021/22 and Fairlie will be compliant by 2023/24. There is the potential for Allendale to be compliant within this LTP period if it is found that it is feasible to connect it to Fairlie. Albury will not be compliant. Council is currently working on understanding the status of the Albury Rural water supply.

What you can expect from us	What we will measure	Latest result (2019/20)	Targets:			
			2021/22	2022/23	2023/24	By 2030/31
	The total number of complaints received about any of the following:*					
	a) drinking water clarity					
	b) drinking water taste					
	c) drinking water odour					
	d) drinking water pressure or flow					
	e) continuity of supply					
	f) MDC response to any of the above					
		1.4 per 1,000 connected properties	≤ 5 per 1,000 connected properties	≤ 5 per 1,000 connected properties	≤ 5 per 1,000 connected properties	≤ 5 per 1,000 connected properties
	The percentage of ratepayers satisfied with the water supply service	80%	≥ 80%	≥ 80%	≥ 80%	≥ 80%
Provide demand management of water supply services	Average consumption of drinking water per day per resident with the district*	1.6m ³	≤ 1.2m ³	≤ 1.2m ³	≤ 1.2m ³	≤ 1.2m ³

* Mandatory Performance Measure

A2 Wastewater Performance Measures and Targets

Council has suite of performance measures agreed with the community and reported on annually by the Annual Reports. This performance is measured as per contractual requirements and changes in indicators such as increased flooding or maintenance. However Central Government introduced a suite of mandatory performance measures covering Transportation, Three Waters and Flood Control that came into force on 1 July 2014.

These mandatory performance measures have been adopted by Council for inclusion in the 2021-31 Long Term Plan and no other measures will be used.

Table 51 Wastewater performance measures and targets

What you can expect from us	What we will measure	Latest result (2019/20)	Targets:			
			2021/22	2022/23	2023/24	By 2030/31
Wastewater						
Maintain excellent sewer network services	The number of dry weather sewerage overflows from Council’s sewerage system, expressed per 1,000 sewerage connections to that sewerage system*	3.11 per 1,000 connected properties	≤ 2 per 1,000 connected properties	≤ 2 per 1,000 connected properties	≤ 2 per 1,000 connected properties	≤ 2 per 1,000 connected properties
Wastewater is discharged in a safe manner	Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of:					
	a) attendance for urgent call- outs	Nil	Nil	Nil	Nil	Nil
	b) resolution of urgent call-outs	Nil	Nil	Nil	Nil	Nil
	c) attendance for non-urgent call-outs	Nil	Nil	Nil	Nil	Nil
	d) resolution of non-urgent call- outs	Nil	Nil	Nil	Nil	Nil
	received by the Council in relation those resource consents*					
Maintain excellent customer services	Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council’s sewerage system, the following median response times measured:*					
	a) attendance time	2.75h	≤ 1h	≤ 1h	≤ 1h	≤ 1h
	b) resolution time	2.5h	≤ 4h	≤ 4h	≤ 4h	≤ 4h
	The total number of complaints received about any of the following:*	9.4 per 1,000 connected properties	≤ 50 per 1,000 connected properties	≤ 50 per 1,000 connected properties	≤ 50 per 1,000 connected properties	≤ 50 per 1,000 connected properties
	a) sewage odour b) sewerage system faults c) sewerage system blockages, and d) MDC response to issues with its wastewater system.					
	Satisfaction with wastewater treatment and disposal service.	94%	≥ 85%	≥ 85%	≥ 85%	≥ 85%

* Mandatory Performance Measure

Attendance time: from the time that the Council receives notification to the time that the service personnel reach the site.

Resolution time: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption

A3 Stormwater Performance Measures and Targets

Council has suite of performance measures agreed with the community and reported on annually by the Annual Reports. This performance is measured as per contractual requirements and changes in indicators such as increased flooding or maintenance. However Central Government introduced a suite of mandatory performance measures covering Transportation, Three Waters and Flood Control that came into force on 1 July 2014.

These mandatory performance measures have been adopted by Council for inclusion in the 2021-31 Long Term Plan and no other measures will be used.

Table 52 Stormwater performance measures and targets

What you can expect from us	What we will measure	Latest result (2019/20)	Targets:			
			2021/22	2022/23	2023/24	By 2030/31
Stormwater						
Maintain excellent network services	The number of flooding events in the Mackenzie district*	0	≤ 2	≤ 2	≤ 2	≤ 2
	For each flooding event, the number of habitable floors affected (per 1,000 properties connected to the Council’s stormwater system)*	0	≤ 2	≤ 2	≤ 2	≤ 2
Stormwater services managed according to required environmental standards	Compliance with the Council’s resource consents for discharge from its stormwater system, measured by the number of:*					
	a) abatement notices	Nil	Nil	Nil	Nil	Nil
	b) infringement notices	Nil	Nil	Nil	Nil	Nil
	c) enforcement orders	Nil	Nil	Nil	Nil	Nil
	d) convictions	Nil	Nil	Nil	Nil	Nil
Maintain excellent customer services	The median response time to attend a flooding event*	0	≤ 2h	≤ 2h	≤ 2h	≤ 2h
	The total number of complaints received about the performance of the stormwater system* <i>expressed per 1,000 connected properties</i>	1.4	≤ 5	≤ 5	≤ 5	≤ 5
	The percentage of ratepayers satisfied with the stormwater service	80%	≥ 80%	≥ 80%	≥ 80%	≥ 80%

* Mandatory Performance Measure

Response time: from the time that the Council receives notification to the time that service personnel reach the site

A4 Transportation Performance Measures and Targets

Council's key levels of service and performance measures as defined in the 2021-2031 LTP are summarised in the table below. These show how levels of service contribute to the community outcomes and provides a technical measure that enables Council to monitor current levels of service against target levels of service.

Table 53 Transportation performance measures and targets

What you can expect from us	What we will measure	Latest result (2019/20)	Targets:			
			2021/22	2022/23	2023/24	By 2030/31
Council provides safe, smooth, quality sealed roads in order to reduce travel times and vehicle wear.	The average quality of ride on a sealed local road network, measured by smooth travel exposure. *	98.0% for rural and 94.0% for urban roads.	90% for rural and 75% for urban roads.	90% for rural and 75% for urban roads.	90% for rural and 75% for urban roads.	90% for rural and 75% for urban roads.
	The percentage of the sealed local road network that is resurfaced. *	5.84%	≥4%	≥4%	≥4%	≥4%
	The percentage of the unsealed road network renewed using wearing course and stabilisation techniques	5.70%	≥2%	≥2%	≥2%	≥2%
	The percentage of road users are satisfied with the roading network.	78.50%	≥85%	≥85%	≥85%	≥85%
Council provides a safe and efficient roading network	The change from the previous year in number of fatalities and serious crashes on the local road network, expressed as a number.	-2	Change from each previous financial year= 0.(Equates to a total target of ≤2 fatality and serious injury crashes)	Change from each previous financial year= 0.(Equates to a total target of ≤2 fatality and serious injury crashes)	Change from each previous financial year= 0.(Equates to a total target of ≤2 fatality and serious injury crashes)	Change from each previous financial year= 0.(Equates to a total target of ≤2 fatality and serious injury crashes)
	The number of death and serious injuries recorded for the financial year on local roads under control of the Mackenzie District Council.	N/A (wasn't recorded)	<1 (In line with the road to zero vision)	<1 (In line with the road to zero vision)	<1 (In line with the road to zero vision)	<1 (In line with the road to zero vision)
	The number of reported crashes on local roads under control of the Mackenzie District Council.	N/A (wasn't recorded)	≤10	≤10	≤10	≤10

What you can expect from us	What we will measure	Latest result (2019/20)	Targets:			
			2021/22	2022/23	2023/24	By 2030/31
	The percentage of customer service requests relating to roads and footpaths to which	86%	≥75% of service requests relating to roads and footpaths will be responded to within 10 working days.	≥75% of service requests relating to roads and footpaths will be responded to within 10 working days.	≥75% of service requests relating to roads and footpaths will be responded to within 10 working days.	≥75% of service requests relating to roads and footpaths will be responded to within 10 working days.
Footpaths are maintained in good condition and are fit for purpose	The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in the LTP. *	95%	≥75% of the total length of footpaths are at or above the 'average condition rating'. Condition rating will be undertaken at not less than 5 years frequency.	≥75% of the total length of footpaths are at or above the 'average condition rating'. Condition rating will be undertaken at not less than 5 years frequency.	≥75% of the total length of footpaths are at or above the 'average condition rating'. Condition rating will be undertaken at not less than 5 years frequency.	≥75% of the total length of footpaths are at or above the 'average condition rating'. Condition rating will be undertaken at not less than 5 years frequency.

APPENDIX B KEY ASSUMPTIONS

Table 54 Detailed list of LTP 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		✓		Population change occurs within the district at a higher or	A significant, consistent decline in population may adversely affect Council's	Council will continue to monitor population measures within the

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
<p>the medium projections developed for Mackenzie District Council in 2020.</p> <p>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.</p>				<p>lower rate than predicted.</p>	<p>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 meet some service levels.</p>	<p>district and respond to meet needs where possible.</p>
Demographic Changes						
<p>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 population employed in the tourism market.</p>		✓		<p>Demographic changes occur at a higher or lower rate than expected.</p>	<p>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.</p>	<p>Council will continue to monitor demographic changes within the district and respond to meet needs where possible.</p>
Household Changes						
<p>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</p>		✓		<p>Household changes across the district occur at a higher or lower rate than expected.</p>	<p>A slower rate of household growth may mean that some service activities have overinvested in infrastructure (too much capacity too soon).</p>	<p>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</p>

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
infrastructure and services, given the relatively small increase in total population projected to occur.						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		✓		Development will be more focused in one area than another	Provision of infrastructure will not align with development	Guide development through the district plan, and track development levels
The pattern of growth will be guided by the next generation district plan which will be operative in 2022.				Growth will occur at a rate that differs from infrastructure planning and provision		
Understanding of the growth pattern will be sufficient for infrastructure planning						
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.	✓			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.
It is also assumed growth in domestic visitors to Mackenzie District will be significantly higher than pre-COVID-19 while international travel is limited.						
COVID-19						
Borders will remain closed to tourists/casual travelers for a further twelve months, at which point limited tourism will resume.	✓			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

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
From 2021 to 2030 tourism activity will progressively return to 2020 levels						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 (e.g. 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

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk	
	H	M	L				
						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					✓ 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	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	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			
until the Funding Assistance Rate is reviewed.				in years 4-10. This plan assumes Council will maintain or expand its spend through 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..	any year from that forecast. If Council wanted to continue its roading programme, other 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			✓	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	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			
minimisation education and initiatives will increase					That funding of programmes will not be available for waste minimisation education and initiatives in Mackenzie district.	
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.	

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
<p>Timing & Level of Capital Expenditure</p> <p>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>	<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 programme due to a limited number of resources Council has available to deploy in any one year.</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> <p>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</p> <p>Regular market assessments undertaken including critical supply chains to ensure programme is realistic and deliverable</p> <p>Council have the ability to value engineer the project if it exceeds estimates.</p> <p>In addition, the Council has contracted external project managers to oversee the programme and project management and delivery of key 3 Water projects.</p>

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
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
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
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	-

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	10-100
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

Wastewater		
Mains	Straight line	60-80
Pumps	Straight line	15
Oxidation ponds	Not depreciated	-
Box culverts	Straight line	100
Manholes	Straight line	80

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.</p> <p>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</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			
independent unit of local government during the next 10 years.						
Legislation Reform – Water Services						
While it is assumed that 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).				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
The replacement value of all Three Waters assets total \$90.7 million (as of 30 June 2020). Planned capital projects will be valued at \$52.4 m 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						

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
water treatment projects underway (20/21 and 21/22). ¹²						
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.

ENVIRONMENT ASSUMPTIONS						
Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Climate Change						
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>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</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</p>

¹² All values are inflated values

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
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.					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.	the emergency operations centre reserve fund and Council's risk management work through the Canterbury Emergency Management Group. Council will continue to monitor climate change science and the response of central government and adapt its response where required.
Natural Hazards / Local Natural Disasters						
The district is at risk from natural hazards such as flooding, earthquake, and storms. These events can occur at any time, without warning.					A disaster has the potential to cause significant, unbudgeted impact on the Council and the community.	Council seeks to mitigate this risk through its Civil Defence, Risk Management and Insurance Policies.
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. While events may occur at any time, Council's planning will focus on operational resilience and Emergency Management.	✓			A major adverse event occurs resulting in a significant impact on the district and Council's services.	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	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. Central government has a role in disaster recovery after a natural disaster. Council will progressively build a reserve to fund the local share of Emergency Works applications to NZTA

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Civil Defence and Emergency Management						
CDEM functions will continue to be provided across the district, via the Canterbury Regional Group		✓		CDEM structures and planning are not appropriate for application to Mackenzie	The response to an event would not be suitable	Ongoing involvement in CDEM planning and governance
Insurance						
Council will hold a reserve fund of at least \$3 million to respond to emergencies and that this will be adequate for immediate requirements			✓	A major event will have significant financial implications that are beyond Council’s ability to fund	It is assumed this will be adequate to meet the portion Council needs to fund – this is highly variable	A review is proposed on the insurance of assets and the suitability of a reserve fund as ‘self-insurance’
Earthquake prone buildings						
There are no earthquake prone buildings affecting strategic transport routes. 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			✓	Actions required by Council have not been allowed for	Processes are required, that would put additional workload on staff	Actions assigned to staff

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.			✓	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.	
Council will continue to consider collaboration opportunities and assess changes to service delivery on a case by case basis.						

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 maybe 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).		✓		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.
District and Community Board Autonomy will remain similar to the current level.						
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 rōhe (area) include the Mackenzie District: Te Rūnanga o Arowhenua, Te			✓	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

Assumption	Level of Uncertainty (High/Medium/Low)			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Rūnanga o Waihao, and Te Rūnanga o Moeraki.						

Policies

Purpose	The Local Government Act 2002 (LGA) requires the Council to adopt a range of policies in order to provide predictability and certainty about sources and levels of funding. These policies include a revenue and financing policy, which includes consideration of the principles in this policy. When making funding policy the Council must work through the process and matters set out in section 101(3) of the LGA and have regard to the section 101(1) obligation to act prudently and in the interests of the community.
Key Points	The Policy outlines the revenue and funding sources available to Council and details how and when the Council will use these sources. This gives the community some certainty as to how Council activities will be funded.
Date of Issue	August 2021
File Retention	Mackenzie District Council Laserfiche – Policies section
Review	Every three years at the anniversary date

REVENUE AND FINANCING POLICY

Introduction and Purpose

The Revenue and Financing Policy (RFP) outlines the Council's policies on funding sources to be used to fund the operational and capital expenditure of Council's activities and the rationale for their use. The policy is required by Section 102 and 103 of the Local Government Act 2002 (the Act). The full policy must be included in the Long-Term Plan (LTP). Where a change to the policy is made outside of the LTP process, only a significant amendment is required to be audited.

Section 103(2) of the Act allows the following mechanisms to be used for funding the operating or capital expenditure of Council's activities:

1. general rates, including
 - a) choice of valuation system; and
 - b) ii) differential rating; and
 - c) iii) uniform annual general charges
2. targeted rates:
3. lump sum contributions
4. fees and charges:
5. interest and dividends from investments:
6. borrowing
7. proceeds from asset sales:
8. development contributions:
9. financial contributions under the Resource Management Act 1991:
10. grants and subsidies:

In addition to identifying the sources of funding, the policy must outline why the Council has determined they should be used.

A two-step process is required under Section 101 (3) of the Act. Firstly, for each activity, the Council must consider the following matters:

- The community outcomes to which the activity primarily contributes
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals
- The period of time over which benefits occur (intergenerational equity). For example, the benefits of some activities will occur over the entire life of the asset. This will benefit not only existing generations but future generations who should also contribute towards paying for the cost.
- The extent to which actions or inactions of particular individuals or groups contribute to a need to undertake the activity. Also called the ‘exacerbator pays’ principle, this suggests that exacerbators should meet at least part of the cost of an activity.
- The costs and benefits from funding the activity distinctly from other activities. This particularly relates to transparency and accountability, but may also relate to factors like the financial scale of the activity (e.g. a small activity may not warrant separate funding due to the cost of establishing systems to support cost recovery).

Secondly, following consideration of these elements, the Council must consider the overall impact of this allocation of liability for revenue needs on the community. This may lead to some changes to the policy where there are particularly negative effects. These are noted under each individual activity.

Major changes to previous Revenue and Financing Policy

The following changes are proposed to the previous policy the Council – a rewrite of the policy has been undertaken since the last LTP. Significant changes are:

- Funding of District promotion and Tourism from a capital value targeted rate to a flat rate with a 10% contribution from General rates.
- Allowing borrowing for operating expenditure to smooth lumpy costs for the ratepayers e.g., District Plan review
- Introducing percentage ranges for various funding sources for the various activities

The Council reviews the RFP every three years, in line with its preparation of the LTP. Changes to the RFP can be made between reviews but must go through the appropriate consultation processes. The Act requires the Council to produce a Funding Impact Statement (FIS) annually that illustrates how the RFP is being implemented, provides details on the funding mechanisms to be used and how these rates will be applied. The policy covers all of the Council’s activities.

Funding Principles

The Council provides a wide range of activities to district residents, ratepayers and visitors. Council aims to provide a fair and equitable rating system for all ratepayers. A mixture of rating and other funding mechanisms are used to achieve this.

Some constraints exist, such as the ability of Council to only receive 30% of Council revenue from rates set on a uniform basis. This requires Council to use other mechanisms, such as rates set on the capital value of properties. Rates provide the budgeted net funding requirements of the Council work programmes through the LTP.

Rates are set on each rating unit under the provisions of the Local Government (Rating) Act 2002. The following principles will help guide the assessment and design of the Council's funding approach:

- **Benefits** – those who benefit from a Council service or facility should pay for the service, where equitable and administratively efficient. This involves selecting funding sources that are appropriate to the distribution of benefits;
- **Exacerbators** – those who contribute to the need for a Council facility or service should contribute to the cost of that facility or service;
- **Equity and fairness** – Council will seek to ensure the most equitable and fair funding approach;
- **Affordability** – Council will consider the impact of funding mechanisms on people's ability to pay and seek to ensure that Council facilities, services and rates remain affordable;
- **Intergenerational equity** - each generation of ratepayers should contribute towards the services they receive;
- **Minimise effects of change** - where reviews result in significant funding changes, transitional approaches will be used where possible to ease the financial impact;
- **Legal compliance** – the policy will comply with legal requirements under the Local Government Act 2002 and Local Government (Rating) Act 2002 User charges are preferred when a private benefit can be identified, and it is efficient to collect the revenue;
- **Other funding sources** : Subsidies, grants and other income options are fully explored prior to rates being used as a funding mechanism;

The application of these principles requires Council to apply judgement and to balance often competing principles. The most equitable solution will be sought for funding each activity using these and the Section 101 analysis required for each activity under the Local Government Act.

Three main types of rates are used:

- General Rates, which are capital value based rates and can be adjusted through differentials. The Council is able to rate properties based on capital. Mackenzie District Council uses the capital value system.
- Uniform Annual General Charge (UAGC).
- Targeted Rates.

Complying with these principles can at times be challenging. The Council must apply judgment in assessing many options to determine appropriateness in its development of budgets or acquisition of assets and the choice of funding sources to implement these.

The Council has also been guided by the following:

- Costs for each activity are collected unless the Council believes to do so would not be fair or not be in the interest of residents and ratepayers or was in conflict with Council policy. As an elected representative body, the Council has the responsibility to make the final decision.
- Given there are four distinct communities of interest in the Mackenzie rates for township and rural activities are targeted geographically into four works and service rates.
- The Council has assessed long-term sustainable needs in relation to roading, and this activity is funded through a district wide targeted rate offset by the subsidies received from Waka Kotahi.

- The use of a uniform annual general charge for general rate and fixed amounts for targeted rates (including works and services rates) is based upon a judgment on how regressive or progressive the incidence of rates should be.
- Water, stormwater and wastewater are provided directly to rating units in defined areas of benefit and are funded through targeted rates for each activity. The charges are further differentiated into treatment and infrastructure costs to target those rating units receiving the service and those rating units capable of receiving the service. Apart from extraordinary usage the services are provided equally to each property (defined as a separately used and inhabited part of a rating unit) making a fixed amount charge most appropriate.
- The use of the general rate is reserved for activities of a district wide nature or for activities where the Council has judged that the service is better funded by way of a form of local taxation rather than a type of targeted rating.
- In some certain instances ratepayer sector groups may fund more of the costs of an activity that they may directly benefit from. Council has taken into account the overall impact of any allocation of liability for revenue needs on the community in its considerations.
- In general, operating expenditure is for the current year and will be funded over the current year. In some exceptional cases reserve funding may be used to ease and spread rate burden.
- All capital expenditure is funded from capital reserves. These capital reserves are built up from funded depreciation, capital subsidies and financial contributions with any shortfalls in funding capital expenditure being treated as internal loans. Where there are insufficient internal funds extremal borrowings will be used.

Funding Sources Available

Council has a range of funding sources available which are often suited to a particular type of funding requirement. While rates are often the most appropriate source of funding for a particular requirement, Council's preference is to use other sources of funding, if appropriate.

Non-rate revenue sources

Grants, sponsorship, and subsidies

Council expects to continue to receive substantial subsidies from Waka Kotahi for road maintenance and renewal and other expenditure related to transportation. Council can receive grants and sponsorship for projects which are eligible for particular grant or sponsorship schemes.

Investment income, dividends, and interest

Interest earned on special funds and separate reserves is used only for the purpose of the fund or reserve.

Development contributions

The Council does not have a policy of imposing development contributions under Section 198 of the Local Government Act 2002. However, over the next three years the Council aims to develop a policy. The community will be consulted as this policy is developed.

Financial contributions

Council collects financial contributions under the Resource Management Act 1991. The purpose of these contributions is outlined in the Mackenzie District Plan. Contributions are not used to fund operating costs. Council's approach is to deposit receipts into a relevant reserve fund and to draw funds from that account for specific projects that meet the purpose for which the funds were collected.

Proceeds from asset sales

Council may sell assets that are deemed to be surplus to requirements or that are not providing satisfactory returns. Proceeds may be invested, used to fund capital expenditure or operating expenditure associated with the activity which held the original asset. Proceeds can only be used to fund capital or operating expenditure of another activity with express approval of Council.

Reserve Funds

Council maintains various reserve funds for capital projects and will approve the use of them when a project meets the specific criteria of the reserve. These reserve funds may include bequests and depreciation or asset renewal reserves. Council usually funds capital expenditure from capital reserves. These capital reserves are built up from funded depreciation and any shortfalls in funding capital expenditure are treated as internal loans.

User charges

Council charges for some services it provides and this revenue funds all or part of the costs of service delivery for these activities. Examples include consent fees, dog registration fees and some administrative services. Some activities show a range of fees and charges. Council will aim to maximise fees and charges where possible to ensure a fair system, however demand and market affordability will also be considered when determining the appropriate fee level.

Bequests

Council occasionally receives bequests that can be used, normally for a specified purpose.

Borrowing

Council may borrow to fund capital expenditure as a way of promoting intergenerational equity and as a way to make the significant cost of some capital projects affordable. Borrowing may be internal (Council borrowing from itself) or external. Council has approved borrowing for operating expenditure projects in order to smooth lumpy operational expenditure for ratepayers.

Lump sum contribution

Council has the option when undertaking a major project to seek lump sum contributions to the capital cost of the project from those who benefit. Lump sum contributions are provided for in the Local Government (Rating) Act 2002 and have stringent requirements placed on how they are used. Where a lump sum payment option is proposed ratepayers can choose to participate or not. Council has previously used these provisions and may do so in the future. Except in respect of Eversley reserve sewerage rate Council does not accept lump sum contributions for any targeted rates.

Rating Framework

There are a variety of approaches which may be used to apply rates. Council applies the following:

Valuation system

When applying rates based on property value, councils can rate according to land value, capital value or annual value. Council uses the capital value rating system.

Council believes that capital value rating best reflects a property owner's stake in the district and is fairer for property owners whose property value is comprised mostly of the value of the land.

Unit of rating - separately used or inhabited parts of a rating unit

Under the Local Government (Rating) Act 2002 charging separately used or inhabited parts of a rating unit is an option for a uniform annual general charge and for targeted rates.

A separately used or inhabited part of a property or building includes any part of a rating unit inhabited or used by a person other than the owner, and who has the right to use or inhabit that portion by virtue of a

tenancy, lease, license, or other agreement. Any part or parts of a rating unit that is/are used or occupied by the ratepayer for more than one single use.

Rates

Having been prudent and appropriately exhausting all other funding sources Council funds its remaining operating expenses from rates. For many activities this is the main funding source.

Council must determine whether the portion of activity to be funded from rates is to be funded from the general rate or a targeted rate.

In doing this while considering all the matters of section 101(3) Council places emphasis on the “area of benefit”. By this Council means that it reviewed each activity and determined where the benefits from the provision of the service is received and chooses a rating option that most closely charges that group.

General rates

A general rate is set based on a rate per dollar of rateable capital value and differentiated on the use to which the land is put. This is set on all rateable land in the Mackenzie District. It is used to fund those services where there is a community benefit across the whole district and where a fixed charge per Rating Unit is not considered appropriate. The objective of differential rating is to ensure a fair and equitable proportion of rates are paid by the various differential categories. District properties have been revalued with shifts in the overall value of property categories. As a result, this will affect how much each property category will pay overall towards the general rate. The Council believes that the existing proportions represent a fair split of the overall payment of the General Rate.

Differentials

Council's main differential is the one set for the three main hydro dams owned by Genesis Energy Limited and Meridian Energy Limited and is based on land use and location which is described in detail in the Funding Impact Statement in the LTP. The only other differentials relate to funding of the Council's tourism and economic development activities.

Uniform Annual General Charge

A Uniform Annual General Charge (UAGC) is a fixed charge set per rating unit in the District. The charge enables all ratepayers to make a minimum contribution to the Council's costs, and ensures that higher value properties do not carry a disproportionate amount. This rate also applies to fund those services where community benefits apply across the district. The Council has increased the UAGC compared to prior years for equitability purposes.

Targeted Rates

The Council applies Targeted Rates to a number of services where the benefits are clearly received by a particular community or group of ratepayers. These apply to properties who receive certain services or are located in specific areas.

Funding Operating Expenditure

Operating expenditure is the day-to-day costs Council incurs to provide services including the maintenance of existing assets.

In general, the funding hierarchy for operating costs is:

1. User charges;
2. Grants, sponsorship, subsidies and other income;
3. Reserve funds;
4. Targeted rates;
5. General Rates.
6. External borrowing. Council has approved borrowing for operating expenditure projects in order to smooth lumpy operational expenditure for ratepayers.

Council's ability to impose user charges is limited by the powers conferred to it by statutes and regulations. As a general rule, fees for statutory functions should be set at no more than the cost of providing the service or as per statute. In some cases, legislation sets the fees at a level that is below cost and in other cases, where provided by legislation (e.g. Waste Minimization Act 2008). Council may set fees at greater than the cost of providing the service. Council considers it appropriate to incorporate overhead charges in the determination of the cost of providing a service.

Council may choose to not fully fund operating expenditure in any activity in any particular year if the deficit can be funded from operating surpluses in the immediately preceding, or subsequent years. An operating deficit will only be budgeted when considered prudent to avoid significant fluctuations in rates, fees, or charges. Council will need to consider the requirements of s.100 (Balanced budget requirement) of the Local Government Act 2002.

Where Council is charging for the sale of goods or services not required by statute Council's preference is to charge a market price having regard to the powers conferred by section 12. This includes leases rents and licenses for land and buildings.

Actual fees and charges may be set by council at any time and are reviewed by Council annually. A list of regular fees and charges is maintained on Council's website.

User charges revenue is allocated to the activity which generates the revenue.

Funding Capital Expenditure

Capital expenditure is the costs Council incurs to provide new assets or the portion of replacement assets that increases the level of service or provides additional capacity to cater for growth in demand for that asset.

In general, the funding hierarchy for capital costs is:

1. User charges;
2. Grants, sponsorship, subsidies and other income;
3. Investment income;
4. Financial contributions;
5. Reserve funds;
6. Proceeds from the sale of assets and lump sum contributions;
7. Internal and External Borrowing;
8. Rates

Council uses the following guidelines when considering funding of capital projects:

- All projects are first funded from grants subsidy or other income.
- Renewal projects that maintain service levels are then funded from reserves set aside for this purpose.
- Lump sum rating options are considered
- Capital projects that have exhausted previous funding sources or are, for new increased service levels, or, for growth in non-network infrastructure, are then funded from borrowing

A single project may have a mix of each of these funding options.

It is not practical to create separate funding policies for each and every capital project. Council will only do this when a project is particularly large, affects a particular group or does not fit with an existing funding policy or activity. Whenever Council resolves to consider a separate funding policy it will consider the sources of funds above, the Revenue and Financing Policy and complete a section 101(3) assessment to determine appropriate funding policy of the project. Generally, Council will resolve the funding policy at the time the project is proposed in an Annual Plan or Long-Term Plan.

Funding Depreciation

Depreciation is the process of recognising that an asset is progressively used up over its useful life. By funding the cost of depreciation Council is able to provide funding to replace assets at the end of their useful life, or reduce the amount borrowed against the assets. Depreciation is funded within each activity from part of the operating revenue each year.

In general, Council will fully fund depreciation unless this is not considered to be in the best interests of the community, in which case it will decide on the appropriate level of depreciation to be funded (which may include not funding any depreciation). If Council decides to not fully fund depreciation of an asset it will provide the community with information on why it has decided not to fully fund depreciation and the likely impact of this decision.

Overall Funding Consideration

Council is required by section 101(3)(b) to consider the overall impact of the allocation of liability for revenue needs on the community. It allows Council, as a final measure, to modify the overall mix of funding and response to these considerations.

Council is required to adjust the total amount collected from the 'uniform annual general charge' portion of the general rate to be within the 30% rule. If the sum of the activities to be funded from the uniform annual general charge is more than the 30% cap Council will adjust the rate down to the cap and the balance will be funded from the general rate.

Council may use accounting provisions and reserve funds to spread the costs of activities over multiple years for the purpose of smoothing the cost to users and ratepayers.

Council may waive or discount fees and charges where it considers it appropriate to do so as allowed for in the Delegation Manual. Some matters Council may consider when deciding whether it is appropriate to waive fees are:

- a) for social reasons
- b) for the promotion of events and facilities
- c) for commercial reasons
- d) due to poor or interrupted service provision

Activity Summary

A summary of all Council activities under this Revenue and Financing Policy is shown in the table below.

OPERATING	User Charges	Grants Subsidies & Others	Investment Income	Financial Contributions/ Development Contributions	Reserve Funds	Borrowing	Targeted Rates	General Rates
Governance								
3 waters								
Transportation								
Regulatory Services								
Parks and Open Spaces								
Tourism & Economic Development								
Commercial Activities								
Emergency Management		Event - based						
Waste Management and Minimisation								
CAPITAL	User Charges	Grants Subsidies & Others	Investment Income	Financial Contributions / Development Contributions	Reserve Funds	Borrowing	Targeted Rates	General Rates
Governance								
3 waters								
Transportation								
Regulatory Services								
Parks and Open spaces								
Tourism & Economic Development and Commercial activities								
Emergency Management								
Waste Management and Minimisation								

Activity Analysis Tables

The following tables summarise each activity area and outline the relevant funding sources.

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
Governance and Decision Making – Democracy (Council - General)	Council meetings, decision-making, research, monitoring, and community engagement provides the community with the opportunity to participate in Council's decision-making processes.	Council contributes to all the community outcomes: A democracy which upholds the rights of the individual.	Benefits from the activity are for the community generally as the leadership, strategic direction and decision making for all residents of the district. Vehicle for making decisions affecting the whole district.	Ongoing benefits to the community	Living in a democratic society contributes to the need for this activity.	Benefits from this activity occur districtwide and there is no benefit perceived from separate funding.	Operating 85-95% General rates 5-15 % User charges, subsidies and grants Nil Capital
Governance - Community Boards	Council has 3 community boards being Fairlie, Tekapo and Twizel. Community Boards provide a co-ordinated voice that represents the community's interests in Council decision-making.	Council contributes to all the community outcomes: A democracy which upholds the rights of the individual environment	Governance benefits from the activity are for the specific community. Vehicle for making decisions affecting the whole district.	The activity provides ongoing benefits to the community.	Living in a democratic society contributes to the need for this activity.	Areas that have a community board benefit so separate funding through a targeted rate is considered appropriate.	Operating 100% targeted rates Nil Capital
Potable Water supplies	Council provides community water supplies in the townships of Twizel, Tekapo, Fairlie, and Burkes Pass, a small stand-alone water supply at Pukaki Airport, and rural schemes at Allandale, Kimbell and Albury. The Council manages the four urban schemes, the Pukaki Airport supply, and the rural scheme at	All community outcomes supported.	There are significant direct benefits to consumers connected to a Council piped water scheme including access to potable drinking water for domestic, business, industrial and stockwater uses. Provision of water supplies provides public benefits including community	Immediate and ongoing benefits to users. Intergenerational benefits to the community.	High users can place extra burden on the supply necessitating greater storage capacity etc. Such users should pay for their supply on a volumetric basis. Vacant sections and unconnected rating units benefit from the	The benefits of this activity are primarily private therefore separate funding through a targeted rate is considered appropriate. Non-residential and extra-ordinary residential connections are considered 'high	Operating Targeted rates 90-95% 5-10% Water meter charges Compliance is not achieved in the first year due to subsidies and grants (28%)

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	Allandale. There are two public stock water race systems in the District called Ashwick Opuha and School Road.		access to potable water, maintenance of public health and availability of water for key public services and amenities (e.g. firefighting, swimming pools).		provision of firefighting capacity and should be charged an availability charge.	users' therefore are charged for any excess of their allocation.	Capital Subsidies and grants Reserves Financial Contributions Borrowings
Wastewater	Council provides wastewater schemes in the townships of Fairlie, Burkes Pass, Tekapo and Twizel. In each case, effluent is collected and treated by way of an oxidation pond system and then discharged to ground.	All community outcomes supported.	A Wastewater system is essential infrastructure and provides public benefits, such as the maintenance of public health standards, economic development and environmental protection. All properties, both domestic and industrial can be readily identified and directly benefit	Immediate and ongoing benefits to users. Intergenerational benefits to the community through maintaining and developing sewer infrastructure.	The community benefits widely from having a wastewater system available. Additional costs may be caused through overloading of systems, disposal of hazardous material and illegal connections.	Benefits of this activity are predominantly private, so appropriate to fund the activity through a targeted rate and fees and charges.	Operating 95-99% Targeted rates 1-5% User Fees Compliance is not achieved in year 1 due to Subsidies and grants from central government Capital Subsidies and grants Financial Contributions Reserves Borrowings

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
Stormwater	Council manages stormwater networks in Fairlie, Tekapo and Twizel. Each of these schemes are subject to resource consent conditions imposed by Environment Canterbury Regional Council. Our networks discharge to ground or to water after flowing through some form of treatment facility such as a swale or larger vegetated treatment area.	All community outcomes supported.	Private benefits accrue to property owners connected to a scheme via safe and efficient management of stormwater away from their properties. The wider community benefits from protection from flooding and environmental protection from contaminants entering the waterways, including rivers and beaches.	Immediate and ongoing benefits to users.	The community benefits widely from having a stormwater treatment and management system available.	The major benefits of Stormwater are experienced specific to location therefore separate funding through a targeted rate is considered appropriate. As some of the benefits of this activity occur districtwide, a portion of funding through general rates may be considered appropriate.	Operating 100% Targeted rates Subsidies and grants in the first year due to central government funding for 3 waters projects Capital Subsidies and grants Financial Contributions Reserves Borrowings
Roading	Council provides and maintains the district's road network and associated infrastructure (excluding the state highways).	<ul style="list-style-type: none"> • A thriving economy • A fit and healthy community • Safe, efficient and sustainable infrastructure 	Private benefits accrue to individuals, groups and businesses using the roading and footpaths network to carry out their day-to-day business and activities. All benefit from a roading network that connects them to the wider district and enables goods and services to be delivered	Immediate and ongoing benefits to users.	Residents and those travelling through the district, create a need for a reliable roading network.	Benefits are primarily district-wide therefore applying separate funding to different ratepayer groups, or charging visitors to the district, is not appropriate.	Operating 20- 50% User charges, Subsidies, and grants 50%-- 80 % Targeted Rates Capital Financial Contributions Reserves Subsidies and grants Borrowings

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
Regulatory – Health and Liquor Guidelines	Council manages the sale and supply of alcohol and gambling licensing by way of processing applications, monitoring and enforcement requirements.	<ul style="list-style-type: none"> • A thriving economy • A fit and healthy community 	Specific benefits to the users of this activity, who apply for a license to sell alcohol. Public good by having rules and policies in place that protect the public.	Ongoing	Driven by statutory obligations and applicants who generate the need for licenses to be processed. Need to recover bulk of costs from exacerbaters.	Council attempts to recover the private good aspect of this activity through fees and charges.	Operating 75%-80% User charges, subsidies, and grants 20-25% General Rates
Regulatory – Animal Control	Council provides dog and stock control services to ensure the community is not endangered by uncontrolled dogs or stock.	<ul style="list-style-type: none"> • An attractive and highly valued natural environment • A thriving economy • A fit and healthy community • 	Benefits from the animal control service accrue mainly to animal owners for lost or stray animals. The community generally benefits through the enforcement of regulations against aggressive and straying animals.	Ongoing.	Actions or inactions of the owners of animals	Council attempts to recover the private good aspect of this activity through fees and charges. A small amount is funded through the general rate to reflect those costs that are a public good.	Operating 80-99% User charges, subsidies and grants 1-20% General Rates Capital Reserves Borrowing Subsidies
Regulatory – Building Control	Council is an accredited building control authority, responsible for enforcing the requirements of the Building Act 2004 and NZ Building Code to ensure all buildings are structurally sound and safe for occupancy.	All community outcomes supported.	Benefits users through compliance with legislation. Maintaining safe and sanitary buildings. Enforcement of regulations that ensure safe, sanitary and accessible buildings.	Ongoing	The community create a need through requiring safety and health protection of buildings over time. There is a strong private benefit evident in individuals or organisations requiring building consents.	As much as possible, Council attempts to recover the private good aspect of this activity through fees and charges therefore separate funding is appropriate. Costs associated with accreditation and general advice that have a public good	Operating 70-90% User charges, subsidies and grants 10-30% General Rates In year 1 of the LTP Council is internally borrowing to fund significant compliance costs to ensure increases are not lumpy. Council has approved this change.

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
						aspect are funded from general rates.	
District Planning	Council plans for the future growth of the district and aims to control the actual and potential adverse effects of land use. Council maintains records of all properties in the district. Information on any property is available to the public through a Land Information Memorandum (LIM).	All community outcomes supported.	Benefits accrue to users as there are direct economic benefit received by the applicants (e.g. developers). Community benefits through protection from adverse environmental, social and cultural impacts, control over inappropriate development that is not in compliance with the District Plan.	Ongoing	There is a strong private good aspect in that individuals create a direct need for District Planning and Land Information services. There is also a public good aspect in that the monitoring and review of the District Plan is required.	As much as possible, Council attempts to recover the private good aspect of this activity through fees and charges therefore separate funding is appropriate	Operating 100% general rate Borrowings are being used to fund the District Plan review and spread the costs to the ratepayers.
Resource Consent Planning	Council plans for the future growth of the district and aims to control the actual and potential adverse effects of land use. These activities are carried out primarily through the District Plan. The policy and development activity includes the District Plan and advocacy.	All community outcomes supported.	Wider community benefit provided through the environmental protection provided by the District Planning activity. Applicants are required to comply with District Plan regulations so there is general community benefit that developments are appropriately	Ongoing	All ratepayers create the need for this activity	This activity is funded separately to the District Planning activity as there is a strong public good aspect to policy and development function. It is appropriate to charge users of the service and ratepayers given this community-wide benefit	Operating 30-35% User charges, subsidies and grants 65-70% General Rates

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
			consented under the RMA				
Responsible camping	Managing the impacts of responsible camping such as refuse collection, environmental clean-ups and enforcement.	All community outcomes supported	Wider community will benefit from environmental clean-ups and economic development from tourism	Ongoing	Tourists who visit the district create the refuse and environmental pollutants.	Fines are collected from enforcement as a separate funding mechanism	Operating External grant 90-100% General Rates 0-10%
Civil Defence	Council undertakes contingency planning and readiness for natural disasters and provides emergency response and recovery services in the event of a natural disaster.	All community outcomes supported.	The entire community benefits from having appropriate planning and resources in place to deal with natural disasters and civil emergencies.	A natural disaster could occur at any time in the future, and the Council has a statutory obligation to provide Emergency Management services	This activity is required under the Civil Defence and Emergency Management Act 2002. The whole community could be affected by a natural disaster, and there is a need to ensure the effects are managed.	As the benefits are entirely for the public good, it is not appropriate to apply separate charges.	Operating 100% General Rates Capital Reserves Borrowings
Community and Township Services – Waste Management	Council has a contract for delivery of the solid waste services, including kerbside collections and the operation of the Resource Recovery Parks.	All community outcomes supported.	Users of the transfer station and the Council's kerbside waste and recycling service directly benefit. The whole community benefits from the safe and efficient disposal of solid waste.	Immediate and ongoing benefits to users, intergenerational benefits to the community through protection of the environment from adverse impacts.	Individuals using this service create a need through the requirement to manage solid waste. The entire community create a need through requiring protection of the environment from adverse impacts.	It is appropriate to recover the private benefit through applying separate user charges and targeted rates and the public benefit from general rates.	Operating 15-20% User charges, subsidies and grants 15-20% General Rates 60-65% Targeted Rates Capital Reserves Borrowings
Community and Township Services – Pensioner Housing	Council has ten pensioner units: seven in Fairlie and three in Twizel and maintains the buildings and grounds, selects tenants, reviews tenancy agreements and rentals, and monitors long term	All community outcomes supported.	Community housing benefits occupants of the housing units, usually older adults, who are often the most vulnerable and in need within our community.	Immediate to ongoing.	Not applicable	User charges for the cost of pensioner housing, however, Council has agreed not to charge more than one third of the amount tenants received from national	Operating 90-95% user charges, subsidies, and grants 5-10% General Rates Capital Reserves Borrowings

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	demand for housing and maintenance.					superannuation so a general rate component is also included.	
Community and Township Services – Public Toilets	Council operates public convenience facilities to allow for the health and safety of the community and to protect the environment.	All community outcomes supported.	The whole community benefits from the availability of hygienic and well-maintained public conveniences.	The benefits are ongoing.	All ratepayers create a need through having access to public conveniences. Businesses within proximity of conveniences receive an additional benefit.	District wide funding is appropriate as both businesses and the community as a whole experience benefits.	Operating 5-10% User charges, subsidies, and grants 90-95% General Rates Capital Reserves Borrowings Subsidies and Grants
Community and Township Services Community Centres, Swimming Pools	Council provides 2 swimming pools, the Twizel Events Centre, Mackenzie Community Centre and the Tekapo Community Hall. All of these facilities are available for public hire. The rural community halls at Sherwood and Albury are managed by local committees with rates, insurance and electricity paid by the Council and funded through local rates.	All community outcomes supported.	Direct benefits for individuals and groups who choose to use the facilities for functions and events. Wider community benefits from use of the facilities for public events or gatherings.	Immediate and ongoing benefits to users. Intergenerational benefits to the community through maintaining and developing these facilities.	The Council undertakes the activity to allow Mackenzie District residents to enjoy access to a wide range of cultural and social activities.	It is appropriate to apply a number of targeted rates based on the proximity to public halls and community centres as it is these ratepayers who benefit above others.	Operating 100% Targeted Rates Capital Reserves Borrowings
Community and Township Services – Reserves	The Council maintains and owns a host of reserves (urban and rural), domains, parks and walkways throughout the district. Some reserves are leased for grazing purposes while others provide open spaces for recreation,	All community outcomes supported.	Users of the parks and reserves directly benefit from the service while the entire community benefits from the availability of parks and reserves to create a pleasant environment in which	Immediate and ongoing benefits to users.	This activity is required under the Reserves Act 1977. A number of user groups and individuals can be seen as having a particular interest in the activity.	A user pays system is not feasible for general users. However, some costs are recovered by lease income and financial contributions with the balance coming	Operating 70-75% User charges, subsidies and grants 25-30% Targeted Rates Capital Reserves Borrowings

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
	beautification, the enjoyment of visitors and residents and civic pride.		to live and work. Parks and reserves create opportunities for recreational activities.			from targeted and general rates	
Community and Township Services – Cemeteries	Cemeteries are important for Council to ensure a safe and healthy community, and to preserve the social history of the district. Council currently operates cemeteries in Albury, Fairlie, Burkes Pass, Tekapo and Twizel. All cemetery services are provided under contract through a single Township Maintenance Contract	All community outcomes supported.	The estate and family of deceased person's benefit. However, the entire community benefits from respect for, and provision for the historical significance of those who have passed away.	The benefits of the historical and public health value of cemeteries are ongoing,	All ratepayers create a need for cemeteries through requiring cemetery services and open spaces. There is a strong private benefit which Council attempts to recover through fees and charges.	To enable charges to be correctly apportioned separate funding is maintained.	Operating 25-50% User charges, subsidies and grants 50-75% General Rates Capital Reserves Borrowings
Community and Township Services – Medical Facilities	Council owns and maintains the medical centre in Fairlie. Council provided financial support to the recent development of the Twizel Medical Centre, which was built and is operated by the High-Country Medical Trust.	All community outcomes supported.	The wider community benefit through the provision of medical facilities.	Ongoing	Need created by the whole community	To enable charges to be correctly apportioned separate funding is maintained.	Operating 25- 30 % User charges, subsidies and grants 70-75% General rates Capital Reserves Borrowings
Property and Commercial – Property (Real Estate)	Council holds commercial property as part of its investment portfolio.	All community outcomes supported	The community, as a whole, benefits from the commercial returns received by Council	Immediate and ongoing	All ratepayers create a need for this activity through the offset provided to rates.	This activity is self-funding and for transparency and accountability purposes separate funding is appropriate.	Operating 100% Investment Income Capital Reserves Borrowings

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
Tourism and Economic Development	Council provides funding for business and economic development, and visitor management in the district.	All community outcomes supported	Benefits from economic development and district promotions accrue to individual businesses, and the district as a whole,	Immediate and ongoing for users. Some benefits may be longer term to the community.	Individual businesses benefit from having this support available as well as the whole community.	To enable charges to be correctly apportioned separate funding is maintained.	Operating 0-10% General Rates 90-100 % Targeted Rates Capital Reserves Borrowings Grant, subsidies and others in Year 1
Property and Commercial – Forestry	Council has forestry investments as part of its investment portfolio.	All community outcomes supported	Benefits from forestry accrue to the public through the generation of income to fund Council activities and storage of carbon to reduce the impact of climate change and meet obligations under climate change agreements.	Long term through generation of income for other Council activities	There are no specific contributors to the need for this activity	This activity is self-funding	Operating 100% investment income
Property and Commercial – Leases and Rentals	Council is the owner of commercial properties as a long-term investment	All community outcomes supported	The community as a whole benefit from the commercial returns received by Council	Immediate and ongoing	All ratepayers create a need for this activity through the offset provided to rates.	The activity is self funding	Operating 100% user charges Capital Reserves Borrowings
Property and Commercial – Pukaki Airport	Council provides the airport at Pukaki Airport	All community outcomes supported	Benefits from the airport accrue mainly to users and visitors who travel or who operate, store and maintain personal aircraft.	Ongoing benefits to users, visitors and the wider community. Intergenerational benefits to the community through maintaining and	The community benefits widely from having airport services available	To enable charges to be correctly apportioned separate funding is maintained.	Operating 55-60% income (user charges & rentals) 40 to 45% investment income Capital

Activity	Description	Community Outcomes Supported	Who benefits	Period of benefits	Whose actions create a need for the activity	Costs and benefits of separate funding	Funding sources
			Community benefits exist in that this facility helps enhance and facilitate economic development for the district	developing a facility for air travel.			Reserves Borrowings

Definitions

These definitions are intended to explain terms used in this policy in plain English. For legal definitions see the Local Government Act 2002, the Local Government (Rating) Act 2002 and the Local Government Act 1974.

Benefit: refers to the positive effect able to be gained as a result of a Council-provided activity or service, regardless of whether this is taken up or not.

Capital expenditure: means expenditure on new assets or on assets that increase the level of service provided or extend the level of service - for example replacement of assets (cyclic renewals).

Capital Value (CV): means the assessed value of a property comprising of land plus improvements (if any) at the time of valuation.

Community-wide benefit: means a benefit that applies to the whole community, irrespective of property location or value.

Council: means Mackenzie District Council.

Exacerbator: those who contribute to the need for a Council facility or service should contribute to the cost of the facility or service.

Existence benefit: means a benefit that arises through the mere existence of certain facilities, even if the person who values them may never contemplate using them personally.

General rate: is a rate levied on all rateables properties within the local authority jurisdiction, based on:

- capital value of a property
- how the property is used
- whether the property's location is urban or rural.

Intergenerational equity: is the principle that the cost of an asset or service should be spread over its life, so that both current and future residents who benefit contribute a fair share of the costs, and not just current residents.

Operating expenditure: means the costs incurred to provide normal day-to-day services and the maintenance of services and assets.

Private good: means goods or services that directly benefit an individual rather than the community as a whole. Private goods are an indicator that users should pay.

Property benefit: is a benefit that accrues to a property or to property owners. This may be a service to a property or an activity that benefits property values. Council looks to fund property benefits through CV rates.

Public good: means goods or services that one individual can consume without reducing the availability to another individual. Public goods are usually both non-rival and non-excludable. An example of a public good is a community park.

User charges: a Council charge of fees paid by those who use specific services provided by Council. An example is the fee payable for processing a resource consent application.

Clarification and Breaches

Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy and requesting Council approval for any major deviation from the policy. A Council resolution will need to be approved for each deviation from the policy.

Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to request Council to authorise any deviations from this policy.

LIABILITY MANAGEMENT POLICY

Purpose	Mackenzie District Council (Council) must have a Liability Management Policy as required by section 102 (2) of the Local Government Act. This policy outlines how the Council will manage its borrowings and other liabilities.
Key Points	<p>The objectives of the Liability Management Policy are to provide guidance:</p> <ul style="list-style-type: none"> To minimise the cost of borrowing (including interest, contracted services, staff, time and administration) To minimise the exposure to the risks associated with borrowing To maintain strong financial ratios To consider long term indebtedness as a means of creating intergenerational equity To maintain the integrity of Council's Long Term Plan (LTP)
Date of Issue	Previous version ADOPTED April, 2020
File Retention	Mackenzie District Council Laserfiche – Organisational Policies section
Review	Every two years at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related Council policies and documents include:

- Financial Strategy
- Investment Policy
- Property Sales and Acquisition Policy
- Risk Appetite Statement
- Risk Policy

Relevant legislation and other resources include (but are not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014

Definitions

Bank Bill: A “bill of exchange” security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquify itself with cash. Normally for terms of 30, 60, 90 or 180 days.

Base rate: Normally a lending bank's cost of funds/interest rate for a particular funding period. The base or “prime” rate will be changed by the bank from time to time, but not every day like market rates.

Basis Point(s): In financial markets it is normal market practice to quote interest rates to two decimal places e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.

Benchmark: An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.

Bond: The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond's interest rate is always fixed.

Call Option: The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/currency/commodity at the price stated in the option "contract."

Certificate of Deposit (CD): A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors.

Collar: Two option contracts linked together into the one transaction or contract. A borrower's collar is normally a bought "cap" above current market rates and a sold "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a "cylinder".

Collateral: A legal term that means "security".

Commercial Paper: The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called "one-name paper" and "promissory notes" issued by competitive public tender to investors or by private treaty to one investor.

Convertible Bonds: A debt instrument issued to investors by a borrower that has a fixed interest rate for a period and then converts (under a strict pricing formula) to shares in the issuing company.

Current Ratio: A liquidity measure to determine how quickly the Council can generate cash. Current assets are divided by current liabilities.

Debenture: A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.

Derivative(s): A "paper" contract whose value depends on the value of some "underlying" referenced asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a "synthetic." The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.

Exchange – Traded: A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.

Floor: The opposite of a "cap." An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the "linked" bought cap.

Funding Risk: The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due to the Council's own credit worthiness, industry trends or banking market conditions.

Hedging: The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due

to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.

Inverse Yield Curve: The slope of the interest rate yield curve (90-days to years) is “inverse” when the short-term rates are higher than the long-term rates. The opposite, when short term rates are lower than long-term interest rates is a normal curve or “upward sloping.” In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates; hence they are higher to build in this extra risk premium.

Liability Management: The policy, strategy and process of pro-actively managing the treasury exposures arising from a portfolio of debt.

Liquidity Risk: The risk that the Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.

Open Position: Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.

Proxy Hedge: Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation of price movements between the two underlying prices to justify using a proxy hedge.

Revaluation: The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counter party at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.

Spot Rate: The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.

Standard & Poor's: A credit rating agency that measures the ability of an organisation to repay its financial obligations.

Strike Price: The rate or price that is selected and agreed as the rate at which an option is exercised.

Swap Spread: The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.

Swaption: An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

Treasury: Generic term to describe the activities of the financial function within the Council that is responsible for managing the cash resources, financial investments, debt, and interest rate risk.

Treasury Bill: A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.

Yield: Read-interest rate, always expressed as a percentage.

Principles

Mackenzie District Council borrows as it considers appropriate and exercises its flexible and diversified borrowing powers as outlined within the Local Government Act 2002. The Council approves borrowing by resolution arising from the Long Term Plan (LTP) and Annual Plan process. Projected debt levels are ascertained from cash flow forecasts prepared during these planning processes.

Mackenzie District Council acknowledges that there are various financial risks such as interest rate risk, liquidity risk and credit risk arising from its borrowing. Council is a risk averse entity and does not wish to incur additional risk from its treasury activities.

The Council's finance function in relation to its treasury activities is a risk management function focused on protecting the Council's budgeted interest costs and stabilising the Council's cashflows. The Council does not normally undertake any treasury activity which is unrelated to its underlying cashflows or is purely speculative in nature unless with formal prior approval of Council.

The finance function is broadly charged with the following responsibilities:

- To manage the Council's borrowings within its strategic objectives.
- To manage the impact of market risks such as interest rate risk on the Council's borrowings by undertaking appropriate hedging activity in the financial markets.
- To minimise adverse interest rate related increases on ratepayer charges and maintain overall interest expenditure within budgeted parameters.
- To provide timely and accurate reporting of treasury activity and performance.

The Council raises debt for the following primary purposes:

- General debt to fund the Council's balance sheet, including borrowing to fund Council Controlled Organisations (CCO's) etc.
- Specific debt associated with "special one-off" projects and capital expenditure
- To fund assets with intergenerational qualities.

The Council is able to borrow through a variety of market mechanisms including:

- Commercial Paper
- Local Authority Bonds
- Medium Term Notes
- Floating Rate Notes
- From the Local Government Funding Agency ("LGFA")
- Funding from internal sources.

The Council incurs risks arising from its borrowing and associated interest rate risk activity. In evaluating any new or renewal of existing borrowings (in relation to source, term, size and pricing) Mackenzie District Council will take into account the following:

- The size and the economic life of any specific project being funded
- The impact of the new debt on overall borrowing limits.

Relevant margins under each borrowing source:

- Overall debt maturity profile
- Prevailing interest rates

- Available term from bank and stock issuance
- Legal documentation and financial covenants.

This policy document details how the Council will manage its borrowing with regard to key risks faced including:

- Interest rate exposure
- Liquidity and funding risk
- Credit exposure
- Provision of security.

Policy Objectives

The objectives of the Liability Management Policy are:

- To minimise the cost of borrowing (including interest, contracted services, staff, time and administration)
- To minimise the exposure to the risks associated with borrowing
- To maintain strong financial ratios
- To consider long term indebtedness as a means of creating intergenerational equity
- To maintain the integrity of Council's Long Term Plan (LTP)

The objectives of the Management of Liquidity and Funding Risk are:

- To ensure Council's continued ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management
- To arrange appropriate funding facilities for Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate
- To maintain lender relationships and Council's general borrowing profile in the local debt and capital markets, so that Council is able to fund itself appropriately at all times

The objectives relating to Reporting are:

- To produce accurate and timely information that can be relied on by senior management and the full Council for control, exposure monitoring and performance measurement purposes in relation to treasury activity.

Borrowing

(Note: For these purposes 'borrowing' does not include hire purchase, deferred payment or the giving of credit for goods and services where the transaction is for less than 91 days or does not exceed \$500,000. Guidelines for Borrowing Limits are in the Financial Strategy document.)

Council approves, by resolution, the external borrowing requirement (including financial leases) for each financial year during the annual planning process. A resolution of Council is not required for indebtedness in connection to hire purchase, deferred purchase or the giving of credit, the aggregate amount Council determines as not being so significant as to require specific authorisation is \$50,000 or where the period of indebtedness is less than 91 days.

Council must confirm all new loans required to fund expenditure that has arisen subsequent to the Annual Plan. In approving new debt Council considers the impact on its borrowing limits as well as

the size and the economic life of the asset that is being funded and consistency with Council's long term Plan.

Council's infrastructural assets generally have long economic lives and long term benefits. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to Council's assets and investments.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate and manage its relationships with investors and financial institutions.

Council will monitor and report:

- The ratio of equity : debt
- Debt per rateable property

Borrowing Principles

The following principles are embedded within the policy:

- Borrowed funds will be used to fund capital expenditure and equity investment, except as provided for working capital purposes under Cash Management policies.
- Debt will be used as a residual source of funds after Council has considered all other available options.
- The mix of debt, reserve and revenue funding will be determined by Council.
- Debt raised will be repaid over the economic life of the asset generally restricted to a maximum of 20 years but may be extended to 30 years.
- Unless Council otherwise resolves, interest costs will be treated as part of the operational expenditure and will be funded annually from operating revenue.
- The repayment of principal on debt generally will be funded from operating revenue. Although Council may resolve to repay loans from other capital sources.
- Loans raised by Council where security is required are to be secured as a charge over rates or rate revenue.
- Debt financing is recognised as a component in Council's Revenue and Financing policies and long term plan to provide intergenerational equity which prevents costs being incurred by the current users which are for the benefit of future users.
- Council may raise specific debt associated with significant "one-off" projects and non-financial investments from time to time, including investments in CCTOs.
- Council may borrow through hire purchase, credit, and deferred payment or lease arrangements in the ordinary course of Council business.
- Loans are raised to meet cash management requirements, as internal borrowing is preferred.

Internal Borrowing

Internal loans sourced from the Council's reserve funds are allowed as a valid means of funding projects, minimising the cost of borrowing while providing a market return on investment funds. Council's internal borrowing needs are typically associated with the expansion or renewal of its assets. Hence the internal borrowing is tied to assets and the cost centres associated with those assets.

Council seeks to minimise loan administration costs by structuring loans to enable repayments to be spread over a sanctioned period based on repayments tables, without the use of sinking funds.

Internal borrowing structures where interest and repayments are sourced from operating budgets (generally funded by rates income) are acceptable under this Policy. Where appropriate, inflation factors may be built into loan repayment tables to better reflect the ability of the community to pay

in the future and avoid overcharging current ratepayers. The inflation adjusted debt service cost allows room to absorb interest rate fluctuations and provide more predictable cash flow projections.

In general Council, in arranging future internal borrowing under this Policy, will seek to build repayment flexibility into the loan structures. The Council will manage the risks associated with interest rate movement through the use of flexibly structured repayment loan tables.

Council can internally borrow from reserve and investment funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

Special funds and reserve funds

Liquid assets are not required to be held against all special funds and reserve funds. Council may internally borrow or utilise these funds where possible.

Interest Rate Exposure

Interest is incurred on any bank funding facility, issuance of local authority stock and other borrowing arrangements. This policy recognises that the longer the term of borrowing, the greater the sensitivity to interest rate movements. Longer term borrowings may be of benefit if the market interest rates rise, but equally may not allow Council to take advantage of periods of low interest rates.

Interest rate risks may be managed by the use of derivative instruments, and by issuing fixed rate bonds or sourcing fixed rate bonds from the Local Government Funding Agency (LGFA).

The table below outlines the minimum and maximum hedged or fixed rate exposure requirements within various time buckets. The actual hedging percentages in place, within these bands, will be determined, and reviewed on a regular basis.

Fixed Rate Hedging Percentages

	Minimum Fixed Rate	Maximum Fixed Rate
Less than 2 years	50%	100%
2 years to 5 years	25%	80%
5 years to 10 years	0%	60%

Fixed rate hedging in excess of 10 years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

When managing the interest rate risk of the Council the hedging percentages above relate to total core debt. Core debt cannot exceed borrowing projections as per the Annual Plan or Long Term Plan with the actual quantum used for policy parameters to be reviewed annually.

The hedging parameters are cumulative. For example if total debt was \$25 million, \$5 million of hedging entered into for a period of five years would increase the hedging profile for all time buckets up to five years, by 20%.

Fixed rate debt is defined as any debt that has an interest rate reset beyond 3 months. The hedging parameters are dependent on the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the Official Cash Rate (OCR).

The Council decides the interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook for short term rates in comparison to the rates payable on fixed rate borrowing.

The following interest rate risk management derivative instruments may be used for interest rate risk management activity.

- Forward rate agreements
- Interest rate swaps
- Swaptions
- Interest rate collar type option strategies in a ratio not exceeding 1:1.

Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.

The use of Interest rate risk management instruments must have the formal prior approval of the General Manager Corporate Services.

Benchmarking

The Council shall evaluate the performance of the interest rate management policy itself (i.e. the success and continued appropriateness of the risk control limits stipulated in the Liability Management Policy document) and their implementation at an operational level. This is achieved by measuring actual results (i.e. weighted average funding cost) against a market benchmark provided by an external source.

The benchmark standard shall consist of the following:

- 20% Average 90 day bank bill rate for the reporting month;
- 10% Average 1 year swap rate for the reporting month;
- 10% Average 1 year swap rate for the reporting month, 1 year ago;
- 10% Average 3 year swap rate for the reporting month;
- 10% Average 3 year swap rate for the reporting month, 3 years ago;
- 10% Average 5 year swap rate for the reporting month;
- 10% Average 5 year swap rate for the reporting month, 5 years ago.
- 10% Average 7 year swap rate for the reporting month;
- 10% Average 7 year swap rate for the reporting month, 7 years ago.

The above percentages are predicated off the midpoints of the risk control bands contained in the 'Fixed Rate Hedging Percentages' table in Section 5.

The Council's cost of funds for benchmarking purposes is exclusive of margin. For reporting of interest rate comparisons, rates rather than dollar values should be used. Benchmarking is not required if total external borrowings are less than \$10 million.

Liquidity and Funding Risk Management

The Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong balance sheet as well as its ability to manage its relationship with its banker(s) and the capital markets.

To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond the Council's control, the Council ensures material debt maturities are spread over a number of years. The Council manages this by aiming where practical to have no more than 33% of its outstanding borrowings subject to refinancing in any rolling twelve month period.

The Council's treasury operation must also ensure that there are sufficient resources or "liquidity" to provide the funds to meet its immediate obligations such as creditors and current debt maturities.

Appropriate cash flow reporting mechanisms will be maintained to monitor the Council's estimated liquidity position over the next 12 months. In any case funding facilities must be in place to give headroom of at least 110% over and above the maximum net debt requirement as estimated in the Annual Plan or Long Term Plan.

Credit Exposures (Treasury)

In general the Council borrows funds from a variety of registered banks, institutional investors and the LGFA. It is considered that the range and size of Council's individual borrowings together with the relative strength of these lenders offsets any institutional credit risk.

Provision of Security

For its general borrowing programme the Council offers security under its debenture trust deed, for which security is a charge over all rates.

In unusual circumstances, with the prior consent of the Council, security may be offered by providing a charge over one or more of the Council's assets.

Repayment

The Council repays borrowings from general or targeted rates, general funds or renewal loans.

Local Government Funding Agency (LGFA)

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- To contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

- To provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- To commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- To subscribe for shares and uncalled capital in the LGFA; and
- To secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

Because of the dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternate investments.

If required in connection with the investment, the Council may subscribe for un-called capital in the LGFA.

Management and Reporting Procedure

Mackenzie District Council's Finance Committee oversees and monitors the risks arising from its treasury activities to ensure consistency with the Council's Long Term Plan and to evaluate the finance function's effectiveness in achieving its objectives. The Finance Committee is responsible for approving strategy and for monitoring compliance and performance of the Council's treasury activities.

The General Manager Corporate Services has financial management responsibility over the Council's borrowing and investments. The Council is able to appoint an independent advisor to assist in the management of the financial market exposures that the council is subjected to. The scope of the appointment and the parameters within which the advisor operates, will be determined by the General Manager Corporate Services and at all times will operate within the parameters of this policy document. The Council's borrowing and cash management activities are managed centrally through its finance function.

The Management of the Council's borrowing portfolio is carried out under delegated authority to the General Manager Corporate Services (who has delegated the day to day operation to the Council's Finance Manager and Management Accountant). Reports on the Council's borrowings are prepared on a quarterly basis for the Council.

Clarification and Breaches

This policy represents the formal policy and expected standards of the Mackenzie District Council. Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the Council.

Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. All identified breaches will be escalated to the Chief Executive Officer and the Manager People and Culture and will be treated as misconduct which may result in disciplinary action.

Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

INVESTMENT POLICY

Purpose	<p>Section 102(2)(c) of the Local Government Act 2002 (the "Act") requires the Mackenzie District Council to adopt an investment policy (the "Policy"). Section 105 of the Act outlines the contents of such a policy.</p> <p>The development of the Policy statement aligns with the Mackenzie District Council's strategy to establish a high-performing organisation with a focus on customer service, prudent financial management, quality processes, and a skilled and motivated work force.</p>
Key Points	<p>The key objectives of this policy are:</p> <ul style="list-style-type: none"> • To make and manage investments to optimise returns in the long term while balancing risk and return considerations. • To safeguard financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters. • To ensure the integrity of the financial market investments by only investing in appropriately rated organisations and in appropriate financial market instruments. • To maintain relationships with financial market participants, thus enabling the Mackenzie District Council to carry out its investment activities in an efficient and practical way. • To produce accurate and timely information that can be relied on by senior management and the Mackenzie District Council for control, exposure monitoring and performance measuring purposes. • To manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.
Date of Issue	
File Retention	The Mackenzie District Council Laserfiche – Financial Policies section
Review	Every two years at the anniversary date

RELATED DOCUMENTS / WEBSITES

Related The Mackenzie District Council policies and documents include:

- Liability Management Policy
- Property Sales and Acquisition Policy
- Risk Appetite Statement
- Risk Policy

Relevant legislation and other resources includes (but is not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014

Definitions

Approved Financial Investment Instruments: Investment instruments available in the market (excluding equities and property) can generally be discussed under three broad categories relating to the issuer of these instruments.

1. **New Zealand Government:** Treasury bills are registered securities issued on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 30, 60, 90 and 180 day terms. They are discounted instruments, and are available in the secondary market, although most banks hold them for liquidity management purposes.
2. **NZ Local Government Funding Agency (LGFA):** The LGFA issues commercial paper (CP), , is issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the CP to be issued without endorsement or acceptance by a bank. In this instance the LGFA being highly credit rated. Commercial paper is issued with maturities ranging from 30 days to one year. The common maturities are for 30, 60, 90 and 180 days. Council is restricted to investing in CP with maturities of no more than one year . CP is generally preferred over term deposits because investors can sell them prior to maturity without suffering the penalty interest costs common to term deposits. The LGFA issues bonds that are similar in structure to New Zealand Government stock/bonds.
3. **Registered Banks:** Call and term deposits are funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest basis. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can involve penalty interest costs.

Registered certificates of deposits (RCD) are securities issued by banks for their funding needs or to meet investor demand. They are registered or held on behalf of by the dealing bank. Details include, the name of the investor, face value and maturity date. They are able to be transferred by registered transfer only. RCDs are priced on a yield rate basis and issued at a discount to face value or a grossed up basis. They are generally preferred over term deposits because investors can sell them prior to maturity.

Bank Bill Mid-Market Settlement Rate (BKBM): The bank bill mid-market settlement rate as determined at 10:45am each business day on Reuters page BKBM. This is the standard rate for the settlement of interest rate swaps, forward rate agreements and interest rate caps and collars.

Borrower Notes: On occasion when The Mackenzie District Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of “Borrower Notes”. A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Mackenzie District Council) at a future date (in this instance upon the maturity of the loan). A return is paid on the Borrower Notes. The Borrower Notes can be converted to equity at the discretion of the LGFA.

Financial institutions: Financial institutions are traditionally identified as those entities which accept funds from individuals and organisations with the objective of lending the funds obtained to other parties, or otherwise investing the funds, so as to generate returns to the entity.

Financial Instrument: A financial instrument is any contract that gives rise to both a (recognised or unrecognised) financial asset of one entity and a (recognised or unrecognised) financial liability or equity instrument of another entity.

Forward Exchange Contract: A contract to buy and sell one currency against another at a fixed price for delivery at some specified future date.

Forward points: The difference in interest rates between two currencies expressed as the exchange rate points i.e. 300 forward points is a 0.0300 adjustment to the 0.7500 NZ\$/US\$ exchange spot rate.

Forward rate agreement: An agreement between the Mackenzie District Council and a counterparty (usually a bank) protecting the Mackenzie District Council against a future adverse interest rate movement for a specified period of time (up to a year). The Mackenzie District Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). This definition includes the bond forward rate agreement where the benchmark rate is the underlying government bond yield.

Interest rate options: The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right but not the obligation to borrow (described as a cap) or invest (described as a floor) at a specified interest rate for a specified period. The Mackenzie District Council and the counterparty agree to a notional future principal amount, the specified interest rate, the rate-setting dates and the benchmark rate (usually BKBM). Interest rate option products include caps, floors and bond options.

Interest rate or currency collar strategy: The combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap.

Interest rate swap: An interest rate swap is an agreement between the Mackenzie District Council and a counterparty (usually a bank) whereby the Mackenzie District Council pays (or receives if an investor) a fixed interest rate and receives (or pays) a floating interest rate. The parties to the contract agree notional principal, start date of the contract, term of the contract greater than one year, fixed interest rate and the benchmark rates (usually BKBM). The swap can have a forward start date directly matching the contract to the underlying investment cash flow.

Liquidity: Liquidity refers to negotiable instruments that have an underlying market where buyers and sellers are available to transact and readily convert the investment into cash.

Negotiable Instruments: These instruments can be bought and sold prior to their legal maturity date.

Spot rate: The current market rate for currencies, interest rates for immediate delivery / settlement - normally two business days after the transaction is agreed.

Principles

The Mackenzie District Council's philosophy is to optimise long term returns while balancing risk and return. The Mackenzie District Council's overall appetite for risk, and specific appetite for financial risk, is summarised in the Risk Appetite Statement which is reviewed annually. Under section 102 (2) of the Local Government Act 2002, the Mackenzie District Council is required to have an Investment Policy.

The Mackenzie District Council recognises that as a responsible public authority our investments should be low risk, and should be managed conservatively. Speculative investments will be avoided; however the Mackenzie District Council also recognises that lower risk generally means lower returns.

The Mackenzie District Council's financial investments are managed as a portfolio of financial assets. The primary objectives are:

- To make and manage investments to optimise returns in the long term while balancing risk and return considerations.
- To safeguard financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters.
- To ensure the integrity of the financial market investments by only investing in appropriately rated organisations and in appropriate financial market instruments.
- To maintain relationships with financial market participants, thus enabling the Mackenzie District Council to carry out its investment activities in an efficient and practical way.
- To produce accurate and timely information that can be relied on by senior management and the Mackenzie District Council for control, exposure monitoring and performance measuring purposes.
- To manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

Income from the Mackenzie District Council's investments is generally used to offset the general rate. The proceeds from a sale of an actual investment will be held by the Mackenzie District Council as a financial investment.

Policy Setting and Management Procedures

The Mackenzie District Council approves policy parameters in relation to investment activities. The Mackenzie District Council Chief Executive Officer has overall responsibility for the operations of the Mackenzie District Council.

The General Manager Corporate Services has financial management responsibility over the Mackenzie District Council's investments, including all treasury activity.

The Mackenzie District Council exercises on-going governance over its corporate investments. Operational management of the Mackenzie District Council's forestry investment is provided by the Mackenzie District Council Property and Commercial Business Unit.

The Mackenzie District Council Audit and Risk Committee oversees and monitors the risks arising from its treasury activities to ensure consistency with the Mackenzie District Council Long Term Plan and to evaluate the finance function's effectiveness in achieving its objectives and for monitoring compliance and performance of the Mackenzie District Council treasury activities. The Mackenzie District Council Commercial and Economic Development Committee is responsible for approving commercial and investment strategy and monitoring strategy execution.

The Mackenzie District Council is able to appoint an independent advisor to assist in the management of the financial market exposures that the Mackenzie District Council is subjected to. The scope of the appointment and the parameters within which the advisor operates, will be determined by the General Manager Corporate Services and at all times will operate within the parameters of this policy document.

The Mackenzie District Council's investments and cash management activities are managed centrally through its finance function. The finance function is broadly charged with the following responsibilities:

- To manage the Mackenzie District Council investments within its strategic objectives and ensure that surplus cash is invested in liquid and credit worthy instruments.
- To manage the impact of market risks such as interest rate risk on the Mackenzie District Council investments by undertaking appropriate hedging activity in the financial markets.
- To minimise adverse interest rate related increases on ratepayer charges and maintain overall interest revenues within budgeted parameters.
- To manage the overall cash and liquidity position of the Mackenzie District Council operations.
- To provide timely and accurate reporting of treasury activity and performance.

Investment Mix

The Mackenzie District Council manages a portfolio of investments comprising:

- Loan advances
- Equity investments, including corporate investments and other shareholdings
- Property investments incorporating land, buildings and a portfolio of ground leases
- Forestry investments
- Treasury investments in both short, medium and longer term liquid investments.

Guidance for each of these investment types follows.

Loan Advances

Nature of Investment / Rationale for Holding

In special circumstances, the Mackenzie District Council will provide loan advances for sporting, community development and other reasons. Examples of these loans have been to the Twizel Basketball Club to purchase equipment for their use in the Twizel Events Centre and also the debenture that the Mackenzie District Council previously held with High Country Health Limited, a company formed to operate the Twizel medical practice.

Interest rates are set at the average of Mackenzie District Council bond portfolio rate, recalculated annually. The Mackenzie District Council must approve all loan advances.

Disposition of Revenue

Interest is taken to the Investment Trading Account. Interest earned is allocated to the general rate.

The Mackenzie District Council approves any repayment; proceeds on repayment are used to reimburse the reserve from where it was originally taken, or otherwise are taken to the ratepayers equity account and used in achieving Mackenzie District Council strategic objectives.

Risk Management

The primary risk is that the borrower defaults on the payment of interest and principal amounts owing to The Mackenzie District Council. Where possible the Mackenzie District Council seeks security for any loans provided. All loans to sporting bodies are subject to a chattel security.

Should loan repayments go into arrears, the Mackenzie District Council takes immediate steps to retrieve the monies owing.

Management/Reporting Procedures

The Mackenzie District Council reviews performance of these investments on a regular basis to ensure objectives are being achieved and that interest and principal repayments are being made in accordance with the loan agreement.

5.5 Specific Policy

The Mackenzie District Council policy is to seek wherever possible early retirement of loans, otherwise the Mackenzie District Council intends to hold loan investments until maturity.

Equity Investments

Equity investments can include the following:

- investments held in Council Controlled Organisations (CCO's) or Council Controlled Trading Organisations (CCTO's)
- Shareholdings held directly
- Public/Private Partnerships
- Joint Venture Partnerships
- Local Government Shared Services

Council maintains equity investments and other minor shareholdings. Council's equity investments fulfil various strategic, economic development and financial objectives as outlined in the Long Term Plan. Equity investments may be held where Council considers there to be strategic community value.

Council seeks to achieve an acceptable rate of return on all its equity investments consistent with the nature of the investment and the stated philosophy on investments.

Nature of Investments

The Mackenzie District Council has the following equity investments:

- Mackenzie Holdings Limited (MHL)
- Alpine Energy Limited
- Downlands Water Supply Scheme

Mackenzie Holdings Limited - Nature of Investment/Rationale for Holding

The Mackenzie District Council established Mackenzie Holdings Limited as a wholly-owned subsidiary in 2004 charged with developing the Pukaki Airfield as an operational airfield. The operations have been transferred to the Property and Commercial Business Unit within The Mackenzie District Council with governance from the Commercial and Economic Development Committee, a committee of the Mackenzie District Council. Mackenzie Holdings Limited is not operational. It has been exempted under section 7 of the Local Government Act 2002 from the normal reporting requirements.

Alpine Energy Limited - Nature of Investment/ Rationale for Holding

Alpine Energy Limited was created under the Energy Companies Act 1992, the Mackenzie District Council having 2,049,870 \$1 shares representing a minority 4.9% shareholding. The company supplies electricity to the South Canterbury region and was created from the former South Canterbury Electric Power Board. The Mackenzie District Council views this investment as a strategic asset ensuring the cost effective distribution of electricity to the District.

Downlands Water Supply Scheme - Nature of Investment/ Rationale for Holding

The Downlands Water Supply Scheme is a Joint Venture with Timaru District Council and Waimate District Council. The Downlands Water Supply Scheme is primarily a stock water scheme which also supplies domestic drinking water to rural properties within the Timaru, Waimate and Mackenzie Districts. Mackenzie District Council has a 4% stakeholding and views this investment as a strategic asset ensuring the cost effective distribution of water to the District.

Disposition of Revenue

Any purchase or disposition of equity investments requires Council approval. Council may also acquire shares that are gifted or are a result of restructuring. Dividends received from CCOs/CCTOs and unlisted companies not controlled by Council are normally credited to general funds and help reduce general rates.

Any dividends received, and/or profit or loss arising from the sale of these investments must be recorded in accordance with appropriate accounting standards. Unless otherwise directed by Council, the proceeds from the disposition of equity investments will be used firstly to repay any debt relating to the investment and then any surplus remaining be used to reinvest in other equities, and/or used to fund approved Capex projects and/or reduce other Council debt. Interim and final dividends are taken to the investment trading account.

Acquisition of New Investments

The Mackenzie District Council will acquire equity investments in line with its strategic, economic development and financial objectives as outlined in the Mackenzie District Council Long Term Plan and on the commercial merits of the proposal. All equity investment purchases will require prior Mackenzie District Council approval.

Risk Management

Council recognises that there are risks associated with holding equity investments and to minimise these risks Council, through the relevant Council-committee, monitors the performance of its equity investments, at least, annually to ensure that the stated objectives are being achieved. Council seeks professional advice regarding its equity investments when it considers this appropriate.

Alpine Energy is made up of a number of discrete “businesses” which operate independently of each other and which attract varying degrees of risk including electricity distribution and electrical contracting. Alpine Energy’s main business is electricity distribution where the risks are considered to be low given the high cost of replicating an electrical network. Alpine Energy manages its other business risks through separate companies, which limits its liability. Within each business the respective boards manage the operational risks.

Management/Reporting Procedures

The Mackenzie District Council approves the statement of corporate intent annually and monitors the investment through unaudited six monthly and audited annual financial statements.

Specific Policy

The Mackenzie District Council reviews its investment in Alpine Energy on an annual basis.

Property Investments

Nature of Investment

In addition to commercial and residential property, the Mackenzie District Council has landholdings which have been acquired in a number of ways. Any surplus land is either leased or held intending

to be sold at market valuation or at an agreed value satisfactory to the Mackenzie District Council. Please refer to the Property Sales and Acquisitions Policy for definitions and processes for property identified as surplus.

Rationale for Holding

The Mackenzie District Council overall objective is to own property that is necessary to achieve its strategic plan objectives. The Mackenzie District Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Mackenzie District Council services. The Mackenzie District Council generally follows a similar assessment criterion in relation to new property and land investments.

Disposition of Revenue

Property rentals are charged at commercial levels. All income including rentals and ground rent from property are taken to the property trading account and are used to offset the general rate. The Mackenzie District Council approves any disposition of property or landholdings. Sale proceeds are taken to the real estate reserve and used in achieving Mackenzie District Council strategic objectives.

Note the special status of revenue from property sales through the activities of the Pukaki Airport. This revenue is ring-fenced for future Pukaki Airport development and is not taken to the Real Estate Reserve.

Risk Management

The capital value of property and land is impacted by changes in economic and financial factors e.g. business confidence, growth, and interest rates. The Mackenzie District Council reviews the performance of its property investments through regular reporting.

Specific Policy

The property and landholdings portfolio is reviewed annually. Specific policy guidance for the sale and acquisition of property is provided in the Property Sales and Acquisition Policy.

Forestry Investments

Nature of Investment/ Rationale for Holding

The Mackenzie District Council has approximately 1,040 hectares of forestry plantation. The Mackenzie District Council has historically invested in forestry, as it provides diversification of Mackenzie District Council investment portfolio as well as provides good long-term inflation adjusted returns. Forestry plantations are held as long-term investments on the basis of net positive discounted cash flows, factoring in projected market prices, annual maintenance and cutting costs and discounted at Mackenzie District Council annualised cost of capital.

Disposition of Revenue

Any harvesting outside the agreed Annual and Long Term Plan requires governance approval from the Commercial and Economic Development Committee, a committee of the Mackenzie District Council. Proceeds from the disposition of forestry investments are to be applied:

- To repay district wide funded debt and/or
- To repay of community funded debt and/or
- To fund pre-approved capital expenditure items and/or
- To re-afforest existing forestry blocks and/or
- To purchase new forestry blocks or purchase new and/or

- To purchase treasury investments from which interest accrued is to be used for general purposes and/or
- To offset the general rate by Council resolution.

Income from the Council's forestry operation is reinvested in forestry through a separate Forestry Reserve. A dividend is payable to Council at any agreed time that does not affect the viability of the forestry operation. Expenditure in maintaining the forestry investment is expensed in the year it is incurred.

Risk Management

The most significant risk relates to product price returns, which are dependent on world markets. This means that forestry returns are dependent on commodity prices and carbon markets driven by other countries. Where there is a short-term downward spike in international stump prices, the Mackenzie District Council will defer harvesting until such time as it becomes economically viable.

Management and Reporting Procedures

The investment is managed by the Property and Commercial Business Unit with governance from the Commercial and Economic Development Committee. A forester and forest manager are employed on contract to report on the plantation management regime and report to the Property and Commercial Business Unit Manager on a regular basis.

Specific Policy

As long as investing in forestry remains financially viable, the Mackenzie District Council intends to retain its forestry investment and harvest when stump value is maximised.

Treasury Investments

Nature of Investment

The Mackenzie District Council invests in approved financial assets, which excludes dealing in shares. The Mackenzie District Council invests in the following financial instruments:

- Government investments,
- New Zealand Registered bank investments,
- Local Authority investments.
- State Owned Enterprises (SOE) investments,
- Corporate investments
- Financial Institution investments

Rationale for Holding

The Mackenzie District Council primarily holds financial investments to earn revenue used in the reduction of general rates. The Mackenzie District Council also maintains a portfolio of financial investments for the reason of:

- Investing proceeds from the sale of assets,
- Investing amounts allocated to general and special fund reserves e.g. disaster reserve,
- Investing funds allocated for approved future expenditure, and
- Investing surplus cash and working capital funds.

Disposition of Revenue

Interest is taken to the investment trading account. Interest earned is allocated to the general rate. Financial investments are normally held to maturity date.

Investment Objectives

The Mackenzie District Council primary objective when investing is the protection of its investment. Accordingly, only credit worthy counter parties are acceptable. Credit worthy counter parties are selected on the basis of their S&P Global Ratings (S&P) ratings, or the Moody's Investor Services ("Moody's") or Fitch Ratings ("Fitch") equivalents. Credit ratings are monitored on a quarterly basis by the General Manager Corporate Services from updated advice from the Mackenzie District Council investment advisors. Please refer to the table in Appendix A – Authorised Investment Criteria for Financial Market Investment Activities for guidance on credit rating thresholds for specific asset classes.

The following principles capture the above objectives:

Credit Risk

Credit risk is minimised by placing maximum limits for each broad class of non- Government issuer, and by limiting investments to local authorities, registered banks, strongly rated SOEs, corporates and Financials within prescribed issuer and portfolio limits. These are detailed in the authorised investment criteria for financial market investment activities.

Liquidity Risk

Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market. Furthermore, the Mackenzie District Council requires that the duration of their portfolio must be within a range of 25% shorter or longer than the benchmark portfolio set in conjunction with their investment adviser (refer to benchmarking as part of this investment policy). Compliance with this requirement is not necessary if the nominal value of the portfolio is less than \$5.0 million.

Interest Rate Risk Management

The Mackenzie District Council investments give rise to a direct exposure to a change in interest rates, impacting the return and capital value of its investments. The General Manager Corporate Services determines the appropriate interest rate profile to adopt for investments, after reviewing on a regular basis, cash flow forecasts incorporating plans for approved expenditure and strategic initiatives, monitoring the interest rate markets, evaluating the interest rate outlook and seeking appropriate advice where necessary.

The General Manager Corporate Services implements an interest rate risk management strategy by using risk management instruments to protect investment returns and to change interest rate and maturity profiles. The use of interest rate risk management instruments must be approved by Council.

Management and Reporting Procedures

The General Manager Corporate Services develops the investment strategy. During the annual budget round the General Manager Corporate Services recommends a formal investment strategy to the Chief Executive Officer. Thereafter, the General Manager Corporate Services implements the investment strategy on an ongoing basis, taking into account cash flow forecasts, the outlook for interest rates and credit spreads, the shape of the yield curve and where necessary seeks appropriate advice.

Benchmarking

The Mackenzie District Council measures the performance of the investment portfolio by benchmarking the performance of the portfolio against the performance of an appropriate external benchmark portfolio. This provides the Mackenzie District Council with an indication as to the

effectiveness and suitability of the current investment parameters and the manner in which the parameters are being implemented at an operational level. Compliance with this requirement is not necessary if the nominal value of the portfolio is less than \$5.0 million.

Specific Policy

The Mackenzie District Council reviews its investments portfolio annually and manages the portfolio according to the objective performance measures determined during the annual budget round.

Counterparty Exposure Limits

Council ensures that all financial investments and interest rate risk management is undertaken with institutions that are of high quality credit to ensure amounts owing to The Mackenzie District Council are paid fully and on due date. This does not limit The Mackenzie District Council investing in other assets, other than financial investments.

More specifically, The Mackenzie District Council minimises its credit exposure by:

- Transacting with entities which have a strong credit rating,
- Limiting total exposure to prescribed amounts and portfolio limits, and
- Timely and rigorous compliance monitoring.

(See Appendix A below “authorised investment criteria for financial market investment activities” for a summary of credit requirements and limits.)

Foreign Exchange Policy

The Mackenzie District Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

Cash Management

From time to time, The Mackenzie District Council has cashflow surpluses and borrowing requirements due to the mismatch of daily receipts and payments. All cash inflows and expenses pass through bank accounts controlled by the finance function. Cash management activities must be undertaken within the following parameters:

Cash management instruments are limited to:

- Call deposits with registered banks.
- Negotiable instruments with a maturity not more than three months at the time of inception.
- Term deposits with registered banks.

Cash may only be invested with approved counterparties as detailed below.

- If practical, a targeted minimum of \$250,000 is invested at call.
- An optimal daily range of no more than \$100,000 is targeted for in The Mackenzie District the Mackenzie District Council current account.

Interest rate risk management on cash management balances is not permitted.

Local Government Funding Agency (LGFA)

Despite anything earlier in this Policy, the Mackenzie District Council may invest in shares and other financial instruments of the New Zealand LGFA and, may borrow to fund that investment. The Mackenzie District Council objective in making such investment will be to:

- Obtain a return on investment; and

- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for The Mackenzie District Council.

Because of the dual objective, the Mackenzie District Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternate investments.

If required in connection with the investment, the Mackenzie District Council may subscribe for un-called capital in the LGFA.

Clarification and Breaches

This policy represents the formal policy and expected standards of the Mackenzie District Council. Appropriate approvals need to be obtained prior to any deviation from the policy.

Elected Members and employees are reminded of their obligations under the Mackenzie District Council Code of Conduct to give full effect to the lawful policies, decisions and practices of the Mackenzie District Council.

Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

Breaches

The Mackenzie District Council General Manager Corporate Services is responsible for monitoring compliance with this policy. All identified breaches will be escalated to the Chief Executive Officer and the Manager People and Culture, and will be treated as misconduct which may result in disciplinary action.

Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) will need to authorise any deviations from this policy.

Appendix A – Authorised Investment Criteria for Financial Market Investment Activities

Table 1: Authorised Investment Criteria for Financial Market Investment Activities

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor’s (or Moody’s or Fitch equivalent)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	<ul style="list-style-type: none"> Government Stock Treasury Bills 	Not Applicable	Unlimited
Rated Local Authorities	70%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million \$1.0 million \$2.0 million \$3.0 million \$4.0 million
Local Authorities where rates are used as security	60%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Not Applicable	\$2.0 million \$2.0 million
New Zealand Registered Banks	100%	<ul style="list-style-type: none"> Call/Deposits/Bank Bills/Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA – or better	\$10.0 million \$1.0 million \$2.0 million \$3.0 million \$4.0 million
State Owned Enterprises	70%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million \$1.0 million \$2 million \$3.0 million \$4.0 million
Corporates	60%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA -or better	\$3.0 million \$1.0 million \$2.0 million \$3.0 million \$4.0 million

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalent)	Limit for each issuer subject to overall portfolio limit for issuer class
Financials	30%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	\$3.0 million \$1.0 million \$2.0 million \$3.0 million \$4.0 million

DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY

The Mackenzie District is experiencing significant growth in its population, visitors, development and the local economy. This growth generates high levels of subdivision and development activity increasing demand for assets and services provided by Council.

In response to this development, Council can seek contributions towards the expansion of the District's reserves, community facilities and infrastructure from those developments which place additional demand on these services. Council may levy these contributions through –

- a. Development contributions as defined by Part 8(5) of Schedule 13 of the local Government Act 2002;
- b. Financial contributions as required by the District Plan prepared in accordance with the Resource Management Act 1991.

This Policy has been prepared within the wider context of Council's overall financial management policies and is consistent with the provisions of Council's Revenue and Financing Policy, providing for financial contributions to be used as part of Council's overall approach to funding capital expenditure.

OBJECTIVES

This policy is intended to assist the Council to achieve the following objectives:

- Enable Council to plan for and fund infrastructure and facilities that meets the anticipated growth requirements of the district;
- Enable a share of the costs Council incurs to provide infrastructure to be fairly and equitably recovered from those directly benefiting from Council infrastructure.

ASSETS TO BE INCLUDED

- Network infrastructure for water supplies, wastewater, stormwater and transportation;
- Reserve land;
- Community infrastructure including the development and acquisition of reserve land to use as reserve and facilities needed on that reserve and other public amenities such as halls, libraries, public toilets, and parking facilities.

DEFINITIONS

<i>Allotment:</i>	has the meaning as prescribed by section 218(2) of the Resource Management Act 1991.
<i>District Plan:</i>	the Operative Mackenzie District Plan including any proposed plan or variation.
<i>Minor Unit:</i>	a residential unit of not more than 50m ² gross floor area and of not more than 4 metres in height above natural ground level.
<i>Multi-unit Residential Development:</i>	any development involving more than one residential unit per allotment and includes flats, townhouses, retirement villages, and visitor accommodation.
<i>Residential Unit:</i>	a single self-contained housekeeping unit, whether of one or more persons, and includes accessory buildings. Where more than one kitchen facility is provided on site, there shall be deemed to be more than one residential unit.
<i>Residential Unit Equivalent:</i>	calculated by dividing the total number of people that a multi-unit residential development is designed to accommodate by the deemed average occupancy of 2.6 people per household.
<i>Visitor Accommodation:</i>	the use of land and buildings for short-term, commercial living accommodation where the length of stay for any one visitor is not greater than three months at any one time.

DEVELOPMENT CONTRIBUTIONS

The Council has chosen not to levy any development contributions under the provisions of the Local Government Act 2002.

FINANCIAL CONTRIBUTIONS

Financial contributions are levied under the provisions of the Resource Management Act 1991 and incorporated in the relevant sections of the Mackenzie District Plan. Financial contributions are required for the provision of open space and recreation, infrastructure services, and car parking provision as set out by the District Plan and this policy.

With the exception of roading, for which no financial contributions are sought, Council has not assumed growth for the Long Term Plan period in excess of capacity within the existing facilities and services for which financial contributions are sought. Where growth may require new or additional services, such work is undertaken by developers. Council does not, therefore, seek financial

contributions for capital expenditure in regard to growth. Instead, funding from financial contributions will fund the extension of asset life of each activities for which contributions are sought.

The following table lists the capital expenditure for each activity to be funded by financial contributions for the period 2021-2031:

Activity	2021-2031 Total Amount
Water	\$ 16,405,744
Sewer	\$ 11,651,636
Stormwater	\$ 3,221,655
Reserves	\$115,500

Reserves Contributions

Reserves contributions are required under the provision of Section 13 of the District Plan. These cash contributions shall be made towards the provision of land for open space in the locality, land for recreational facilities, and maintenance of recreational facilities. Full details of the contributions are contained within the District Plan.

Subdivision

Under provisions of the District Plan, financial contributions towards the provision of open space and recreation where any subdivision creates separately saleable, additional allotments for residential or visitor accommodation purposes, within any zoning excluding within Aoraki/Mt Cook National Park are required.

Within all zones, excluding the Rural and Rural-Residential zones, the contribution is levied at 5% of average cash value of the allotments created, calculated in accordance with the following calculation:

$$5\% \times (a-b) \times c$$

Where:

a = the number of allotments authorised by the subdivision consent and includes:

- i. Vacant allotments, including vacant parts of allotments for cross-leases and unit titles; and
- ii. Allotments created after the erection of a household unit, or where the subdivision and building consent for the household unit are issued in conjunction with one another:

b = number of allotments in the land prior to the subdivision (which were held in separate Certificates of title or for which Certificates of title could be issued without consent of the Council) that when created (either pursuant to a resource consent or previous legislation) complied with the minimum subdivision standards for their respective zones or standards contained in the Plan

c = the average per allotment market value (\$) of all allotment's in the subdivision, determined at the date on which the subdivision is granted, as if the allotments had been subdivided in accordance with the subdivision consent. The value of land for the purposes of determining the average cash value of allotments shall reflect the value of the lots in the completed development

Within the Rural and Rural-Residential zones, the financial contribution towards the provision of open space and recreation is limited to 5% of the average value of 1500m² of each lot, assessed as a site for a residential unit.

Residential Development

The financial contribution policy also applies to new or additional residential units with the cash contribution towards the provision and maintenance of open space and recreation being levied at the following rate:

Cash equivalent of 20m² of land for each additional residential unit created.

This contribution is levied at the time of building consent, less any contribution made at the time of subdivision in accordance with 1.1 of this policy.

No contributions are required for additional residential units for the sole purpose of providing farm workers accommodation.

Note: a single residential unit is deemed to include a minor residential unit as defined by the District Plan.

Visitor Accommodation

For visitor accommodation, the contribution is required as follows:

Cash equivalent of the value of 2m² of land for each additional 100m² of new, net area of visitor accommodation building floor area.

This contribution is levied at the time of building consent, less any contribution made at the time of subdivision in accordance with 1.1 of this policy.

Water, Sewer and Stormwater Contribution

The Council also levies financial contributions towards water, sewer and stormwater infrastructure.

A key issue from the provisions of the District Plan is the costs of infrastructure. It is recognised that development adds incrementally to demands on the infrastructure of the District. The District Plan's rules are designed to require new development to contribute a fair and reasonable sum towards the cost of that demand unless it is replacing an existing development. A fair and reasonable share of costs needs to recognise:

- That to manage and develop land (a natural resource) in an orderly and efficient way, it is appropriate to install public utility services (a physical resource) for whole catchments in anticipation of development;
- That there is a need to provide for people and communities' economic and social wellbeing by equitable sharing of costs of utility services over time;
- That works and the costs required for servicing specific areas or developments should be borne by the developers to the extent attributable to the development.

Where adequate public utilities are already in place, it is considered appropriate to enable people and communities to provide for their social and economic benefit, that all users of public utility services

(eg water supply, sewerage and stormwater drainage) contribute to these services. New ratepayers otherwise “freeload” on the value and capacity of the asset provided by earlier generations and developers. In this way the Council can confidently plan its servicing to provide for the reasonably foreseeable needs of current and future generations. Financial contributions towards existing infrastructure are based on a “recognised equity” model involving contributions by developers equivalent to the equity held by existing ratepayers in the existing utility service infrastructure.

Contributions are set to ensure a reasonable degree of certainty for developers.

The formula used to calculate the contributions is
$$\frac{V-L}{R}$$

Where:

- V = Latest independent valuation of the water supply/sewerage system/stormwater system plus the value of any capital additions made since that time and less the value of depreciation charged since the date of the valuation.
- L = Capital reserve balance with water supply/sewerage system/stormwater system as at 1 July each year. (The reserve may be in funds or overdrawn resulting in a positive or negative balance.)
- R = Number of connectable properties (or properties for stormwater) contributing to the asset as at 1 July each year.

If subdivision or development should require the provision of additional or new services, a contribution towards the cost of this provision shall be met by the developer.

For the purposes of this requirement, ‘development’ shall mean the construction, erection or alteration of an industrial, service, commercial, recreational, community activity or visitor accommodation with a value of \$100,000, or more than one residential unit on an allotment.

The contribution towards new and future services shall be made as payment of money, provision of land, or any combination of money and land, with the maximum contribution being the actual costs of providing the service to and/or within the land in the subdivision or the site of the development.

Subdivision

Subdivision of land provides a framework of services for subsequent purchasers of new allotments who have an expectation that services will be available. New subdivision may also give rise to demands for the upgrading of existing services as a direct consequence of the subdivision.

The provision of services within the subdivision is cost recoverable from the sale of allotments and can be imposed on a subdivider at the time of subdivision development. Furthermore, where a subdivision creates a demand for upgrading services outside of the subdivision, the Council is justified in recovering costs attributable to the subdivision itself.

In the event of a subdivision being reticulated with water, sanitary sewage, and/or stormwater connections, financial contributions for these services will be levied at the rate of the contribution as determined in part 2, above for each allotment reticulated with the service, less any contribution paid at the time of a previous subdivision.

Residential Development

Financial contributions may be required for developments as well as subdivision. For this purpose a development means the construction, erection of an industrial, service, commercial, recreational community activity or visitor accommodation with a value of \$100,000 or more, or more than one residential unit or lot, excluding a single minor unit.

Financial contributions for reticulated services will be payable at the rate of one contribution for each reticulated service provided to the site, per additional residential unit.

Financial contributions will be required to be paid at the time of building consent, unless otherwise specified by condition of resource consent.

Visitor Accommodation

Financial contributions towards the provision of reticulated services shall be levied in accordance with the residential unit equivalent for each service, less any contribution made at the time of subdivision.

Financial contributions will be required to be paid at the time of building consent, unless otherwise specified by condition of resource consent.

Car Parking

Section 15 of the District Plan specifies the requirement for the provision of car parking spaces within all zones, excluding the Village Centre zone in Fairlie. In accordance with the provisions of the District Plan, a cash payment may be made in lieu of all or part of the parking requirement in areas where Council is anticipating the creation of public parking that would serve the area of the development.

The contribution is to be made at the rate of the cash equivalent of 25m² at the current market value of the land, per car parking space required.

REVIEW

This policy is to be reviewed every three years and may be amended at any time prior if required.

Council is considering future use of development contributions. Council's next Policy on Development Contributions and Financial Contributions will reflect this change if inclusion of Development Contributions is deemed appropriate.

The Mackenzie District Plan is currently under review. Should provisions for financial contributions be changed by means of this review, the Policy on Development Contributions and Financial Contributions will be reviewed accordingly.

SIGNIFICANCE AND ENGAGEMENT POLICY

RELATED DOCUMENTS / WEBSITES

Related Council policies and documents include:

- Delegations Manual
- MDC Bylaws
- Revenue and Financing Policy
- Financial Strategy

Relevant legislation and other resources include (but are not limited to):

- Local Government Act 2002 and the Local Government Act Amendment Act 2014
- Local Government Official Information and Meetings Act 1987

1. Application of the Policy

A significant number of decisions made by the Council will be made under legislation that sets out the consultation and decision-making procedures that are required. Examples include the Resource Management Act 1991, the Biosecurity Act 1993, the Civil Defence Emergency Management Act 2002, and the Land Transport Act 1998.

Even if a decision is clearly a significant one within the meaning of the Local Government Act (LGA), where the procedures for decision-making are set out in other legislation, those procedures will be used instead of those contained in this Policy.

There are also numerous administrative and personnel decisions that are entirely internal to the Council. This Policy will not apply to those processes and decisions.

2. General Approach to Determining Significance and Making Decisions

On every issue requiring a policy or strategy decision other than the matters outlined above in Section 1, above, the Council will consider the degree of significance of the issue and the corresponding level of engagement.

The significance of the issue and appropriate forms of engagement will be considered in the earliest possible stages of a proposal or process before decision-making occurs. If necessary, significance

and engagement will be reviewed as the proposal develops and as community views, preferences and values become better known.

In making any decision, the Council will comply with sections 76 - 82 (inclusive) of the LGA, regardless of the degree of significance of the decision or issue. These sections prescribe procedural steps to be followed as may be applicable, and ensure that the Council:

- is clear about why it is making the decision and the issues involved,
- has considered and evaluated all reasonably practical options for achieving the objective for which the decision is being made,
- has information about the community's views on the issues and the options, and in particular, has an understanding of the views and preferences of those likely to be affected by the decision or those who have a particular interest in the matter,
- invests an appropriate amount of time, money, and effort into researching and evaluating the issues and options, commensurate with the significance of the matter, including its importance to the community.

In making any decision, the Council will be satisfied that:

- it has sufficient information on the relevant issues and options,
- it knows enough about and has given adequate consideration to the views and preferences of affected and interested parties.

The significance of the issue or decision will determine how much time, money, and effort the Council will invest in exploring and evaluating options and obtaining the views of affected and interested parties. In some instances, there may be particular requirements to learn about the implications of an issue or decision for Papatipu Rūnanga.

There may also be issues where there are diverse groups within the community with different interests, views, and preferences, where multiple processes will be appropriate to distinguish and recognise the range of positions.

The commitment to invest in exploring options and obtaining the views of communities and affected and interested parties does not mean that the Council will have to fully consult with the public for every decision it makes, nor does it bind the Council to the views of communities and interested or affected parties.

As well as the views of communities and affected and interested parties, there are a wide range of information sources, considerations and perspectives that will inform the Council's decisions, including the requirements of Government policy, technical matters, and the financial implications.

3. Criteria and Procedures for Assessing Significance

3.1 Criteria

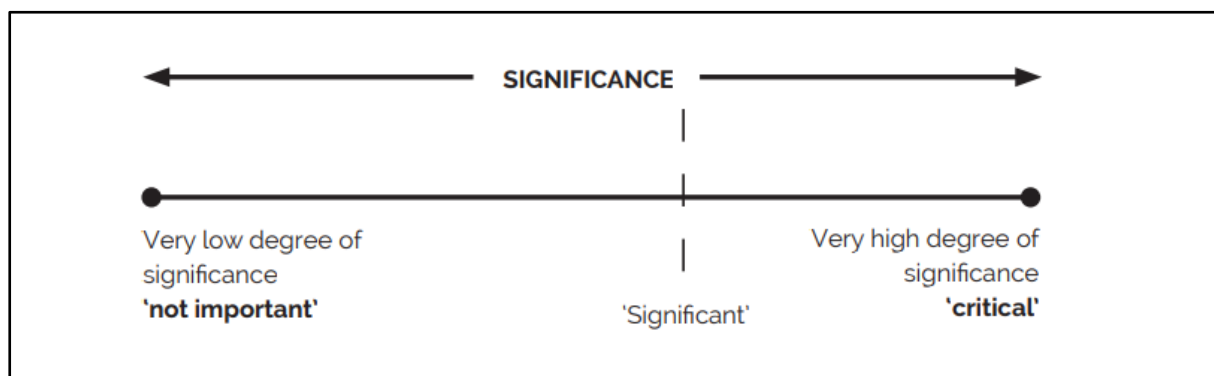
In determining the degree of significance of proposals and decisions, the Council will be guided by the following criteria:

- a) Is the issue/project related to a strategic asset.
- b) The degree of impact on levels of service.

- c) The financial impact on the Council and residents-
 - the magnitude of the net costs of the proposal or decision to the Council,
 - the degree of impact on rates or debt,
 - the financial impact on missed opportunities, time delays, and/or cost of not making a decision.
- d) The level of community interest and impact-
 - the level of community interest in the proposal, decision, or issue,
 - the impacts upon community members or groups,
 - the numbers of people or groups affected.
- e) Existing policy, plan, strategy or legislation-
 - the extent to which a decision or action is consequential to, or promotes, a decision or action that has already been taken by the Council,
 - the potential effects on delivery of the Council's plans and strategies,
 - any inconsistencies with any existing policy, plan or legislation,
 - any impact on the Council's capacity to undertake its statutory responsibilities.
- f) The impact on Maori-
 - are the values and interests of Ngāi Tahu whanau, hapū and rūnanga, as mana whenua for the region affected or impacted,
 - where proposals or decisions relate to land or a body of water, the implications for the relationships of Ngāi Tahu and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna and other taonga.

As shown in Figure 1, significance is a continuum and significant is any matter beyond a point on the continuum defined by Council as being where there is a high degree of significance.

Figure 1: Significance vs Significant



The majority of the criteria are considered to fall on a continuum rather than being an absolute determination. A single criterion in isolation is not necessarily determinative of significance. Where the significance of a proposal or decision is unclear against any of the criterion, then Council will treat that criterion as being more rather than less significant.

The criteria are to be considered collectively to make the determination on significance. The application of the criteria is a matter of judgement for the Council.

3.2 Procedures

Every report to the Council will include a statement indicating that the issue of significance has been considered, which reflects an assessment of the significance of the issue, proposal or decision.

If an issue, proposal or decision is considered to be significant or likely to be significant, the relevant Executive Manager will include a section in their report to Council which will:

- identify how the decision sought fits this Significance and Engagement Policy,
- evaluate it against the criteria contained in this Policy,
- outline what has been done to ensure compliance with sections 77 – 82 (inclusive) of the LGA,
- include a recommendation on how the proposal or decision should be treated,
- include a recommendation that the Council determine the level of significance of the particular issue or decision, and
- include a recommendation addressing whether and how community engagement should occur,

The Policy will apply with appropriate adjustments to decisions made under delegation to Council committees and community boards.

This Policy will not apply to decisions that have been in the Long Term or Annual Plan unless there is a significant change being proposed to the initial decision reflected in the respective plans.

Table 1: Determining Levels of Significance – Examples

Matter / Issue	Low Significance	Medium Significance	High Significance
Strategic Asset -Proposal or decision relate to a 'strategic asset'	e.g. Proposal or decision does not relate to strategic assets	e.g. Proposal or decision involves sale of, or substantial impact on, part of a strategic asset	e.g. Sale of a strategic asset; or activities that affect the performance of the strategic asset as a whole
Change to Levels of Service	e.g. No change or minimal change that does not affect Council's ability to deliver activities to agreed levels of service	e.g. Potentially some real or perceived impact on the Council's ability to deliver its agreed levels of service	e.g. Decision or proposal creates substantial change in the level of service provided by Council
Financial Impact	e.g. No material effect on Council's budget, loans or projected debt. No material effect on rates	e.g. Minor effect on rates for residents, Council debt or the financial figures in any one year or more of the Long Term Plan	e.g. Decision or proposal substantially affects Council debt, rates or the financial figures in any one year or more of the Long Term Plan
Community interest -level of interest in the decision, number of residents who are affected and the effect of impact	e.g. Decision or consequence has little impact and/or is easily reversible	e.g. Minor or moderate level of community interest in a proposal or decision; or there is a moderate impact arising from changes; or one or more settlements or wards of the District are affected disproportionately to another; or duration of an effect may impact detrimentally on people or a community	e.g. A high level of community interest in a proposal or decision; likely to be, or is, controversial in the context of the impact or consequence of the change; involves a specific area affected (e.g. geographic area, or area of a community by interest, age or activity); or there are substantial impacts or consequences arising

			from the duration of the effect
Consistency with existing policy, plan, strategy, or legislation	e.g. Decision or proposal is consistent with existing policies, plans and strategies	e.g. Decision or proposal does not consistently align with portions of existing policy, plans, strategies or legislation	e.g. Decision or proposal creates high level of inconsistency with existing policy, plans, strategies or legislation
Values and interests of Ngāi Tahu	e.g. There is no obvious or particular impact on Māori, Māori culture and traditions that is different to the impact on the needs to the wider community	The decision will be of interest to Māori and has affects, the impacts of which may need clarification with Māori.	e.g. Māori people will be disproportionately affected and/or their access to and ability to use their traditional land, waterways, cultural sites and carry out traditional practices, and/or is contrary to recognising the Council's relationship with Māori

4. Engagement

Community engagement allows for an exchange of information, points of view and options for decisions between affected and interested people and decision-makers before a decision is made. It does not mean that the decision will be delegated to those involved in the engagement process. It means that the decision made will have been informed and improved by the public's involvement, along with other information such as costs and benefits, legislative requirements and technical advice.

The level of engagement undertaken will reflect the level of significance of a proposal or issue. For example, an issue that has a high degree of significance will require a higher level of engagement with the public. The method of engagement will differ for each issue depending on location, level of significance, and community preferences.

Differing levels and forms of engagement may be required during the varying phases of consideration and decision-making on an issue, and for different community groups or stakeholders. The Council will review the appropriateness and effectiveness of the engagement strategy and methods as the process proceeds.

Engagement may not necessarily result in a win/win situation, complete agreement, or consensus. However, engagement should allow all relevant views and options to be identified and then considered before a decision is made.

4.1 Levels of Engagement

Council does not use a homogenous approach to engagement, and utilises engagement tools appropriate to the location, significance of the issue, and community affected. Council uses an engagement scale to determine the most appropriate processes and methods for engagement. This is based on the International Association for Public Participation (IAP2) public participation spectrum and is modified to reflect the unique needs of Council.

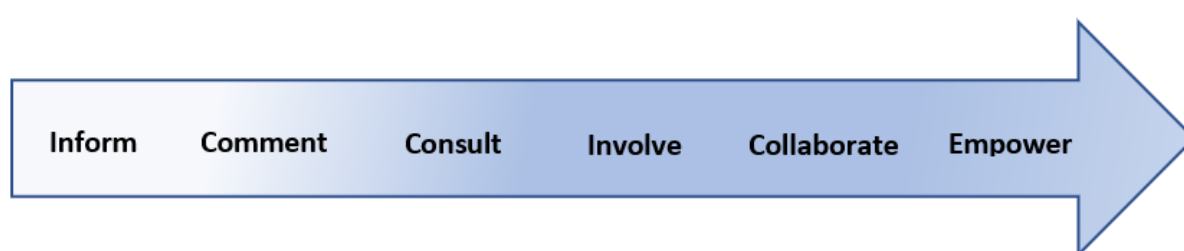


Table 2: Explanation of Engagement Scale

Level of Engagement	Level of Participation
Inform	One-way communication to provide the public with balanced objective information to assist them to understanding problems, alternatives, opportunities and/or solutions.
Comment	Informal two-way communication asking the community for ideas, opinions, and information or to obtain selected feedback on alternatives.
Consult	Formal two-way communication to obtain public feedback on analysis, alternatives and/or decisions.
Involve	A participatory process to work with the community to ensure that public concerns and aspirations are understood and considered.
Collaborate	Working together with the community in each aspect of the decision including the development of alternatives and identifying the preferred solution.
Empower	Placing the final decision making in the hands of the public.

When engaging with the community, the Council considers the varied interest groups within society, including but not limited to cultural groups, the whole District, specific communities (both rural and urban), wards, Community Boards, youth, older generations, businesses, and specific interest groups.

Committees of Council and elected bodies are to be used as part of Council's engagement network, to advocate on behalf of their communities to Council on Council issues including policy and decision-making. They are also the first point of call for Council and Council staff to assess the degree of interest and engagement a community may have with an issue, as part of determining the significance of a matter.

The Council should be informing, requesting comment, consulting with, involving, collaborating and/or empowering residents and ratepayers to be engaged with Council decision-making.

The Council will be open to new and developing methods of engagement through the use of technology and innovation.

4.2 Engagement Guide

Council has developed an engagement selection guide to determine the most appropriate processes and methods of engagement. These are shown in Figure 2 below.

Figure 2 – Engagement Selection Guide

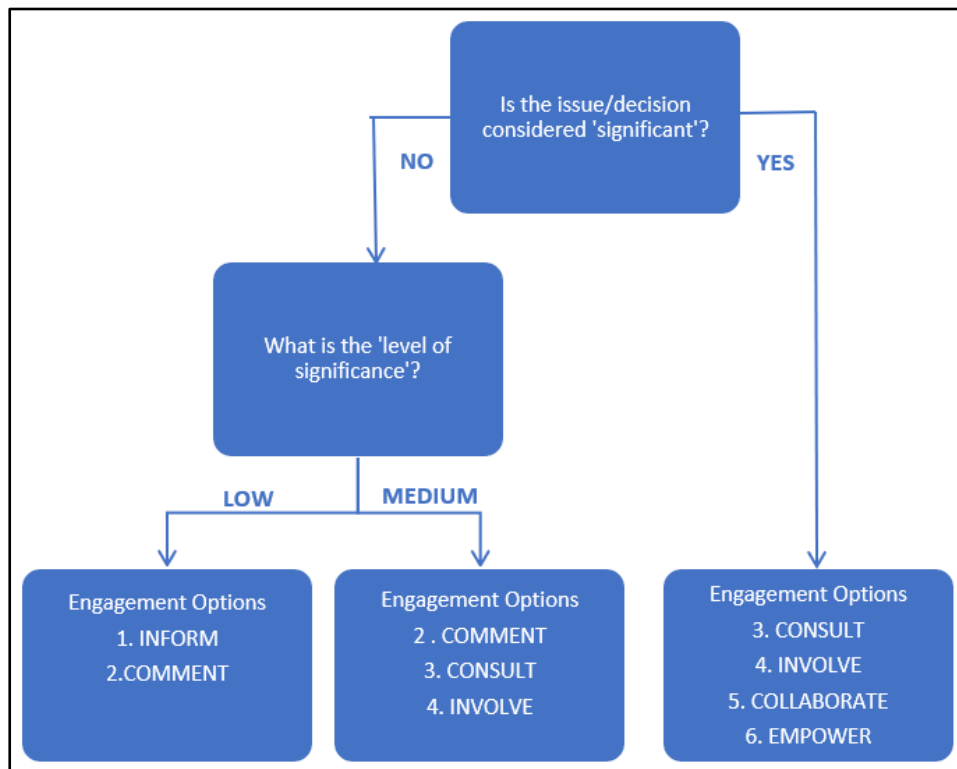


Table 3 provides examples of how the engagement scale is used by Council.

Engagement Level	1. Inform	2. Comment	3. Consult	4. Involve	5. Collaborate	6. Empower
What it involves	One-way communication to provide the public with balanced objective information to assist them to understand problems, alternatives, opportunities and/or solutions.	Informal two-way communication to obtain selected feedback on alternatives. Asking the community for ideas, opinions, and information at the development stage.	Formal two-way communication to obtain public feedback on analysis, alternatives and/or decisions.	A participatory process to work with the community to ensure that public concerns and aspirations are understood and considered.	Working together with the community in each aspect of the decision including the development of alternatives and identifying the preferred solution.	Placing the final decision making in the hands of the public.
Examples	Annual Report	Annual Residents Survey.	Long Term Plan	Development of options for policy change for a significant issue.	Large community focused capital project (eg new community swimming pool)	Delegated Council decision
	Changes to policy and bylaw schedules	Changes to policy and bylaw schedules	Annual Plan (where there are significant changes from the LTP	Large capital project (eg community facility)		Binding referendum.
	Low significance policies	Low significance policies	New or amended by-laws			
	Decisions to award grants funding.		High significance policies			
			District plan changes			
Tools Council may use	Council newsletters	Informal meetings with affected groups	Formal submissions and hearings	Public or on-site meetings	Talking with communities	Community Boards
	Weekly/daily newspapers	Informal gatherings	Feedback processes	Targeting existing organisations/groups within the community eg service clubs	CWMS Zone Committees	Special Subcommittees
	· Community newsletters	· Telephone surveys.	· Surveys	· Targeted surveys	· Key partnerships with existing community organisations	
	· Electronic messages (eg, email, online newsletters, social media)	· Communications to key stakeholders.	· Open days	· Interviews	· Hall committees	
	· Flyers		· Focus groups			

Engagement Level	1. Inform	2. Comment	3. Consult	4. Involve	5. Collaborate	6. Empower
	Website					
	Radio					
	Communications to key stakeholders					
When the community can expect to be involved	When a decision is made.	After the development of options but prior to the final decision by Council.	When a draft decision has been made or adopted for consultation by Council.	At the refining stage of options.	At the development stage of the options.	From the development of initial options to final selection.

4.3 When Council will Engage

4.3.1 When legislation requires that consultation be undertaken

The Council will consult when it has a legislative requirement to consult (such as when required by the Local Government Act 2002, Resource Management Act 1991, Reserves Act 1977, Land Transport Management Act 2003).

Examples of these areas are: the adoption and amendment/s to the Long Term Plan; adoption and amendment/s to a significant bylaw; transfer of ownership of a significant strategic asset; and changes to financial policies.

In these cases, the Council will undertake these consultation processes in accordance with the legislative requirements guiding them. However, the Council may choose to consult further depending on the degree of significance of the matter being considered and notwithstanding the legislative requirements.

4.3.2 When a significant proposal or decision is being considered

Subject to consideration of factors under section 4.4 of this Policy, the Council will give consideration to undertaking what it considers to be an appropriate form of engagement when a 'significant decision' is proposed.

A 'significant decision' is one which has been identified as such under this Policy. Note: a 'significant decision' will not automatically trigger application of the Special Consultative Procedure (SCP). For more information about the SCP refer to the LGA sections 83, 86, 87 and 93A.

4.3.3 For some matters that are not considered significant

In general, where a matter is not considered significant under this Policy, formal consultation will not be undertaken. However, in some situations where the Council considers community involvement or notification is appropriate, informal feedback or notification processes may be followed.

4.4 When Council will NOT Engage

Information is always necessary for the decision-making process. However, there are times when it is not necessary, appropriate, or possible to engage the community on a matter or decision. The Council may also choose not to consult on a matter. In doing so it will make this determination in accordance with the criteria below.

The Council will not engage when:

- (a) The matter is not of a nature or significance that requires consultation, or
- (b) The Council already has a sound understanding of the views and preferences of the persons likely to be affected by or interested in the matter; or
- (c) There is a need for confidentiality or commercial sensitivity, or
- (d) The costs of consultation outweigh the benefits of it, or
- (e) The matter has already been addressed by the Council's policies or plans, which have previously been consulted on, or
- (f) An immediate or quick response or decision is needed, or it is not reasonably practicable to engage, or
- (g) Works are required unexpectedly or following further investigations on projects, already approved by the Council, or
- (h) Business as usual - the works required are related to the operation and maintenance of a Council asset and responsible management requires the works to take place, or
- (i) When Council has consulted on the issue in the last 24 months.

Where the above listed circumstances apply and consultation is not to be undertaken, the Council is still required to consider the views and preferences of persons likely to be affected by, or to have an interest in, the matter (LGA section 78 (1)). The LGA requires that this consideration be in proportion to the significance of the matters affected by the decision (section 79 (1)).

4.5 Engaging with Communities on Other Matters

The Local Government Act prescribes particular processes for Councils to follow to consult and engage with communities on particular matters.

4.5.1 Special Consultative Procedure

The LGA specifies that a Special Consultative Procedure, as defined by section 83, must be followed for community engagement on certain plans and processes including:

- Long Term Plan

- Annual Plan
- Bylaws of significant interest.

5. Ngāi Tahu and Papatipu Runanga

The LGA provides principles and requirements for local authorities that are intended to facilitate participation by Māori in local authority decision-making processes (for example, sections 81 and 82(2)). This is to recognise and respect the Crown's responsibility to take appropriate account of the principles of the Treaty of Waitangi and to maintain and improve opportunities for Māori to contribute to local government decision-making processes.

While the LGA sets out provisions relating to all Māori, it is recognised that within the Mackenzie District, Ngāi Tahu are the tangata whenua. There are three Papatipu Rūnanga that have an interest in the Mackenzie District: Te Rūnanga o Arowhenua based at Arowhenua, Temuka, Te Rūnanga o Waihao based just north of the Waitaki River, South Canterbury, and Te Runanga O Moeraki based at Moeraki. They have a special status in terms of the Council's resource management activities. In addition to the Local Government Act obligations, the Resource Management Act 1991 (RMA) gives councils specific obligations regarding kaitiakitanga, the principles of the Treaty of Waitangi and the relationship between Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu and other taonga. In the Canterbury region, the Ngāi Tahu Claims Settlement Act 1998 includes confirmation of the ability for Ngāi Tahu to express its traditional kaitiaki relationship with the environment.

The Council considers it important to better establish relationships with these Rūnanga, as these are seen as key relationships in terms of the contribution of Maori to the decision-making process. Proactively providing for engagement will enable early identification of matters of significance to the Runanga and appropriate engagement in relation to decision-making processes. The Council will endeavour to extend and promote opportunities for involvement as far as practicable, and as available resources allow.

6. Strategic Assets

Section 97 of the LGA requires that decisions to transfer the ownership or control of a strategic asset to or from the Council, or a decision to construct, replace or abandon a strategic asset can only be taken if the decision has been explicitly provided for in the Council's Long-Term Plan or through an amendment to the Long Term Plan, either of which requires an engagement process that at least complies with the Special Consultative Procedure.

The Council considers the following assets to be strategic assets in terms of the LGA:

- a) The entire urban and rural roading network of the Mackenzie District.
- b) The urban water supplies as a whole of Burkes Pass, Fairlie, Lake Tekapo and Twizel.
- c) The piped rural water supplies of Albury, Allandale, and Downlands (Albury to Cave section).
- d) The stock water race systems as a whole at Ashwick/Opuha, Punaroa/Eversley and School Road.

- e) The wastewater reticulation and treatment systems as a whole at Burkes Pass, Fairlie, Lake Tekapo and Twizel.
- f) The stormwater reticulation systems as a whole at Fairlie, Lake Tekapo and Twizel.
- g) The Council cemeteries at Albury, Burkes Pass, Fairlie, Tekapo and Twizel.
- h) All Council's parks, recreation reserves, sports fields and facilities held under the Reserves Act 1977 or otherwise.
- i) Council's swimming pools at Fairlie and Twizel.
- j) Council's stock of tenanted pensioner housing.
- k) The Fairlie Medical Centre.
- l) The Twizel Events Centre and the community hall at Lake Tekapo.
- m) The Mackenzie Community Centre at Fairlie.
- n) Council's administration buildings in Fairlie and Twizel.
- o) Council's shareholding in Alpine Energy Limited.
- p) The Pukaki Airport

7. Definitions

Consultation: means the genuine exchange of information and points of view between decision-makers and people affected by or interested in a matter before a decision is made. Consultation is only one form of engagement.

Council: means Mackenzie District Council.

Engagement: is the process of involving the community in Council decisions. This involves providing and seeking information to inform and assist decision making.

LGA: means the Local Government Act 2002.

Policy: means this Significance and Engagement Policy.

Mana whenua: means the customary authority exercised in an area by iwi or tangata whenua of that locality; their historical, cultural and genealogical heritage are attached to the land and sea.

Significance: means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for:

- a) the district or region
- b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter
- c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

Significant: means that the issue, proposal, decision, or other matter has a high degree of significance.

Strategic asset: means an asset or group of assets that the Council needs to retain if the Council is to maintain the Council's capacity to achieve or promote any outcome that the Council determines to be important to the current or future well-being of the community, and includes:

- a) any asset or group of assets listed in accordance with section 76AA(3) of the Act by the Council; and
- b) any land or building owned by the local authority and required to maintain the Council's capacity to provide affordable housing as part of its social policy; and
- c) any equity securities held by the local authority in:
 - i. a port company within the meaning of the Port Companies Act 1988
 - ii. an airport company within the meaning of the Airport Authorities Act 1966.

8. Clarification and Breaches

8.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

8.2 Breaches

If a decision is made that is in breach of this policy, then a Council resolution should be passed noting the rationale for the decision made.

8.3 Exceptions

The Mackenzie District Council will need to approve any deviations from this policy.