



## **Audit and Risk Committee**

### **Notice of Meeting**

A meeting of the Audit and Risk Committee will be held in the Council Chamber, 136 Main Street, Pahiatua on **Wednesday 11 December 2024** commencing at **9:30am**.

Bryan Nicholson  
Chief Executive

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### **Agenda**

- 1. Welcome and meeting opening**
- 2. Apologies**
- 3. Public Forum**

A period of up to 30 minutes shall be set aside for a public forum. Each speaker during the public forum section of a meeting may speak for up to five minutes.

Standing Orders may be suspended on a vote of three-quarters of those present to extend the period of public participation or the period any speaker is allowed to speak.

With the permission of the Chairperson, members may ask questions of speakers during the period reserved for public forum. If permitted by the Chairperson, questions by members are to be confined to obtaining information or clarification on matters raised by the speaker.

- 4. Notification of Items Not on the Agenda**

Major items not on the agenda may be dealt with at this meeting if so resolved by the Committee and the Chairperson explains at the meeting at a time when it is open to the public the reason why the item was not listed on the agenda and the reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor matters not on the agenda relating to the general business of the Committee may be discussed if the Chairperson explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at that meeting, but no resolution, decision or recommendation may be made in respect of that item except to refer it to a subsequent meeting.

<b>5.</b>	<b>Declarations of Conflicts of Interest in Relation to this Meeting's Items of Business</b>	
<b>6.</b>	<b>Confirmation of minutes</b>	<b>3</b>
	<i>Recommendation</i>	
	<i>That the minutes of the Audit and Risk Committee meeting held on 22 October 2024 (as circulated) be confirmed as a true and accurate record of the meeting.</i>	
<b>7.</b>	<b>Reports</b>	
<b>7.1</b>	<b>Investigation into Errors with Direct Debit Processes</b>	<b>13</b>
<b>7.2</b>	<b>Adoption of the Annual Report 2023/24</b>	<b>33</b>
<b>7.3</b>	<b>Insurance Update</b>	<b>37</b>
<b>7.4</b>	<b>Environmental Scan December 2024</b>	<b>41</b>
	The Environmental Scan V12 outlines key trends and high-level external challenges, including affordability, costs, legislative changes, and insights from the 2023 Census, impacting the 2025-26 Annual Plan process.	
<b>7.5</b>	<b>WorkSafe Notices - Pahiatua Water Treatment Plant</b>	<b>81</b>
<b>7.6</b>	<b>Health, Safety and Wellbeing Workplan</b>	<b>89</b>
<b>8.</b>	<b>Items not on the Agenda Accepted in Accordance with the Procedure Outlined as per Agenda Item 4</b>	
<b>9.</b>	<b>Closure</b>	



## Audit and Risk Committee

Minutes of a meeting of the Audit and Risk Committee held in the Council Chamber, 26 Gordon Street, Dannevirke on Tuesday 22 October 2024 commencing at 9:30am.

### 1. Welcome and Meeting Opening

Mr P Jones (Chairperson), Her Worship the Mayor - Mrs T H Collis, Crs E L Peeti-Webber (Deputy Mayor), A K Franklin, S M Gilmore, P A Johns, M F Long, K A Sutherland, S A Wallace and S M Wards

#### In Attendance

Ms R Bell	- RFB Consulting
Mr B Nicholson	- Chief Executive
Mr R Suppiah	- Group Manager – Corporate and Regulatory
Mr H Featonby	- Group Manager - Infrastructure
Mr S Dunn	- Risk and Assurance Advisor
Mrs G Anderson	- Health and Safety Coordinator
Mrs S Walshe	- Finance Manager
Ms J Smith	- Legal Counsel and Procurement Manager
Ms A Rule	- Policy and Planning Advisor
Mr M Dunn	- Manager - Programmes and Projects
Mr P Wimsett	- Chief Advisor
Mrs A Dunn	- Manager – Democracy Services

### 2. Apologies

- 2.1 ***That the apologies from Councillor N L Chase be approved and leave of absence granted for the meeting.***

***Sutherland/Johns***

***Carried***

### 3. Public Forum

There were no requests for public forum.

**4. Notification of Items Not on the Agenda**

Nil

**5. Declarations of Conflicts of Interest in Relation to this Meeting's Items of Business**

Nil

**6. Confirmation of Minutes**

- 6.1 *That the minutes of the Audit and Risk Committee meeting held on 27 August 2024 (as circulated) be confirmed as a true and accurate record of the meeting.*

*Johns/Wallace*

*Carried*

**7. Reports**

7.1 **Audit New Zealand Draft Management Report for the 2024/2034 Long Term Plan**

The Audit and Risk Committee considered the report of the Finance Manager dated 14 October 2024 that presented the Audit New Zealand draft Management Report for the 2024-34 Long Term Plan for review and comment.

It was noted that the two recommendations made in the draft Management Report were already planning for in the Long Term Plan.

In discussion, the following matters were covered:

Audit New Zealand's comment that Council's decisions evolved over time: it was clarified that Council did not change its decision, therefore request that the management report be corrected.

Re additional costs indicated by Audit New Zealand, clarification sought as to whether an indication of those costs had been provided, and whether it could be justified given clarification of the comment regarding changing Council decisions. It was noted that Audit New Zealand should be specific about what these costs may be. Her Worship the Mayor noted that she would appreciate being involved in wider conversations with Audit regarding value for money, and that Chairperson be involved as well. Noted that officers had to spend significant time with the auditors to assist, and the time delays that were a result of audit delays.

Clarification sought as to what constitutes a material misstatement. If there are misstatements, what work would be required to correct those. Further in



the report are set out misstatements that had been found and rectified. It was noted that a Long Term Plan is based on best assumptions based on information available at a specified point of time. Once adopted, if during the year changes are needed, there can be a variation to a budget, or revision through the Annual Plan process.

Audit comment regarding sources of funding for replacement of significant assets: the meeting discussed the statement of Audit that depreciation should be used for replacement of assets, rather than considering depreciation as an allocation of the cost of that asset over its useful life. It was noted that while an element of renewals should be funded by depreciation, where there is insufficient renewals budgeted due to a shortened life of an asset, the whole of the balance sheet is looked at, loan funding can be used which is allowed for in Council's Revenue and Financing Policy. It was noted that credit rating was being sought, to allow for more headroom for future debt, particularly years 4, 5 and 6. It was confirmed that sufficient budget had been allocated for the planned programme of works.

The definition of technical useful life and conditional assessments which can lead to extending the remaining useful life of an asset.

Consultation document – it was noted that the Council decided to go with an unaudited consultation document, as did other Councils in New Zealand. Concern was expressed about whether this could be an area of additional cost. Context was provided that the risk for Council was if the consultation document didn't match the statutory requirements, that could invalidate the Long Term Plan. Audit had an obligation to review the consultation document to ensure it met the legislative requirements.

***That the report from the Finance Manager dated 14 October 2024 concerning the Audit New Zealand Draft Management Report for the 2024/2034 Long Term Plan be received.***

***That the Audit and Risk Committee note Audit New Zealand expressed an unmodified audit opinion on the Long Term Plan 2024/2034 Consultation Document with an emphasis of matter paragraph to draw readers' attention to the uncertainty over funding for Cyclone Gabrielle roading recovery work.***

***Collis/Johns***

***Carried***

## 7.2

### **Audit New Zealand Audit Plan - 2023/2024 Annual Report**

The Audit and Risk Committee considered the report of the Finance Manager dated 14 October 2024 that provided a copy of the Audit Plan from Audit New Zealand for the Annual Report 2023-24 for information.

It was noted that the Auditors had started their audit.

In discussion, the following matters were covered:

Risks and issues – valuation of infrastructure assets at fair value. Clarification provided on how these assets were valued and the significant work that had been put into this.

Level of satisfaction with how the impairment of the Dannevirke impound supply has been considered, noting impairment was a difficult and subjective calculation, and Audit would likely do a close examination of that.

Explanation of the processes undertaken for valuation of land and buildings, and the fair value assessment undertaken, in accordance with the accounting and auditing standards. This included consideration of impairment of any assets. It was advised that fair value and impairment needed to be done each year, so that the balance sheet correctly reflected the value of the assets.

It was noted that if the Government wished to reduce costs for the public sector, then an option they could contemplate would be reducing the accounting and auditing standards for the public sector.

It was noted that the Council was in disagreement with the Auditor's comments on the Tararua Aquatic Trust and this had previously been dealt with, but would be reviewed and comments provided back to Audit New Zealand.

It was asked whether the Council had the ability to review the provision of auditor. It was clarified that the appointment of the auditor was the decision of the Auditor General.

***That the report from the Finance Manager dated 14 October 2024 concerning the Audit New Zealand Audit Plan - 2023/2024 Annual Report be received.***

***That the Audit and Risk Committee note the timeline for completing the audit.***

***Wallace/Wards***

***Carried***

### **7.3 Update on Direct Debit Issue**

The Audit and Risk Committee considered the report of the Contractor dated 11 October 2024 that provided an update on the Direct Debit issue, and raised challenges and concerns being faced in relation to that issue.

It was noted that a big push had been made to get all the recalculations completed for the impacted households to ensure that their direct debits were correct going forward, and that they were happy with the new direct debits.

It was advised that a plan was in place with most of the affected households, with work continuing on agreeing solutions with remaining households, with many seeking the ability to postpone their rates.

In terms of the investigation into the process and systems, and the cause of the issue rates rebate direct debit error, it was noted that Ross Franklin was undertaking the investigation, and would report back to Council when this was complete.

Concerns around the project include the resourcing for this work, with staff working on this on top of their normal daily responsibilities, and while contracted assistance to manage the project and help with communications had been brought in, and the Palmerston North City Council call centre had helped take the overload of calls, it had been a big commitment from staff. This has been monitored carefully and support provided where needed. The project was now moving into a sustained phase, which was expected to ease the pressure on workloads.

With regard to a potential legal challenge, there has not been any information received relating to this.

With regard to the LGOIMA request received, information was provided in response but nothing has been heard back in relation to this.

The committee discussed the increased scope of the direct debit error, noting that it had been identified that there might be a wider issue with the number of impacted households. In response to questions raised, the following answers were provided.

Why was a sample check not done on other direct debits - initial focus was on those that needed manual recalculation after application of the rates rebate. Focus on was on contacting impacted households to ensure those that were in debt did not fall further behind. All final calculations needed to be done by third week of October. All focus and resourcing went into finding individual solutions for affected households. A sample check was done, and this identified other households.

When will we know how many people are likely to be impacted - due to complexity of rating system, each needs to be investigated separately. This requires involvement of several different staff to come up with this list, and is a work in progress. It is a priority this investigation.

When will we know an estimate of the amounts involved - we believe we are looking at a smaller group. As soon as we have a list of these households we will have the amounts involved.

Is it likely that we will need to enter an acute stage to deal with this - no, we believe it will be smaller and now have a process in place to deal with these.

What are the other issues with our rates debtor management - as part of our ongoing investigation into the error, we provided examples to the investigator. Where we have set up a payment plan, and then not followed up on it when apparent they were not keeping up. Another example is a ratepayer missing

payments and this not being followed up.

It was noted that improvements to the process had been identified, and Council was relying on the investigator to bring this to light.

Clarification was provided the rates postponement policy, as drafted would cover the ratepayers in the newly identified group. However, a legal review of this applicability of the policy as worded would be undertaken.

Assurance was sought that Council was looking at the significant toll on the wellbeing of key staff involved in this matter, ensuring Council was doing what it could to ensure they were supported. Assurance was provided that this was constantly being monitored and discussed, and Council was doing what it could to provide support.

In response to a question about the risk to daily business requirements, and how that risk was being assessed as the issue grew, it was noted that it was clear that this was a priority of the organisation to get a resolution for the impacted households as soon as possible. The balance of managing daily business requirements and this project was being constantly managed and discussed, and there will be some tasks that were made lower priority due to this. It was noted that resourcing to the team and from other parts of Council was made to support the rates and revenue team.

***That the report from the Contractor dated 11 October 2024 concerning the Update on Direct Debit Issue be received.***

***Gilmore/Wallace***

***Carried***

*The meeting adjourned at 11:03am and reconvened at 11:11am.*

#### **7.4 Risk Management Report**

The Audit and Risk Committee considered the report of the Risk and Assurance Advisor dated 10 October 2024 that provided an update on matters relating to risk management.

The following matters were highlighted from the report:

Emerging risks section, risk related to people that may pose a security risk to council. Reported back on conversation held with Police, who were satisfied with physical security being provided at the water treatment plant, and cameras, but wanted to draw Council's attention to how we gather and manage information about people that may pose a risk to the organisation. Noted Council has in place a security policy, and will have a committee in place. The Police would like us to build a picture where information comes from across council to a central point, to bring into an intelligence picture.

The Chief Advisor noted that budget provision had been made for improving

security at key locations. With regard to physical threats, and maintaining a cohesive centre of the information so we can database this information and develop processes. It was important to ensure that elected members could feed into that.

Re insurance, information was sought on the potential exposure due to the issue of how some of Council's assets had been categorised, and why this had not been identified and picked up by the insurance broker who looks across many councils and classification of those assets. An explanation was provided on the material damage and business interruption insurance, that should cover all of the above ground assets, and anything that may suffer material damage. Another policy is named the infrastructure policy, however this has a limited scope and only covers damage to below ground assets as a result of a natural disaster. An investigation was underway and it was asked that the process for ensuring Council had the right assets insured be provided to the next meeting of the Audit and Risk Committee. It was noted that level of risk was a discussion item with MWLASS around options with self-insurance. It was also asked that information be included in that report on when the last insurance claim was made.

***That the report from the Risk & Assurance Advisor dated 10 October 2024 concerning the Risk Management Report (as circulated) be received and adopted.***

***Wallace/Long***

***Carried***

## **7.5 Assurance Management Report**

The Audit and Risk Committee considered the report of the Risk and Assurance Advisor dated 9 October 2024 that provided an update to the committee on assurance matters.

The following matters were highlighted:

The Unreasonable Customer Behaviour Policy, noting the amendments that had been made and seeking feedback from the committee on the policy.

Noted an escalation around Dannevirke impound supply, that went well, were alerted to a change in the area surrounding the dam, initiated the plan, carried out the actions, review completed and was found to be an erroneous situation. This was a good exercise of the emergency plan for the impound supply.

Rates Rebate Direct Debit error, it was asked why this was not picked up in the rates reconciliation. It was explained that a rates reconciliation compared the amount of rates set against what was adopted in the Long Term Plan, and also reconciled rating values in Council's rating database against the Quotable Values figures.

Expenditure approval item, it was asked when the target date was to complete this review to ensure one up approval for expenditure. It was noted changing the system was complex, however controls had been put in place to address the risk. A test needed to be undertaken to test that control.

***That the report from the Risk & Assurance Advisor dated 09 October 2024 concerning the Assurance Management Report (as circulated) be received and adopted.***

***Wallace/Long***

***Carried***

## 7.6 **Health, Safety & Wellbeing Management Report**

The Audit and Risk Committee considered the report of the Risk and Assurance Advisor dated 4 October 2024 that provided an overview of Health, Safety and Wellbeing staff-based reporting and key indicators and data which assist to trend patterns, assess hazard / risk controls, and implement actions and initiatives relating to the operations of Council.

It was noted that officers were due to bring back a work programme to this meeting, however capacity issues from the direct debit situation had delayed that work. A verbal update was provided, noting the Health and Safety Coordinator had been working on a number of initiatives. The Solid Waste activity had been brought back inhouse, which required all staff to undertake comprehensive first aid training, documentation, risk assessments and this was progressing well. Also undertaken was the reinvigoration of employee representatives in engagement in health and safety, and contractor prequalification to provide confidence that when contractors were brought on board they had sufficient health and safety programmes in place. Another work stream was the critical risk associated with working alone or remote working.

With regard to due diligence, a site visit for the Mayor and Councillors to the Pahiatua sites would be scheduled for 10 December 2024.

With regard to hazardous substances, it was advised that a report had been lodged on a historic chlorine exposure incident that happened in 2021. It was understood from the worker involved they had previously reported the incident, however the documentation had not been found.

With regard to the report on severe exposure hazard to chemicals stored inside plant, the remedy was to move the storage to outside the plant.

With regard to notified events through to Worksafe, it was agreed that these should be communicated to the Governance health and safety champion.

***That the report from the Risk & Assurance Advisor dated 04 October 2024 concerning the Health, Safety & Wellbeing Management Report (as circulated) be received and adopted.***

**8. Items not on the Agenda**

8.1 Nil

There being no further business the Chairperson thanked those present for their attendance and contributions, and declared the meeting closed at 12:16pm.

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Chairperson







## Report

Date : 5 December 2024

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Bryan Nicholson  
Chief Executive

Subject : **Investigation into Errors with Direct Debit Processes**

Item No : **7.1**

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### 1. Recommendation

- 1.1 *That the report from the Chief Executive dated 03 December 2024 concerning the Investigation into Errors with Direct Debit Processes be received.*

## Executive Summary

2. This report summarises the outcomes and actions proposed from the attached investigation into the direct debit errors within Tararua District Council's (TDC) rates collection process. The investigation, completed in November 2024, has identified the causes of these errors, impacting 602 ratepayers with overpayments of \$146,758 and underpayments of \$400,340 since 2018. Those affected have been specifically identified as individuals who required a manual adjustment of their direct debit, including ratepayers receiving a rate repayment or those previously placed on a payment plan. The investigation focuses on understanding the systemic, procedural, and human factors that led to these discrepancies, offering insights into the causes, and proposing both immediate and long-term solutions. This summary emphasises the approach to rectifying past errors while ensuring future prevention, building our financial integrity and public trust.

### 3. Reason for the Report

- 3.1 The report aims to:
- Highlight the errors in the rates collection process via direct debits.

- Investigate the causes including system inefficiencies, procedural failures, and staffing issues.
- Assure corrective actions and prevent future errors.
- Keep the Audit and Risk Committee informed to aid strategic oversight and maintain public trust.

## 4. Next Steps

Addressing the direct debit issues involves categorising solutions into Systems, Processes, and People. Systems will be upgraded to automate and manage direct debits better, Processes will be refined with scheduling and policy development, and People will see improved management structures and accountability to ensure no single point of failure and promote proactive leadership.

### 4.1 Short Term:

4.2 Immediate Review and Adjustment: An intensive review of all ratepayer accounts under payment arrangements is well underway. This process involves re-evaluating direct debit amounts to align with correct rates. It is expected that this work will be completed before Christmas.

4.3 Clear Outstanding Enquiries: Addressing the backlog of ratepayer enquiries has been prioritised. Additional staff have been temporarily employed to sift through the revenue team's email inbox, categorise queries, and respond where appropriate. This work is anticipated to continue into the new year.

4.4 Report Back to Council: An ongoing effort to provide assurance that all direct debit accounts have been reviewed. This includes validating that the issue is confined to those accounts needing manual adjustments due to rate rebates or specific payment plans, ensuring transparency with the Council.

4.5 Additional Resource: The decision to bring in extra manpower including Debt Management Central, to handle the volume of work has been implemented and will be reviewed regularly. We have also temporarily added a senior staff member to guide, support and provide leadership to the team. Once the structure review has been completed, we will be recruiting for staff to fill the current vacancy and will implement the proposed changes.

4.6 Improvement of Enquiry Management: The existing CRM system will be used to manage all rates enquiries now and into the future. This includes all walk-ins, those that make enquiries via the phone, and other forms of communication. This system will track each enquiry from receipt to resolution, ensuring no query is missed and providing a clear audit trail for all interactions.

4.7 Oversight and Accountability: Redefining roles to distribute key tasks and controls across multiple team members, reducing dependency on individuals and

enhancing accountability. This aims to address the risk of too many processes and tasks relying on the knowledge of one single key individual, which represents a major risk both in terms of workload and potential impact if that staff member leaves.

**4.8 Medium and Long-Term:**

- 4.9 Process Documentation: Pro-mapping all revenue / rates related tasks by the end of April 2025. This will include deadlines for direct debit adjustments, annual rate calculations, and other key financial activities to prevent future lapses.
- 4.10 Annual Work Programme: By March 2025 formulate a detailed annual plan for the revenue team, which will outline key tasks, deadlines, and coordination points with other departments, ensuring all are aware of critical dates and responsibilities.
- 4.11 Debt Management Review: Conducting a thorough review of debt management practices, aiming to establish protocols for proactive debt collection, monitoring, and resolution, thus reducing the risk of arrears accumulation. We are exploring the ongoing use of DMC to support parts of this process. This is expected to be completed by end of March 2025.
- 4.12 Enhanced Reporting: Revamping the quarterly debt reporting to the Finance Committee to include a broader scope of financial data, ensuring visibility on all debt types, credit positions, and specific analysis of direct debit performance, including comparisons with previous years. This will be presented at the next committee meeting.
- 4.13 Structural and Process Review: Over the next 3 months evaluate the current organisational setup within the Revenue and Finance department, focusing on roles, resourcing, and process flows to build a more resilient structure capable of withstanding personnel changes.
- 4.14 System Utilisation: Investigating the full capabilities of our current financial systems to automate parts of the direct debit process, reducing manual errors, and increasing efficiency. Continued exploration and implementation of system upgrades to streamline direct debit processes and reduce human error. (Completion Date to be confirmed)
- 4.15 Inter-Council Collaboration: Seeking best practices from other local councils, particularly in managing complex rate scenarios, to refine our processes and potentially adopt innovative solutions. We know of one Council that is interested in the work we are doing, as they run similar processes.
- 4.16 Policy Development: Drafting and adopting a clear operational policy on how rate rebates are anticipated in direct debit calculations, ensuring legal and fiscal compliance. The Policy will also support staff in decision-making when managing arrears.

4.17 Audit and Risk Committee Reporting: We will provide regular updates on the measures we've implemented, ensuring ongoing oversight.

4.18 Timelines: We're still determining more accurate timelines for implementing these recommendations. Our resources are stretched, and we're managing heavy BAU workloads. We are currently evaluating our capacity, seeking additional support, and setting priorities to ensure effective solutions without impacting daily tasks. This approach means our plans may adjust as we proceed. We will present a more comprehensive report on actions and detailed timelines once we have a clearer understanding of what each action entails and the availability of internal and external resources.

## **5. Risks**

### **5.1 Reputational Risk:**

- Continued errors could continue to undermine the public's trust in TDC's ability to manage finances, leading to a long-term negative impact on the Council's reputation.
- Ongoing issues might attract further negative media attention, amplifying reputational damage.

### **5.2 Financial Risk:**

- Without addressing the issues, TDC could face increased legal challenges from impacted ratepayers, leading to higher costs for settlements and legal fees.
- Continued inefficiencies could necessitate more resources to manage disputes and errors.

### **5.3 Operational Risk:**

- Failure to upgrade systems or improve processes might lead to recurring or even broader operational failures across other financial functions.
- Persistent problems could demoralise staff, leading to reduced productivity and higher staff turnover.

### **5.4 Human Resource Risk:**

- Over-reliance on key individuals could result in significant operational disruption if those individuals leave without succession plans.
- Significant workloads for rates and revenue members, including those staff member supporting the process.

- A damaged reputation could make it harder to attract competent staff to financial roles.

#### 5.5 Ministerial Oversight Risk:

- Although direct intervention by the Minister of Local Government is unlikely, failing to address these issues would reflect poorly on TDC's management and governance. This could strain relations with the Ministry, potentially affecting future interactions or support.

#### 5.6 Risk Mitigation:

- Reputational: Through transparent reporting, immediate action, and policy changes.
- Financial: By addressing risks with prompt action in dealing with impacted households, improved reporting and monitoring of systems, processes, and people.
- Operational: System upgrades and process automation to reduce errors. Implementation of a continuous improvement nature.
- Human Resource: Improved training, structure changes, clear roles, and succession planning. Additional resources to support through peak workloads.
- Ministerial: Proactive communication and demonstration of improvements to maintain support.

## 6. **Conclusion**

- 6.1 Our investigation into the direct debit errors at Tararua District Council revealed a mix of system flaws, process errors, and staffing issues that caused these financial discrepancies. We've taken steps to fix things for the ratepayers involved, refunding overpayments, and setting up repayment plans for the arrears. We have also implemented a Postponement Policy to ensure that any financial burden is minimised, allowing ratepayers to delay payment until the transfer of the home occurs or when they are in a better position to pay. Looking ahead, we're focusing on upgrading our systems for better automation, streamlining our processes for clarity and efficiency, and enhancing our team's capabilities through better management, training, and a culture of openness and proactive issue resolution.
- 6.2 These changes are aimed at preventing similar problems in the future and strengthening our financial management, enhanced monitoring, and reporting, thereby building public trust.

## Attachments

- 1 [↓](#). Investigation into Errors with Direct Debit Processes

**In confidence**

## **R & J Business Solutions Ltd**

### **Report to Tararua District Council**

#### **Investigation into errors with direct debit processes.**

##### **1.0 Introduction**

- 1.1 Tararua District Council (TDC) has identified an issue with its rate revenue collections whereby ratepayers on direct debit have either been charged too much or too little for rates. Public announcements have stated that 602 ratepayers are affected through a faulty process for calculating direct debits and that the issue dates to 2018. 281 ratepayers have overpaid \$146,758 in rates and 321 ratepayers have underpaid \$400,340 in rates.
- 1.2 The council requested an investigation into the causes of the issue and has issued an assurance to the community that a robust process will be put in place to make sure the issue will not happen again.

##### **2.0 Agreed Scope**

- 2.1 To investigate and identify and document the system, process and human failures that led to the rate collection errors including the process for recording and follow up of notifications/requests from ratepayers.
- 2.2 To review the proposed remedial processes to correct the errors and of any process revisions proposed, together with recommendation on additional processes to ensure such errors do not happen again.
- 2.3 To prepare of a report outlining the causes of the rate collection errors and proposed remedial actions and process improvements to ensure this does not happen again.
- 2.4 The agreed process involved an iterative approach with further information sought and questions raised as the investigation progresses.

##### **3.0 Report Approach and limitations**

- 3.1 The approach taken has been to
  - 3.1.1 Interview key staff.
  - 3.1.2 Review a sample of properties.
  - 3.1.3 Discuss and gain an appreciation of the measures being taken to remedy the errors identified.
  - 3.1.4 Review of any process or other documentation provided
  - 3.1.5 Review previous reporting to Council on the issue, reporting from auditors and regular debtors reporting to Council.
- 3.2 In making initial investigations I have been mindful of the additional pressures on staff as they work to remedy the errors identified and continue with their “business as usual” tasks.

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- 3.3 The focus of this report was not look at roles, responsibilities, and workloads within Council's revenue team. It focuses on the issues and failures that led to this investigation.

**4.0 Background**

- 4.1 Tararua District Council has a population of 19,050 and 10,457 rating units (source 2024-34 Long Term Plan).
- 4.2 Close to 1,000 ratepayers receive a rate rebate each year and of those approximately 600 pay their rates by direct debit.
- 4.3 TDC utilises a financial management system at the lower end of the scale in terms of cost and functionality. The use of TDCs systems requires more manual intervention and reliance on bespoke processes outside of the core system. Common with other similar Councils the staff structure at TDC does not have as many layers as larger Councils. This increases the importance of key reconciliations and controls and increases the risk of failure if the control mechanisms fail or are not fit for purpose.
- 4.4 Rating systems are inherently complex due to the specific legislative requirements and the requirements of each Council's specific rating structure. The pool of experienced staff is small (limited to 86 councils in NZ) so most rating staff need to be trained by each Council. The underlying property data needs to be maintained to ensure it is accurate and processes need to be run to invoice ratepayers and collect rates. The recalculation and amendment of direct debits is one of the key annual processes each Councils team must run.
- 4.5 As outlined in paragraph 7 there are 3 key components to the effective management of and collection of rates. The systems, processes and people. Each is inter-related and any weakness in one component needs to be compensated by strengthening others.

**5.0 Summary of findings**

- 5.1 Errors, in revenue collection through direct debts at TDC, have been identified in two areas.
- 5.1.1 Direct debit customers, in receipt of a rate rebate, as previously identified to trigger this investigation.
- 5.1.2 Some customers on payment plans (agreements).
- 5.2 Evidence seen to date indicates that direct debits for other TDC customers have been, and continue to be, calculated and applied correctly.
- 5.3 The errors occurred due to failures in
- Management oversight of processes and staff.
  - The implementation and monitoring of systems used to ensure all direct debit customers had their direct debits reviewed and amended each year.
  - The management of Council debts and reporting on debt to management and Council.

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- The management of ratepayer enquiries within Council's revenue team. The process used does not track enquires and enable any visibility on what has\has not been actioned and when the actions occurred.
- 5.4 The current approach at TDC of attempting to make the impact of regular payments easier on low-income ratepayers receiving rebates has exacerbated the problems at TDC as this process adds an extra layer of complexity to existing processes.
- 5.5 Council does currently have a number of rate remissions that add to the administrative overhead associated with managing the ratepayer database. The new rates postponement policy will add to the administrative requirements, in that each ratepayer account with a rate postponement will require action to record and manage the postponement. These ratepayer accounts will need to be carefully monitored and will need to be reviewed each year to ensure the policy is correctly administered for the affected ratepayers.
- 5.6 There was nothing in the management reporting to governance that would have alerted Council to the issue.
- 5.6.1 As regular payments were still being made (even though they were for incorrect amounts) the oldest debt was continuously being paid so there were not enough direct debit customers with more than one year's rate arrears to distort the data being presented in quarterly reports.
- 5.7 Council staff have engaged with all ratepayers, who receive a rate rebate and pay by direct debit, which have been affected by the failure to recalculate direct debit amounts correctly. Where applicable refunds have been made and those who owe have been provided with a pathway to address the arrears.
- 5.8 The required measures, such as enhanced reporting and processes, to ensure this issue does not reoccur have not yet been fully scoped or developed. Understandably the initial focus has been on addressing the errors and working with ratepayers on an appropriate remedy. Therefore, it is not possible, at this stage, to give assurance to Council. Council should seek assurance once management have designed and implemented a suite of measures to ensure this issue should not happen again.
- 5.9 **Conclusion**
- 5.9.1 As this report is not to attribute blame to any one or any group of individuals, the focus is on identifying the issues that led to the errors and suggesting measures to remedy those issues to ensure the error is unlikely to happen again. TDC has loyal and dedicated staff who want to

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- do their best for the community. It is sad and ironic that the very people the team had been going out of their way to assist are those that have been impacted by the compounding effect of the errors that occurred.
- 5.9.2 For something as significant as the identified errors at TDC to occur more than one thing must go wrong.
- 5.9.2.1 The enterprise system used at TDC has limited functionality and currently all calculations for direct debits at TDC are calculated in spreadsheets before the amount is loaded into the system. No rating system would have the functionality to make an allowance for rate rebates before they have been applied for or granted as the amount to be paid has been manually altered. Thus, the enterprise system used does not help.
- 5.9.2.2 A process was in place to complete the calculations for direct debts on the affected properties. However, there was no process or report to show whether direct debits for all ratepayer accounts had been changed.
- 5.9.2.3 The process required skilled people to run it, and the people needed dedicated time to complete the task before it needed to be recalculated. The knowledge was previously shared however in recent years it has relied on a key staff member to complete the task in amongst other competing priorities.
- 5.9.3 It is noted that resourcing was identified as an issue, and an additional staff member was added in 2022. The team resourcing and effectiveness has, however, been hindered due to experienced staff being away on extended leave. The revenue team also have tragically lost two staff over the past 6 years, both of which were involved in the debt collection process.
- 5.9.4 As noted in the business case for an extra resource in 2022 the key management resource in the team has continually needed to step into processing roles and has not been able to act in the management role. The manager has consistently worked extended hours trying to stay on top of workloads. Unfortunately, the key task to recalculate direct debits was not done while others such as corresponding with ratepayers and assisting ratepayers to apply for rebates was.
- 5.9.5 Too many processes and tasks are reliant on the knowledge of one single key individual in the team. This represents a major risk to Council, both in terms of the workload carried by the individual and the potential impact if the staff member were to suddenly leave. It also represents a risk in that if the manager is doing the processing who is doing the checking?
- 5.9.6 The fact that it was well known that the staff member worked long hours and was frequently at work in evenings and on weekends needs to be addressed. There was no oversight on the quantum of those hours, and it does not appear that sufficient investigation was done to find out why overtime was consistently required. The question needs to be asked. Was this, or should this have been deemed acceptable?

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- 5.9.7 A mismatch of management styles between the senior manager and that key resource meant that it had been assumed that all was under control when it was not. Not enough questions were asked, nor it appears was the issue escalated sufficiently to receive the dedicated attention and resource it needed to be corrected.
- 5.9.8 Ratepayer enquiries for rates issues were passed on into an email inbox rather than being recorded, and tracked, in Council's customer relationship system (CRM). An increasing volume of emails into that inbox meant that emails were not being addressed and actioned in a timely manner and as it was just an email inbox there was no reporting on outstanding emails, nor was there a way to record when a ratepayer rang in for a second or third time to identify patterns and trends. Nor was there any oversight external to the team.
- 5.9.9 To deal with the issue and provide assurance that it will not reoccur a multifaceted response is needed. The following recommendations offer some guidance on measures Council management needs to take.

## **6.0 Recommendations**

That Council management:

- 6.1 Review all ratepayer accounts where a payment arrangement is in place to ensure the regular payments have been reviewed and adjusted.
- 6.2 Implement improved procedures to track all rates enquiries and ensure they are reviewed and actioned in a timely manner.
  - 6.2.1 Check and clear outstanding enquiries currently in the revenue team's inbox to bring all actions in this area up to date.
- 6.3 Review the current management structure, resourcing, processes and accountabilities to ensure that:
  - 6.3.1 Council has a resilient structure with a plan in place to provide cover and succession planning for key roles within the Rates & Revenue team.
  - 6.3.2 Resourcing, and oversight of key tasks and processes, is aligned to Council expectations and policies on revenue collections and administration of Council's revenue policies.
  - 6.3.3 A master schedule of key tasks and/or processes (including the annual calculation and revision of direct debits) is developed and monitored to ensure tasks are completed and timeframes are met.
  - 6.3.4 Accountability for key tasks and controls is clearly outlined.
- 6.4 Develop a detailed annual work programme for the revenue team and ensure key deadlines and pressure points are shared with other departments and with the executive management team.
- 6.5 Report back to Council to provide assurance that the immediate actions have been actioned and that all ratepayers on direct debits have had their accounts reviewed.
- 6.6 Review the current status of debt management within Council to ensure all debts are being actively managed.

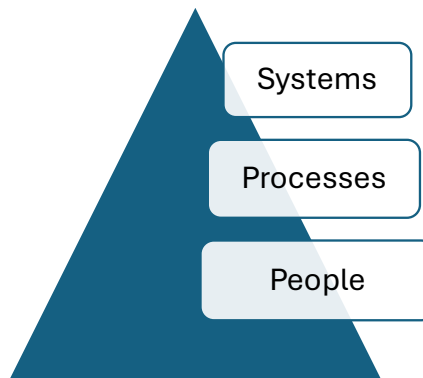
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- 6.7 Report back to Council's Audit and Risk Committee on the final measures introduced to monitor and ensure the risk of a similar issue should not reoccur. This report should provide evidence and assurance on the effectiveness of the measures introduced.
- 6.8 Change the quarterly reporting on debtors to:
  - 6.8.1 Report debts and debt management to Council's Audit & Risk committee on the basis that this is a key area of Council risk.
  - 6.8.2 Amend the reporting so that
    - 6.8.2.1 All debt is reported on (not just rates debtors).
    - 6.8.2.2 There is reporting on credit balances.
    - 6.8.2.3 There is separate reporting on direct debit customers to provide ongoing assurance that the issues remain under control.

## Discussion

### 7.0 There are 3 inter-related components to effective management



If one of these is weak the other components need to be strengthened to compensate.

#### 7.1 Systems

- 7.1.1 It is commonly acknowledged that TDC's financial management **system** has its limitations compared to others in the limited number of Local Government information systems used in NZ. These limitations mean an increased number of processes and reporting needs to be done outside of the system using ad hoc reporting and **processes**.

#### 7.2 Processes

- 7.2.1 The processes performed outside of the core system are reliant on staff with a higher degree of skills and knowledge. Any checks and balances need to be developed and managed by TDC staff. This inherently increases the level of organisational risk. Some of this can be mitigated from having well documented processes and robust systems however running those processes, operating systems and maintaining process documentation relies on **people**.

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**7.3 People**

- 7.3.1 Managing the risk of processes failing is reliant of Council having good quality assurance and resilience within team resourcing so that Council is not exposed due to the sudden departure of sickness to key staff. While it may be easy to introduce a new resource it is a lot harder to train that resource and retain those learnings within the team and wider organisation.

**8.0 The TDC approach to calculation of direct debits for customers in receipt of a rate rebate.**

- 8.1 Since around 2014-15 staff at TDC have been making an allowance for a potential rate rebate credit when the direct debits, for those assessed as having previously been eligible for a rebate, are calculated. The allowance is based on the amount of rebate received in the previous year.
- 8.2 The process involves manual intervention and calculations for approximately 600 ratepayer accounts. This process is managed separately after the bulk of other direct debits are calculated and adjusted for the year.
- 8.3 The volume of ratepayers in receipt of rate rebates and of those paying by direct debit has grown, increasing the workload to manage this process.

**9.0 Rebate Applications**

- 9.1 TDC staff identify all ratepayers who received a rebate in the previous year and send rebate applications out to those ratepayers.
- 9.2 Those sent a letter represent the group for which a separate manual process needs to be run to recalculate and load new direct debit amounts each year.
- 9.3 The actual rebate applications are received and processed from September onwards each year.

**10.0 What went wrong?**

- 10.1 Each year direct debit calculations requiring manual intervention were set aside when the bulk of direct debits were adjusted. The process to recalculate all properties needing manual intervention was not completed to allow any form of bulk update to the direct debits for these properties.
- 10.2 What did happen is some individual ratepayer accounts and direct debits were amended following ratepayer enquiries.
- 10.3 It seems the increasing size of the issue developing for affected ratepayers was not effectively escalated nor were any potential signals, that the rates team had issues, correctly interpreted by management and management did not seek appropriate assurances that any issues mentioned in conversations were being adequately dealt with. It appears there was the belief that any ratepayer paying by direct debit must be ok as Council controlled the payment process.
- 10.4 The lack of reporting below the high-level reports delivered to governance also meant senior management were not alerted to the growing issue.

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- 10.5 A flow of ratepayer enquiries asking why their accounts appeared to be incorrect did not result in action or in an effective escalation of the situation. Any escalation that occurred appeared to be to the rates team that was already struggling to manage the situation.
- 10.5.1 Ratepayer enquiries on their direct debits and account balances were forwarded to the revenue team by email if a staff member could not deal with it immediately. Some were actioned and some were not due to the volume of enquiries and lack of effective management of the email inbox used for enquiries.
- 10.6 The impact of the failure to complete the process to recalculate direct debits for the affected ratepayers grew exponentially over time. In particular, the impact was exacerbated by the higher rate increase over the past 3 years and the compounding effect of the failure to adjust direct debit amounts. The following table shows the annual shortfall, in rates collected, is the direct debit had not been adjusted from 2020-21 levels. This clearly shows an acceleration in the annual shortfall in the past 3 years. It appears that the staff involved did not fully appreciate the cumulative effect that, failing to complete the process and escalate the matter, had on a broader group of ratepayers.

Year	Annual Rates	Change from previous year	Cumulative annual change
24-25	3,736.66	436.69	1,367.86
23-24	3,299.97	505.91	931.17
22-23	2,794.06	258.41	425.26
21-22	2,535.65	166.85	166.85
20-21	2,368.80		

## 11.0 Systems that failed

Revision of Direct Debits for ratepayers in receipt of Rate Rebates and those on payment agreements.

- 11.1 There is a documented process to review and update direct debt amounts each year on those customers who usually receive a rate rebate.
- 11.2 The process requires additional steps and calculations due to the adopted process of making an allowance for the likely application and receipt of a rebate. This requires a check to ensure the ratepayer (property owner) has not changed and of the last rebate amount to make an estimate of the likely rebate amount for the current year.
- 11.3 Prior to 2018 a separate resource managed the process of recalculating direct debits for those receiving rate rebates. Following the sudden loss of that individual the task fell back onto the manager.
- 11.4 Completing this manual process requires it to be completed within a relatively short period of time otherwise the data needs to be refreshed with the calculations run again. Due to competing priorities the task was not being completed in time and was constantly a task that got started but never

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completed. If the failure to complete the process had only happened once it would have corrected itself the following year. Unfortunately, this process was not completed for multiple years resulting in the situation Council, Ratepayers and Council staff now find themselves in.

**Management of email inbox**

- 11.5 A system had been developed to manage the email inbox. Emails are “flagged” based on the action required and different staff members are responsible for different areas. As emails are dealt with the emails are moved out of the inbox.
- 11.6 Over time as the volume increased the system appears to have fallen over to the point where it is not clear what emails require action. A review of a small sample showed that some that appear to be still outstanding have been actioned. At the time the inbox was reviewed the inbox contained over 1200 emails. 500 of which indicated they were unread. A review of the ratepayer accounts for 2 “unread” emails in the inbox were checked and action had been taken on the ratepayer account around the time of the email. Thus, it is difficult to ascertain just how many items of email correspondence have not been dealt with.
- 11.7 An additional, temporary, resource has now been brought in to try and work through the outstanding items in the inbox.
- 11.8 A new system to manage emails and customer correspondence for rates matters needs to be developed to ensure emails and other ratepayer enquiries are dealt with in a timely manner.

**12.0 Debt Management – Payment Arrangements**

- 12.1 A review of a sample of properties paying by direct debit where an agreement is in place to pay off arrears indicates that there are some properties where the amount being paid is not sufficient and others where the account is in credit.
- 12.2 Therefore, Council management should review all ratepayer accounts subject to a payment arrangement to ensure the current direct debit amounts are correct.

**13.0 Debt Management – General**

- 13.1 Often when workloads are high the active management of debts is the first thing that gets behind. It is often the task that staff review when they have time, especially when other areas have fallen behind. Given that this review has identified that some existing debt repayment arrangements have not been reviewed it is likely that the management of more recent debt arrears may need attention.
- 13.2 Therefore, Council management should review the current status of the management of Council debts and the associated policies and guidance notes.

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**14.0 Proposed remedial actions to ensure the errors identified do not reoccur.**

- 14.1 The immediate focus has been addressing the under and over payments affecting ratepayers.
- 14.2 The proposed measures to provide assurance have not yet been developed or implemented.
- 14.3 When management have developed and implemented the suite of measures to ensure the issues do not reoccur, they should be checked and validated to provide Council with assurance that the measures are sufficient to fully protect Council going forward.

**Explanation of and Discussion on Processes**

**15.0 TDC process for recalculating direct debits each year**

- 15.1 Based on observations the current process at TDC involves
  - 15.1.1 Data is extracted from the rates system into a spreadsheet that has different tabs for different DD types (weekly, fortnightly, rebate, agreements etc.)
    - 15.1.1.1 The data is reviewed, and the calculations of the “normal” direct debit amounts are then loaded into the rates system and applied for a set date (after allowing for the required notice of change).
    - 15.1.1.2 Properties involving rate rebates and agreements are excluded from the processing at this stage on the basis that they will be dealt with separately.
    - 15.1.1.3 In recent years there does not appear to have been any process to review these with any form of bulk upload to update direct debit amounts.
  - 15.1.2 The errors that have occurred are due to staff not prioritising and allocating time to review and amend direct debits for ratepayers with rate rebates and agreements
- 15.2 Discussion with another site revealed that Council’s rates system now has the functionality to calculate direct debits so this functionality should be explored. It may simplify the process for the bulk of direct debits however it is likely that processes outside the system will still need to be used for those on agreements (and rebates if the current process continues).
- 15.3 Council staff should reach out to their colleagues at other Councils to develop a better process at TDC going forward.

**16.0 Standard Direct Debit Processes for Councils**

- 16.1 The standard approach to calculating direct debits is simple. The number of payment periods left before the end of the year is divided by the amount that needs to be paid to calculate the amount payable for each direct debt instalment. As long as the calculation is done correctly, and the direct debit payments are honoured, the rates payable will be cleared.

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- 16.2 There are two categories where the calculation is not so simple and some manual intervention, or additional steps, is required.
  - 16.2.1 Ratepayers who receive rate rebates
    - 16.2.1.1 The initial calculation is based on the full year's rates excluding any rebate.
    - 16.2.1.2 After a rebate has been approved and credited against the property the direct debit is recalculated, reducing the periodic payments over the rest of the rating year.
  - 16.2.2 Ratepayers who are on a payment plan to pay off arrears over a period longer than the current rating year.
    - 16.2.2.1 The periodic direct debit should be a combination of the amount required to repay current rates plus the assessed additional periodic amount required to pay off any property arrears.

**17.0 What is the problem with a process that makes things easier for low-income ratepayers by anticipating the receipt of a rebate when the direct debit is set up at the beginning of the year.**

- 17.1 The normal process would see the initial direct debit amounts based on the rates owing (any balance brought forward plus current rates, less amounts paid so far).
  - 17.1.1 With this process the onus is on the ratepayer to get a rebate application in if they want to reduce the amounts they pay. Once the rebate is approved and processed the onus moves to Council to adjust the direct debit.
    - 17.1.1.1 If the ratepayer fails to apply or is unsuccessful the correct rates are paid as the direct debit was based on the full years rates (plus or minus any opening balance)
    - 17.1.1.2 If Council fails to adjust the direct debit the ratepayer will finish the year in credit to the amount of the rebate. This credit will automatically be offset against the next year's rates. So next year the payments are proportionately lower.
  - 17.1.2 As an example, if the direct debit is received and a rebate is subsequently applied for and credited to the account, and the direct debit amount is not adjusted, the account will be in credit at the end of the year by the amount of the rebate. This credit would be offset against the following years rates when that direct debit amount is calculated.
- 17.2 The key issues with a process that anticipates the receipt of a rebate before it is granted are: -
  - 17.2.1 This approach means that if the annual rates are \$3,750 and the expected rebate is \$750 the direct debit is calculated to only pay \$3,000 out of the \$3,750 rates liability for the year.
    - 17.2.1.1 So, in effect Council officers are offering an interest free credit to the ratepayer before there is any legal entitlement.
    - 17.2.1.2 Therefore, such an approach should be approved through a documented operational policy.

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- 17.2.2 No systems have functionality to manage a process that anticipates a rebate prior to approval so any calculations and actions to set up or amend direct debits requires manual intervention.
  - 17.2.2.1 A direct debit is usually based on the balance owing on the ratepayer account. That balance is not reduced until the rebate has been approved and a credit applied (with funds paid to Council by DIA).
  - 17.2.2.2 So manual calculation is required to allow for the rebate in advance and the expected rebate amount must be estimated.
- 17.2.3 If either the rebate is not approved, or the amount approved is different to what was anticipated the direct debit amount needs to be recalculated to ensure the correct rates are paid during the year.
  - 17.2.3.1 This requires a second calculation to adjust the direct debit amount (a manual calculation at TDC).
  - 17.2.3.2 But how does Council know the rebate will not be applied for? That fact is not known for certain until the end of the year.
  - 17.2.3.3 The application can come in at any time – there is no urgency for the ratepayer to apply as Council has already assumed the ratepayer will get a rebate.
  - 17.2.3.4 To manage the associated risk with the process Council staff need an additional process to check which rebates, for which an allowance has been made, have not been applied for.
    - 17.2.3.4.1 Even though Council has anticipated the rebate in good faith the ratepayer will not be happy if the assumptions made are incorrect and the ratepayer unexpectedly find they owe additional funds to Council.

**18.0 What do other Councils do with rate rebates**

- 18.1 Most Councils will only adjust a direct debit payment amount after a rate rebate has been approved and credited against a rate account. Usually, part of the process is that when the rebate is credited to the account the direct debit is recalculated.
- 18.2 Enquiries have identified another Council using the same software solution that is also making allowance for the receipt of rebates in advance of applications being received and processed.
- 18.3 Officers for that Council indicated that they are finding the processes to manage direct debits for rate rebate customers “problematic” and are interested to see if TDC might develop some processes that will make their life easier. The comment made was that they kept on top of the issues because they were aware of the issues and worked closely as a team to keep on top of things, rather than through having robust systems that can adequately manage the process.
- 18.4 The advice was that since an upgrade 12 months ago the core system functionality allows for the bulk of direct debits to be set up each year

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- however the direct debits for ratepayers on agreements and those in receipt of rate rebates required manual intervention.
- 18.5 For properties that have historically received a rebate a spreadsheet is used to calculate the revised direct debits based on the assumed rebate level per property. The periodic amounts are then updated in the system.
- 18.6 Manual processes are relied on to ensure rebates are received and to change for any changes to the regular direct debit amounts.

**Information Sources for the review**

- 18.7 Interviews and discussions with key Council staff.
- 18.8 Viewing of Revenue email inbox.
- 18.9 Discussions about and documentation on and process taken to calculate direct debits at TDC.
- 18.10 Use of Council's financial information system to enquire on individual ratepayer accounts to view transaction history.
- 18.11 Review of Council agendas to view reports to TDC governance for reporting on debtors
- 18.12 Reports from Council's auditors
- 18.13 System process notes





## Report

Date : 6 December 2024

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Beth Fowler  
Senior Financial Accountant

Subject : **Adoption of the Annual Report 2023/24**

Item No : **7.2**

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### 1. Recommendation

1.1 *That the report from the Senior Financial Accountant dated 05 December 2024 concerning the Adoption of the Annual Report 2023/24 be received.*

1.2 *That the Audit and Risk Committee recommend:*

*That the Mayor and Chief Executive be delegated the authority to make any minor changes requested by Audit New Zealand and to sign the Statement of Compliance and Responsibility that is contained within the Annual Report for the year ending 30 June 2024; and*

*That the Annual Report 2023/24 be adopted in accordance with Section 98 of the Local Government Act 2002.*

### 2. Reason for the Report

2.1 The reason for this report is for Council to receive and adopt the audited Annual Report 2023/24 in accordance with Section 98 of the Local Government Act 2002. The draft Annual Report 2023/24 was presented to Council on 2 October 2024.

2.2 This report highlights any subsequent changes that have been made to the draft Annual Report 2023/24 since it was presented. The attached draft Annual report is the final version recommended for adoption subject to the correction of any typographical errors or changes which may be required.

### **3. Background**

- 3.1 Each year the Council is required to report against its key performance indicators, financial projections and projects set in the Annual Plan and Long-term Plan.
- 3.2 The Annual Report for the year ending 30 June 2024 compares actual performance against the Annual Plan 2023/24. Performance is reported quarterly to the Finance and Performance Committee.
- 3.3 The draft Annual Report was presented to the Council meeting 2 October 2024. It outlined that the annual report disclosure statement, the infographics, and note 20 property, plant and equipment were still pending completion.
- 3.4 The infrastructure revaluations for 30 June 2024 were externally reviewed and are undertaken annually.
- 3.5 An external fair value assessment of land and buildings was completed at 30 June 2024 with the revaluations for this asset class being undertaken every three years.
- 3.6 The draft Annual Report was adopted for release to Audit NZ at the Council meeting held 2 October 2024.
- 3.7 Changes made to the report during the audit process are summarised in section 4.

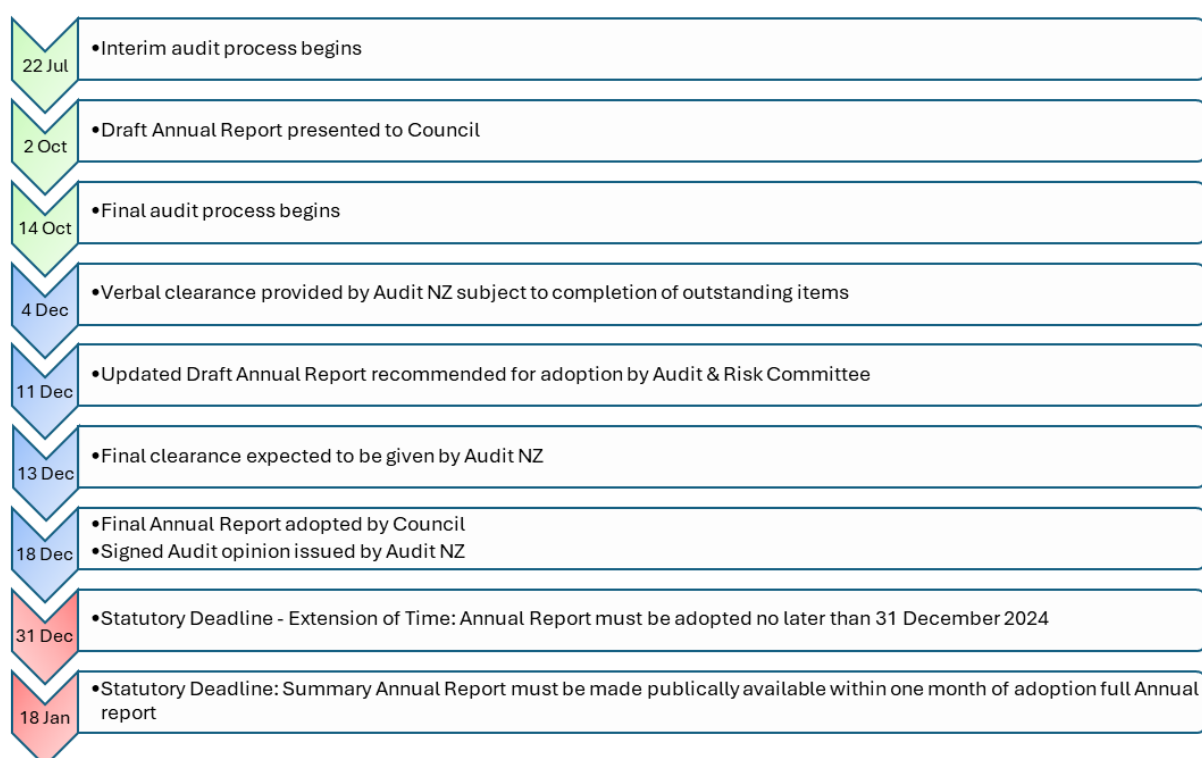
### **4. Changes Made to the Draft Annual Report 2023/24 Presented to Council in October 2024**

- 4.1 The draft reported outlined a financial result of \$10.984 million surplus against a budget deficit of \$1.246 million, with major budget variances outlined in note 37 of the report. The result after changes from audit was a surplus of \$8.483 million against budget deficit of \$1.246 million. Adjustments made during the audit process included:
  - 4.1.1 Increase in revaluation of \$21.814 million in infrastructure assets leading to an increase in the net assets / equity. The roading revaluation was recalculated due to the unit rates being reassessed upon the detailed review from officers prior to providing this to the auditor.
  - 4.1.2 Note 20 Property, plant and equipment – reconciliation was completed with the revaluation and capitalisation changes.
  - 4.1.3 A range of changes to the notes to financial statements taking into account the changes made above combined with any minor changes audit identified.
- 4.2 The draft report outlined Council achieved 63 of the 101 performance indicators (62%). In previous years' the results were 60% (2022/23) and 49% (2021/22). The final result is still 60% .

## 5. Audit Update

5.1 The Annual Report 2023/24 (including audit opinion) must be completed and adopted within four months after the end of the financial year (31 October 2024). However, with the delayed adoption of Council's Long-term Plan 2024-2034 this deadline was extended to 31 December 2024.

5.2 The diagram below shows the key steps in producing the Annual Report:



5.3 In the diagram above, Council has reached the step of awaiting audit clearance and the adoption of the Annual Report, with the final steps remaining being the audit and publication of the Summary Annual Report which also needs to go through an audit process.

5.4 At time of writing this report Council's Audit Director had advised officers that some of the audit team have unfortunately been off with illness and that there were a couple items still being worked through at their end. This is work that is required for clearing Council's STE (smooth travel exposure) roading performance measure, and clearing of infrastructure additions work.

5.5 This annual report the material service performance measures have changed, with a focus on the STE (smooth travel exposure) roading measure. This has meant a change in what work is required to be provided and a more detailed assessment by the auditors. This work was still being worked through with the infrastructure team, as well as the infrastructure asset additions.

5.6 Council's Audit Director has signalled a delay in clearance being able to be provided to potentially 13 December 2024.

5.7 The Audit Director will present their Draft Audit Opinion at the meeting (a copy of the proposed opinion will be circulated once available).

5.8 At the time of writing, the auditors were in the final stages of completing their work. Accordingly, the draft Annual Report attached to this report may change. Any such changes will be advised at the Council meeting.

## **6. Management Report**

6.1 Council will be presented with the Management Report from Audit NZ once it has been compiled and reviewed by management for comments. Officers are anticipating this to be end of January.

## **Attachments**

Nil.





## Report

Date : 6 December 2024

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Raj Suppiah  
Group Manager - Corporate & Regulatory Services

Subject : **Insurance Update**

Item No : **7.3**

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### 1. Recommendation

- 1.1 *That the report from the Group Manager - Corporate & Regulatory Services dated 29 November 2024 concerning the Insurance Update (as circulated) be received.*

### 2. Reason for the Report

- 2.1 This report provides an update to the Committee on insurance matters, building on the item presented at the 22 October 2024 meeting.

### 3. Introduction

- 3.1 In the October report, officers advised that insurance renewal information had been submitted to Aon Insurance, and updates on premiums were pending.
- 3.2 As part of the renewal process, a review of above-ground asset information was completed and a decision was made that some 3Waters treatment assets should be reclassified from the below-ground (Infrastructure Policy) to the Material Damages and Business Interruption (MDBI) Policy.
- 3.3 The **Infrastructure Policy** is designed to insure below-ground assets, such as pipes, specifically for natural disasters. This policy covers 40% of the insured value, with the remaining 60% intended to be covered by government under the Civil Defence Emergency Management Plan 2015. The government's approach allows for some flexibility to tailor responses to claims.

- 3.4 The **MDBI Policy**, by contrast, is a more standard policy that provides 100% coverage for insured events, not limited to natural disasters.
- 3.5 Both policies include some level of business interruption coverage, though this applies only when a claim is made under the respective policy. Aon is currently reviewing the limitations of business interruption coverage under the Infrastructure Policy and will provide further advice.
- 3.6 While reclassifying assets was a positive step toward improved accuracy, it highlighted the need for further analysis to understand why the original classification occurred and to develop measures to ensure future assurance and processes documented for these decisions. Additionally, we awaited updates on the potential premium impacts resulting from this reclassification.
- 3.7 Ongoing improvements to the insurance asset register continue to align with the broader asset information improvement programme outlined in the Infrastructure Strategy.

## **4. Key Updates Since the Last Report**

### **4.1 Re-classification of Assets**

- 4.1.1 Assets that were reclassified from the Infrastructure Policy to the MDBI Policy included oxidation ponds, reservoirs, and the Dannevirke impounded supply.
- 4.1.2 Officers have reviewed previous renewal schedules back to 2014 to gain an understanding of which assets have been included in which policies in the past.
- 4.1.3 Officers have had a session with Aon to gain a greater understanding of Council's policies, as well as an understanding of decisions that have previously been made.
- 4.1.4 No formal records of the decision-making process for which policy an asset should be added to was able to be found, officers have spoken with former staff members that led this work for Council, as well as Aon, and it is understood that the decision on which policy an asset should be insured under was based on the most likely scenario/event that would result in a claim.
- 4.1.5 It is important to note that these assets were insured for the entire period. After the review of the above ground assets was completed, a decision was made that these assets should be reclassified to the MDBI Policy, ensuring appropriate coverage for any event while a new decision-making framework is developed.

### **4.2 Improvement in Asset Data**

- 4.2.1 The review process found that some 3Water assets additions had been included in the insurance schedule as bulk additions rather than additions to specific sites. This renewal process, officers allocated these additions to the appropriate sites and these have also been included in the increase to the MDBI policy. This further supports the work officers are doing in the transition from 3Waters treatment

assets register to RAMM. This work has been signalled in the previous Long Term Plans and in previous Audit Management Reports as a recommendation.

4.2.2 Officers have begun this work with the utilisation of the Better Off Funding as part of its ongoing asset information improvement programme. This is a large project and will be completed over the course of the current Long Term Plan.

4.2.3 Officers are also in the process of transferring Council's building registers to RAMM and the facilities team have spent a considerable amount of time collating all asset data they hold into the RAMM database. This aligns to RAMM being the asset database for Council's roading, footpath, and reticulation assets.

4.2.4 This work will improve the accuracy of insurance schedules and align with broader infrastructure strategy goals.

#### 4.3 Valuation Updates

4.3.1 Council is actively reviewing its insurance valuations.

4.3.2 Facilities assets are revalued every three years, in the subsequent years an inflationary adjustment is made by the external valuer.

4.3.3 Council's infrastructure assets are revalued annually for accounting and reporting purposes. As part of this valuation process the valuer provides a total replacement cost for each asset. This is calculated using the most current unit rate information held and multiplied by the assets length for example.

4.3.4 For above-ground infrastructure assets buildings are covered by the valuation completed as part of the facilities assets process, and the remaining additions are valued at their cost price with inflationary adjustment increases annually.

### 5. 2024/25 Premiums

5.1 Council has received its insurance premium invoices for all policies for the 2024/25 year. These are presented below in the table format previously presented to Finance and Performance Committee (21 February 2024), detailing the premium amounts back to 2020 year.

	Material Damage	Infrastructure	Motor Vehicle	Other	Total
2025	836,855.23	216,818.00	51,002.06	201,908.67	1,306,583.96
2024	629,845.24	237,704.97	42,338.73	153,876.15	1,063,765.09
2023	508,276.44	158,479.95	36,388.25	140,470.20	843,614.84
2022	419,327.27	136,258.60	29,690.69	136,258.60	721,535.16
2021	377,982.92	130,329.06	31,009.02	85,129.02	624,450.02
2020	324,342.32	111,018.62	31,969.71	82,376.19	549,706.83

## **6. Next Steps**

- 6.1 3Waters Treatment assets to be transferred to RAMM. This is a large project and involves componentising and recording all 3Waters treatment assets in RAMM database. This project is underway but officers do estimate this to be a multi year project over the first three years of the Long Term Plan.
- 6.2 Using findings from the rationalisation of building project and referring to Council's risk appetite work, review insurance for Council buildings (finalisation of the rationalisation of buildings project, with decision-making expected for December 2024).
- 6.3 Apply the outcomes of the critical infrastructure asset project to refine insurance coverage for infrastructure assets.
- 6.4 Confirm the accuracy of insurance schedules once the 3Waters RAMM project is complete.
- 6.5 Review all insurance policies for opportunities to adjust deductibles, balancing risk and financial requirements.
- 6.6 Council to consider functional replacement value for assets where equivalent functionality, rather than identical replacement, is more appropriate.
- 6.7 Initiate an Insurance Strategy project to guide future decision-making, scheduled to commence in June 2025. This will see several broader initiatives help shape future insurance decisions.
- 6.7.1 Officers have been working with Elected Members on defining Council's risk appetite, which will directly influence insurance planning and coverage strategies. Additionally, two key projects are already underway: defining critical assets, which will help prioritise insurance coverage based on asset criticality, and the rationalisation of buildings, which is likely to impact insurance requirements.
- 6.8 Summarising claims history over the last 10 years, with a report to be provided to the Committee at its February 2025 meeting.

## **Attachments**

Nil.



## **ENVIRONMENTAL SCAN V12**

### **4 December 2024**

## **Trends and High-Level External Challenges facing Tararua District**

**Focus on Affordability, Costs and Legislation  
+ 2023 Census Key Results**

**Key issues impacting**

**2025-26 Annual Plan Process**

**Environmental scanning** is the process of gathering information about events and analysing their relationships with an organisation's internal and external environments. The basic purpose of environmental scanning is to help management advise governance of known and possible future trends, to inform a response to likely challenges and to help set the future direction of the organisation.





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## Changes in this Version

Topic	Impact on Wellbeing's	Comment
Cyclone Gabrielle	↑ Recovery	Major roading damages in Tararua north and east. <b>Huge repair costs with 100% funding by NZTA to conclude in 2025.</b>
Climate Change	↓↓	Recent data points to previously 'worst case scenario' with warming trends spiking. Risk of localised impacts from flooding <b>increasingly likely.</b>
The Economy	↓	<b>NZ economy – current recession</b> even after record immigration, <b>showing signs of weak recovery.</b> Net immigration dropping very quickly. Inflation back in target range (ex-insurance, rates and health costs). Retail trade (physical) very tough, but tourism and dairy, beef doing well.
Borders wide open	→	Numbers arriving and leaving NZ set new records in 2024. Arrivals still high but easing fast. Kiwi departures set new record highs. Arrivals to Tararua moderate. Departures likely around the same.
Unemployment	↓↓	Jobseeker Work Ready numbers stabilised after big increase winter 2024. Work Ready 477 Oct 2024 and flat on 2023. Health and Disability very large increase to 387, up 45% in 2 years.
Population growth	→	Census 2023 - 4% increase on Census 2018 (0.8% a year). Consistent with assumptions. Stats NZ latest estimate 19,250 to June 2024 (+0.5% in June 2023). Recent stats suggest growth is continuing at more modest level, especially driven by older people. Natural increase narrowed (births and deaths decline but births drop more). Fewer babies = reduced demand for ECE and schools. Implications for infrastructure investment as urban house consents very low.
Farm product prices mixed with varied impacts on farm revenue	↓↑ Mixed	China demand still subdued (they buy 40% of Dairy and meat trade) - Beef prices high, lamb schedule prices rising strongly. Dairy prices strongly up from 2023 lows. Forecast dairy pay out for 2024/25 up 21% on 2023/24. Wood prices average to poor (below long-term averages – NZ demand low and dropping). Wool prices still poor but better up on last few years.
House prices significantly down - subdivision activity on hold	Mostly ↓	House prices continue to fall – 3 month rolling average \$408,000 and 15.4% off the peak Dec 21. Market stabilising. Number of new house consents significantly down.
Affordable housing shortage and rents	↓↓	Rents continue to rise, up 7% for the year to Sept 2024. This is much higher than the 2.9% increase for NZ. <b>There continues to be severe shortages of general and social rental housing in Tararua.</b>
Government policy and regulation impacts uncertain	Unknown Mixed ↑	Carbon price at reserve price govt. auction (\$64 / tonne). <b>ETS remains but new restrictions on exotic plantings will limit whole farm conversions.</b> RMA reinstated (temp - to be replaced next 2 years. 3 Waters repealed – CCO model advanced. Policies that impact TDC costs (NPS-HPL, NPS-IB, Freshwater) will all be re-written.
Price increases now low (Ex Insurance and Council rates)	Good for all ↑	Food prices flat. Asset and materials prices flattening or declining. Farm cost increases flat for year. Food only +1.2% year to Oct 2024.
Interest rates falling – but maybe not as much as expected	↑↑ for those in debt / businesses ↓↓ For those with savings	Reserve Bank of NZ OCR at 4.25%, further cuts expected early 2025. Trump elected increases risks for higher inflation (debt and tariffs) which impacts NZ. Long term rates have increased.
Wage and Salary levels still increasing	↑ Income levels ↓ Business margins	Average ordinary time hourly earnings from wages and salaries to Sept 2024 for public sector up 5.2% for the year, private sector 3.3%. Net migration has eased shortages of staff.





## Key Stats Snapshot

Measure	Change / Result	Period	Comment
Population	District - Up 0.5% Urban – up 0.2% Rural – Up 0.9%	Year to June 2024	June 2023 Stats NZ estimate 19,150, June 2024 Est 19,250. 2023 census - up 4% from 2018.
New house consents (new and relocates)	-26%	Oct 2024 year	12 months to Oct 24 = 52 (23 new and 29 relocate house consents). Compares to 70 (35 new, 34 relocates) Oct year 23.
GDP Annual (Taranua)	-1.7% NZ 0.2%.	Year – March 2024 Annual Average	Challenging economic conditions, especially for farmers and retailers.
Ageing Population – Superannuation numbers	3.4% (NZ up 3.2%)	Year to September 2024 – MSD	Growth trend strong – now 4,137 residents on Super (21.5% of population).
Median Age	42.4 years	2023 Census and June 2024 update	Median age increased from 41.8 in 2018.
Māori share of Population (Māori Descent)	29%	2023 Census	NZ average is 20%. Increasing quickly.
School enrolments – MoE	0.1%	July 2022 to July 2023	Numbers steady, 38% of all pupils are Māori. ECE (preschool) declining. 2024 data not yet available.
Household Numbers Stats NZ Census	+2.9% +4.2%	2013 – 2018 2018 - 2023	Household occupancy up marginally. Few rentals available.
House Prices – QV	-4.1% -15.4%	Year to Oct 2024 From peak Dec 2021	NZ -0.6% annual and -15.2% from peak. Taranua still up 51% in last 5 years.
Rents – average for District	7.3%	Annual average change to Sept 2024	Rents still climbing - now up 78% in last 5 years. Lower quartile rents +5.6% for year. NZ rents +2.9% (Sep 2024 year)
Housing Register	49	Sept 2024	Was 40 in Sept 2023, Peaked at 65 in Mar 2024.
Total Employment (living in Taranua)	0.1%	Year to June 2024 – Annual change	8,573 jobs June 2024 – up 0.1% from June 2023. NZ up 0.4%.
# of Business Units	-2.4%	Year to Mar 2024 – Annual average	Declining since Sept 2022. Farm amalgamations, retail closures. NZ + 1.0%
Jobseekers – MSD benefits - Taranua	Total +8% Job Ready 0%	Oct 2024 on Oct 2023	Oct 2024 was 864 – big increase over winter 2024. Peak (Sept 2020) was 934. Big increase in Health and Disability – up 19% 1 year and 45% in 2 years.
Accommodation Supplement	2.6%	Year to Oct 2024	1,760 households receiving AS payments in Taranua. NZ up 4.9% Oct Year.
Crime – criminal proceedings per 10,000 residents	272 Up 11% in year 246 per 10,000	Year to Mar 2024	Crime increasing. Mostly theft / break ins. Proceedings 17% higher than NZ average (233 per 10,000 people)
Commercial Vehicle registrations	203 14%	Year to Oct 2024	Year to Oct 2024 was 203 – 10-year average is 217.
Electric vehicle registrations	10 – down 41%	Year to Oct 2024	Very few full electric vehicles registered.
Dairy Payout (excludes dividend) – forecasts are midpoint Fonterra	\$8.22 per kgMS \$7.80 Forecast \$10.00	2022/23 2023/24 2024/25	Overall current GDT auction dairy prices are now up 30% on Dec 2023, 50% from August 2023 low point (in \$NZD).



## Topic Discussions

### Introduction and Overview

This environmental scan describes major drivers likely to shape the Tararua District over the medium term and beyond from the viewpoint of the Council. Many of the drivers are completely outside of Council control, or any meaningful impact in the medium term at least.

For other drivers Council can act as a leader for the district or as a lobbying agency to government on behalf of residents. 'Black Swan' events, such as a cyclone, pandemic, war or international economic crash can change trends and create huge impacts on residents, often in ways that cannot be anticipated.

After many years of talking about the future impacts of climate change, we are now in that future. Gabrielle was the word for 2023 – we are likely to see increasingly more cyclones hitting New Zealand in the years to come. Thankfully 2024 has yet to see any major weather events (in Tararua).

This scan focuses on the key risks currently facing Council, Tararua and New Zealand in the context of adopting the 2024-34 Long Term Plan. As such this is a more focused Scan. In order to provide a more concise Scan some topics will now be analysed in detail on an annual basis rather than in each Scan.

### Guidance on LTP Assumptions

The Long-Term Plan contains some key assumptions that impact on costs, societal and environmental changes. These assumptions often directly or indirectly drive rate impacts over time.

Assumption	LTP forecasts	2025/26 Estimate	Current Trends against Assumptions
Growth	Population 0.6% yr Households 0.7% a year (70% urban and 30% rural)	0.5% 0.6% 60% rural	Population growth is currently minimal and driven by older people. Immigration likely close to nil and births dropped.
Aging Population	Increased to 26% of population by 2034	Currently 21.5% of pop - and increasing by >3% a year	On track to be 26% of pop by 2034
Natural disasters	No extreme natural disasters	Increasingly probable	Possible drought this summer
Legislation and one plan changes	Modest but ongoing impact on Council finances and levels of service.	3 Waters CCO, reduced 3 Waters standards – possible LTP Amendment	Freshwater NPS being re-written. Assumed capex programme for mandatory standards could be scaled back / delayed.
Infrastructure Capability	Forecast growth can be partly met by the current	Urban growth is modest	Growth in urban areas (3 Waters) is currently very low

Environmental Scan Version 12 Dec 2024 – Scan for Annual Plan 2025/26 process

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Assumption	LTP forecasts	2025/26 Estimate	Current Trends against Assumptions
	and planned capacity of infrastructure assets.		so remains true. It's the mandatory standards and renewals that are expensive.
Waka Kotahi funding	requirements for the performance of subsidised work will not alter to the extent they adversely impact operating costs.	NZTA - Less than assumed	FAR still 73%, but pie has shrunk. Continue with elevated local funding?
Inflation	Local Government Cost Index – 2.4% to 3% in 24/25. 2 – 2.5% a year medium to longer term	Is possible. Some activities are lower than this already.	CPI currently 2.2% as at Sept 2024, Capital Goods 2.1%. Transport Ways sub-category increasing by 0.6%. Water and sewerage costs 2.6% Lower short term, higher medium term
3 Waters reform and subsidies for water and wastewater upgrades	Will remain with Council and there will not be further government subsidies for upgrades	CCO established with Wairarapa. Possible Amendment to LTP as a consequence (2026/27).	The new CCO will result in full reviews of the capex and renewal programmes currently in the LTP.
Interest Rates	Average 4.71% in year one and increasing to 5.75% by 2034. The average is 5.12% over 10 years.	Could be as low as 3.5%	Interest rates have fallen far quicker than forecast. Short term lower, medium term possibly higher (International drivers)
Access to markets for farm exports	Continues to be open		Possible tariffs and trade barriers. But affordability currently better.

## Changing Societal Trends

The big trends that are or will change how we live:

- Protectionism and retreat from big government – around the World new leaders that favour stronger borders, lower taxes and a return to earlier days are being elected,
- AI (Artificial Intelligence) – will likely change the way we work and plan our lives,
- Online everything – demand continues to surge for online transactions. Demand for physical retail and commercial is dropping,
- Climate change – hotter, with more destructive storms. Will result in mass movement of people seeking safety and employment,
- Lower birthrates in developed and emerging countries resulting in significant declines in future population, and a shortage of workers and tax revenue to support ageing populations,
  - Leads to intense competition for skilled migrants from developing countries.
- Healthcare – living longer but taxes not sufficient to pay for resulting healthcare.
- More pragmatic policies on dealing with the challenge of climate change.



New Zealand is now politically in a period of cost control and efficiency. How much will actually change over the next two years before the next election is debateable, but government budgets have been reduced in real terms. This is reinforcing the recession created by reduced demand as a result of the cost-of-living smashing household budgets. Unemployment has and will continue to increase, and asset prices will fall until they return to 'affordable' levels (whatever they are).

The new government policies are still a work in progress so many of the details are still being developed. Until these details on the changing legislation are announced we will all have to wait and make decisions based on what we know now. 3 Waters is moving to CCO regional model with balance sheet separation in some form. Many Councils are cutting back capex programmes to reduce costs, but rate increases around NZ are averaging above 10% and forecast to continue to do so. Unless the 2025/26 budget process results in much lower rate increases this is likely to result in a ratepayer backlash / government intervention and result in significant reductions in services / debt increases above current limits in the next few years.

### The Economy and Affordability Overview

- Interest rates falling – but government 10-year bonds edged up over last two months to 4.4%. International pressures may limit further reductions more than expected.
- Inflation back in 1-3% range – many products and services are not increasing at all. Insurance and rates not included!
- Household budgets smashed by costs and debt in 2022 and 2023. Spending has reduced.
- Farming affordability in a much better situation.
- 2025 looking better for most.
- New highway (mid 2025) improving connections to Palmerston North.
- Changing land use threatens the established farming servicing industries.

The NZ economy has been flat to negative over 2024, even with a strong increase in population from immigration. Housing prices and other asset prices have seen a major correction from the 2021 bubble in asset prices caused by cheap credit and substantial increases in government spending.

There is an exodus of kiwis heading overseas leaving many empty houses for sale and taking with them skills and capital. In the last year (to September) 80,000 kiwis have permanently left, an all-time record. High numbers of new migrants have arrived, but this number is reducing. While the population as a whole is still increasing, we could see net immigration turning negative in the first half of 2025. Another impact of these unprecedented trends is that the arrivals and departures are spread unequally across New Zealand. Data on departures is poor so we do not know which areas are seeing the most impacts.

The government has cut spending in many areas and is reducing the public service workforce overall which has had a negative impact on Wellington and the surrounding region in particular.

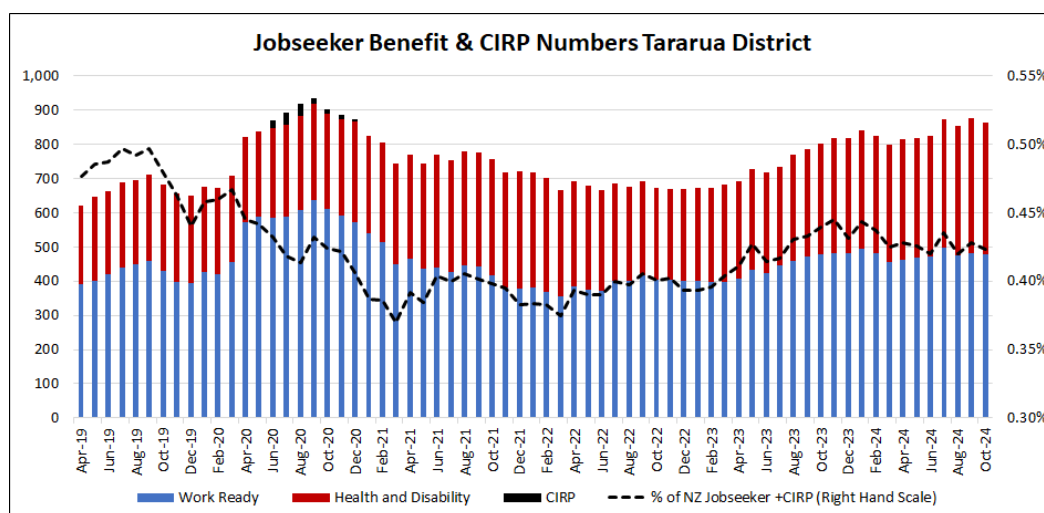
Retail trade is struggling, and that includes the growth of on-line shopping. Demand for physical retail has been falling throughout 2023/24 and this trend is resulting in major commercial vacancies in town centres across NZ. Add in the still to fully impact earthquake prone regulations. Expect to see more physical shops closing as operating costs rise (staff, power, insurance and rates) and sales fall.



Tararua is reliant on the export prices and farm returns of dairy, beef, lamb and forestry. The next largest sector is retail followed by manufacturing. 2023/24 was a tough year for profit margins, and unemployment has increased. The good news is that farm product prices have significantly increased leading into the 2024/25 season (excluding forestry). Expect overall spending and business activity to increase in 2025 as farmers relax the spending restraints a little (but unlikely to be significant). If interest rates fall substantially for farmers, and government regulations rewrites deliver on promises to cut regulations, then activity into 2026 should be much more robust. New regulations limiting pine trees in the ETS will provide some protection for sheep and beef farming from now.

The tough 2024 resulted in total employment being static and Jobseeker numbers have increased 8% in the year to October 2024. For Tararua the direction for 2025 and onwards is still heavily influenced by:

- The health of the Chinese economy,
- US tariff policies and the impact on world trade,
- The inflation tracks worldwide (drives the NZD and to a lesser extent local interest rates, as well as demand for farm products),
- Local climate impacts,
- Policy delivery from the government,
- Immigration / employment trends.



High housing costs (ownership, rental and living costs) continue to be unaffordable for many. This is causing serious social issues around mental health, physical health, family violence and crime. Many households just cannot make ends meet or are living pay cheque to pay cheque. A large number of Tararua households receive the Accommodation Supplement (1,760) and other forms of social welfare.

At a time where more affordable homes are needed, they are very expensive to build and there is no profit for developers. The number of new houses being built is at a low level, especially in urban areas. The government is looking to give more support to social housing providers (while significantly reducing Kainga Ora activity) to deliver housing, but this will take a few years to have any impact. Councils are not able to access any funding for this directly, but regional deals may deliver co-funding for the infrastructure.



In terms of sectors in 2025 affordability issues are still widespread, but easing:

- Urban residential – 2024 was tough with large increases in rent, rates (for property owners), insurance (20%+), health services etc along with increasing unemployment. Food costs now near stable. For those with sizable mortgages the situation is improving. For those with sizable term investments and / or no debt times are not so tough but 2025 will see income reducing. Overall, 2025 will be 'less awful' as long as unemployment does not surge further.
- Business – profitability continues to be challenging with high costs (wages, insurance, power, interest, regulations, etc). How each business is handling this comes down to whether or not they can pass on these costs or not, their on-line sales channels and on-line competition. For those businesses servicing the agricultural sector this will have been very difficult in 2024. Cost pressures have eased but on-line competition is increasing.
- Rural – Mainly positive. There was a massive increase in costs during 2021 through to the end of 2022 coupled with declining meat and dairy prices. Costs in the last year were -0.1%. Confidence has been improving with the government working on reducing environmental regulations and rebounding farm product prices. Note that due to the huge increase in costs, the recent surge in meat and dairy products will improve farm profitability considerably but will not result in historically high returns.

#### Limitations of this Scan

This scan is not intended to be 'definitive'. Change in society, technology, business, and environment is occurring fast and it is difficult to forecast for the next year, let alone 10 or 30 years.

Disruptive factors are resulting in changes to how we live and the state of the environment. We have no or very little control over these, and the impacts are significant.

- Government policy changes impacting on service standards, household incomes, costs and structures, urban and rural land values and land use changes:
  - 3 Waters,
  - ETS – forestry,
  - freshwater regulations,
  - indigenous biodiversity (NPS-IB) – being partly re-written,
  - RMA replacements (who knows!),
  - Transport funding (less for local roads) and a possible toll on the new highway,
  - Social welfare systems (tougher conditions to remain on benefits),
  - Immigration policy (tougher requirements).
- Interest rates falling – cost of debt will drop,
- World trade and tariffs – we are a trading nation and Tararua especially so. New barriers to trade could impact the costs and availability of imports and returns on exports.
- Technology (e.g. artificial intelligence),
- Demographics:
  - An ageing population with 26% of the Tararua population forecast to be aged 65+ years by 2034 (we went over 20% in the 2023 Census),
  - Big increase in Māori ethnic residents.
- Climate change impacting on levels of service in infrastructure, how urban areas look and work, the productive capability of the rural area, and the overall health of the environment.

**Note: The Council Impact tables at the end of each section relate to the resources required relative to existing overall Council budgets, not what is currently allocated to the specific activity (so a moderate increase in Roading is significant for Council, while for Service Centres it is not). This is a guess based on current knowledge.**



## Economic and Demographic Trends – the detail

Cost increases for most goods and services are back under control (with some exceptions e.g. insurance, electricity) as the world logistic systems normalise, the NZ economy treads water and demand for staff rapidly reduces. Tararua business and development activity has dropped away as farm product prices and cost increases reduce profitability. Retail trade is struggling as households continue to cut back spending.

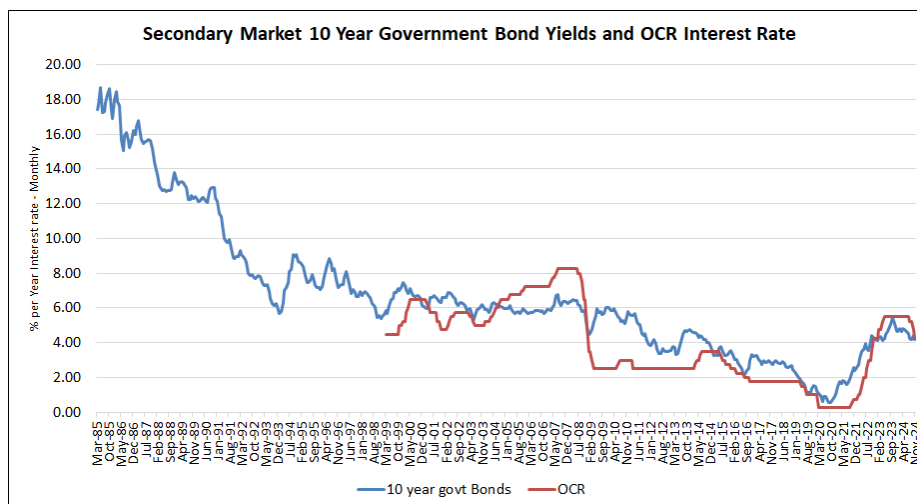
Council has seen significant cost increases across all activities and faces higher capital programme and moderate interest rates into 2025 that will place pressure on delivering a substantial capital investment programme.

Cost increases have largely returned to low levels

Inflation has rapidly fallen back to 2.2% levels as imported and logistical costs have settled down and the higher interest rates have resulted in lower demand. Costs are now being driven by:

- NZ wage increases (and the ongoing flow on impacts of minimum wage and public sector pay rises from 2022 and 2023),
- increased regulations and standards from the previous government (that have yet to be changed),
- insurance costs as higher risks from natural disasters are factored in, and
- Council rates increase driven by the need to address long term renewal issues and meet new standards in 3 waters.

Interest rates are continuing to drop - having increased rapidly from the artificially low levels of 2018 to 2021 and are now around 'normal' levels on an historical basis. They are still quite low compared to the 1970's through to the early 2000's. They are likely to settle at levels much higher than those seen over the last decade. Higher interest rates have a huge impact on Council finances as debt costs significantly increase – and the major source of that funding is rates.





It will be later 2025 that the 3 Waters CCO is formed, and it will take some time to confirm the capital programme. Waters debt and the interest costs that go with it are a major constraint for Council.

The RBNZ has been forced to cut interest rates as the economy has done far worse than it forecast earlier this year. As this was being written the OCR has been cut to 4.25%. The RBNZ is remaining more 'hawkish' than the market expected with its latest forecasts suggesting that the next cut in February 2025 may be just a 25-point cut, while the OCR is forecast to be around 3.5% by the end of 2025 and easing down to around 3% by 2027. This implies a 10-year government bond of around 3.5% and mortgage rates in the 5.0 – 5.95% range.

Many of the current planned TDC capital projects are required to meet government imposed mandatory standards. Increased investment in roading to repair cyclone damages funded by the government has been announced and this funding has been increased in the Budget 2024. This, on top of roading, health, 3 Waters and other public infrastructure will continue to keep demand for infrastructure services at a high level. Consultancy costs should fall as the sector is geared up to respond to all-time high in residential construction activity which is now declining fast.

### Key Prices for Council

Council budgets are driven by 4 key costs.

- a) Labour costs (including consultants),
- b) interest rates,
- c) Capital and construction materials – pipes, machinery, concrete, pumps, and buildings,
- d) Diesel prices and bitumen.

Most civil works are a combination of the above. While costs are still high, competition for work in a very depressed construction sector is resulting in prices to build falling.

Currently the NZD is at 58.7 cents NZ after a period of considerable volatility driven by movements in the \$USD. Commodity costs have been largely subdued due to low demand and spare capacity from China.

Prices are stabilising, now driven by services such as interest costs, insurance and rates.

- Farm prices decreased 0.1% year to September 2024
- Capital Goods Price Index - Civil Engineering increased 2.1% year to September 2024, with the Transport Ways sub-category increasing by 0.6%. Systems for water and sewerage costs increased by 2.6% for the year.
- Capital Goods Price Index - Plant, machinery, and equipment increased 1.2% in the September 2024 year, and fell by 0.5% in the September 2024 quarter.
- Producer Price Index Output prices for Heavy and civil engineering construction increased 0.7% in the year to September 2024.

### Labour costs

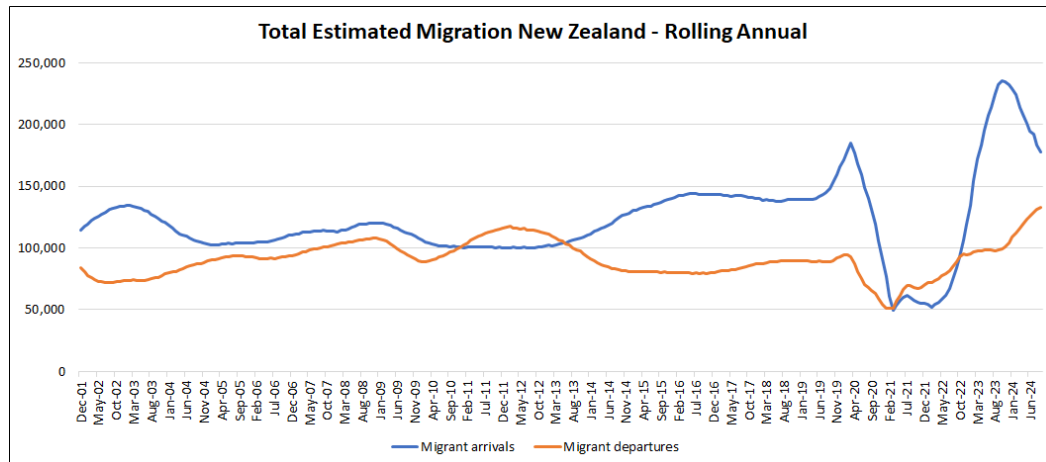
The Quarterly Employment Survey to September 2024 saw a continuing above CPI increase in private sector average hourly earnings of 3.3% for the year. Public sector earnings are still increasing faster at a 5.2% annual increase, but this was all from increases earlier in that year. This differs from total gross earnings increases as the average number of hours worked is falling. Overall gross earnings





increased by 2.6% for the year to September 2024 (less than the hourly increase as hours worked are reducing). Wage increases into 2025 are expected to be very low, as increasing unemployment, continuing immigration and the ongoing government cutbacks have increased the pool of available public sector workers.

Immigration settings have been tightened after running at record levels into New Zealand but are still at historically high levels. On the other hand, a record number of New Zealand citizens are continuing leaving for Australia and other countries. The result is a high but rapidly declining net population gain for the year. Net immigration may turn negative in 2025.



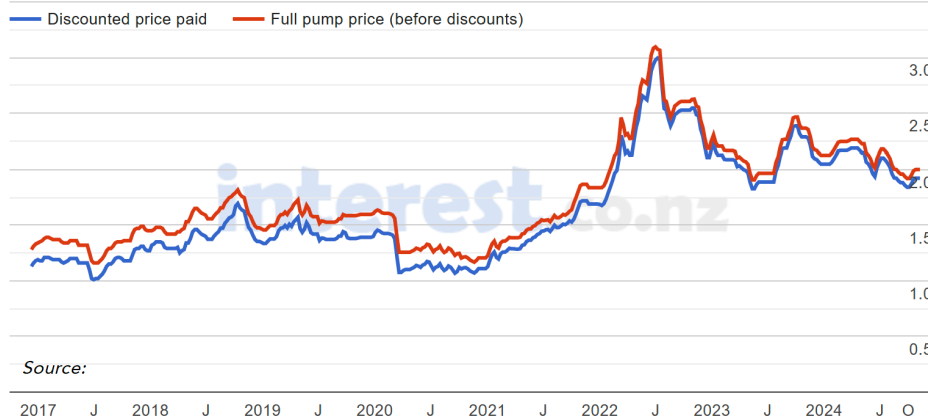
### Energy prices – Oil and Diesel

The price of oil and fuel has been a key price driver for Council costs historically. The oil price is still a key component in the roading activity (vehicle fuel and re-seals) and plastic pipes. Fuel costs impact all transport related costs throughout the economy. Oil prices and diesel have been relatively stable over 2023 and 2024, after spikes in fuel prices in 2022 driven by supply chain blockages. Expanding renewable energy investments have largely met the increasing demand for energy.

Select chart tabs

Diesel pump price - Rest of NZ

### Diesel pump price - Rest of NZ



Source:



Source Interest.co

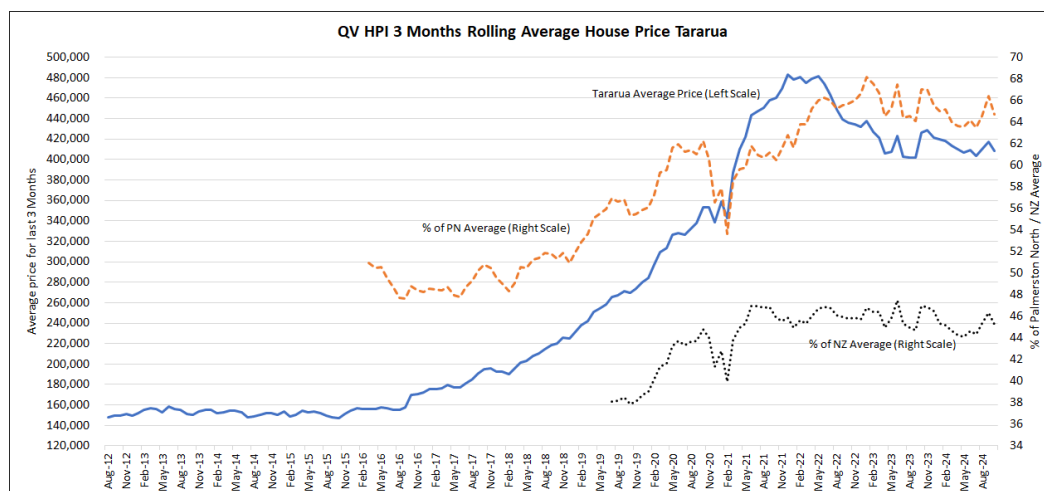
Diesel prices currently are about 13% lower than this time a year ago.

Electric vehicles and solar power are getting close to being cost effective options and new brands out of China are reducing the cost of these vehicles. The new RUCs for electric vehicles means that actual overall running costs are very similar to hybrids and smaller petrol vehicles. New electric and battery technologies currently being commercialised (within 5 years) will result in electric vehicles being the common new vehicle purchased.

### Housing and Rental Costs

After the huge price spike in 2021, and the substantial price reductions in 2022/23, house prices have slowly fallen over the last year but have quite stable since March 2024. The latest QV average price for Tararua for the year to October 2024 was down 4.1% for the year. Prices are down 15% from the peak of December 2021 (-\$74,500 on average). Listings have increased considerably again lately, and demand is soft. The bottom of the market has fallen more than the top, even as rents increase. It should be noted that prices have still increased 52% in the last five years.

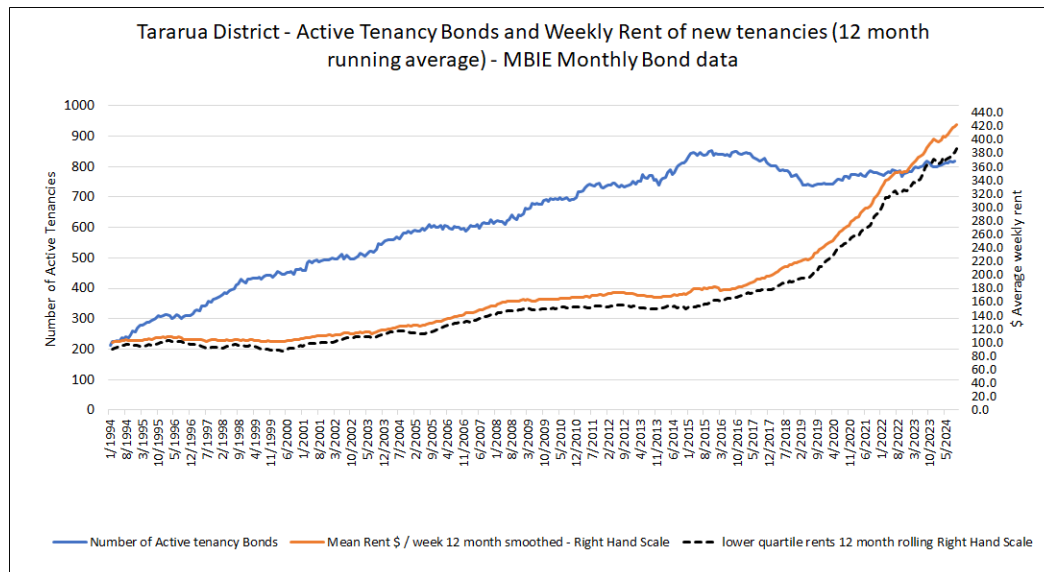
The drop in average prices in Tararua has mirrored the same trend declines from the peak in Palmerston North (-19%) and New Zealand overall (-15%). New housing in Tararua has reduced significantly, and the wider residential construction industry is repeating the boom / bust cycle of the past. 2025 looks like an especially severe 'bust'. The sector is changing to drive costs down and with the rise of 'factory or yard' built relocatable housing which generally delivers smaller 2 bed and 3 bed houses quickly at a lower price. Demand from those seeking affordable housing remains high.



Rents are still increasing on top of the significant rent increases way above wage increases in the last few years. Rental increases, measured by MBIE tenancy bond data, have increased by 7% in the year to September 2024 for Tararua. Significant social impacts including increased crime and health issues are resulting as people cannot make ends meet. Providing more rentals is the only way to address this issue, short of major intervention from the government or a sudden reduction in the population. Neither of those latter outcomes are remotely likely currently. Budget 2024 (government) included very modest new funding to address these problems, paid for by much larger cuts to Kainga Ora and



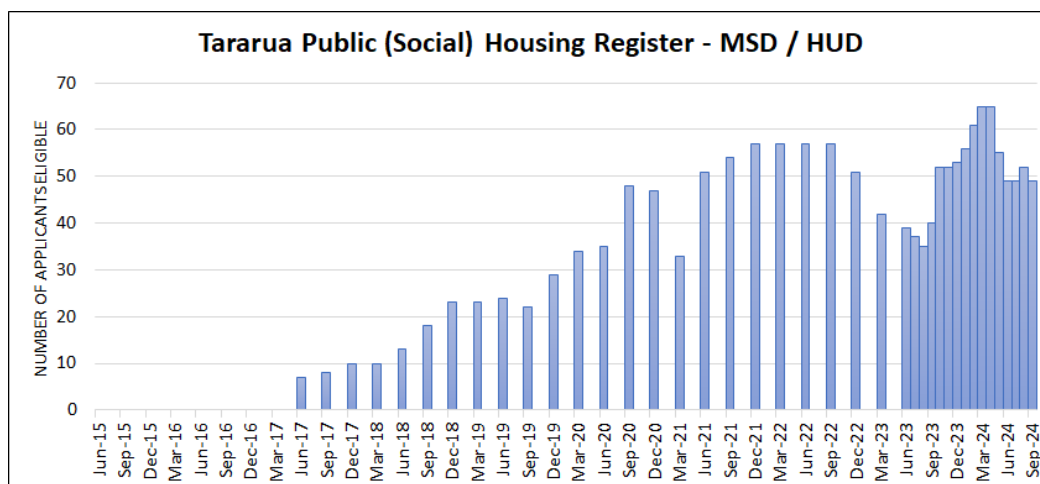
Māori Housing pathways. Recent announcements have been around supporting social housing providers to build more social housing.



The cost of building new houses and developing residential sections remains very high. While recent anecdotal information points to competitive prices being reduced a little, there is a big gap in costs to develop and build vs achievable sale prices. With living costs remaining very high the affordability and credit availability issues remain a major barrier to people being able to pay more for housing. While there has been a continuing surge in rents as demand for housing outstrips supply, the gross and net returns from a rental investment property are poor.

The uncomfortable truth is that house prices in New Zealand are still overpriced relative to incomes and yields. Rent levels are now at the extreme end of what renters can afford. The likely outcome (without major tax and legislation changes) is that house prices will see an extended flat period, with affordability slowly increasing as incomes increase over time.

The public housing register for Tararua has reduced again to 49 after a spike in numbers in mid-2024 to 65. This trend is seen across New Zealand - including Manawatu, Whanganui, and Masterton. This may be in response to more rental availability in many urban areas as people leave overseas, but no one in government seems to know why.



### Council Impacts

Note: the resources required relates to the overall Council budgets, not what is currently allocated. It also may reflect political effort / impacts rather than budgets. This is a guess based on current knowledge.

Growth in housing has continued to be very low during 2024 and brings into question the **timing** for urban expansions in the short term and the infrastructure costs that come with that. Some government regulation constraints relating to soils, freshwater and planning rules are expected to be relaxed by the new government (but could take a few years to come into effect).

Council Group	Impact – Resources Required	Likelihood
Finance – Rating Policy (affordability of property owners)	High	High
Council overall (inflation / interest rates increases now reduced)	Low	Likely



## Growth and Demographics

### Population

The growth in population in Tararua is estimated to be continuing at around 0.5% a year increase (around 100 people extra per year), after a few years of stronger growth (2019 and 2021). This growth, alongside the spike in property values, resulted in a strong lift in new housing peaking in 2022/23, focused on the urban and peri-urban areas. New house building has fallen away since late 2023 and continuing at low levels for 2024. This mirrors a major collapse in new residential building activity across NZ as developers cannot make a profit given development / build costs and house prices.

### Census 2023 Results

The population and dwelling estimates are very close to our assumptions for the 2024-34 LTP. This was the high growth scenario. It turns out that the number of people per household was about as forecast. Given the Census results there is no need to adjust the LTP assumptions.

Census Results Tararua District overview:

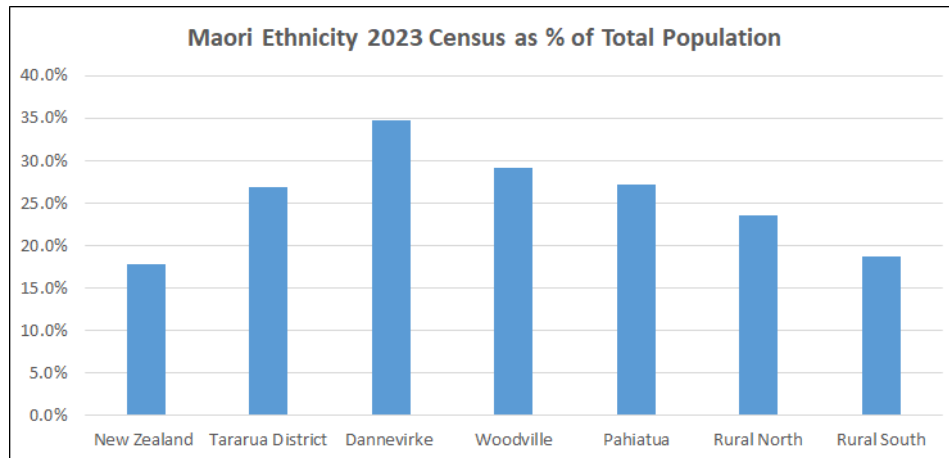
Year	Stats NZ estimates (June Year)	Census Population (March)	Our forecast assumptions (June Year)	Dwellings, privately occupied only (incl vacant).
2018	18,450	17,943		7,953
2019	18,650			
2020	18,700			
2021	18,900			
2022	19,000		19,050	
2023	19,150	18,660	19,153	8,253
2024	19,250		19,314	
2034			20,981	

**Note** that the June year estimates are higher than the Census results as Stats NZ then add on people that are estimated to have been missed by the census (and those overseas longer term), and for a June year. In 2018 there was a 2.5% increase between the census and the June estimate. If we apply that same additional 2.5% to the 2023 Census result, we get 19,127 for June 2023. This is a 0.8% a year increase 2018 - 2023.

- Census 2023 up 4% on Census 2018 - or 717 people.
- Older people were 75% of this increase (537 more 65+).
  - The increase in people aged 65+ between census was 16%.
  - Residents aged 65+ years now over 20% of total population (20.5%) - was 18.3% in 2018.
- All other age groups amounted to a 1% increase on 2018.
  - Children aged 0 - 15 declined by 3.7% or 144.
- 27% of residents identified as being of Māori descent, up from 20% in 2013.
- 45% of residents aged 0 - 19 years identified as being of Māori descent in 2023.



The proportion of residents that are of Māori ethnicity is highest in Dannevirke, and lowest in the rural south. Compared to NZ Tararua has a high proportion of residents that are of Māori descent.



The number of households was recorded as increasing by 291 between 2018 and 2023 - or 4.2%. This was very close to the population increase. Note that there was higher household growth in the smaller urban towns (but note that the 2018 census had data issues particularly in the more remote areas). Overall rural household growth was also a bit less than average. There has been a surge in rural subdivisions in the last few years.

#### Number of Households (Private)

	2013	2018	2023	% Change 2023 / 2018	Annual	% Change 2023 / 2013
<b>Tararua District</b>	6,798	6,996	7,287	<b>4.2%</b>	<b>0.8%</b>	<b>7.2%</b>
Dannevirke	2,124	2,178	2,265	4.0%	0.8%	6.6%
Pahiatua	975	1,053	1,092	3.7%	0.7%	12.0%
Woodville	603	648	690	6.5%	1.3%	14.4%
Eketāhuna	216	222	237	6.8%	1.4%	9.7%
Norsewood	51	54	60	11.1%	2.2%	17.6%
Pongaroa	42	36	45	25.0%	5.0%	7.1%
Ormondville	27	36	42	16.7%	3.3%	55.6%
Rural	2,760	2,769	2,856	3.1%	0.6%	3.5%

Average Number of usual residents in household			
	2013	2018	2023
New Zealand	2.7	2.7	2.7
<b>Tararua District</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>
Dannevirke	2.3	2.3	2.3
Pahiatua	2.3	2.4	2.5
Woodville	2.3	2.3	2.3
Eketāhuna	2.1	2.1	2.2
Norsewood	2	2.4	2.2
Pongaroa	2	2.1	1.9
Ormondville	2.3	1.9	2.3
Rural	2.6	2.6	2.6



Household occupancy has actually increased since 2018 – a very rare occurrence historically. This reflects the cost of living, and the shortage of rental housing. The smaller rural urban areas tend to have a higher proportion of older people, so occupancy is less. With Tararua having a higher median age the occupancy rate is lower than for NZ.

#### Population Census results by urban area and Rural

	Tararua District				Tararua	Tararua
	2013	2018	2023		2018 - 2023 % Change	2013 - 2023 % Change
NZ	4,242,048	4,699,755	4,993,920			
<b>Tararua District</b>	16,854	17,943	18,660		4.0%	10.7%
Dannevirke	5,076	5,502	5,580		1.4%	9.9%
Pahiatua	2,403	2,685	2,841		5.8%	18.2%
Woodville	1,401	1,551	1,659		7.0%	18.4%
Eketāhuna	447	504	570		13.1%	27.5%
Norsewood	111	135	150		11.1%	35.1%
Pongaroa	90	81	87		7.4%	-3.3%
Ormondville	66	66	90		36.4%	36.4%
Rural	7,269	7,422	7,686		3.6%	5.7%

% of Households 1 person				
	2013	2023		Change 10 year
<b>Tararua District</b>	<b>27.4%</b>	<b>28.2%</b>		0.8%
Dannevirke	33.8%	34.2%		0.4%
Pahiatua	30.7%	29.5%		-1.1%
Woodville	27.7%	31.8%		4.1%
Eketāhuna	32.5%	33.8%		1.3%
Norsewood	31.6%	47.4%		15.8%
Pongaroa	40.0%	46.7%		6.7%
Ormondville	25.0%	33.3%		8.3%
Rural	20.3%	20.8%		0.4%

Household incomes are lower than the average NZ amount. Urban areas are lower still reflecting the high proportion of people on benefits and an older population. It is noticeable that Pahiatua has a significantly higher median household income than Dannevirke.

Median HH Income	Tararua District				Median HH Income	
	2013	2018	2023		2018 - 2023	2013 - 2023
NZ	63,800	75,700	97,000		28.1%	52.0%
<b>Tararua District</b>	47,400	53,500	68,700		28.4%	44.9%
Dannevirke	39,700	42,300	56,900		34.5%	43.3%
Pahiatua	38,300	48,300	65,600		35.8%	71.3%
Woodville	36,600	46,800	57,400		22.6%	56.8%
Eketāhuna	34,000	36,000	52,000		44.4%	52.9%
Norsewood	33,600	41,000	52,500		28.0%	56.3%
Pongaroa	31,300	50,100	48,900		-2.4%	56.2%
Ormondville	45,600	43,400	57,800		33.2%	26.8%
Rural	61,400	67,900	85,600		26.1%	39.4%
Tararua as % of NZ Median	74.3%	70.7%	70.8%			
In \$ Terms	-16,400	-22,200	-28,300			



A new measure for the Census is the extent of households that are crowded. This is defined as the need for 1- or 2 more-bedrooms vs the number of people in the house. Dannevirke, Eketahuna, Pongaroa and Ormondville stand out with a higher crowding percentage, and rural areas with a very low rate. Dannevirke and Eketahuna numbers are still below the national average

Household crowding index - Crowded				% of Households Crowded			
	2013	2018	2023		2013	2018	2023
New Zealand	74,121	90,099	105,627		4.8%	5.4%	5.9%
Tararua District	135	192	261		2.0%	2.7%	3.6%
Dannevirke	63	72	114		3.0%	3.3%	5.0%
Pahiatua	21	30	36		2.2%	2.8%	3.3%
Woodville	18	24	27		3.0%	3.7%	3.9%
Eketāhuna	6	12	12		2.8%	5.4%	5.1%
Norsewood	0	3	0		0.0%	5.6%	0.0%
Pongaroa	3	0	3		7.1%	0.0%	6.7%
Ormondville	0	0	3		0.0%	0.0%	7.1%
Rural	30	48	66		1.1%	1.7%	2.3%
Two or more bedrooms needed (severely crowded)							
One bedroom needed (crowded)							

The Stats NZ annual estimate to June 2024 was 19,250, a growth rate of 0.5% on June 2023. Over the last 5 years the estimated growth is 3.2% (census result 4%), with major urban (Dannevirke, Woodville and Pahiatua) growing 1.5% and the balance of the district 5.0%. Much of the new housing in the rural area is close to the urban towns on lifestyle type blocks. The NZ Average population growth from 2018 to 2023 recorded by the 2023 Census was 6.3%.

	Stats NZ June Estimate							
Council area	2019	2020	2021	2022	2023	2024	% Change 2023 - 2024	% Māori Descent 2023 Census
Tararua District	18,650	18,700	18,900	19,000	19,150	19,250	0.5%	27%
Dannevirke Total	5,660	5,660	5,660	5,670	5,660	5,680	0.4%	35%
Dannevirke West	2,200	2,210	2,220	2,220	2,230	2,240	0.4%	31%
Dannevirke East	3,460	3,450	3,440	3,450	3,430	3,440	0.3%	37%
Pahiatua	2,790	2,780	2,810	2,840	2,870	2,860	-0.3%	27%
Woodville	1,620	1,630	1,640	1,660	1,670	1,680	0.6%	29%
Eketahuna	517				570			
Rural areas North	4,450	4,480	4,530	4,560	4,610	4,630	0.4%	23.5%
Rural Areas South	4,140	4,160	4,220	4,270	4,330	4,390	1.4%	18.7%

Note: the small urban areas of Norsewood, Ormondville, Pongaroa, Akitio are included in the rural numbers.

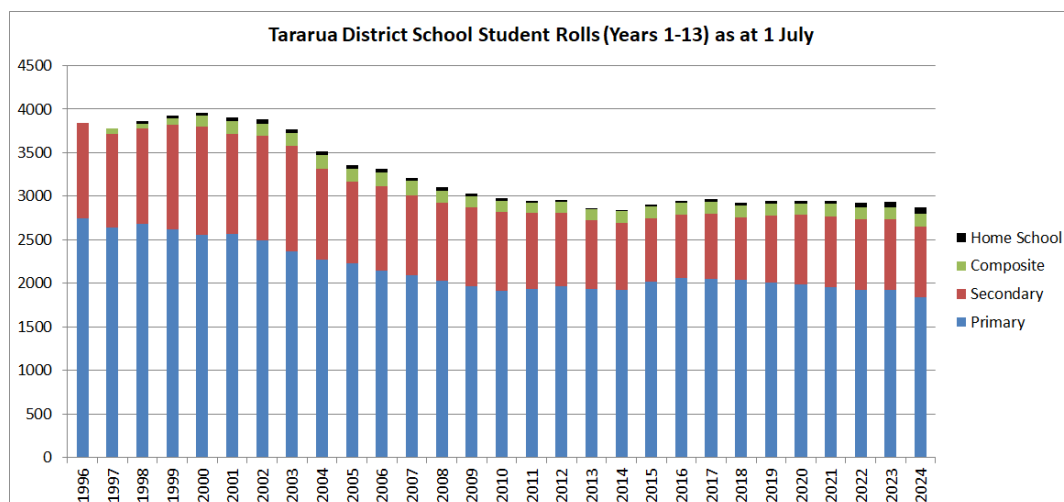
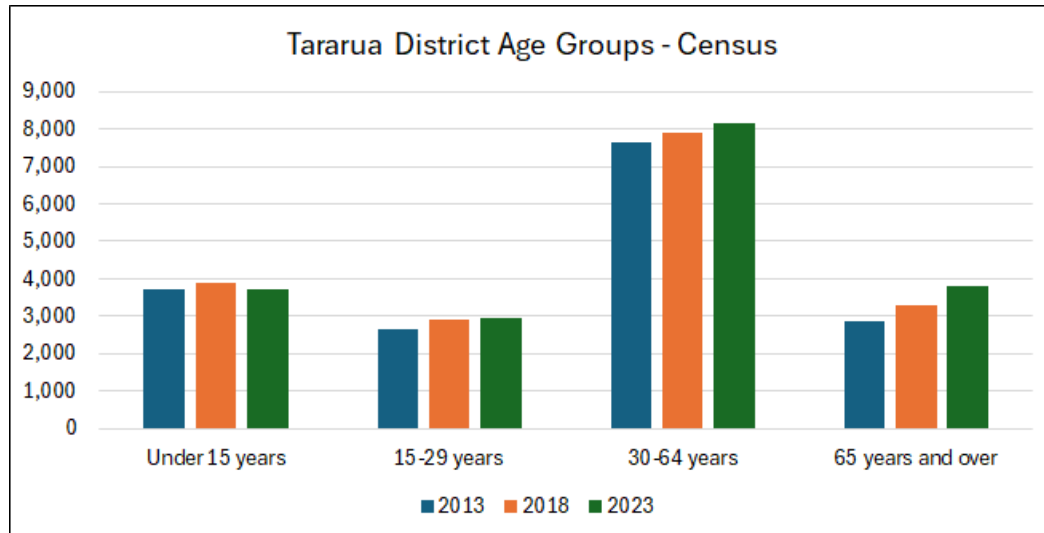
Since March 2023 NZ has experienced a record inflow of immigration. The estimated net gain from immigration alone since the census in March 2023 has been 111,000 or around 2.1%. The data for Tararua shows a strong number of arrivals, but a likely equally high number of departures (these are international movements – not domestic).

Overall, we are seeing some evidence that growth in Tararua has eased in 2023/24. The gain in births less deaths over the last 5 years (+320) has fallen as the number of births declined rapidly. Also new house consents have fallen away. The wildcard is always the movement of people within NZ – we have no data apart from the census and the annual Stats NZ estimates on this. The 2023 Census confirmed



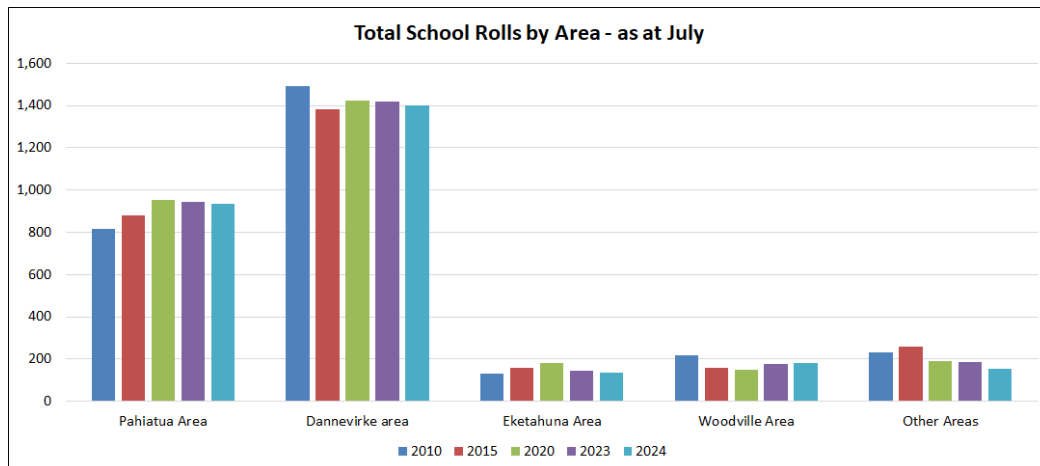


that growth is moderate and steady. Census data also shows a surge in the number and proportion of people of Māori descent, both in Tararua and New Zealand overall. Tararua has a significantly higher proportion of residents of Māori descent (27%) than the NZ average (18%).



The number of school students enrolled in Tararua for 2024 as of 1 July showed a decline of around 2% on 2023. This compares to a 2.4% overall increase across NZ, and only a handful of districts had a decline<sup>1</sup>. This mirrors the decline in residents aged under 15 years old in the census. The growth in older people is continuing to drive the overall modest population increase.

<sup>1</sup> A note of caution – the school student enrolment numbers do not include those students who travel out of the district for schooling.

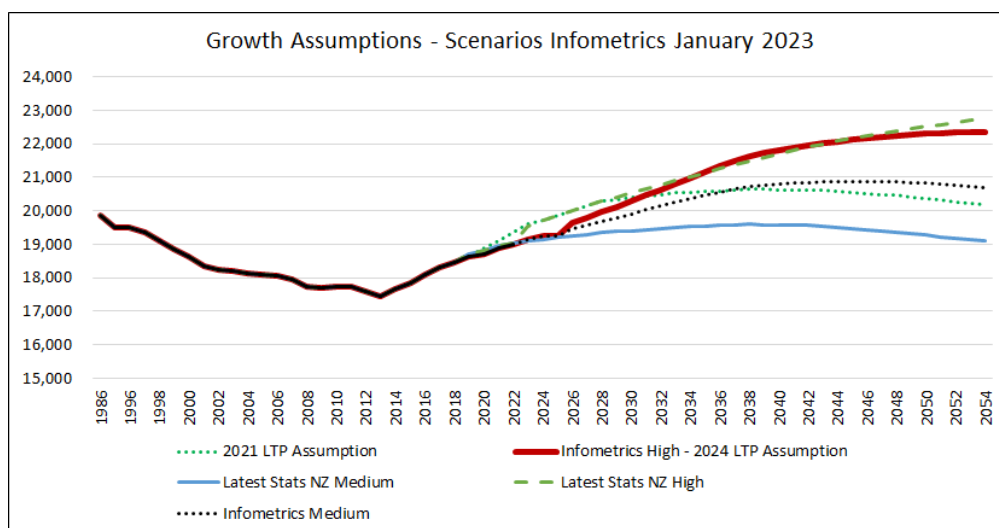


The following still seems to support the growth assumption over the medium / long term:

- continued strong demand and rent increases for urban rentals generates demand for housing,
- new proposed District Plan in 2025 (possibly more restrictive on rural subdivision),
- more social housing (but still unknown funding),
- possible development of iwi post settlement lands (Dannevirke, Pahiatua),
- new highway (mid 2025) improving commuting to Palmerston North.

However, there are growing risks that point to lower population outcomes:

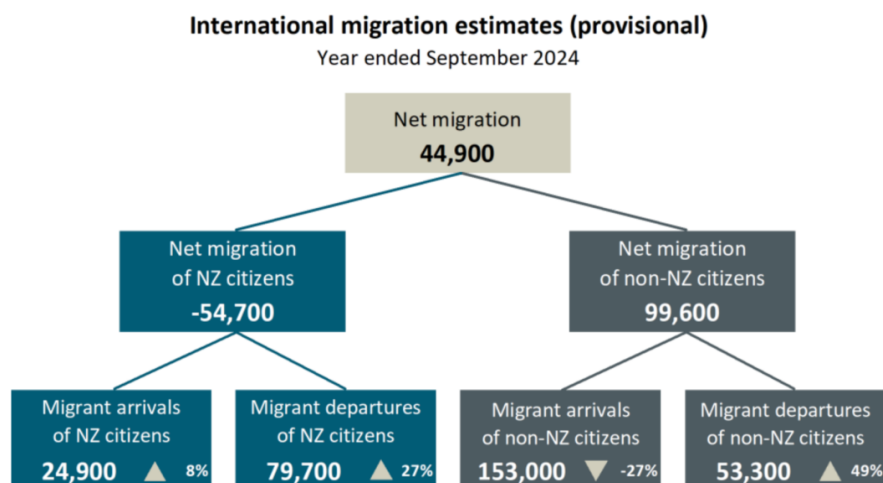
- Carbon forestry land use – hollowing out of rural population and less demand for agricultural services
- Declining birth rate
- More people leaving for overseas (probably)
- Lack of suitable housing to attract new residents





## Immigration

New immigrants are still coming into NZ in high numbers, although down 27% in the last year from the peak. This is partially offset by a record number of kiwis heading for greener pastures (79,700 in the year to September 2024), itself offset by a near record number of kiwis coming home. The overall net gain of people through migration was 44,900. This net number is rapidly dropping. Current flows of people for the year to September 2024 for New Zealand:



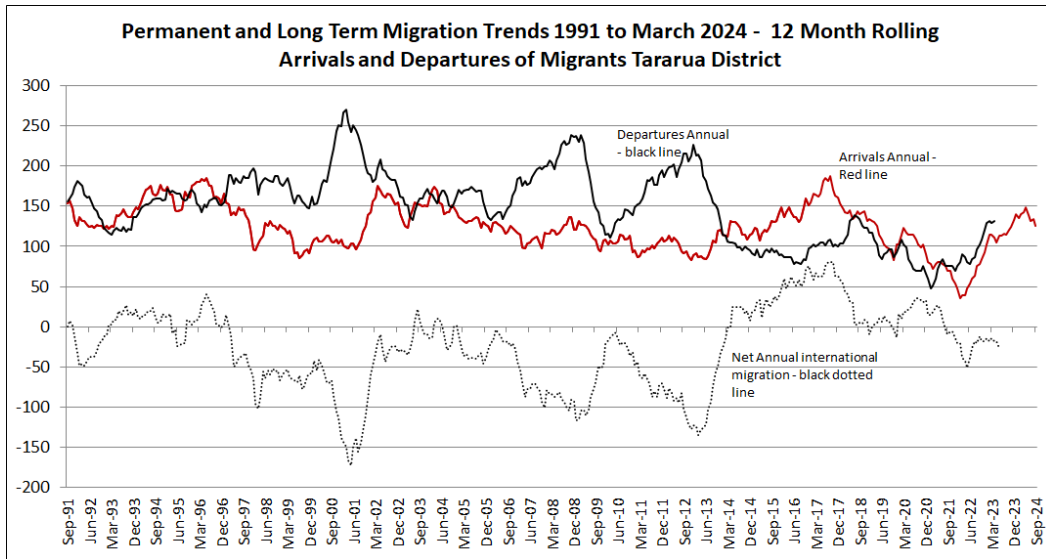
Notes: Estimates are provisional as of 13 November 2024.  
Percentage changes are indicative of the September 2024 year compared with the September 2023 year.

Note that these inflows and outflows are having profound impacts as they are not uniform across New Zealand. We have poor data on the location of those departing permanently.

We have yet to see a long-term population plan from the government to try and actually plan for the immigration flows. Migrant arrivals are reducing from the record highs of 2023 (which were double the previous record of 2020). Citizens of India, China, Philippines, Fiji, Sri Lanka, UK and South Africa continue to drive the net migration gains (in that order). India, China and Philippines citizens made up 48% of the immigration arrivals.

For Tararua the surge of estimated arrivals of permanent residents has been modest and peaked at 150 people in the year to May 2024. We have little recent data on departures as this is delayed by 16 months due to the 'improved' system now being used in New Zealand. Departures have also increased with the latest data to May 2023 showing annual permanent departures overseas of 132. This means there was a small net loss from immigration in 2023. This likely continued during 2024 and may have grown as there has been a huge and ongoing increase in NZ citizens leaving the country.

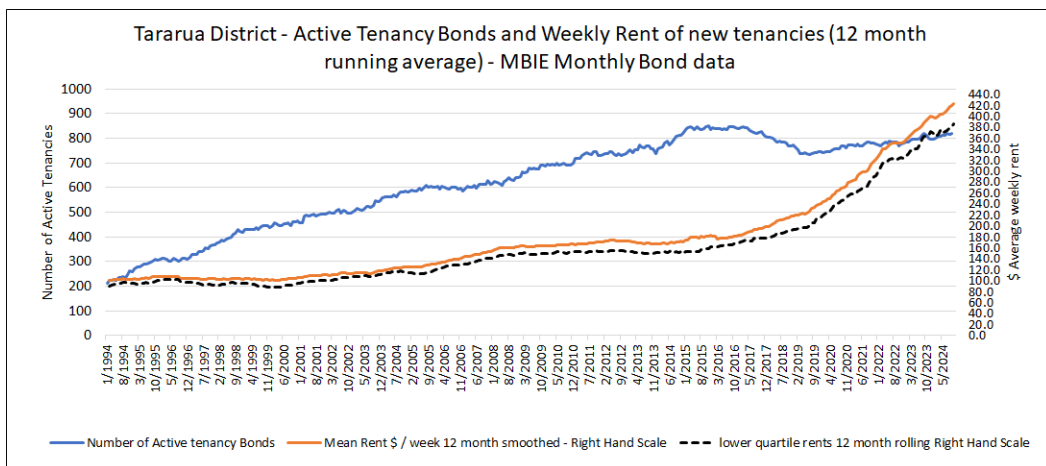
There are much larger flows of people within NZ to and from Tararua. We have no data on these flows between Census years but use other data as indicators of these flows. The latest Stats NZ annual population estimates for the year to June 2024 included an estimated net 60 people gain from international migration, and net 40 gain from internal NZ migration. Given the ongoing severe shortage of rental properties in Tararua there is no evidence of a large outflow of people.



### Households and Supporting Infrastructure

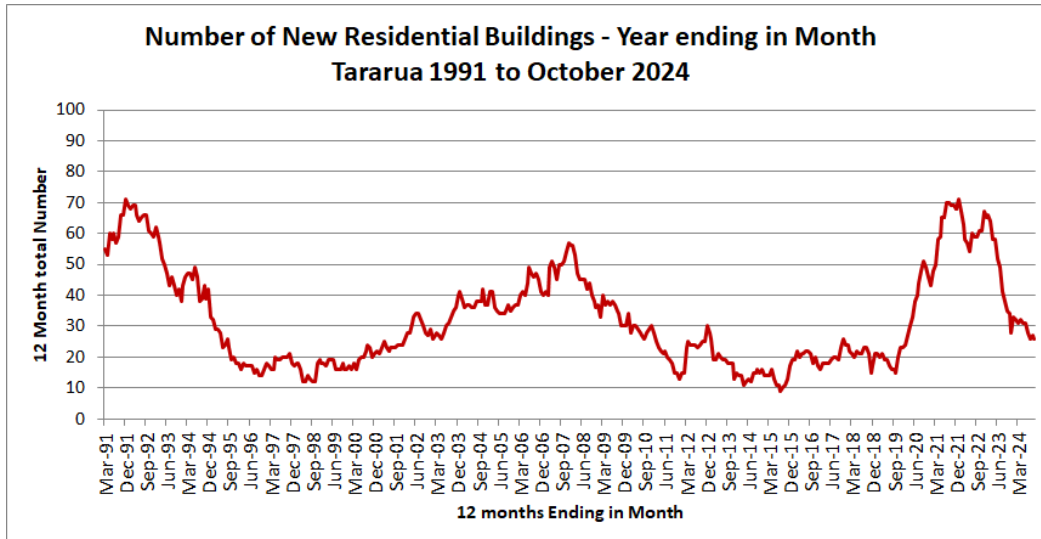
The shift to a growth trend and a small number of new housings has resulted in huge pressure on rentals, with rents still increasing around 7% a year and families having nowhere to live. Average rents are now \$450+ for a family home which is eating up a very large proportion of household incomes. This is placing real hardship on many people in Tararua, including businesses who are having trouble attracting new staff who cannot find quality rental housing. While there has been a significant increase in available rentals in Palmerston North, there are still very few available in Tararua (currently just 4 advertised on realestate.co.nz, while Palmerston North City has 152).

Nationally new housing consents have fallen 34% (annual to October 2024) on the peak year ending May 2022. New housing consents seem to have levelled out at around 33,000 a year. The pull back in Tararua has been more like 50% +.

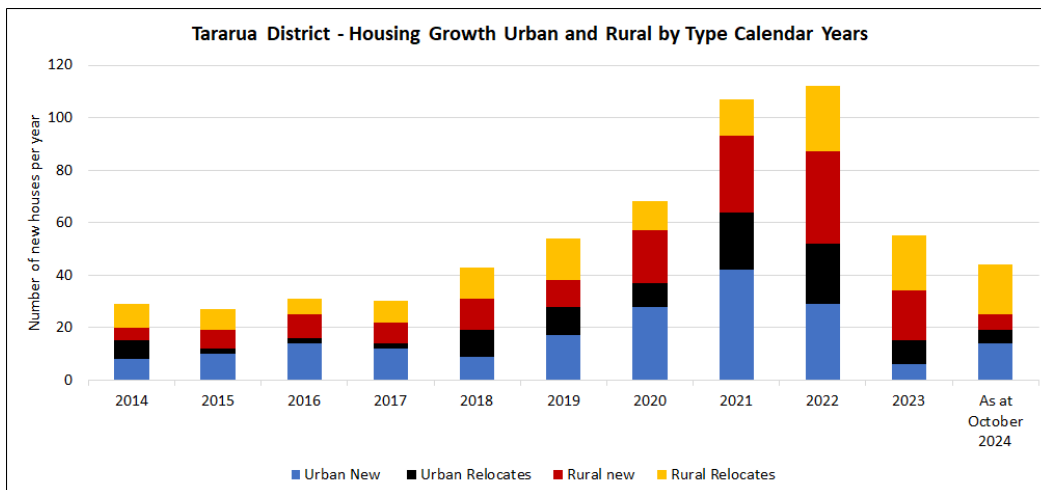




There are fewer rental houses now than 10 years ago, despite the population having increased by 1,600 people. In that time average rents have increased from \$171 a week (\$8,892 a year or 19% of average household income) to \$423 a week (\$21,996 a year or 32% of average household income). Average household income has increased from \$47,400 in 2013 to \$68,700 in 2023 (Census results).



The new government has reduced funding for social housing. Kainga Ora is reducing its development programme and has downsized staff. Apart from some funding directly to Community Housing Providers, there was little to no other funding made available. Remaining funding is still waiting on new pathways being considered by MHUD.

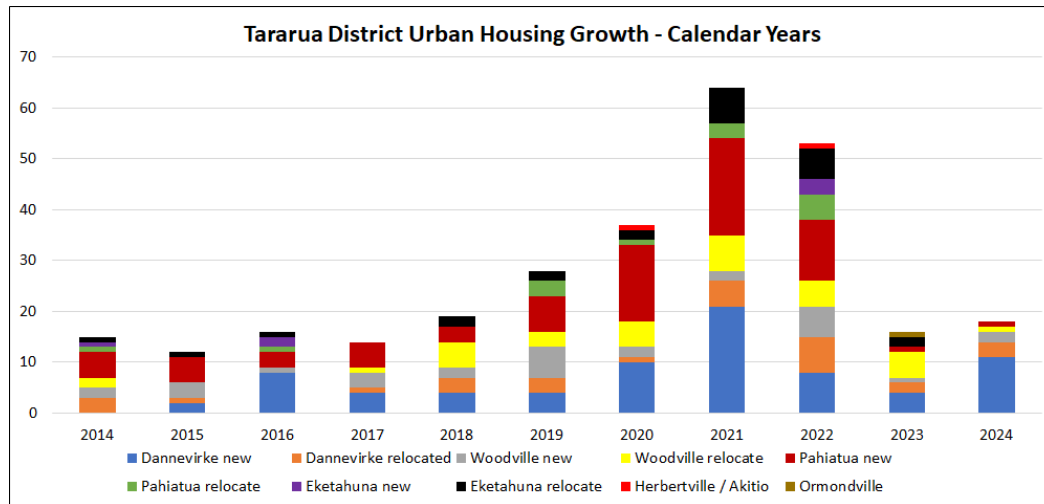


New housing activity has dramatically slowed in 2023 and 2024 as falling property prices and large increases in the costs of development and building has significantly increased the cost of a new house vs buying an existing house. Subdivision activity in lifestyle blocks was very strong in 2022/23 and into 2024. While the costs of subdivision development and building are now stable (or in some cases falling), it remains very expensive and relatively low new section / house values in Tararua mean that

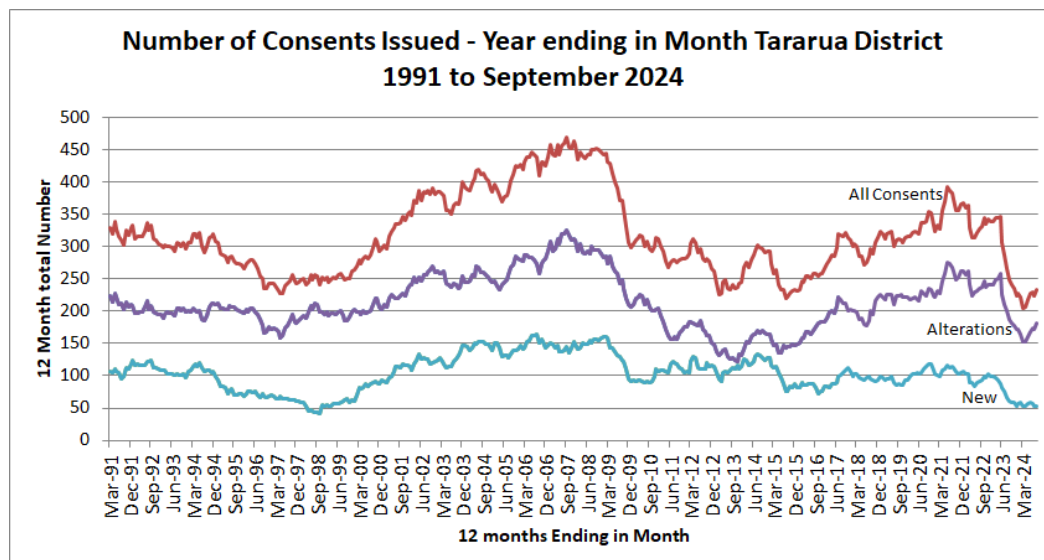


there is no profit for private developers. The number of building consents issued by Council in the year to October 2024 were the lowest for more than 30 years.

There is next to no new housing currently underway in urban areas, not even relocates. The new housing consents that are coming through are almost entirely in the rural areas. The new Highway is currently not resulting in any new housing in Woodville. Of note is the assumptions in the 2024 LTP and the Growth Strategy that the majority of new housing (built on site and relocated) will be in the urban areas. For 2024 this is definitely not the case with 60% being rural.



Significant investment in infrastructure will be required to enable and provide services for substantial infill development. In some cases, it will be inefficient to develop (flooding, hazards etc). This is a key focus for investment in the 2024 LTP and this will transfer over to the new Waters CCO. The investment projects are driven by the Growth Strategy and the upcoming Proposed District Plan.





## Getting Older?

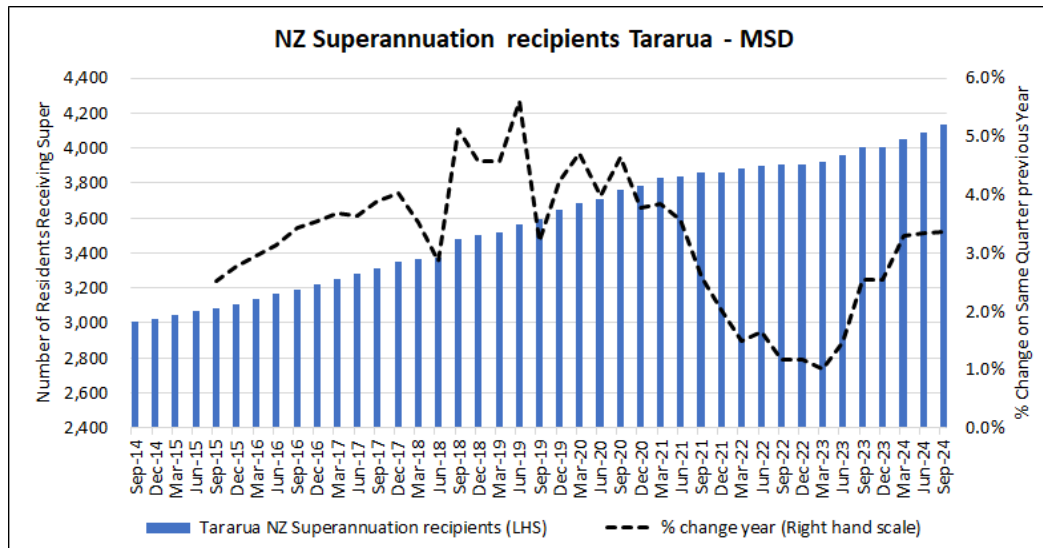
For a few years up until 2020 the district resident median age stayed roughly static as fewer young people left the district, and more people arrived. The latest Stats NZ estimate for June 2024 median age is 42.4 years, the same as June 2022 and up from 41.5 in 2018. This compares to 38 years for NZ.

Census numbers show the number children aged 0-15 years are declining. As the job market tightens more school aged young people will stay at school, and more young adults will move into tertiary education. Enrolments at universities are now increasing for 2025. The decline in overall young people (less births) in Tararua will feed through to lower school rolls over the next five years.

In the years from 2015 – mid 2021 the number of residents aged 65+ had increased at a fast pace, around 4% a year (100 to 150 more residents each year). In 2023 the rate of increase slowed, before resuming strong growth in 2024. In the year to September 2024 the increase in residents receiving super (so aged 65+) was 3.4% (+135 people). The NZ wide increase was 3.2%. These numbers are confirmed in the 2023 Census results that show that residents aged 65+ accounted for 75% of the total increase in population since 2018. All other age groups amounted to a 1% increase on 2018. Children aged 0 - 15 declined by 3.7% or 144.

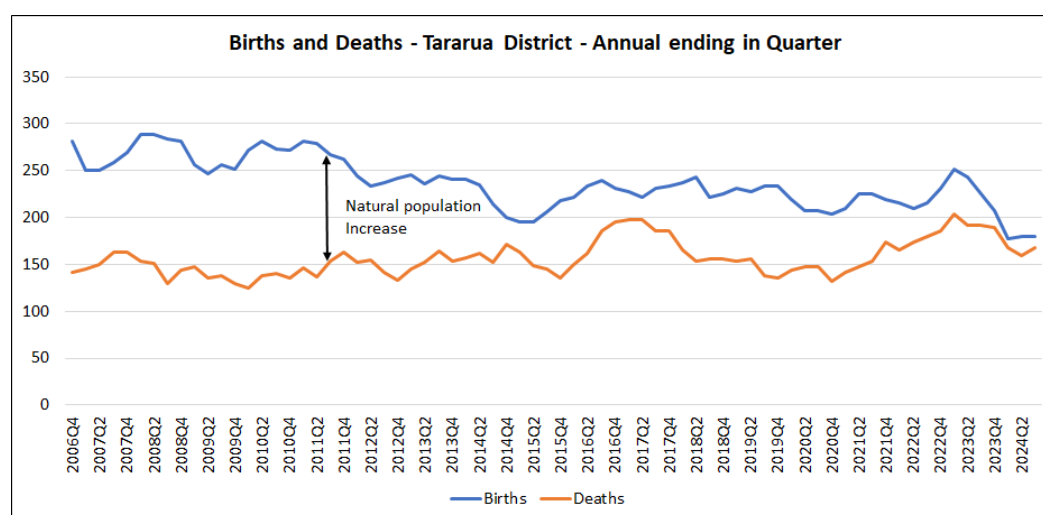
Across New Zealand this rate of increase will soon start to ease off as the number of 'baby boomers' reaching 65 years old starts to drop. People aged 65+ will still be increasing just at a lower rate. This will occur for the next 10 years before deaths start increasing as the baby boomer surge reach 80+ years old.

A final driver of population and age profiles is the level of natural increase in Tararua, which is the number of births less deaths. Tararua has had a positive natural increase for many years, but this has dramatically narrowed over the last decade, reflecting the numbers of residents aged <40 years as well as economic and societal trends (such as the costs of housing and health outcomes). This decline is a long-term trend across NZ. In fact, for New Zealand overall the natural increase in 2022 was the lowest since World War 2.





In the last year Tararua recorded a net gain of residents (births – deaths) of just 12. We are seeing a significant drop in the trend number of births, while deaths are gradually increasing. Births for the year were around the lowest in at least 20 years. Pressures on housing and cost of living are often reasons for fewer births, as well as the ageing population. If this trend continues then growth forecasts will be difficult to achieve. This will also have an impact on early childhood services, and in four to five years' time, primary school enrolments. Numbers of children have been static or dropping in Tararua for many years.



Emerging global trend and wildcard event - Around the world lower births are a common trend, which if continued will lead to a fundamental change in many countries' society and economies. In Japan the population is now falling by 500,000 a year and housing in many provincial areas is very cheap. In China the birth rate has dramatically reduced, and the government is offering large incentives for new births. The population in China in 2100 could collapse by 600 million people with current birthrates. India, Indonesia and Africa are emerging as the future powerhouses based on population.

#### Council Impacts

Council Group	Impact – Resources Required	Likelihood
Finance – Rating Policy / Funding	Moderate	High
Operations	Moderate	Medium
District Promotion and Development	Moderate	Medium
Roading and Footpaths	Low (10 years) High (30 years)	High
3 Waters (retic and treatment)	High	Medium





## Government Policy / Structural Change in Local Government

3 Waters is no more – and the replacement legislation is promised before the October 2025 elections. A new CCO with other Councils could result in an amendment to the LTP, or a completely new process.

We now again have the RMA, but a replacement will be announced in 2025 with legislation before the 2026 national elections.

Many National Policy Statements (NPS) and other regulations will be reviewed with the aim of easing barriers to development and reducing regulatory costs. None of these details are available – it will be another ‘interesting’ three years.

New limits in the ETS to the planting of exotic trees – will significantly reduce whole farm conversions in Tararua and focus them on LUC class 7+ land. There are no limits on native plantings being accepted into the ETS so this may increase the amount of native tree carbon farming.

The rapid pace of change in legislation and government policy impacting local government is continuing, but now in a different way. Many of the legislative and regulatory changes put in place by the previous Labour government are to be repealed or reviewed. Some have already gone. Much of the work done in the last few years will now have to be redone – by government and Council. This includes submissions and developing plans to comply with new rules.

Some of the announced changes will reduce the future costs of compliance for Council. Everything from freshwater quality, protection for high quality soils, wastewater discharge consents to urban food scraps collections (by 2030) is now uncertain or will not happen. Some of the new changes will have a profound impact on the Council. Others will not impact Tararua much at all.

The following is an update on the key changes that are known. In most cases the overall direction is to reduce regulation. Generally, the final details of new legislation and NPSs is still to come – **it will be a busy 2025**. This section will be updated as new legislation details are available.

- 3 Waters – moving to a CCO model with some balance sheet separation (promised but still to be enacted). Council has some choice, but in the scramble of new relationships some of the smaller / most challenging 3 Waters networks could find themselves on the sidelines and last to be picked. Government intervention cannot be ruled out in the final CCO groupings. As Council has worked on this topic in huge detail this is not covered again here.
- Freshwater Management NPS 2020 – This NPS resulted in major upgrades required for Council water and wastewater networks. Many of these upgrades are in the 2024 LTP. The government announced a full review early in 2024.
  - Legislation extended the date that regional councils are required to notify freshwater plan changes, by three years to 31 December 2027.
  - Government has also announced it will amend the RMA to change how councils apply Te Mana o te Wai to individual consent applications in the meantime,
  - the intent is to clarify that consent applicants do not have to demonstrate how their individual activity adheres to the hierarchy, and to disapply the hierarchy from council consent decisions.



- Expect Government to provide clarity on direction for a new NPS-FM in early 2025.
- RMA – another new Act is being developed. This also is likely to mandate more central government standardised policies, more regionalisation and considerably more flexibility for property development. Likely to see less input allowed at the local level, and a lesser role for local iwi. The Government has made a commitment to uphold Treaty of Waitangi settlements and other Treaty-related commitments and arrangements in all the reforms. Amendments have been made in the interim to reduce regulations on farming:
  - Amend stock exclusion regulations in relation to sloped land. The low-slope land map and associated requirements for stock exclusion is removed
  - Alter intensive winter grazing regulations
  - Suspend the requirement for councils to identify new Significant Natural Areas (SNAs) in accordance with the National Policy Statement for Indigenous Biodiversity for three years, to give enough time for a thorough review of how they operate
  - Pause the roll out of Freshwater Farm Plans (while new regulations are being progressed),
  - restrict regional councils from notifying regional rules arounds freshwater management prior to a new National Policy Statement for Freshwater Management coming into effect.
  - Fast-track Approvals Bill – currently before the Environment Select Committee for their consideration
- National Policy Statement for Indigenous Biodiversity and National Environment Standards for Drinking Water are both to be amended.
- Transport – Council will be aware of the changes to transport policy. Funding for local safety and cycleway / walkways has been severely cut back. Funding is focused on maintenance and State Highways. Tolls are proposed for new major highways, including the Te Ahu a Turanga – Manawātū Tararua Highway.
- Changes to the Emissions Trading Scheme - The Government has announced (4 December 2024) policy changes intended to limit how much farmland is converted to forest and registered in the ETS. The regulations are intended to come into effect in October 2025 but there are some rules that kick in immediately.
  - A temporary immediate ban (moratorium) on registering exotic forest in the ETS on land use capability (LUC) class 1 to 5 land that has been converted from farmland.
  - a **national** annual hectare limit of 15,000 hectares for exotic forest land registered in the ETS if planted on LUC class 6 farmland (1<sup>st</sup> in best dressed).
  - On a per farm basis - up to 25% of LUC class 1 to 6 land on a farm to be exempt from the above limit.
  - No limits on LUC class 7+ land
  - Transitional exemptions for foresters who were in the process of afforestation before this announcement and can provide evidence of this dated before 4 December 2024.
  - Certain types of Māori land also have an exemption under the policy. This includes:
    - Māori land held under Te Ture Whenua Māori Act 1993
    - land on which the status was changed to general land under the Māori Affairs Amendment Act 1967
    - land pursuant to a Treaty settlement



- There are no limits on ETS registrations on:
  - LUC class 7 to 8 farmland
  - forest land already registered in the ETS
  - native (indigenous) forest registrations in the ETS.
- Local government specific legislative changes:
  - Increasing debt funding capacity for high growth councils
  - Overhaul of the emergency management system from the response to the Inquiry into the North Island Severe Weather Events – likely result in higher costs for Council,
    - will continue to be locally led and driven
    - minimum standards of emergency management
    - more training
  - Building sector changes:
    - Ability to import building materials that meet the standards of the EU, UK, Canada, US and Australia,
    - Self-certification for Licensed Building Practitioners for some work.
- Regional Deals open to all regions – first 3 in 2025. Requires significant co-funding and with the modest growth the Manawatu Whanganui Region is unlikely to be at the front of the queue.
- Earthquake prone buildings deadlines extended by blanket 4 years (and possibly 2 more). Brought forward a review of the earthquake-prone building system starting in 2024 to identify improvements.
  - Extensions will apply automatically, and councils will reissue earthquake-prone building notices to all eligible buildings once the amendments to the Act are made (expected by end of 2024).

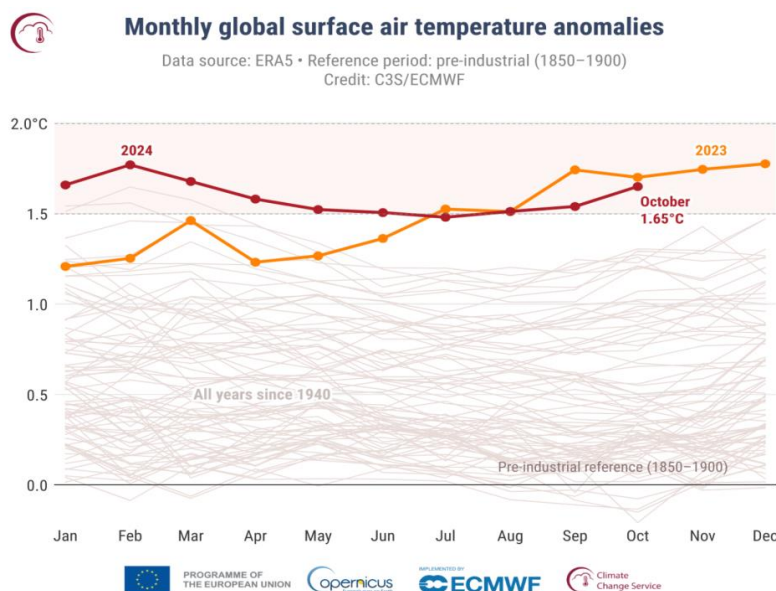


## Climate Change

The climate is continuing to warm at a fast pace, threatening to breach agreed limits in the short - medium term. Melting of Antarctic and Greenland icefields is increasingly seen as speeding up with significant sea level rise impacts. Snowfields and glaciers in New Zealand are fast disappearing. Warmer oceans = more energy in the climatic system resulting in more extreme weather events.

Recent data from Stats NZ (1982 – 2023)<sup>2</sup> shows that the coastal sea surface temperature of the east coast of the North Island has averaged an increase of 0.2 - 0.3 degrees Celsius per decade. This and other data show that sea surface temperatures are rising, along with average air temperatures. Higher temperatures result in more energy in the climate system, which generates more intense storms and more intense rainfall events.

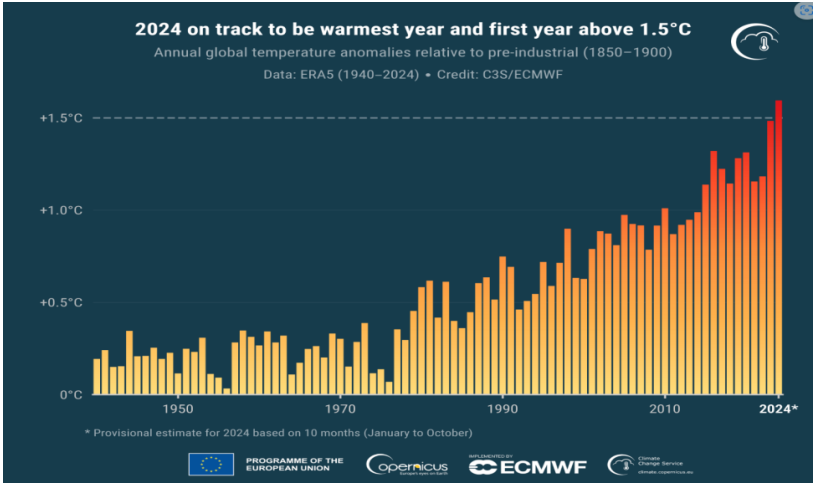
According to the Copernicus Climate Change Service /ECMWF, 2024 is virtually certain to be the warmest year recorded (global average surface air temperature) since pre-industrialisation and the first year above 1.5°C (The Paris Accord agreed limit - Annual global surface air temperature anomalies (°C) relative to 1850–1900).



This topic will be covered in more depth in future Scans. There have been no significant changes to the previous analysis of impacts on the 2024 LTP – except to say that the risks are definitely on the upside (more extreme events).

Council and residents are seeing an increasing impact on insurance bills as the insurance industry seeks to recoup rising insured costs. Insurance companies are now pricing local risk and increasingly withdrawing coverage of known high risk assets. It is likely that an increasing number of Tararua properties will be unable to get flood insurance cover at an affordable price. Improved LIDAR mapping and modelling of flooding and flood paths will drive where future development can occur.

<sup>2</sup> [Sea-surface temperature: Data to 2023 | Stats NZ](#)



The carbon price is hitting up against the \$64 auction floor on the secondary market, with the government’s final quarterly auction for the year now less than two weeks away. There is a chance that the government will be able to actually attract some buyers for the first time in a few years.



National Institute of Water and Atmospheric Research (NIWA) is predicting warm and dry conditions over summer for most of the country. El Niño Southern Oscillation (ENSO) - neutral conditions remain present, as equatorial sea surface temperatures (SSTs) are near-to-below average in the central and eastern Pacific Ocean. A La Niña watch remains in effect and rated as a 57% chance and is expected to persist through January-March 2025 but is forecast to be a weak short duration event.

**Council Impacts**

Note: the resources required relates to the overall Council budgets, not what is currently allocated. This is a guess based on current knowledge.

Council Group	Impact – Resources Required	Likelihood
Roading	Significant (longer term)	High
Water (supplies)	Moderate	High
Wastewater	Low (if infiltration fixed)	Medium
Stormwater	Significant	High
Policy across Council	Moderate	High



## Farm Product Prices and Costs – Rural Sector

### Farming Incomes - The Current Situation is generally more **positive** for Tararua farmers

Following two years of tough times, including a challenging climate event, confronting government policies and reduced product prices, things are looking far more positive for farming in Tararua. Dairy payout forecasts are indicating record nominal levels, beef prices are firm and lamb and wool prices are recovering. While profitability is still an issue for many farmers prospects have definitely improved (and are still improving).

The key drivers have been:

- Lower \$NZD resulting in higher prices for exports, while overall import costs are static,
- Falling interest rates (but are still high for farming),
- The increasing demand from China for NZ dairy,
- Strong demand for beef in the US,
- More benign climate, and
- Signals and actions from the government to reduce compliance costs and reverse some regulations that would have increased costs / reduced stock numbers further.

Wildcard risks – the new Trump administration in the US may result in higher inflation and trade wars. This could impact NZ exports (price returns and access) and the cost of imported products. Currently there is a lot of dire warnings and talk – but nothing is certain and the overall impact on NZ could well be minor. The world financial markets are of the view that interest rates will remain higher.

There are some longer-term trends impacting land use changes that are resulting in less sheep and dairy and more beef and exotic forestry. These are a mix of market signals (changes to profitability) and government policies. One better season will not change these trends, however the drop in sheep numbers is being seen in a shortage of supply in the market. Simple supply and demand outcomes are seeing prices for wool and lamb moving up, even if demand stays the same.

Cost increases have dramatically reduced with the Farm Cost Index at -0.1% for the last year. Farmers, like urban households, are still being hit by huge increases in insurance, and substantial Council rate increases. Other operating costs are falling as the slow economy, huge numbers of immigrants available for farm labour and improved supply chains have resulted in sharpening pricing of materials and machinery. Diesel prices have also settled at a lower level. Farm operating costs are still up by 20% in 3 years which has reduced profitability.

One of the risks for the Tararua economy is the profitability of red meat processing companies, particularly sheep meat. One of the largest employers in Dannevirke is the Alliance plant which is a sheep meat plant. Sheep stock numbers have fallen significantly locally and nationally. Alliance Coop reported a loss of \$95.8 million for the year ending 30 September. This compares with a loss of \$70.1m last year. Alliance has recently announced the closure of their Timaru plant. Alliance is forecasting a return to profitability this year but has asked Craigs Investment Partners to look for other sources of capital and may follow Silver Fern Farms down a different path away from a 100% cooperative.

Farms have been recovering from the extreme climate events of 2023. This on top of high interest rates and poor product prices. Spending on discretionary items by farmers has been very subdued through 2024 which has been felt by the agriculture services and support sectors. This includes Dairy farmers as they continue to pay down debt after an average to poor season for profitability in 2023/24.



The 2024/25 season should see increased spending as farming returns increase and interest rates decline.

The new government has said that they will push out carbon pricing for agriculture further and have promised to reduce regulation costs. Specific changes also include winding back the requirements for Councils to identify Significant Natural Areas and reviewing the National Policy Statements on Freshwater and Indigenous Biodiversity. These changes are still in process and many new regulatory requirements are still being continued, but overall pressure on farming will ease and optimism is likely to increase.

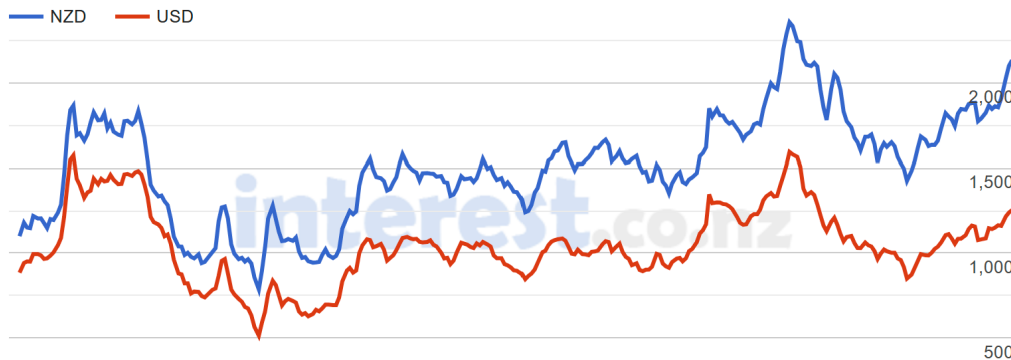
The NZD has continued its up and down volatility that reflects movements in the USD. The \$NZ is currently back just under \$USD 0.60, the same level as November 2023.

- Dairy prices are forecast to be at a record nominal high or around \$10 kg milkfat (midpoint – Fonterra forecast) for the 2024/25 season – a 26% increase on the 2023/24 season.
- Lamb prices for November 2024 have risen to around \$138, up \$27 for a 17.5kg carcass weight in November 2023.
- Beef prices are currently up a substantial \$100 a head in November 2023. Beef has been significantly better than sheep meat and wool in terms of profitability.
- Wool has continued its slow but steady trend recovery from extremely low (and unprofitable) prices in 2022/23. Coarse wool prices are now around 10% higher than a year ago, and 35% higher than 2022/23. This is still down on 10 years ago (and that's NOT inflation adjusted). This is still a net loss to the farmer as shearing and transport costs have continued to increase over the year. Sheep numbers are still declining in favour of Beef, and forestry, changing the farming land use in Tararua.

#### Select chart tabs

GDT TWI index

#### GDT TWI index



Source: *GlobalDairyTrade and USDA*

2013 J 2014 J 2015 J 2016 J 2017 J 2018 J 2019 J 2020 J 2021 J 2022 J 2023 J 2024 J

Source: Interest.co as of 3 December.

China is currently seeing reduced domestic milk production due to high costs that are resulting in low returns. There has been an increase in domestic Chinese brands and investment in response to very high returns pre Covid. There is reduced demand overall due to a very low birth rate. The current

**Total Fonterra Payout by Season and Component**

Season	\$ per kg Milk Solids	Dividend \$ per kg Milk Solids	Total Payout
1998/99	3.6	0.0	3.6
1999/00	3.8	0.0	3.8
2000/01	5.0	0.0	5.0
2001/02	5.4	0.0	5.4
2002/03	3.5	0.2	3.7
2003/04	4.0	0.2	4.2
2004/05	4.4	0.1	4.5
2005/06	4.0	0.1	4.1
2006/07	3.9	0.5	4.4
2007/08	7.6	0.0	7.6
2008/09	5.0	0.2	5.2
2009/10	6.2	0.1	6.3
2010/11	7.7	0.2	7.9
2011/12	6.2	0.2	6.4
2012/13	6.0	0.2	6.2
2013/14	8.5	0.0	8.5
2014/15	4.5	0.1	4.6
2015/16	4.0	0.2	4.2
2016/17	6.2	0.3	6.5
2017/18	6.7	0.0	6.7
2018/19	6.4	0.0	6.4
2019/20	7.2	0.0	7.2
2020/21	7.7	0.1	7.8
2021/22	9.5	0.2	9.7
2022/23	8.4	0.3	8.7
2023/24	7.9	0.4	8.3
2024/25	10.0	0.5	10.5

NI avg 17.5kg \$/hd

The chart displays the cumulative number of COVID-19 vaccinations in New Zealand. The x-axis represents time from January 2017 to January 2024, with labels for January (J) and July (J) of each year. The y-axis represents the number of people, ranging from 100,000 to 180,000. The data shows a general upward trend with several peaks and troughs. A major peak occurred in early 2022, followed by a sharp decline and a subsequent rise to approximately 140,000 by January 2024.

Date	Number of People (Approximate)
Jan 2017	105,000
Jul 2017	108,000
Jan 2018	115,000
Jul 2018	125,000
Jan 2019	135,000
Jul 2019	145,000
Jan 2020	155,000
Jul 2020	165,000
Jan 2021	175,000
Jul 2021	170,000
Jan 2022	165,000
Jul 2022	155,000
Jan 2023	145,000
Jul 2023	135,000
Jan 2024	140,000

Source: <https://www.health.govt.nz/en/publications/covid-19-vaccination-coverage>

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Select chart tabs

NI average

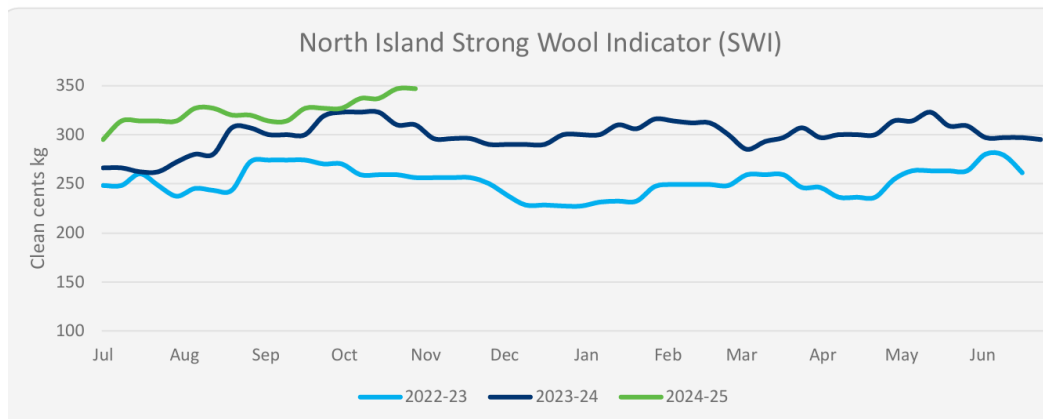
## P2 steer schedule prices



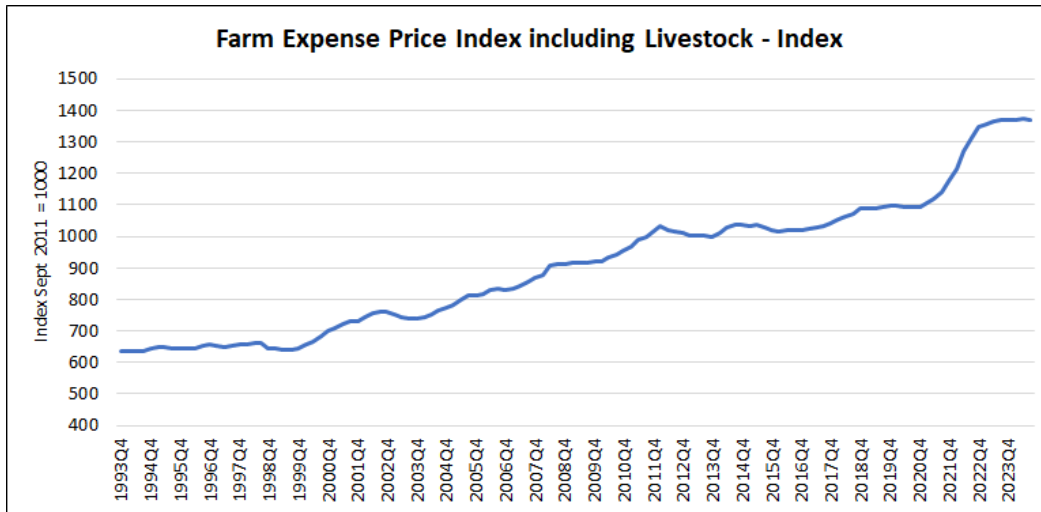
Source – Interest.co.nz as of Saturday 16 November 2024

Beef steer prices \$6.75 kg vs \$5.75 kg last year – and at a nominal all time high. High demand from the US is driving the firm prices.

Wool prices continue to be poor, even with prices increasing from the last 2 years. Returns barely cover the costs of shearing, and coarse wool continues to be a loss-making by-product of many sheep farms. Falling sheep numbers = supply and demand principle is continuing to have a positive flow on for sheep farmers.



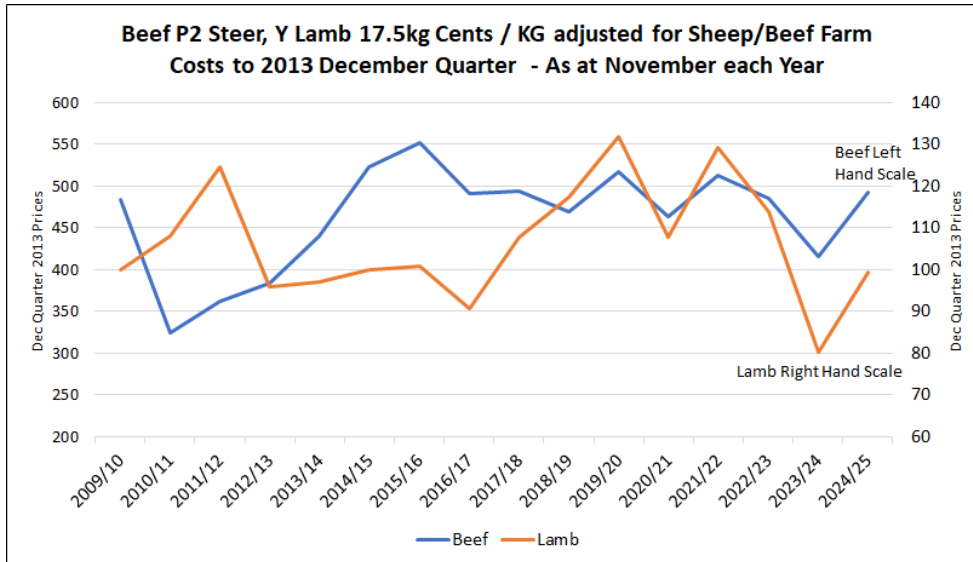
The rising product prices have been countered by very high farm cost inflation in recent years. Farm expenses increased 20% in the last 3 years. In the 6 months to September 2024 farm costs were slightly negative at -0.1% with the annual increase at -0.1%. This is despite large insurance and council rates increases. Cost pressures are now below general inflation / household costs (still running at 2%+ a year).



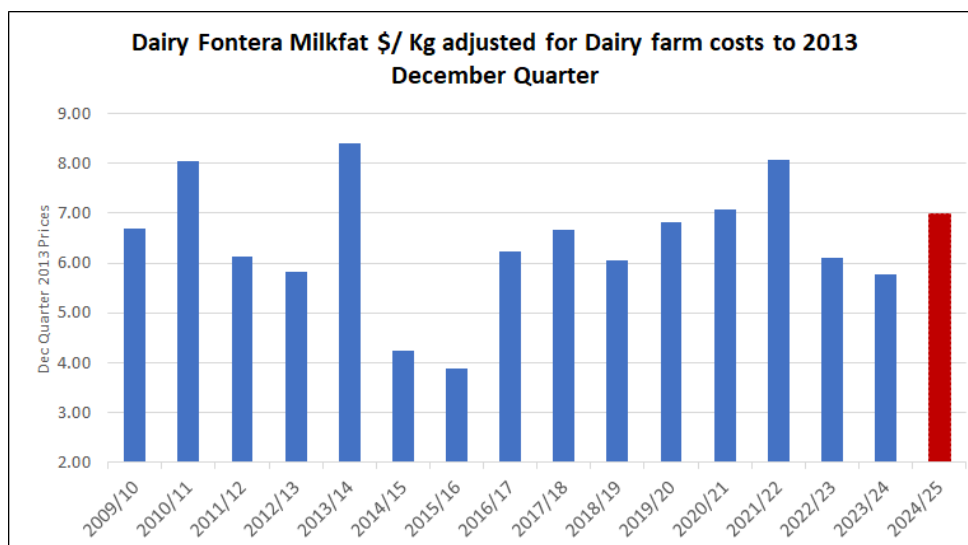
Source – Stats NZ

Relatively good weather and stronger product prices are pointing to the 2024/25 season being much better for farm profitability. Farm cost inflation over the last decade has meant that even record prices do not result in high real incomes.

The following charts show the November indicator prices for beef, lamb and dairy products adjusted for farm costs (from the Farm Expense Price Index) with the 2013/14 season as the starting point. Cost adjusted beef prices are currently firm and are back at levels seen for much of the last 10 years. Lamb prices are still some ways below the peaks of 2019/20 and 2021/22.



On a cost adjusted basis Dairy prices for the 2024/25 season are forecast to be well above the last decade average, expected to be the 4<sup>th</sup> highest in real terms in the last 15 years.



### Council Impacts

Note: the resources required relates to the overall Council budgets, not what is currently allocated.  
This is a guess based on current knowledge.

Council Group	Impact – Resources Required	Likelihood
Finance – Rating affordability	<b>Moderate</b>	Medium
Roading and Footpaths (from forestry)	<b>Moderate</b> (10 years) High but reducing (carbon forests) (30 years)	Medium





## Report

Date : 4 December 2024

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Stephen Dunn  
Risk & Assurance Advisor

Subject : **WorkSafe Notices - Pahiatua Water Treatment Plant**

Item No : **7.5**

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### 1. Recommendation

- 1.1 *That the report from the Risk & Assurance Advisor dated 28 November 2024 concerning the WorkSafe Notices - Pahiatua Water Treatment Plant (as circulated) be received and adopted.*

### 2. Reason for the Report

- 2.1 To inform the Committee of recently received WorkSafe notices and outline the proactive steps Council is taking to address these, including opportunities for improvement and lessons learned.

### 3. Background

- 3.1 In November 2021, Filtec identified that fuming from hydrochloric acid was causing corrosion to steel components in the plant.
- 3.2 The hydrochloric acid was immediately removed from service, and an upgrade of the storage tank was completed in 2023 before being returned to service.
- 3.3 In response to these findings, Council engaged WSP in 2023 to provide a comprehensive assessment of the most significant occupational hygiene hazards and associated exposure risks at the Pahiatua and Dannevirke water treatment plants. This was followed by the development of an Occupational Health Principal Control Plan.

- 3.4 The final WSP reports, delivered in May 2024, identified hydrochloric acid as posing an extreme health risk. The reports suggested that intermittent misting of hydrochloric acid may have accelerated corrosion. One challenge highlighted was the difficulty of conducting workplace monitoring to capture meaningful exposure data for hydrochloric acid.
- 3.5 On 23 May 2024, Council proactively notified WorkSafe about the hypothesis regarding hydrochloric acid misting. This notification reflects Council's commitment to meeting its obligations under the Health and Safety at Work Act 2015.
- 3.6 On 5 June 2024, a remedial action plan addressing extreme and high health risks identified in the WSP report was finalised. Key actions included removing the hydrochloric acid tank from the plant to eliminate the hazard.
- 3.7 The project to remove of the hydrochloric acid tank is currently underway, and our Engineer is evaluating and pricing options.
- 3.8 In the interim, plant operators have been instructed to follow enhanced procedures for ventilation and respiratory protection during tank-filling activities.

#### **4. WorkSafe Site Visit**

- 4.1 On 5 November 2024, WorkSafe approached Council to visit the site and discuss risk management practices at the plant.
- 4.2 In line with fostering a learning organisation culture, Council welcomed the visit, which occurred on 19 November 2024. During the visit, the 3Waters team provided relevant documentation, outlined current processes, and conducted a facility tour.
- 4.3 The visit served as a valuable opportunity to review hazardous substances management practices, strengthen relationships with the regulator, and identify areas for improvement.
- 4.4 The discussions underscored existing challenges, such as accelerated corrosion, while highlighting Council's ongoing efforts to improve health and safety for workers. Initiatives include exploring less toxic chemical alternatives to enhance workplace safety and aligning with broader community safety goals through better water treatment practices.
- 4.5 During the visit, WorkSafe observed a leaking pipe, which was already under investigation for repair.
- 4.6 Council informed WorkSafe about its ongoing review of treatment processes, including the potential to retire or replace highly toxic chemicals with safer alternatives.

4.7 WorkSafe was also advised that Council is in the procurement process for a regular service and maintenance contract for the plant.

5. Following the visit, on 21 November 2024, WorkSafe issued an Improvement Notice and two directives. While the directives do not require compliance follow-up, they are a valuable opportunity for Council to improve its Health, Safety, and Wellbeing processes.

## 6. **Improvement Notice**

6.1 The Improvement Notice pertains to the leaking pipe and the broader issue of plant maintenance due to accelerated corrosion.

6.2 The Notice requires Council to:

6.3 Ensure effective containment of hazardous substances and prevention of spills.

6.4 Review the selection and usage of chemicals.

6.5 Maintain an effective system for plant maintenance e.g. a regular inspection and maintenance schedule.

6.6 The actions are to be completed by 28 February 2025.

6.7 Council has already initiated several actions:

6.8 The leaking pipe repair is actively being progressed.

6.9 Procurement for a plant service and maintenance contract is underway.

6.10 A review of treatment chemicals is in progress, with the goal of reducing or eliminating the use of highly toxic substances.

## 7. **Direction Letter – Tracking**

7.1 The directive requires Council to track Class 6.1B substances.

7.2 While the WorkSafe HSNO compliance tool being used does not mandate tracking for these substances, a review of the regulations confirms that tracking is required.

7.3 Council has ensured that Class 6.1B substances are now included in its tracking processes, in addition to other hazardous substances already tracked.

## 8. **Direction Letter – Health Monitoring**

8.1 The directive requires Council to maintain a health monitoring program for workers exposed to hazardous substances.

- 8.2 Previously, health monitoring and vaccinations were reimbursed by Council, allowing workers to use their own preferred providers. In 2021, this approach was replaced with a contractor-based system that centrally managed health monitoring and vaccinations. This change was made to enhance health and safety outcomes by ensuring that health monitoring was closely managed. Unfortunately, this shift was met with resistance from workers, leading to a decline in participation and a lapse in centralised monitoring.
- 8.3 Currently, health monitoring and vaccinations are in place for the Solid Waste team. For other teams, such as Water Treatment Plant Operators, Wastewater Treatment Plant Operators, and the Compliance and Monitoring team—identified as priority groups—there is no centralised oversight. While some staff manage their own health monitoring and vaccinations independently, there is no consistent system to capture or oversee this information.
- 8.4 To address these gaps, Council has engaged with workers to better understand their concerns and preferences. Following this engagement, Council is nearly ready to re-launch the contractor-based health monitoring program.

## **9. Further Reporting to the Committee**

- 9.1 Regular updates on progress against the Improvement Notice and directives will be included in the Health, Safety, and Wellbeing Management Report.

### **Attachments**

- 1. [WorkSafe Improvement Notice - Pahiatua Water Treatment Plant - 21 November 2024](#)
- 2. [WorkSafe Directive - Health Monitoring - 21 November 2024](#)
- 3. [WorkSafe Directive - Hazardous Substances Tracking - Pahiatua Water Treatment Plant - 21 November 2024](#)



# IMPROVEMENT NOTICE

**WORKSAFE**  
NEW ZEALAND | Kaitiaki Take Kōwhiri  
Aotearoa

This notice is issued pursuant to sections 101 and 116 of the  
Health and Safety at Work Act 2015

Notice issued to: TARARUA DISTRICT COUNCIL

Address: Boundary Road, Pahiatua

Date of issue: 21 November 2024

Time: 4.00pm

## Details of person notice left with:

Name: Mr Stephen Dunn

Position: Risk and Assurance Advisor, Tararua District Council

Address: Boundary Road, Pahiatua

I, Susan Jane Barrett

Being an inspector appointed under section 163(1) of the Health and Safety at Work Act 2015 (the Act) reasonably believe that you,

☐ \*are contravening a provision of the Act or regulations made under the Act, or

☐ ~~\*are likely to contravene a provision of the Act or regulations made under the Act~~ (\* tick as appropriate)

And require you to remedy this actual or likely contravention, or the things or activities causing or likely to cause a contravention.

Legislative provision being or likely to be contravened:

Health and Safety at Work Act 2015, Section 36(1)(a)

How the legislative provision is being, or is likely to be, contravened:

Recommended prevention or remedial measures:

Ensure effective containment of hazardous substances and prevention of spills; put in place an effective process to:

- review selection and usage of chemicals;
- ensure an effective system is in place to maintain plant.

For example; maintain a regular inspection and maintenance schedule.

Remedy required within period beginning on date of issue and ending on: 28/02/2025

Postal address:

WorkSafe New Zealand  
8 Willis Street  
Te Aro  
Wellington 6011

Inspector's signature:



Contact email: susan.barrett@worksafe.govt.nz

**A PERSON ISSUED WITH THIS NOTICE WHO FAILS TO COMPLY WITHIN THE PERIOD SPECIFIED COMMITS AN OFFENCE. A COPY OF THIS NOTICE MUST, AS SOON AS PRACTICABLE, BE DISPLAYED IN A PROMINENT PLACE AT OR NEAR THE WORKPLACE, OR PART OF THE WORKPLACE, AT WHICH WORK IS BEING CARRIED OUT THAT IS AFFECTED BY THE NOTICE. IT IS AN OFFENCE NOT TO DO SO, AND/OR TO INTENTIONALLY REMOVE, DESTROY, DAMAGE OR DEFACE THIS IMPROVEMENT NOTICE WHILE IT IS IN FORCE.**

**Information:** If you wish to discuss the circumstances giving rise to this notice, in the first instance please contact the Inspector who issued the notice. It is important that you do this well before the end date of the compliance period stated above, if there are circumstances preventing you from complying with the notice as the failure to comply may result in prosecution. Any other queries or correspondence related to this notice should be addressed to the manager at the address shown above.

**WORKSAFE NEW ZEALAND**

**PO Box 165, Wellington 6140 0800 030 040 [www.worksafe.govt.nz](http://www.worksafe.govt.nz)**

New Zealand Government

### **Review and Appeal Rights**

A person affected by the decision of the inspector to issue this notice (or their representative) may apply to WorkSafe for internal review of the decision within the period specified for compliance with the notice, or 14 days after the day on which the decision first came to their notice, whichever is the lesser. The decision to issue the notice may also be appealed to a District Court on the grounds it is unreasonable, but only if it has first been reviewed by WorkSafe and WorkSafe has made a decision on the review.

If there is anything you do not understand about your review and appeal rights, you should consult a lawyer.

### **SUMMARY OF KEY PROVISIONS IN THE HEALTH AND SAFETY AT WORK ACT 2015**

#### **SECTION 101 POWER TO ISSUE IMPROVEMENT NOTICES**

An inspector, who reasonably believes that any person is contravening, or is likely to contravene a provision of the Act or regulations, may issue a written notice requiring the person to remedy the contravention.

#### **SECTION 103 COMPLIANCE WITH IMPROVEMENT NOTICES**

It is an offence not to comply with this notice within the specified time frame. The penalty is a maximum fine upon conviction of \$50,000 for an individual and \$250,000 for any other person. However, it is not an offence to fail to comply with recommendations in an improvement notice.

#### **SECTION 104 EXTENSION OF TIME FOR COMPLIANCE WITH AN IMPROVEMENT NOTICE**

An inspector may, by written notice, extend the compliance period for the improvement notice. The inspector may extend the compliance period only if that period has not ended.

#### **SECTION 114 WORKSAFE MAY VARY OR CANCEL NOTICE**

Other than minor changes, a notice issued by an inspector may be varied or cancelled only by WorkSafe, not the inspector.

#### **SECTION 117 DISPLAY OF NOTICE AT WORKPLACE BY PERSON ISSUED WITH NOTICE**

A person to whom a notice is issued must, as soon as practicable, display a copy of that notice at or near the workplace, or part of the workplace, at which work is being carried out that is affected by the notice. It is an offence to fail to comply with this requirement, or to intentionally remove, destroy, damage, or deface a displayed notice while it is in force. The penalty is a maximum fine upon conviction of \$5,000 for an individual and \$25,000 for any other person.

#### **SECTION 118 INSPECTOR MAY DISPLAY NOTICE**

An inspector who issues this notice may, either before or after issuing the notice, display a copy of the notice in a prominent place at or near the workplace, or part of the workplace, at which work is being carried out that is affected by the notice.

#### **SECTION 131 APPLICATION FOR INTERNAL REVIEW**

Any person affected by an inspector's decision to issue an improvement notice or to extend the time to comply with it may, within the period specified in the notice for compliance or 14 days, whichever is the lesser, apply to WorkSafe for a review of the decision. The application must be made in the manner and form required by WorkSafe.

#### **SECTION 134 STAY OF A REVIEWABLE DECISION ON INTERNAL REVIEW**

If an application is made to WorkSafe for an internal review of a decision, WorkSafe may stay the operation of the decision at its own initiative or on application from the person that has applied for the review. If WorkSafe has not made a decision within 3 working days of receiving an application for a stay then WorkSafe is to be treated as having made a decision to grant the stay.

#### **SECTION 135 APPLICATION FOR APPEAL**

A person affected by an inspector's decision to issue a notice or to extend the time to comply with it may, if that decision has been reviewed by WorkSafe, appeal to a District Court against the decision on the grounds that it is unreasonable. The appeal must be lodged within 14 days after the day on which WorkSafe's decision on the review first came to the person's notice.

If WorkSafe varies or cancels the notice, a person affected by that decision may appeal to the District Court against it on the grounds that it is unreasonable. The appeal must be lodged within 14 days after the day on which WorkSafe's decision first came to the person's notice.

#### **Note:**

This notice does not exempt or temporarily relieve you from your legal obligations under the Health and Safety at Work Act 2015.



21 November 2024

File Number: DL-24-15491

TARARUA DISTRICT COUNCIL  
Boundary Road,  
Pahiatua, Tararua

Dear Mr Dunn

**Compliance with the Health and Safety at Work Act 2015**

Thank you for the time you made available when Anne Parker and I visited your workplace on 20.11.2024. During our visit, we raised a number of health and safety issues with you. I set out one of those issues below that we believe to be non-compliant with the Health and Safety at Work Act 2015 ('the Act') and/or its regulations. Taking into account all relevant circumstances, I decided on this occasion not to take formal enforcement under the Act in relation to these matters.

Nonetheless, you must rectify this issue as soon as possible to be compliant with the Act and/or its regulations. Please note that continuing or repeated non-compliance may result in formal action.

**Nature of issue:**

Health monitoring has not been maintained to check efficacy of controls used by workers who may be exposed to substances that are hazardous to health.

**Legal provision:** Health and Safety at Work Act 2015 - Section 36(1)(a)

**Reason for belief:** Established after enquiries that health monitoring has not been maintained in recent years.

**Steps that could be taken:** Put health monitoring in place for all workers who handle substances that are hazardous to health.

**Duty Holder response:** Initial steps have already been taken to resume worker health monitoring.

A copy of this Directive Letter will be kept by WorkSafe and may be used in any future sentencing, or released to a third party following an Official Information Act request, or as part of information sharing with other Regulators.

If you have any questions, or wish to discuss this letter, please get in touch with me.

Yours sincerely,

Susan Barrett  
Inspector, Hazardous Substances  
High Hazards, Energy and Public Safety  
WorkSafe NZ  
Wellington region

**worksafe.govt.nz**  
**0800 030 040**



21 November 2024

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Thank you for the time you made available when Anne Parker and I visited your workplace on 20.11.2024. During our visit, we raised a number of health and safety issues with you. I set out one of those issues below that we believe to be non-compliant with the Health and Safety at Work Act 2015 ('the Act') and/or its regulations. Taking into account all relevant circumstances, I decided on this occasion not to take formal enforcement under the Act in relation to these matters.

Nonetheless, you must rectify this issue as soon as possible to be compliant with the Act and/or its regulations. Please note that continuing or repeated non-compliance may result in formal action.

**Nature of issue:**

Some 6.1B substances that should be tracked are not tracked at site.

**Legal provision:** Health and Safety at Work (Hazardous Substances) Regulations 2017 - Regulation 19.4(1)

**Reason for belief:** Established from enquiries that a record of tracking is not kept for one of the class 6.1B substances onsite.

**Steps that could be taken:** Keep a tracking record of all class 6.1 substances kept onsite.

**Duty Holder response:** Agreeable to creating a tracking record for all class 6.1 substances that trigger the requirement.

A copy of this Directive Letter will be kept by WorkSafe and may be used in any future sentencing, or released to a third party following an Official Information Act request, or as part of information sharing with other Regulators.

If you have any questions, or wish to discuss this letter, please get in touch with me.

Yours sincerely,

Susan Barrett  
Inspector, Hazardous Substances  
High Hazards, Energy and Public Safety  
WorkSafe NZ  
Wellington region



## Report

Date : 5 December 2024

To : Chairperson and Committee Members  
Audit and Risk Committee

From : Stephen Dunn  
Risk & Assurance Advisor

Subject : **Health, Safety and Wellbeing Workplan**

Item No : **7.6**

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### 1. Recommendation

- 1.1 *That the report from the Risk & Assurance Advisor dated 22 November 2024 concerning the Health, Safety and Wellbeing Workplan (as circulated) be received and adopted.*

### 2. Reason for the Report

- 2.1 To provide an update on the development of the Health, Safety, and Wellbeing Workplan for 2025.
- 2.2 This update responds to a request from the Audit and Risk Committee at its meeting on 22 October 2024.

### 3. Health, Safety, and Wellbeing Goals

- 3.1 While Council does not currently have explicit Health, Safety, and Wellbeing Goals, its commitments are clearly outlined in the existing Health and Safety Policy.
- 3.2 These commitments will be reviewed, and new objectives developed, during the Policy review scheduled for early 2025. The review will aim to enhance the Policy's maturity, adopting a more holistic approach to the health, safety, and wellbeing of workers. Key areas of focus for the review will include:
- 3.3 Explicitly referencing wellbeing alongside health and safety, recognising its integral role in fostering a safe and supportive workplace.

- 3.4 Strengthening the recognition of shared responsibilities with and to contractors, ensuring clear expectations.
- 3.5 Reflecting the Council's risk appetite towards Health, Safety, and Wellbeing to move from the current medium risk tolerance to a low risk tolerance, particularly for critical risks.
- 3.6 Embedding a commitment to fostering a culture of continuous improvement in health, safety, and wellbeing practices.
- 3.7 The current commitments, as outlined in the existing Policy, include:
- a. Comply with the Health and Safety at Work Act 2015 and relevant Regulations, Codes of Practice and Standards.
  - b. Eliminate risks to health and safety, so far as reasonably practicable, and if not reasonably practicable to eliminate risks, minimise those risks so far as reasonably practicable using prescribed methods of control, and conduct annual auditing to ensure controls remain effective.
  - c. Recognise effective health and safety management as an integral part of Tararua District Council quality management.
  - d. Ensure all workers receive adequate health and safety training to minimise the risk of injury, and that workers are allocated tasks compatible with their skills.
  - e. Make available to all workers appropriate safety and ergonomic technologies, equipment, and devices, and provide training and supervision, to ensure their effective use.
  - f. Engage and consult openly with workers at all levels and encourage active participation on all health and safety issues.
  - g. Develop, implement, and maintain effective procedures and resources for known unplanned emergencies in the workplace.
  - h. Provide effective occupational health programmes to assist with workers health and well-being, and rehabilitation.
  - i. Identify and promote policies, plans, and initiatives in order to support continuous improvement in health and safety management.

#### **4. Health, Safety, and Wellbeing Indicators**

- 4.1 Key indicators for monitoring and reporting progress to the Executive Leadership Team and the Audit and Risk Committee are outlined below. The 2025 Workplan includes a project to enhance indicator reporting further.

Indicator	Type	Goal	Relates to H&S Commitments (see point 3.7 above)
Number of notifiable incidents.	Lag	0	a, b
Percentage of new staff inductions completed in first week.	Lead	100%	d
Percentage of active contractors pre-qualified.	Lead	100%	a
Result in 2025/26 SafePlus Assessment.	Lead	Performing	a, c, i
Health, Safety, and Wellbeing staff survey.	Lead	Baseline for 2024/25 (new survey)	f
Health and Safety Representatives have completed HSR1 training within 6 months of joining the Health & Safety Committee.	Lead	100%	a, f
Health and Safety Representatives have completed HSR2 training within 2 years of joining the Health & Safety Committee.	Lead	100%	a, f
Report to the Audit & Risk Committee quarterly.	Lead	100%	c
Report to the ELT monthly.	Lead	100%	c

## 5. Health, Safety, and Wellbeing Workplan

5.1 The following table outlines the key projects for 2025, developed based on draft goals and recommendations from prior SafePlus and Impac audits.

Projects	Details	Completion Date	Relates to H&S Commitments (see point 3.7 above)
Health Monitoring	Implement health monitoring and vaccination programme.	28/02/2025	a, b, h

Critical Risk Reviews	Coordinate reviews of critical risks and controls.	First review: 31/03/2025 (bi-monthly thereafter)	b, c, f
Policy Review	Conduct a full review of the Health and Safety Policy.	30/04/2025	a, c, i
Contractor Management	Standardise contractor induction and monitoring.	31/05/2025	c
H&S Manual Update	Update the Health, Safety, and Wellbeing Manual.	31/12/2025	a, c, f, i
Improved Reporting	Enhance reporting to ELT and the Audit and Risk Committee.	31/12/2025	c
H&S Committee Development	Strengthen the maturity of the H&S Committee.	Ongoing	a, f

## Attachments

Nil.