



## Notice of Council Workshop Briefing Session

A workshop briefing session of the Tararua District Council will be held in the Council Chamber, 156 High Street, Dannevirke on **Wednesday 11 February 2026** commencing at **1:00pm**.

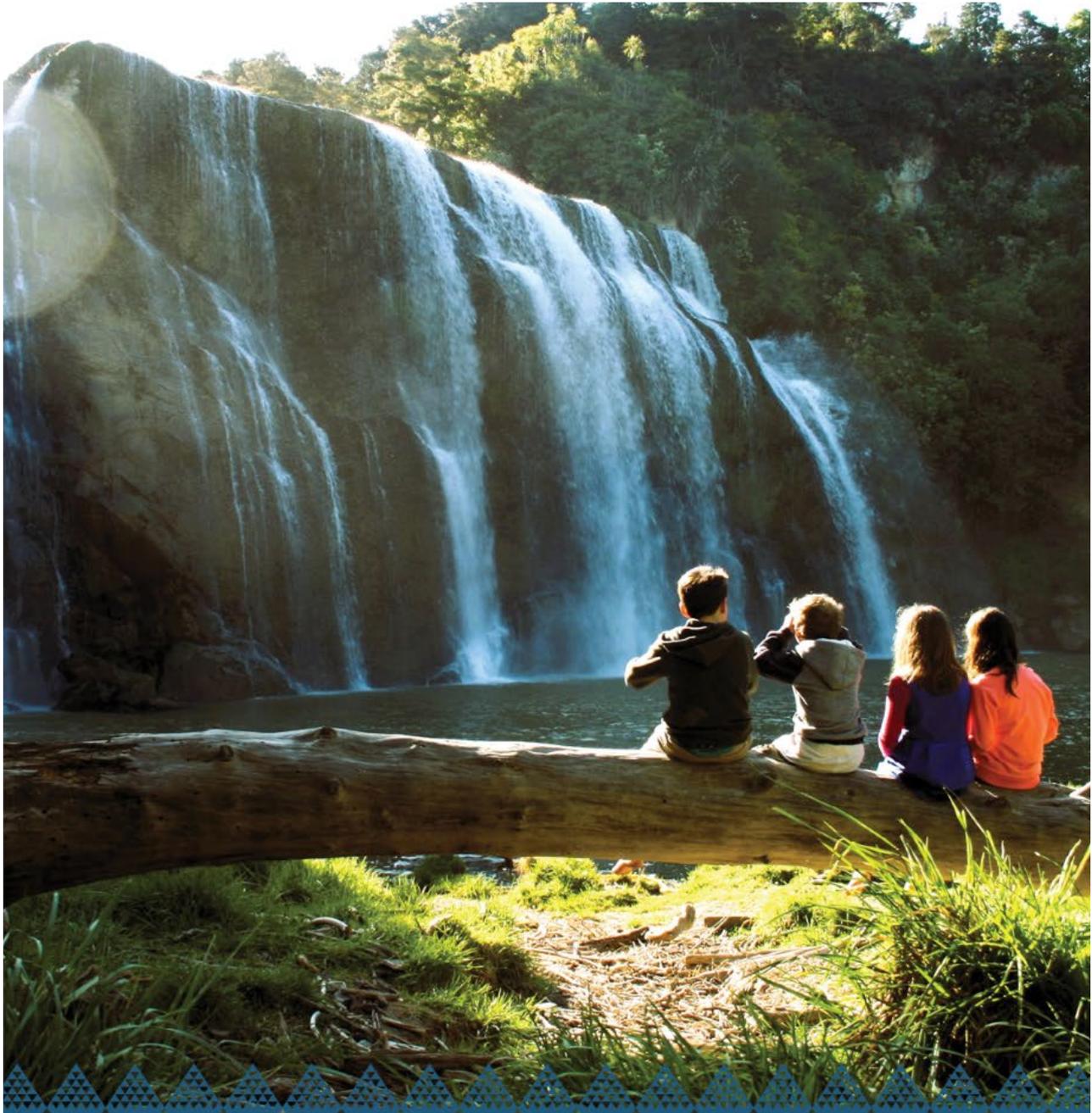
Malcolm Alexander  
Chief Executive

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### Agenda

- |            |                                           |           |
|------------|-------------------------------------------|-----------|
| <b>1.</b>  | <b>Welcome and Workshop Opening</b>       |           |
| <b>2.</b>  | <b>Briefing Papers</b>                    |           |
| <b>2.1</b> | <b>Transport Activity Management Plan</b> | <b>2</b>  |
| <b>2.2</b> | <b>Financial Strategy 1</b>               | <b>16</b> |
| <b>3.</b>  | <b>Closure</b>                            |           |

Note: This workshop briefing session meeting is being held solely for the purpose of information and discussion, and no resolutions or decisions shall be made.



LONG TERM PLAN 2027-37

# Transport Activity Management Plan & Infrastructure Strategy Intro

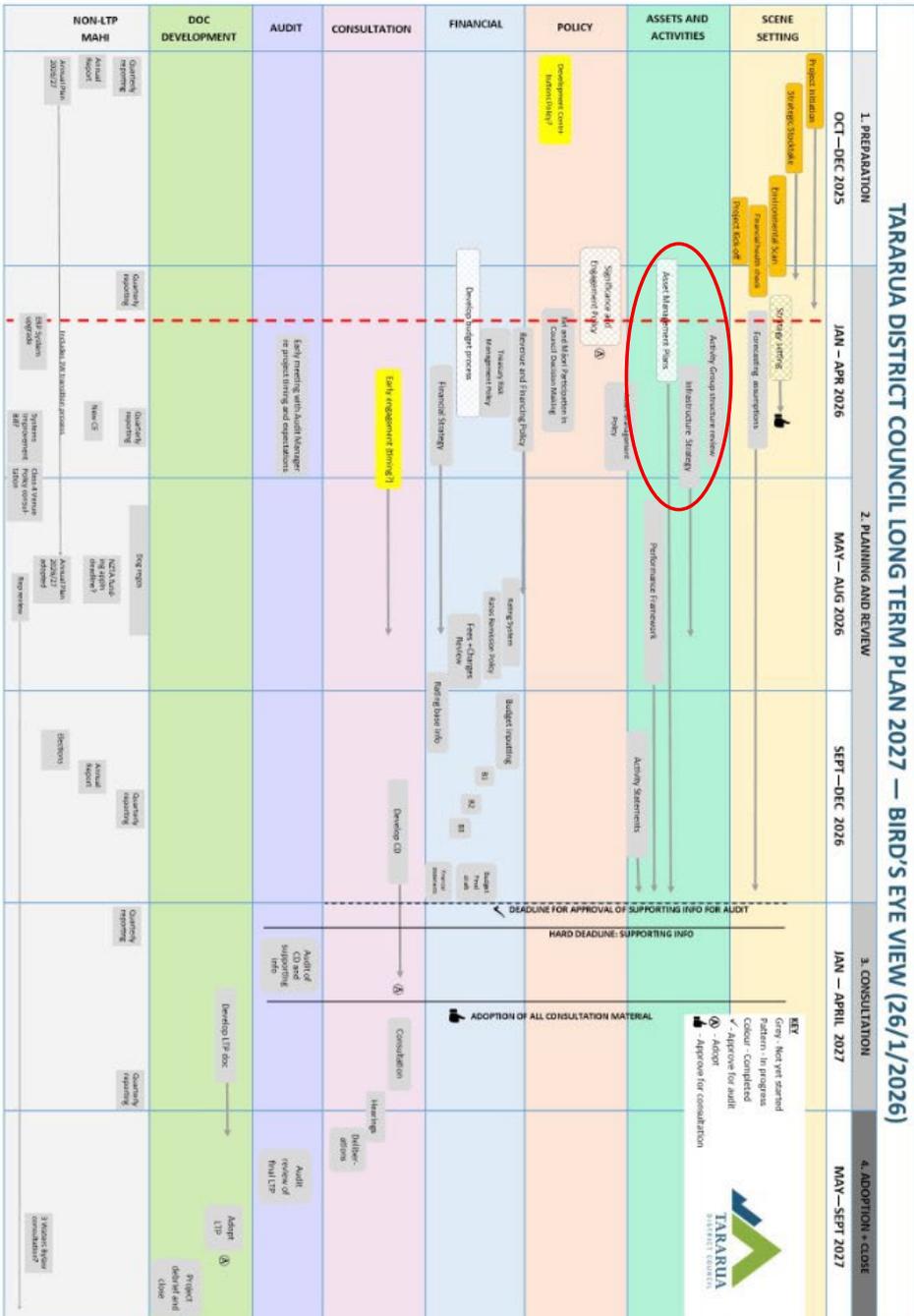
WEDNESDAY, 11 FEBRUARY 2026

LTP 2027 Workshop Reader



[Link to workshop presentation](#)

Timing – where does this discussion sit in the context of the wider project?



## Workshop purpose:

- To introduce the transport activity and the Activity Management Plan (AMP) – we will run through:
  - ✓ a summary of the strategic environment for transport planning, our planning timelines and key NZTA / government influences
  - ✓ an overview of what we manage and where we invest
  - ✓ a summary of the last 2024 AMP and what has changed
  - ✓ a summary of Levels of Service and how they tie in with investment scenarios (a heads up of upcoming optioneering workshop/s)
- We will also present information on our key challenges heading into the 2027 LTP planning period and welcome feedback and input from elected members following our presentation.

## Guidance needed from Elected Members

- No decisions needed however following our presentation feedback will be sought from Elected Members. Based on the information we've presented and what they are hearing and observing, where do they see our key challenges and opportunities for the upcoming 2027 LTP period. This feedback will be used to inform future workshops and investment options.

## Strategic alignment

As part of the LTP process, every three years councils are required to write Activity Management Plans (AMPs) primarily to ensure they can manage infrastructure and services in an effective, cost-efficient, and sustainable manner. These documents serve as the foundation for long-term planning, linking day-to-day operations with community outcomes and statutory requirements, such as those mandated by the Local Government Act 2002.

For roading, the AMP also serves as our Business Case for investment from NZTA, who currently fund 73% of our transport activity. This 73% Funding Assistance Rate (FAR) will be reviewed by NZTA this year – we will find out updated rates in August 2026.

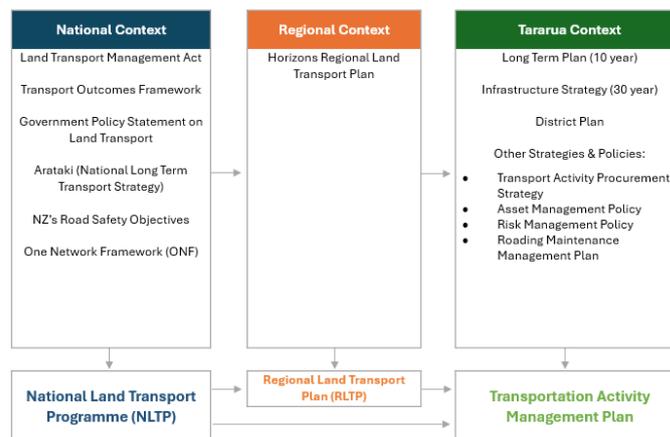
Information on how these FAR rates are calculated can be researched on NZTA's website [here](#).



The following diagram is useful to display how transportation activities are funded, with our 73% FAR allocation coming from the National land Transport Fund and the remaining 27% being Local Share (TDC rates funding):



Key influences into the Transportation AMP are captured within the below image, with the most direct influences being the Government Policy Statement for Land Transport (next draft to be released March 2027 so we need to plan our AMP around the current GPS), and council’s LTP and Infrastructure Strategy.



The current AMP is publicly accessible via TDC’s website [here](#).

For a high-level understanding of the AMP and current priorities, refer **sections 1.1.2 – 2024 GPS for Transport; AMP Review Statement** (page 5), **1.1.3 – Tararua District Transport Priorities** (page 5), **1.10 - 2024-27 NLTP Financial Summary** (page 18) and **Level of Service Update** (page 20).

For more detailed information around what we invest and why across various activity types, refer **Section 3.3 Strategic Responses**, and in particular the options tables at the bottom of each activity type (page 43 – 88).



## Related forecasting assumptions and risk

Not applicable at this stage.

## Discussion

### Levels of Service:

As well as providing contextual information to set the scene for future workshops, the presentation touches on Levels of Service, including the difference between Customer and Technical Levels of Service, and how we use these to develop options for investment. This is explained through the following table (which is a slightly more detailed version than that included in the presentation).

Customer: What the community experiences when using the network
<ul style="list-style-type: none"><li>• <b>Safety and Comfort</b> – Feeling safe when travelling with smooth, comfortable road ride quality</li><li>• <b>Access and Reliability</b> – Ability to access key places with predictable, reliable travel times</li><li>• <b>Responsiveness and Communication</b> – Issues are addressed quickly and clear communication is provided</li></ul>
Technical: How we meet the asset needs
<ul style="list-style-type: none"><li>• <b>Road and Maintenance Standards</b> – Including asset condition, skid resistance, pavement strength</li><li>• <b>Intervention and Performance</b> – Timeframes for fixing faults and meeting network performance targets</li><li>• <b>Renewal and Resilience Requirements</b> – Asset renewal cycles and expectations for network robustness</li></ul>

During future workshops Elected Members will be asked for input around various Level of Service options for each roading activity type, such as decreased investment = lower level of service, through to increased investment = improved level of service.

With affordability being a key challenge for our infrastructure nationwide, some councils are introducing 'differential' levels of service to enable better prioritisation of investment.

For Tararua, this would involve bringing more variance to our service provision for roading across different road category types. For example, our lowest volume rural roads may see a more reactive maintenance and asset management approach vs our higher volume rural roads which would see a more planned, proactive approach. The levels of service for lowest volume rural roads would be focused on maintaining access and safety, rather than comfort and aesthetics. There can be different levels and activity types which this can be applied to and options around this will need to be clearly understood including any cost savings and the risks / trade-offs – this information will be brought forward through future workshops. We will also need to be consult with the public as part of the LTP process.



## Problem Statements

As part of NZTA's requirements of councils to support investment decisions, we are required to develop 'Problem Statements' which are a clear and concise description of the problems that the investment will address, and the benefits that can be expected.

Our current four problem statements from the 2024 AMP and a summary of how we've been working to address these are as follows:

<b>Climate &amp; Resilience</b>	<p><b>Problem:</b> Our road network is extremely vulnerable to changing climate and land use activities resulting in poor access, safety and resilience for users.</p> <p><b>Benefit:</b> Reducing road closures and restrictions will improve transport reliability, increasing user confidence and the economic productivity of our district</p>
<p><b>How are we tracking:</b></p> <ul style="list-style-type: none"><li>• As part of Cyclone Gabrielle recovery work we've focused on building back better with innovative solutions to improve resilience, such as the EcoReef erosion protection solution on River Road, Marainanga Gorge rebuild, Rakaitai Bridge project, and the Route 52 upgrade.</li><li>• We've installed lots of brush willow retaining walls which are a cost-effective way to shore up roadside slips and stabilise riverbanks.</li><li>• We've successfully applied for \$3,000,000 through NZTA's Low-Cost Low-Risk Targeted Fund for Resilience - programme now underway to improve drainage infrastructure and undertake erosion protection at known risk areas. Increased drainage inspections informing this programme.</li><li>• Land stability project - Year 1 planting completed – 495 poplars and 1,315 willows planted across 60 sites to stabilise land next to road and prevent future dropouts and slips, 60 further sites planned for 2026.</li></ul> <p>Note: The impact and benefits of resilience work will be realised long term and proven through network's resilience to future weather events.</p>	



<b>Safety</b>	<p><b>Problem:</b> An inconsistent transport system, and inadequate safety controls is resulting in accidents with a high risk of death or serious injury to people in the district.</p> <p><b>Benefit:</b> Investing in improving the consistency of road form and environment will contribute to a safe and well-connected network for all users and minimising the risk of serious crashes.</p>
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**How are we tracking**

While we received no NZTA funding for Minor Safety Improvements, work to improve safety has included:

- Implementation of the government’s Setting of Speed Limits Rule, with variable speed limits being rolled out across all Tararua schools, well before the government deadline of 1 July
- Started developing a differential level of service framework which as we as supporting better investment decisions will also aim to bring consistency to road form and safety treatments across network, reflective of the road hierarchy and also risk
- Continued prioritisation of high-risk faults which pose safety risk
- Resilience works as part of Cyclone Gabrielle which aim to reduce safety risk from future events
- Set up minor safety Improvement programme and started better capturing identified safety areas, which will inform our investment bid to NZTA for 2027 AMP

<b>Declining Levels of Service</b>	<p><b>Problem:</b> Funding constraints associated with a very large road network, small ratepayer base and rising costs is resulting in reduced levels of service compared to our peers, low customer satisfaction and possible asset consumption.</p> <p><b>Benefit:</b> Innovation, experimentation and adoption of new technologies and processes will help minimise the impact of climate change and make better use of our limited resources.</p>
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**How are we tracking**

- The final approved funding for NZTA was a mixed bag with regards to what was requested, with gains in certain pressure areas (Sealed Pavements), and large reductions in other areas (footpaths).
- A number of areas saw approved funding flat-line, which taking into account inflation, will result in a deterioration in asset condition (i.e. signage).
- The benefits of increased funding will only be able to be recognised in future years (i.e. improvements to pavement conditions).
- Some of the consequences of reduced funding can be seen now, with faults associated with things such as signage steadily increasing.
- Due to the pressures, as well as the impact of multiple storm events since 2022, we are actively progressing proposals for a differential level of service framework which will support more prioritised investment based on road hierarchy.
- With regards to specific measures, 6% of the network was sealed in 24/25, 8% of the network is getting sealed this financial year and another 7% planned for 26/27 financial year. This is an



increase from the 3.5% achieved in the 2023/24 financial year and assists us in providing more resilient pavement assets.	
<b>Limited Transport Options</b>	<p><b>Problem:</b> Limited options for walking and cycling and low service levels, combined with a lack of public transport is resulting in high vehicle use within urban towns and villages, increasing the risk of accidents for vulnerable users and impacts on the environment.</p> <p><b>Benefit:</b> A specific strategy on how freight routes are managed will encourage and support economic activity within the region.</p>
<p><b>How are we tracking</b></p> <p>Limited progress due to walking and cycling not being a priority area under the current GPS. Granted funding was 84% less than what was requested, therefore our ability to address this Challenge was not possible.</p> <p>The previous Council approved an additional \$150,000 unsubsidised funding to enable us to address the highest priority faults.</p>	

To help us draft our problem statements for our next AMP, we will provide an overview of our upcoming key challenges and test these with Elected Members to see if they align with what they are seeing and hearing, and to understand whether there are other areas we need to factor into our problem statements. We will then take away feedback and bring draft problem and benefit statements to the next workshop.

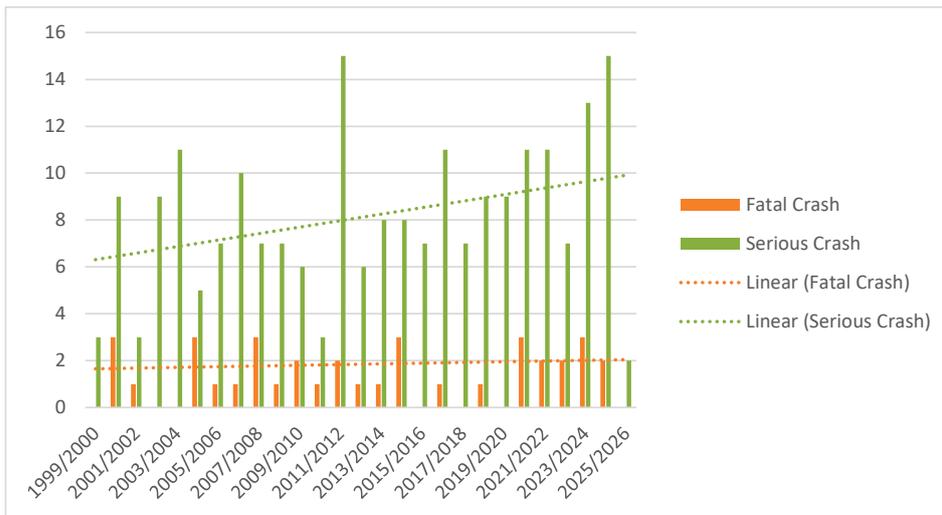
## Our Challenges

Identified high level challenges we will run through are:

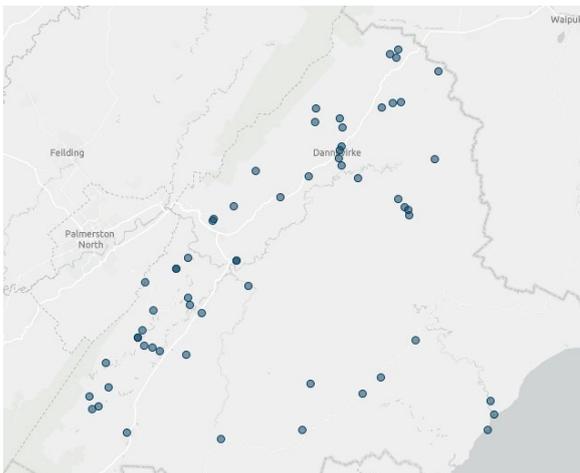
### Safety:

Safety needs to remain a key focus area. As highlighted in the below graph (which excludes State Highways), the number of serious crashes are gradually increasing over time on our roads, and fatalities are remaining static. Road form and surface are not the main factor in most crashes but we need to continue to prioritise safety when it comes to our roads.





The following map also shows the locations of serious and fatal crashes on our roads over the past five years:



**Climate and Resilience:**

We know that high intensity rainfall events are likely to become more frequent and this puts significant pressure on our assets, particularly drainage. Continued investment in resilience work is needed, and the size and condition of our drainage assets are key - many are undersized and in poor condition.

**Infrastructure Condition vs Network Size:**

- Many of our roads were built to design standards intended for lower vehicle weights
- Many of our key assets (Bridges, Culverts, Retaining Walls) are nearing the end of life



- A large and dispersed district makes managing and maintaining its extensive road network particularly challenging

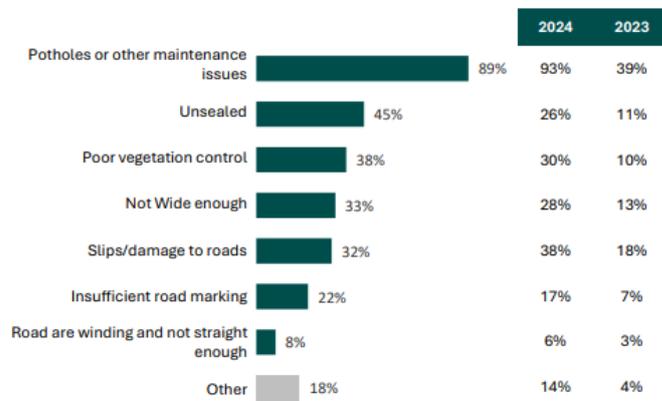
**Affordability:**

- We have been operating in a high-inflationary environment since 2020, eroding our ability to service certain Work Activities
- Economic environment = funding is likely to become restrictive
- Certain customer expectations remain high, and ageing infrastructure makes it increasingly difficult to deliver the service levels



## Customer Feedback

We have captured some snapshots from the 2024/25 Residents Survey which were reported through the Council’s Annual Report, including:

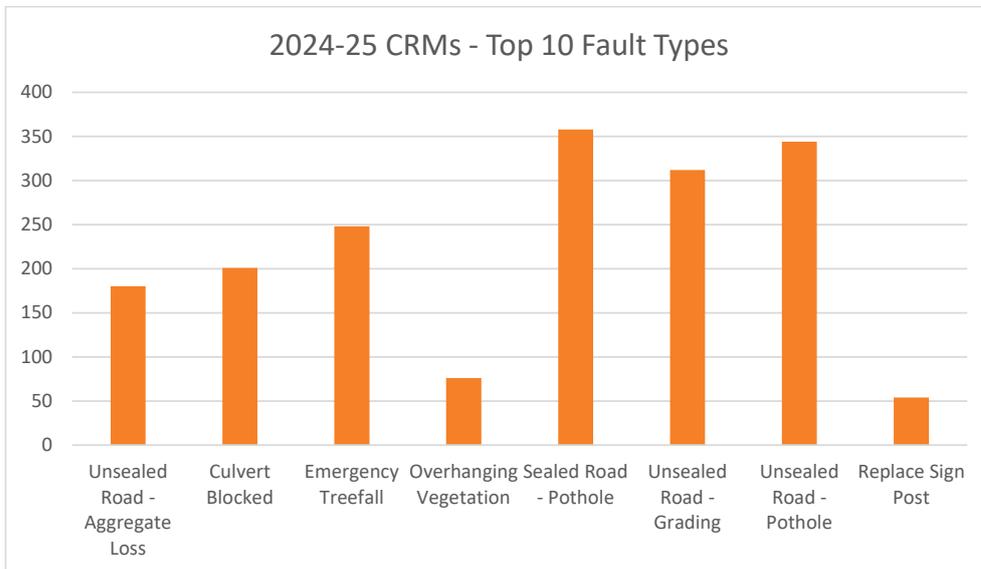


- Satisfaction with Overall Roads has significantly increased during the 2024/25 survey period, up by 11%.
- Satisfaction with sealed roads has also increased, rising from 39% to 51%.
- Meanwhile urban roads and rural unsealed roads each show a 4% improvement year on year.
- Key issues for our rural roads relate to ‘potholes or other maintenance issues’, ‘road widening and maintenance requests’ and ‘unsealed roads’ with specific mentions of potholes, corrugation and lack of metal coverage. Feedback also references that overall our vegetation control is not frequent enough, leading to reduced visibility around corners or blocked views.

More information on survey results that were provided as part of the August 2025 Council Meeting can be located [here](#).

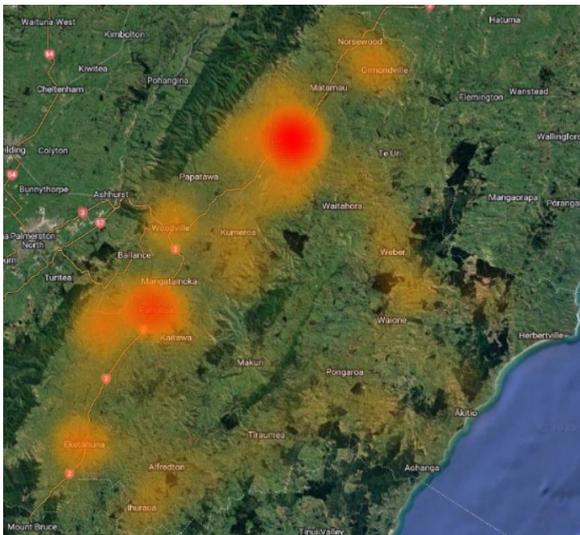


The following graph shows the top 10 types of Customer Requests for Maintenance by category for 2024/25:



- As reported through the Annual Report, we are meeting our LTP response time target of 90% of customer service requests being responded to within 3 working days (24/25 result = 95%).
- Our top CRM types are similar to the survey feedback – potholes and unsealed road maintenance.

The following heat map also shows where our pothole faults are:



Following our presentation, we invite questions, feedback, Elected Member own observations of key challenges and opportunities leading into 2027 LTP. We will then use this information to inform our drafting of problem and benefit statements which we will bring to the next workshop.

## Management recommendation

N/A – no decisions sought.

## Next steps

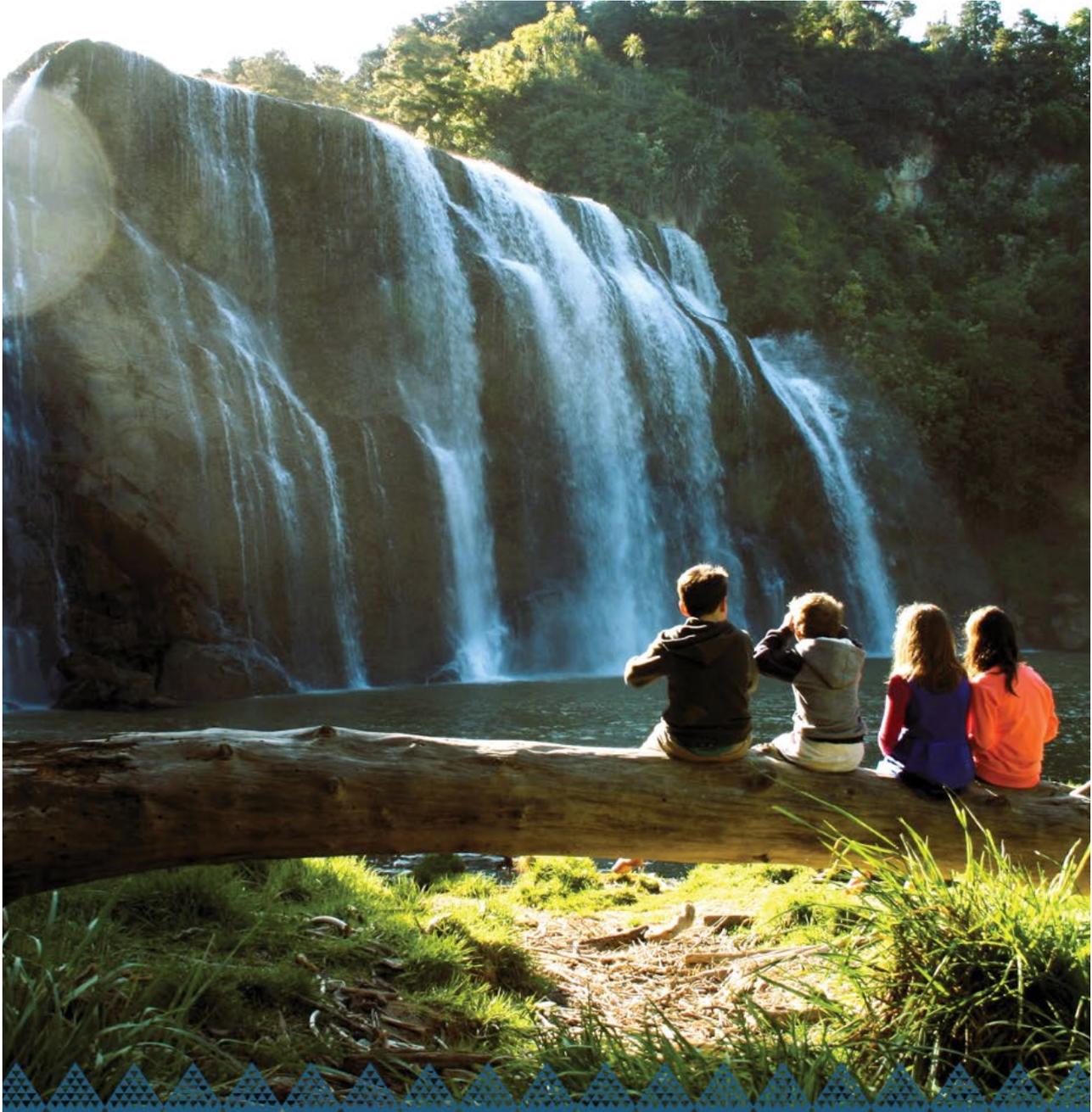
Date	Action	Who
18 March	Agree strategic priorities and problem / benefit statements. Also get introduced to differential level of service framework	<i>Council</i>
15 April	AMP funding scenarios presented	Council
20 May	Make decisions around preferred funding scenarios	Council
8 July	Review and approve draft Transport AMP for NZTA submission	Council





**TARARUA**  
DISTRICT COUNCIL

<p><b>Dannevirke Service Centre</b> 26 Gordon Street, Dannevirke PO Box 115, Dannevirke 4942 Monday - Friday 8:00am - 5:00pm <b>Phone:</b> 06 374 4080 (24 hours) <b>Email:</b> info@tararua.govt.nz</p>	<p><b>Pahiatua Service Centre</b> 136 Main Street, Pahiatua Monday - Friday 8:00am - 4:30pm <b>Phone:</b> 06 376 0110 (24 hours) <b>Email:</b> info@tararua.govt.nz</p>
<p><b>Eketāhuna Service Centre &amp; Library</b> 31 Main Street, Eketāhuna Monday - Friday 10:30am - 12:30pm &amp; 1:00pm - 4:30pm <b>Phone:</b> 06 376 0110 (24 hours) <b>Email:</b> info@tararua.govt.nz</p>	<p><b>Woodville Service Centre, Library &amp; site</b> 45 Vogel Street, Woodville Monday - Friday 9:00am - 5:00pm <b>Phone:</b> 06 376 0200 (24 hours) <b>Email:</b> info@tararua.govt.nz</p>



# LONG TERM PLAN 2027-37

## Financial Strategy 1

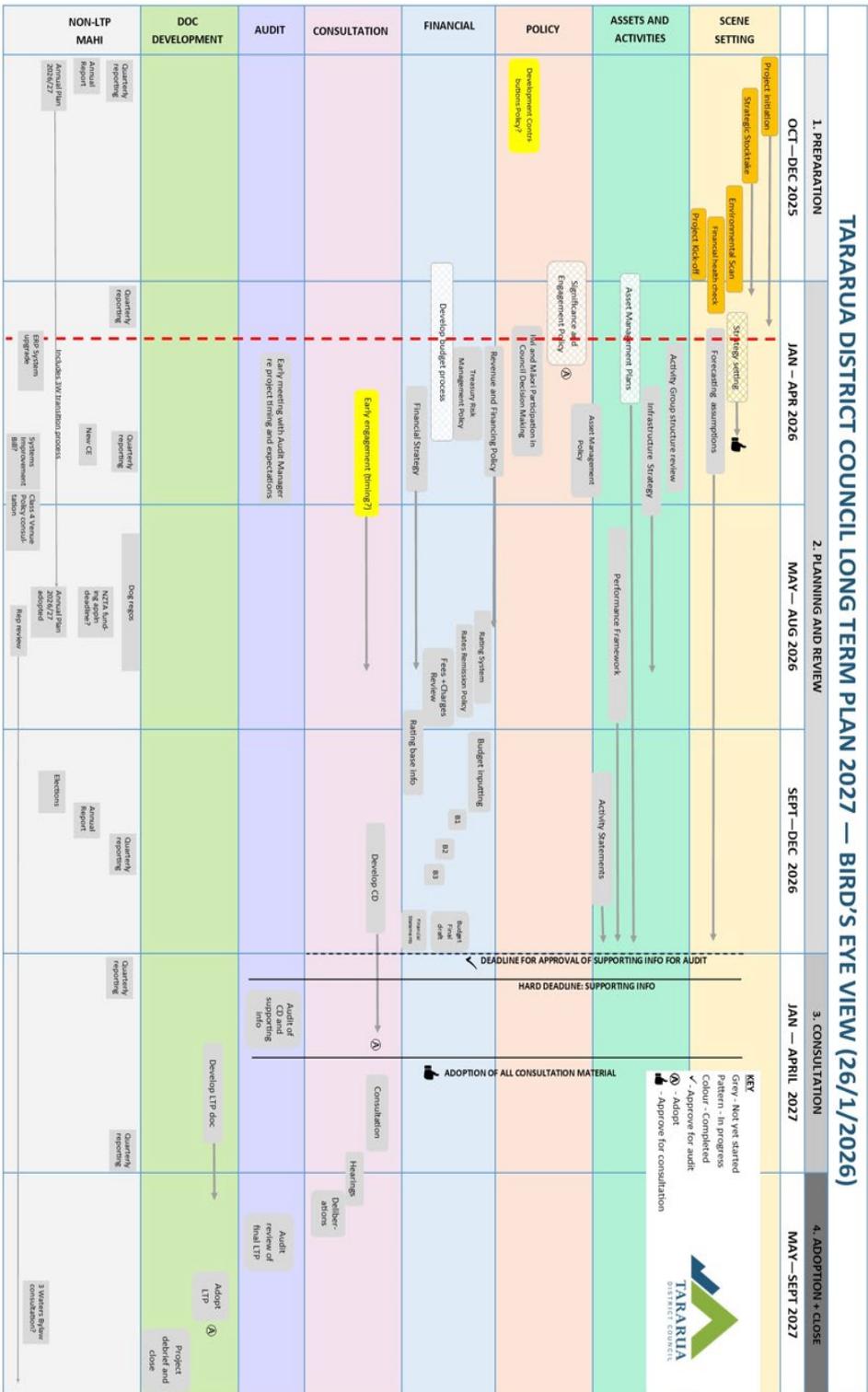
WEDNESDAY, 11 FEBRUARY 2026

LTP 2027 Workshop Reader

[LTP 2027 Template - EM Workshop Presentation - Financial Strategy Workshop 1](#)



Timing – where does this discussion sit in the context of the wider project?



## Workshop purpose:

To introduce the financial strategy, what its purpose is, what is required to be included and explain how it all pulls together.

## Guidance needed from Elected Members

The workshop seeks an understanding by the elected members of Council's financial strategy and its links with the infrastructure strategy as the key pillars guiding the Long Term Plan (LTP).

Officers seek direction on what the 2027-2037 financial strategy should include, and any other risk mitigations/ opportunities to consider.

## Strategic alignment

Alongside the infrastructure strategy, the financial strategy is one of the strategic enablers of the Council's LTP. They are both critical parts to the LTP, they provide the strategic direction that underpins the context for the LTP.

When taken together these two strategies provide the reader with a sense of the costs, risks, and trade-offs that underpin the level of service programmes in the LTP that aim to achieve the strategic outcomes.

The local Government Act 2001 sets out the purpose and required content of the financial strategy (section 101A(2-3)).

Section 101A (2) states that the purpose of the financial strategy is to:

- a) Facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- b) Provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt and investments.

Section 101A (3) provides that the financial strategy must –

- (a) include a statement of the factors that are expected to have a significant impact on the local authority during the consecutive financial years covered by the strategy, including—
  - (i) the expected changes in population and the use of land in the district or region, and the capital and operating costs of providing for those changes; and
  - (ii) the expected capital expenditure on network infrastructure, flood protection, and flood control works that is required to maintain existing levels of service currently provided by the local authority; and
  - (iii) other significant factors affecting the local authority's ability to maintain existing levels of service and to meet additional demands for services; and



- (b) include a statement of the local authority's—
  - (i) quantified limits on rate increases and borrowing; and
  - (ii) assessment of its ability to provide and maintain existing levels of service and to meet additional demands for services within those limits; and
- (c) specify the local authority's policy on the giving of securities for its borrowing; and
- (d) specify the local authority's objectives for holding and managing financial investments and equity securities and its quantified targets for returns on those investments and equity securities.

## Related forecasting assumptions and risk

All forecasting assumptions and risks to be considered in the financial strategy.

## Discussion

### What is a financial strategy?

The financial strategy is a mix of forecast information about what could have a significant financial impact on the council such as:

- Capital and operating costs response to changes in population and land use;
- Capital expenditure necessary to maintain levels of service on the five groups of network infrastructure – flood protection and control works (not applicable to TDC), roads and footpaths, stormwater, wastewater and water;
- Any other significant factors that affect the Council's ability to maintain existing levels of service and to meet additional demands for service;
- Disclosures about the financial parameters that the council will operate in:
  - quantified limits on rates increases;
  - quantified limits on borrowings;
  - an explanation of what impact these limits will have on Council's ability to maintain current level of service and meet any additional demands for services
  - targeted returns for financial investments;
- Disclosures on balanced budget (s100 LGA).

The financial strategy states the financial consequences of decisions made:

- It provides an overall direction and a desired end point of the financial status of the council;
- It considers the financial issues and consequences arising from the financial strategy and service delivery decisions elsewhere in the LTP and how the council intends to manage those consequences;



The financial strategy has a dual purpose in that it is to be an enabler that provides funding to support asset activity and service delivery, while also being a constraint by providing a top-down direction and setting limits on rates and borrowings.

The Office of the Auditor General (OAG) has previously provided advice that an effective financial strategy clearly explains the council's strategy to its communities by summarising the following three things:

- What happened in the past;
- Description of the present situation and challenges;
- Goals for the future (including why they are desirable and important).

## 2024-2034 Financial Strategy

### Background

In 2024-2034, Councils direction was to invest heavily to maintain and upgrade Council assets to prepare for growth, maintain and upgrade Tararua's assets to prepare for growth, maintain the current asset base and, where needed, improve levels of service while trying to keep rates affordable and sustainable.

Council was facing an ageing infrastructure network, the need to provide for development to allow growth, financial impacts from climate events, inflation and costs to deliver the basics increasing at greater rate than inflation, rising interest costs as well as ongoing legislative and regulatory changes with three waters and resource management activities being at the forefront of this.

Council was also facing the maximum of its borrowing limits and borrowing ability to respond to an unforeseen event with as little as \$1 million headroom planned for in 2031-32.

As a result of this environment, Council developed four guiding considerations to be at the forefront of all decisions within the LTP:

- Affordability;
- Financial Stability;
- Investment in infrastructure;
- Revenue sources.

Council set very clear goals for what success would look like by achieving Council's vision and financial objectives set out in the financial strategy by the year ending 2034.

Council identified that it had to plan for and respond to the following challenges and opportunities:

- Growth/population;
- Growth/economic;
- Land use;



- Resilience;
- Capital investment;
- Increased service levels;
- Decreased service levels.

In order to deliver this, the financial strategy identified that Council needed to focus on five key strategic directions:

- Rates Limit;
- Dedicated debt repayment;
- Borrowing limits;
- Revenue sources;
- Balanced budget.

These five key strategic directions would enable Council to achieve its LTP strategic objectives, whilst ensuring financial sustainability, financial prudence and leaving sufficient headroom available for Council to be able to respond to unforeseen events.

### Key Strategic Directions

1. **Rates limits:** Increase Council’s rates limit to service the increased debt levels, fund the operational cost increases that were a result from investment in infrastructure growth projects, and the increase in costs to meet service levels as a result of significant increase in monitoring and compliance costs.

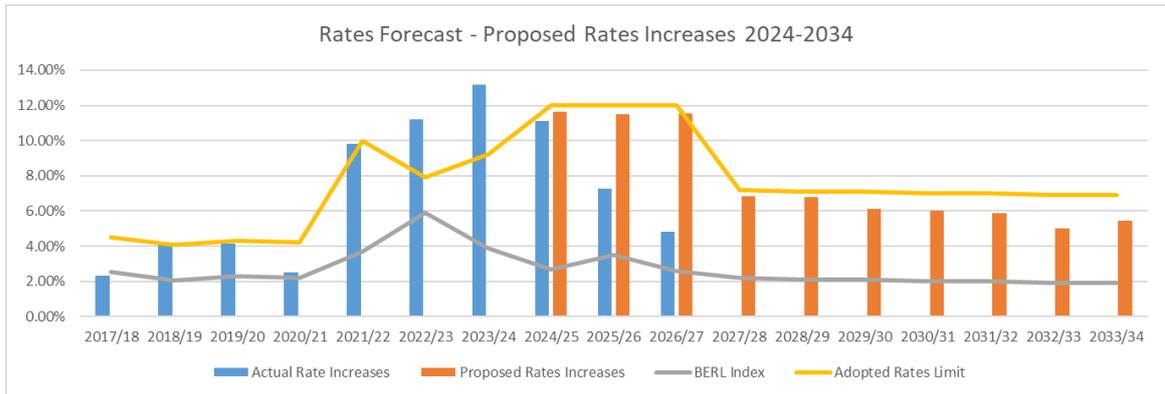
The below is an extract from the LTP 2024-2034 and shows the rate limits Council set in this financial strategy. BERL is a local government cost index which is the inflationary adjustor that is most appropriate to local government and used across the sector.

Setting a rate limit is compulsory under the Local Government Act, but it also provides council’s the opportunity to provide assurance to the community of what the expected maximum average increase in rates will be over the life of the LTP.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Limit	< 12%	< 12%	< 12%	BERL* + 3% +2%						
Quantified Limit	< 12%	< 12%	< 12%	7.20%	7.10%	7.10%	7.00%	7.00%	6.90%	6.90%
Actual Increases	11.67%	11.48%	11.57%	6.86%	6.79%	6.13%	6.02%	5.88%	5.02%	5.44%
BERL Index				2.20%	2.10%	2.10%	2.00%	2.00%	1.90%	1.90%

The below graph shows Council’s previous rate increases against what the rate limits were and compares this to the BERL cost index as well. The orange bars show the actual rates increases that have been adopted or proposed to be adopted for 2026-2027 and the green bars show proposed increases from the 2024-2034 LTP.

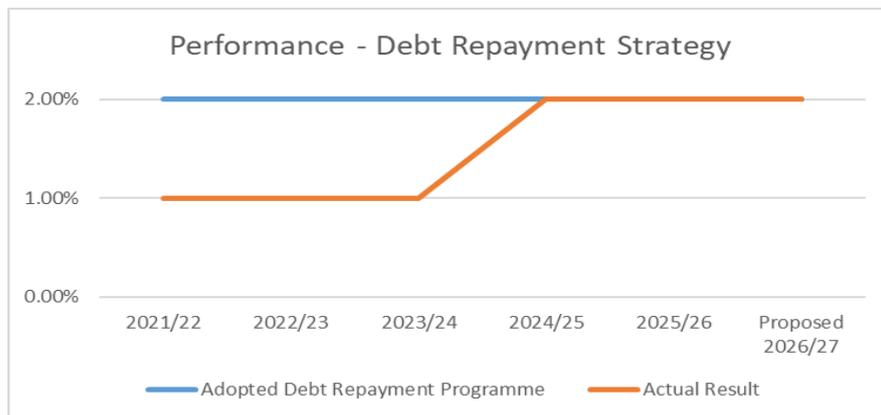




- Dedicated Debt Repayment:** Continue with the dedicated debt repayment program which ensures Council has continued to invest in infrastructure that meets existing community needs and enables growth.

The dedicated debt repayment was consulted on and brought in as part of the 2021-2031 LTP as a result of the significant capital works programme that was ahead of Council and being able to remain compliant with borrowing limits and Council’s Local Government Funding Agency (LGFA) borrowing covenants.

The below graph shows Council’s performance against this strategy. In the first three years of this strategy Council only implemented a 1% increase for debt repayment, this was a result of the environment Council was in during each of these years. With the increase in capital investment that was required this 2024-2034 LTP, and the small amount of borrowing ability (headroom) available during this plan and beyond it was determined that this strategy needed to continue and be held at the 2% that was intended.



- Borrowing Limits:** Increase Council’s debt limits to enable further capital investment to improve infrastructure, including community and recreation facilities that enable growth.



The below is an extract from the LTP that shows what Council’s borrowing limits were in the 2021-2031 LTP and what Council was increasing these limits to.

Council Borrowing Limits	2021-2031 LTP	2024-2034 LTP
Net debt as a percentage of total revenue will not exceed 175%*	< 150%	< 175%
Net Interest on External Borrowings as a Percentage of Total Revenue^	< 7%	< 10%
Net Interest on External Borrowings as a Percentage of Annual Rates Income^	<10%	<15%
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	> 110%	> 110%

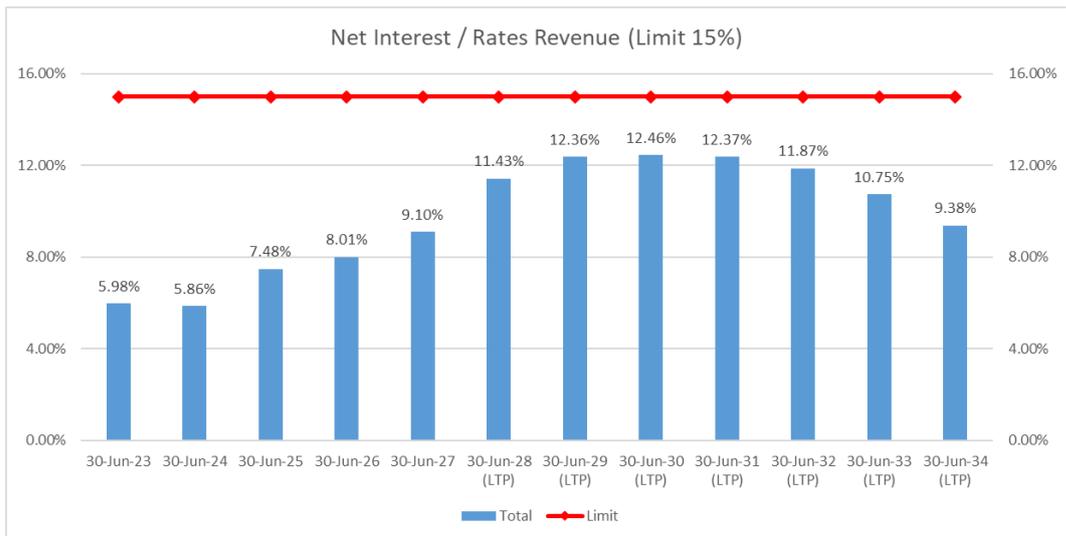
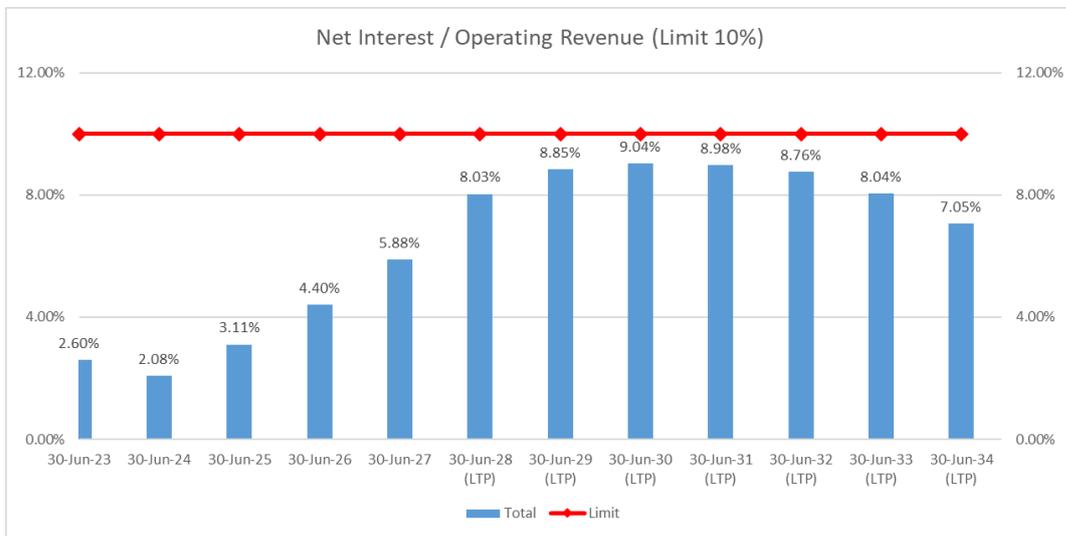
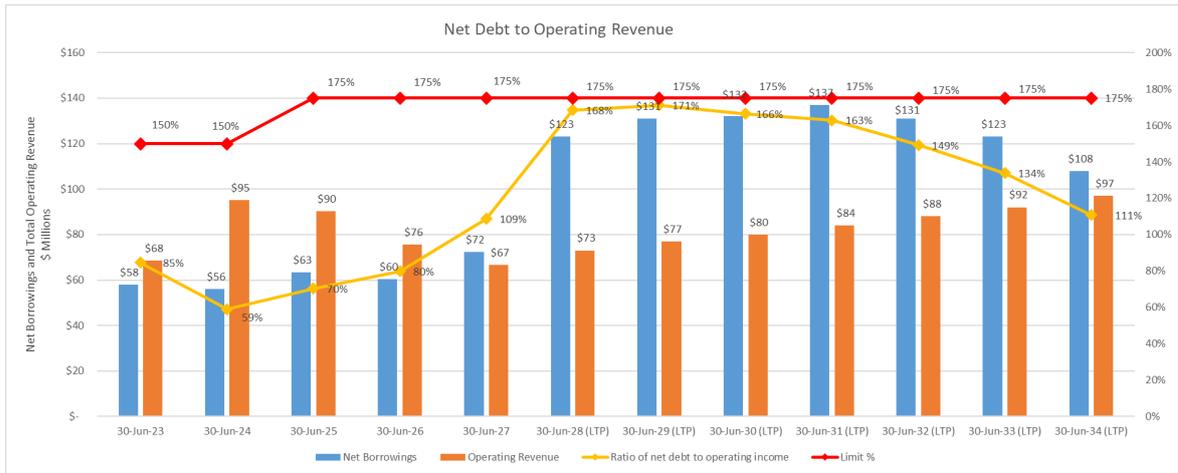
\*Net debt is defined as total debt less liquid financial assets and investments.

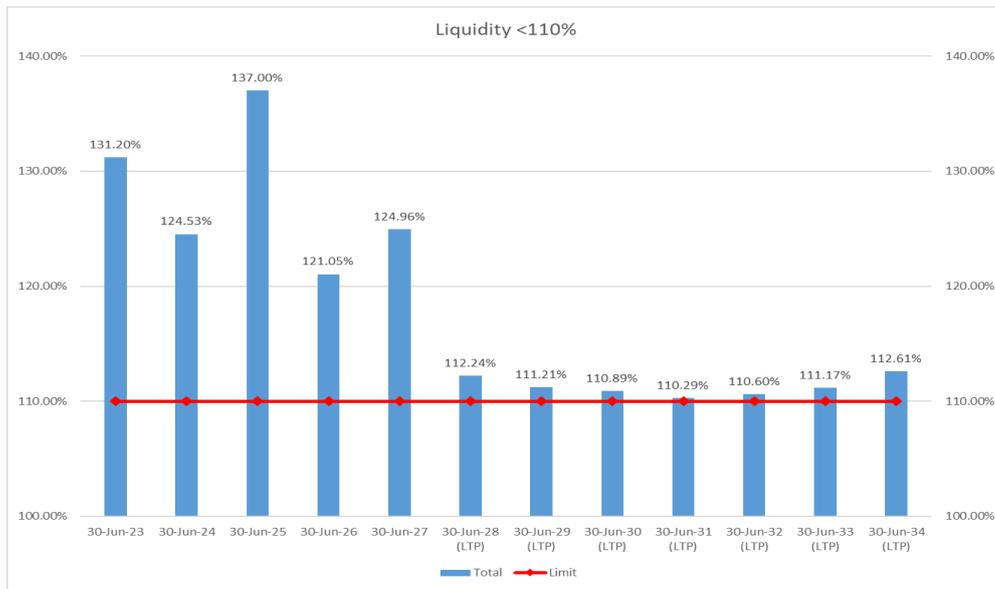
^ Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period

The main driver for the increase in borrowing limits this LTP was a result of the size of the capital works programme that had been incurred in previous years and was required to continue into the 2024-2034 LTP. With regulatory and compliance challenges, Council was faced with renewing its infrastructure at a rate faster than had been previously rated for by way of depreciation in previous years. Essentially what this meant was that reserves that would ordinarily be held for renewals of assets had been utilised which meant Council was having to externally borrow to fund the programme of works required.

The below graphs show Council’s performance against it’s borrowing limits previously and into the later years of the LTP. It shows Council’s actual and forecasted debt against each of the borrowing limits. Important to note in the first graph the movement between the maximum red line (175%) and the blue bar (net borrowings) is what is referred to as borrowing headroom, it is the maximum amount Council can borrow while remaining compliant with Council’s limits.





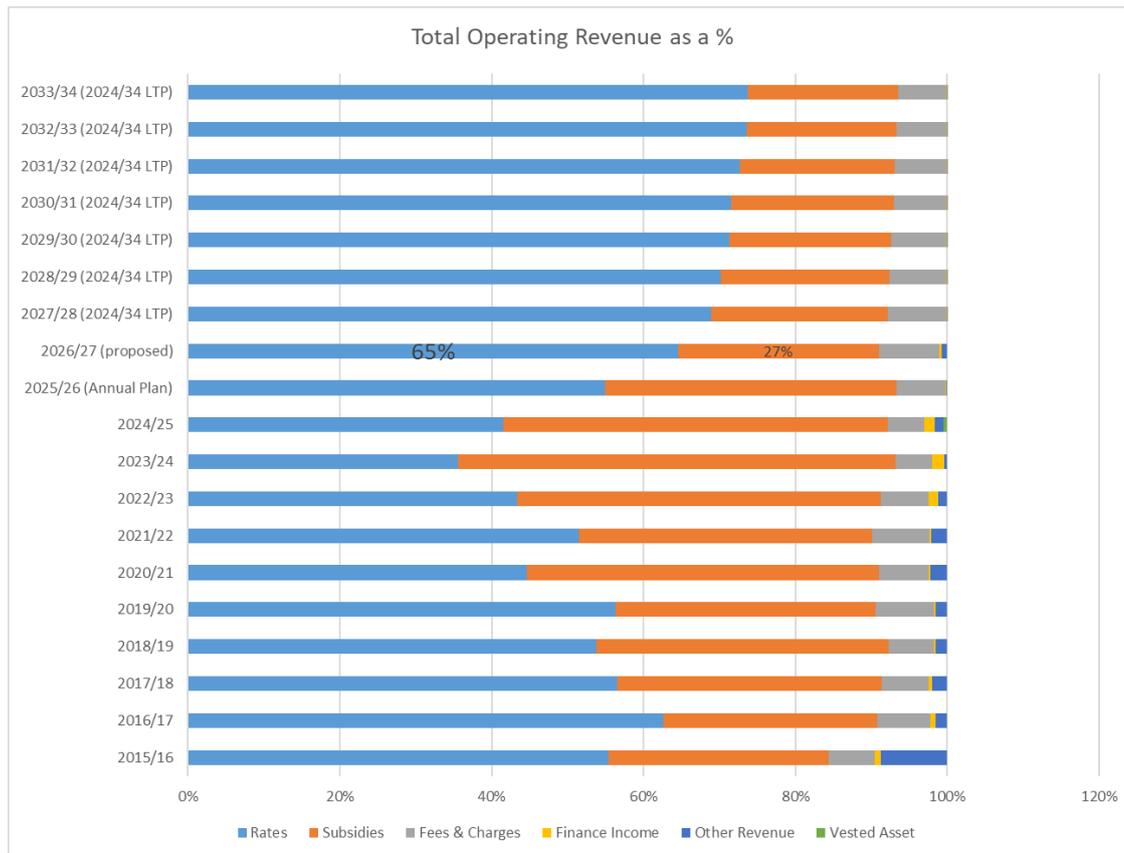


4. **Revenue Sources:** Alternative funding streams in line with Council’s pricing strategy and ensure opportunities for external funding is maximised.

With affordability being at the forefront, Council needed to ensure that it looked at alternative funding streams by way of subsidies, fees and charges, and investment income to reduce the impact to ratepayers. By finding alternative funding sources Council could reduce its rates requirement.

The below graph shows Council’s total operating revenue over previous years and what has been planned for in the coming years.





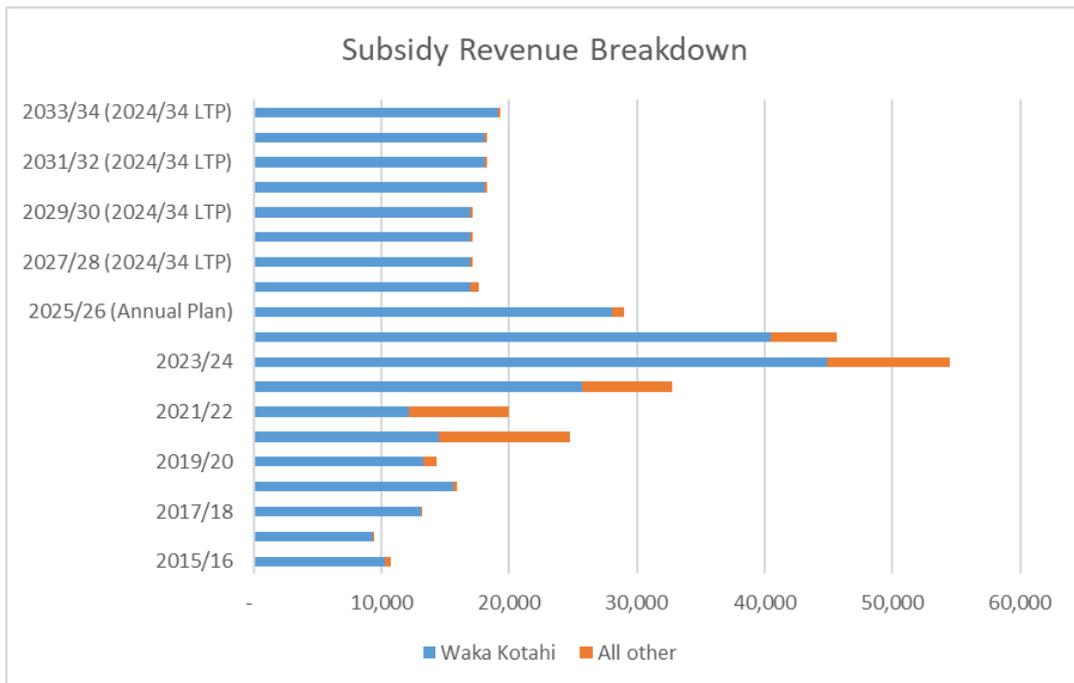
During 2024/25, 2023/24, 2022/23, 2020/21 financial years a big increase in subsidy revenue was received, as a result of emergency events such as Cyclone Gabrielle and the amount of external subsidies Council secured to support Tararua’s recovery as well as funding that was received from Government as a result of their ‘shovel ready’ programmes during Covid-19 response where Council secured funding for multiple projects; the largest being the Route 52 upgrade.

The below graph breaks down Council’s subsidy revenue further and demonstrates where Council was successful in securing external funding for the above projects mentioned.

The graph demonstrates that Waka Kotahi NZTA is the main subsidy provider to Council. Council’s Funding Assistance Rate (FAR) is currently 73% and was previously set at 69%. A change in Councils FAR could have a significant impact on what Council would need to rate for in order to meet its Transport Activity Asset Management Plan.

As an example of the impact this could have, a 1% reduction in Council’s FAR would result in an increase in rates requirement of approximately \$90,000 for operational maintenance budgets, and approximately \$100,000 rates requirement in depreciation funding. Both of these movements would equate to a 0.64% average rates increase (calculated on Council’s 2027 proposed annual plan rates requirement less three waters).





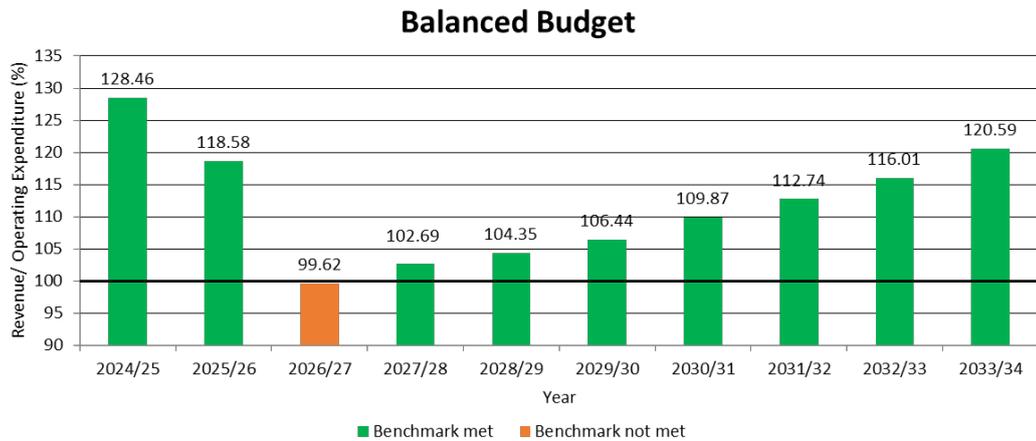
5. **Balanced Budget:** Council will meet s100 LGA balanced budget requirement, and to enable this funding, an appropriate level of depreciation for future asset renewals and build reserves.

A balanced budget is met when Council’s planned revenue to be received from operations (e.g. rates, operational subsidies and grants, fees and charges etc.) meets the day-to-day costs of providing services and maintaining assets and other operating requirements.

A Council can resolve to not meet this requirement if it is financially prudent to do so. For example, Council did not meet the balanced budget in 2023-2024 as it had budgeted 97.84% of its day-to-day costs being covered by its planning operating revenue.

The below graph shows for each year of the LTP and revised annual plans that Council has met the balanced budget benchmark. Note that as officers are still working to ensure that the proposed plan for 2026-27 will meet the balanced budget benchmark it is showing as not met at this point. In the 2024-25 and 2025-26 year Council has met this requirement by more than 100% as a result of external subsidy received for Cyclone Gabrielle Recovery.





In the 2024-2034 LTP Council resolved to smooth the impact of the rates requirement from year 1 over the first 4 years of the LTP. To do this Council used a lever that is referred to as unfunding of depreciation funding.

Depreciation funding is a method of allocating the costs of an asset over its useful life, it is rated for over the expected life of the asset and held in what is referred to as a depreciation reserve. The objective of depreciation funding is to ensure that those who receive the benefit of Council’s assets, pay a fair share towards the eventual replacement cost of the asset.

As previously mentioned in the borrowing limits section over the previous 10+ years Council has invested quite significantly in its three waters infrastructure. During the 2021-2024 financial years Council experienced a notable rise in its asset’s values following revaluations that are completed annually. The impact of these rises has also meant that the amount of depreciation expense that Council was required to rate for increased significantly.

As seen in years 1-4 of the LTP and other plans prior to the LTP the amount of depreciation funding Council rates for has been a lever that has used as a mechanism to reduce the rates requirement, and the average rates increases to the community.

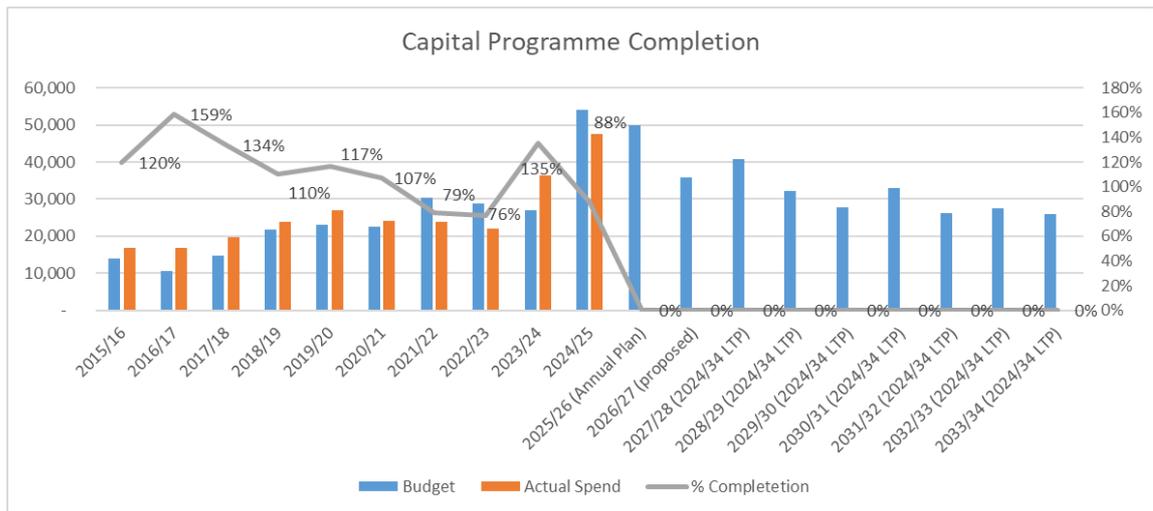
As a result, the depreciation reserves predominately in the three water activities had been depleted which meant Council needed to renew its infrastructure at a rate greater than the amount Council was able to rate for and put away.

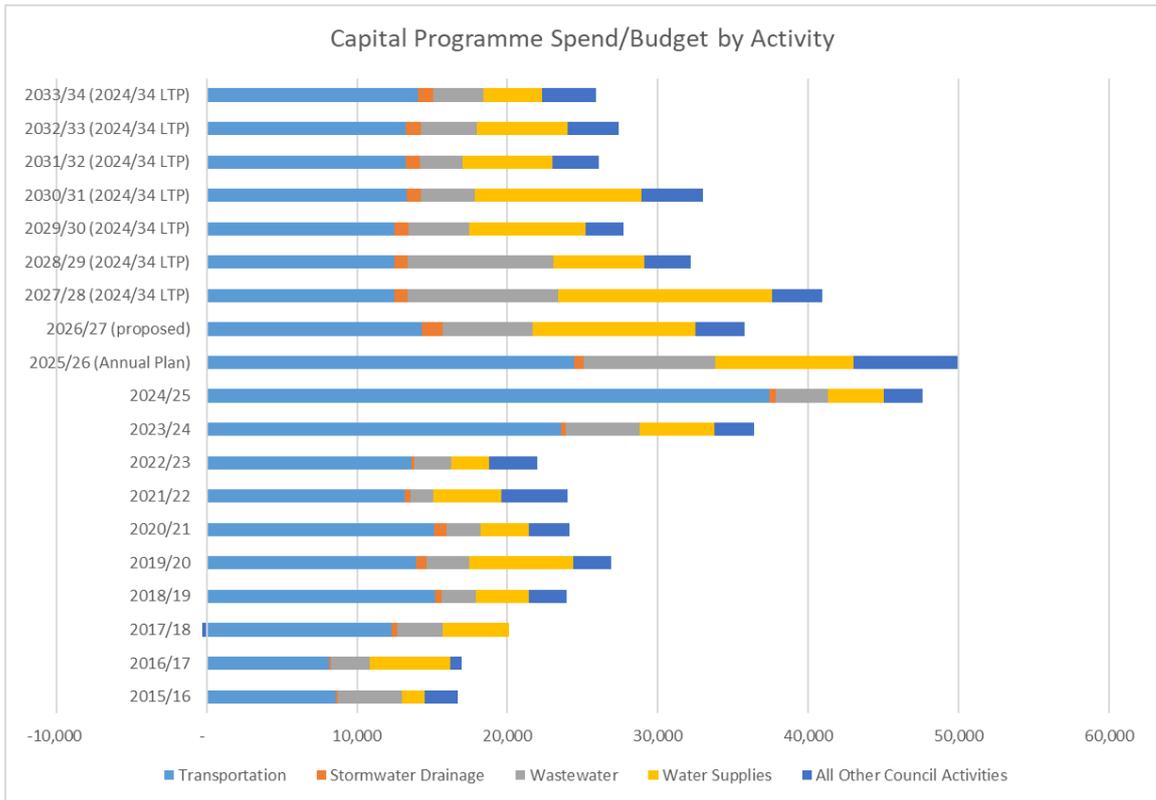
As part of meeting the balanced budget from year 4 (2027-28) Council was also planning to rebuild these depreciation reserves to meet the cost of the capital renewal program and to ensure Council was able to remain within its borrowing limits. In the graph above this can be seen with Council budgeting more than 100% of its operational costs.



**Other key performance items:**

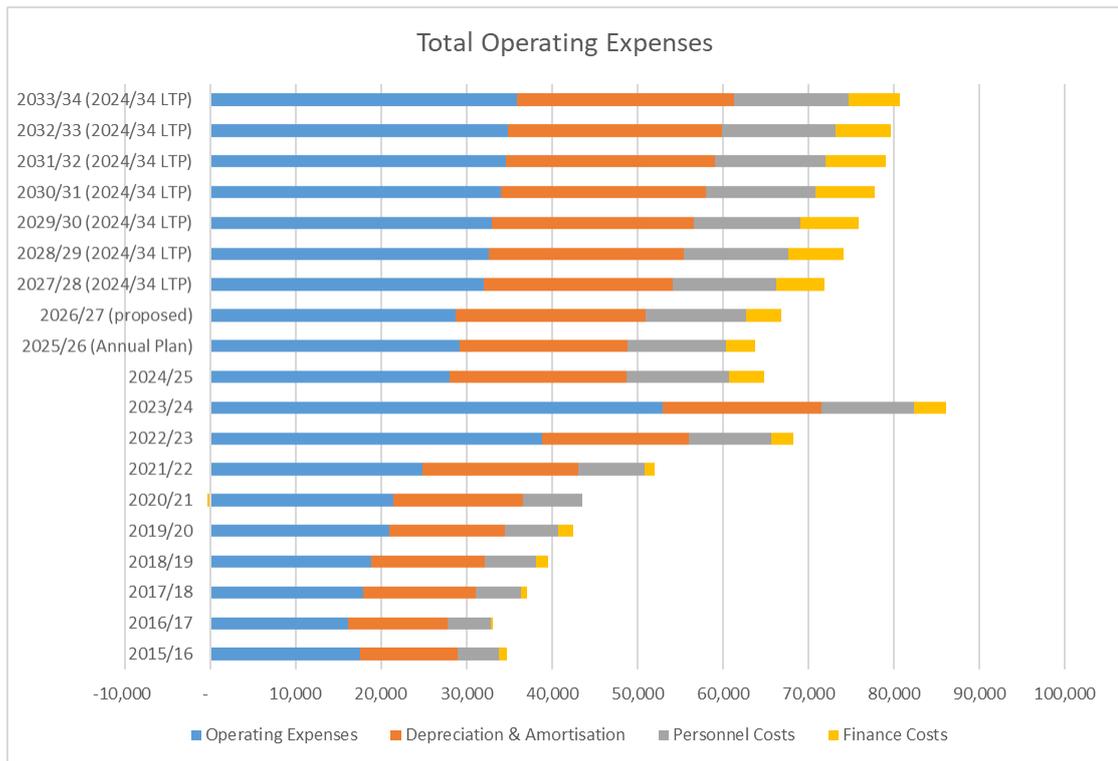
The below two graphs show Council’s performance of its Capital programme and shows which activities have made up the capital programme. Where Council has exceeded 100% is a year in which Council has experienced a significant weather event that has impacted the roading network.



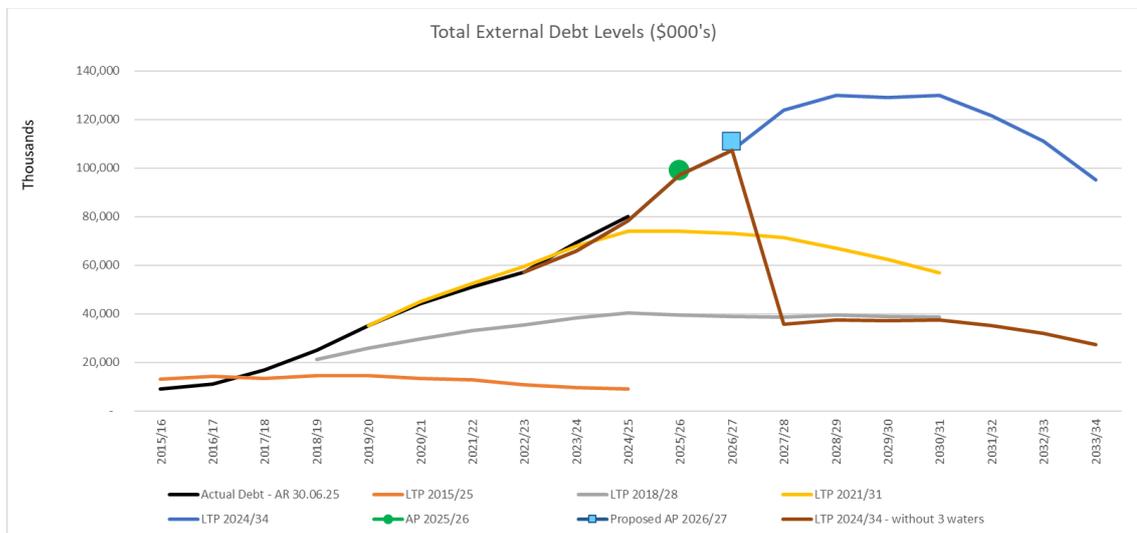


The below graph shows Council's total operating expenses, for the 2024-2034 LTP and back to 2015-16 showing the significant increases Council has faced over time. The 2022-23 and 2023-24 financial years show the impact Cyclone Gabrielle had on the Tararua district in response and recovery.





The below graph reflects Council’s external debt levels against what was planned for in the 2015-25, 2018-28, 2021-31 and 2024-32 LTP’s.



The green dot shows that the 2025-26 Annual Plan debt levels are on track for what was planned for in the 2024-34 LTP, similarly the blue square shows where the 2026-27 proposed annual plan is anticipating debt levels to be remain on track with the 2024-34 LTP.



The Brown line shows where officers anticipate debt levels to reduce to with the removal of three wates in July 2027.

### What do 2027-2037 challenges/opportunities look like?

- Borrowing limits (reduce these with the removal of three waters);
- High level capital investment (particularly in transportation with ageing network, bridge renewals required and growth);
- Market constraints:
  - Cost increase;
  - Supply chain availability;
  - Contractor availability;
  - Affordability;
- Inflationary impacts (interest costs);
- Reforms/Legislative changes;
- Land use (opportunities with the new highway opening);
- Change in FAR rates for NZTA funding;
- Resilience/Climate change;
- Shared services;
- Finding efficiencies;
- Changes in levels of service.

### Community views

These will be obtained and incorporated throughout the Long Term Plan process.

### Management recommendation

Key strategies for 2027-2037 while addressing the above 2027-2037 challenges and opportunities:

- Reduce borrowing limits (waters moving to new water entity);
- Debt repayment;
- Infrastructure investments for levels of service, resilience and growth;
- Balance budget requirements;
- Rates capping;
- Appropriate level of depreciation funding;
- Diversify revenue sources.

### Next steps

Date	Action	Who
July 2025	Financial Strategy Workshop 2	Finance Manager/CFO



July 2025	Budget 1	Finance Manager/CFO





**Dannevirke Service Centre**  
26 Gordon Street, Dannevirke  
PO Box 115, Dannevirke 4942  
Monday - Friday  
8:00am - 5:00pm  
**Phone:** 06 374 4080 (24 hours)  
**Email:** info@tararua.govt.nz

**Pahiatua Service Centre**  
136 Main Street, Pahiatua  
Monday - Friday  
8:00am - 4:30pm  
**Phone:** 06 376 0110 (24 hours)  
**Email:** info@tararua.govt.nz

**Eketāhuna Service Centre & Library**  
31 Main Street, Eketāhuna  
Monday - Friday  
10:30am - 12:30pm & 1:00pm - 4:30pm  
**Phone:** 06 376 0110 (24 hours)  
**Email:** info@tararua.govt.nz

**Woodville Service Centre, Library & i site**  
45 Vogel Street, Woodville  
Monday - Friday  
9:00am - 5:00pm  
**Phone:** 06 376 0200 (24 hours)  
**Email:** info@tararua.govt.nz



Rautaki Ahumoni

# Financial Strategy 2024/34



## Rautaki Ahumoni FINANCIAL STRATEGY

- 65** Introduction *He Whakatakinga*
- 67** What our future looks like *Te āhua o tā mātou anamata*
- 69** This is how we will get there *Te ara e tae ai mātou ki reira*
- 79** Where are we now? *Kei hea tātou ināianei*
- 82** Our challenges and opportunities *Ā mātou wero, angitūtanga hoki*
- 90** Appendix 1: Policies governing borrowing and investments  
*Āpitihanga 1: Ngā Kaupapa Here e whakahaere mino ana me ngā whakangao*

# He Whakatakinga INTRODUCTION

This financial strategy sets out our planned approach to financial management over the life of the 10 year plan. It outlines how Council intends to manage its financial resources, details the funding required to support capital investments and service delivery, and assesses the impacts on rates, debt, service levels, and investments resulting from decisions made.

Our financial strategy is designed to establish a sustainable foundation for the long term, ensure funding to enhance the resilience of our assets and services, enable growth, and plan strategically for future generations in a financially sustainable way.

This strategy will guide the Council's future funding decisions and, in conjunction with the Infrastructure Strategy, will determine the capital and operational expenditure requirements for the life of the 10 year plan.

As a critical component of our strategic framework, this Financial Strategy plays a pivotal role in how the Council intends to address current and future challenges, and capitalise on opportunities identified during the life of this plan and that of future generations that will benefit our communities.

Affordability – what does it mean to us as a Council? Council views the meaning of “affordable” as something that is inexpensive or reasonably priced. Council strives to deliver its services in an affordable way, but the reality is that it faces challenges in spreading the cost of these services over a small number of ratepayers. We continue to experience significant cost increases, as has every house and business in New Zealand, due to the much higher than anticipated inflation.

Significant cost increases have occurred in the three waters and roading activities due to legislative requirements, and Council's ongoing recovery from the devastating effects of Cyclone Gabrielle. As signalled previously, in order to meet these cost increases, rates increases need to be higher.

When assessing the affordability of providing Council's services, we revisit our regular environmental scans that look at local and political factors that may impact our district, and we consider every dollar of our spend before it is approved.

In trying to maintain affordability and provide essential services to our community we are constantly trying to find the happy medium between all of these considerations. We revisit our budgets annually, weighing up necessities and nice to haves, and this plan as with the previous annual plan, we have pared back to the absolute minimum and to what is necessary across the board.

## He aha rā e aratakina ana mātou What guides us



**Affordability** – Council will deliver on public value while balancing rates affordability, sustainability, and reflecting the services this plan details we will deliver



**Financial Stability** – Ensuring council manages its finances in a way that maintains financial prudence and ensures long-term financial sustainability and resilience



**Investment in Infrastructure** – Continue to invest in our infrastructure to ensure our assets are able to provide services now and into the future while considering inter-generational impacts of decisions we make



**Revenue Sources** – To maximise the amount of external funding received to reduce the financial burden on ratepayers

## Tā Mātou Kitenga Our Vision

We thrive together. Vibrant, connected communities where our land and our people are nurtured, and our people flourish.

*Mā te whenua, mā te waiora tātou e ora ai hei hapori ngangahau hei hapori honohono hoki.*



## Te āhua o tā mātou anamata **WHAT OUR FUTURE LOOKS LIKE**

The life of this plan presents a multitude of challenges and opportunities as identified in this strategy and throughout this plan.

The nuts and bolts of it is that Council is planning on investing heavily to maintain and upgrade our assets to prepare for growth, improve, maintain and where needed improve levels of service while trying to keep rates as affordable and sustainable as it can for our ratepayers.

By achieving Council's vision and financial objectives for this plan, 2034 will look like this:



### **Thriving District**

- Development and Financial contributions will be in place
- Opportunities for non-rate revenue realised
- Council has become a credit rated Council



### **Connected Communities**

- Improved climate resilience
- Improved delivery of capital projects with the embedment of our project management framework within the organisation
- Our assets are taken care of with sufficient funding for renewal budgets being available throughout the plan



### **Improving our Environment**

- Improved safety and resilience of the roading network.
- Emergency roading reserve maintained at a sustainable level.
- A significant amount of required renewals completed on our ageing reticulation network, while significantly reducing the risk of network failures or risks to the environment.



## Interactive Council

- Service levels achieved as set out in this plan
- Rates increases within limits set in this plan
- Fees and charges reviewed annually ensuring they are set at the appropriate levels
- Surplus property sold to reduce debt and operating cost
- Depreciation is funded to allow for the replacements of our assets (unless deemed appropriate and prudent not to fund)Three waters depreciation reserves well on their way to being replenished to an appropriate level
- Balanced budget each year of the plan
- Debt maintained within borrowing limits
- Accelerated debt repayment program followed
- Sufficient ability to borrow funds for an unforeseen event should it be required
- A clear risk appetite and effective insurance strategy is in place.

# Te ara e tae ai mātou ki reira **THIS IS HOW WE WILL GET THERE**

There are increased uncertainties moving forward with a number of questions still to be answered. This Financial Strategy provides key directions that allow Council to progress its objectives, but with an increased focus on creating financial resilience to manage the financial implications of the unknown.

Growth is a major opportunity for our district, and it is likely that further investment will be required as we develop strategies to enable growth.

It is certain that there will be financial impacts from climate events, the timing and quantity, however, is a major financial risk that Council faces.

Ongoing legislative and regulatory changes in particular in the three waters activities and resource management space could result in further funding challenges as they become known.

Council has made significant forecasting assumptions in the assumptions section of this Long Term Plan, where the financial consequences are outlined.

## Ngā Rautaki The Strategies

To achieve Council's strategy of being financially sustainable and prudent, the strategy focuses on the following inter-linked key strategic directions that enable Council to achieve its strategic objectives, whilst ensuring financial sustainability and prudence by leaving headroom for the unknown as mentioned above:



**Rates Limit:** Increase Council's rates limit to service the increased debt levels, fund the operational cost increase resulting from investment in infrastructure and growth projects, and increase cost to meet service levels.



**Dedicated Debt Repayment:** Continue with the dedicated debt repayment program which ensures Council has continued financial resilience whilst continuing to invest in infrastructure that meets existing community needs and enables growth.



**Borrowing Limits:** Increase Council's debt limits to enable further capital investment to improve infrastructure, including community and recreation facilities that enable growth.



**Revenue Sources:** Alternative funding streams in line with Council's pricing strategy and ensure opportunities for external funding is maximised.



**Balanced budget:** Council will meet s100 LGA balanced budget requirement, and to enable this funding, an appropriate level of depreciation for future asset renewals and build reserves.

## Te Herenga Pikinga Reti Rates Limit Increase

In the previous financial strategy Council set its rates limit for year one at less than 10% and years 2-10 at BERL + 3% plus 2% debt repayment. This Long Term Plan we see the need for the rates to increase over the life of the plan as we invest in our district and maintain our existing Levels of Service.

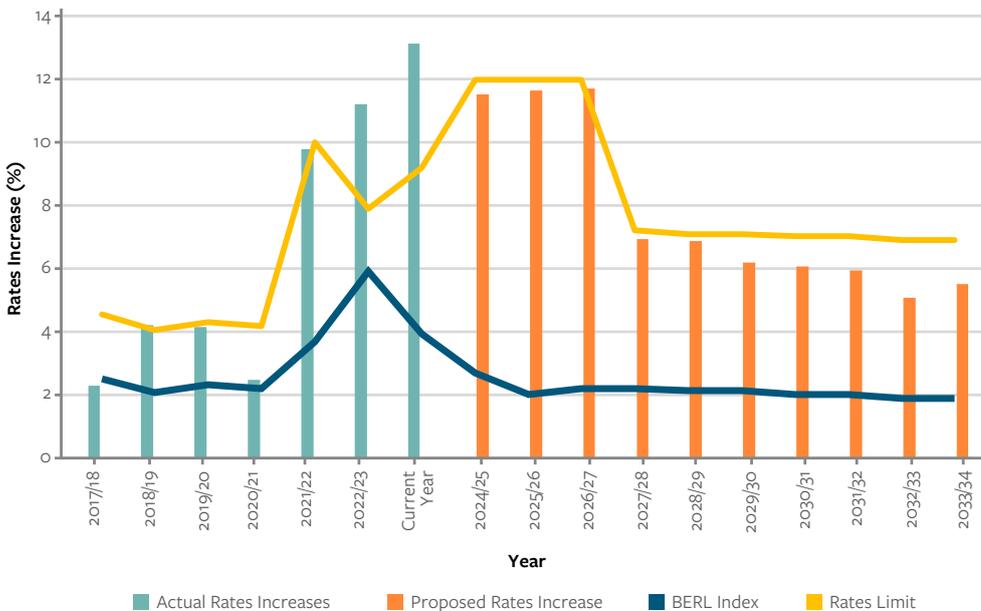
	Year 1	Year 2	Year 3
<i>Previous Long Term Plan – years 1 to 3 actual performance</i>			
Limit	< 10%	BERL + 3% + 2%	BERL + 3% + 2%
Quantified Limit	< 10%	7.90%	7.50%
Actual Increases	9.82%	11.22%	13.17%

Council appreciates the pressure rates place on our community. It is important to us to ensure we are spending prudently, and we engage regularly through various forums to understand the needs of our community.

This Long Term Plan is a balancing act between the communities wants and needs, the regulatory environment, Council’s aspirations, and the ability to fund them. Affordability has been at the forefront of every decision that has been made. In addition to inflation, interest costs, depreciation costs and loan repayments, the proposed increases are attributable to the following factors;

- Increased compliance for wastewater treatment and management
- Resilience and compliance for water treatment and management
- Resilience and increased maintenance for our roading network
- Reticulation investment – historic low investment
- Growth – impacting three waters reticulation. Funding option available e.g. Development Contributions
- Solid Waste – expect increases in later years
- Urban and above ground Infrastructure – maintenance and growth

### Rates forecast – Proposed Rates Limits



We believe we have achieved a balance in the decision that has been made but recognise that rates do contribute to a sizeable portion of household costs. We have set the rates limits for this plan as follows:

- Years 1 to 3 (2024-2027): rates increase less than 12%
- Years 4 to 10 (2029-2034): rates increases in any one year will be maintained within the weighted average local government cost index, which is calculated as BERL and specifically reflects the types of costs faced by councils, plus three percent, plus two percent dedicated for additional principal debt repayment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Limit	< 12%	< 12%	< 12%	BERL* + 3% +2%						
Quantified Limit	< 12%	< 12%	< 12%	7.20%	7.10%	7.10%	7.00%	7.00%	6.90%	6.90%
Actual Increases	11.67%	11.48%	11.57%	6.86%	6.79%	6.13%	6.02%	5.88%	5.02%	5.44%
BERL Index				2.20%	2.10%	2.10%	2.00%	2.00%	1.90%	1.90%

## Te titikahatanga utu nama Dedicated debt repayment

In the previous financial strategy, Council introduced a dedicated loan repayment program. This strategy was required to allow Council to:

- fund its proposed capital program while also creating the necessary headroom and financial resilience for unforeseen events that could arise from climate change
- enable future councils to have the ability to introduce new projects to meet the future needs of our communities.

Council's debt was set to peak at \$78 million in 2026-2027 year.

Over the past three years, although the dedicated debt repayment rate was intended to be 2%, with Council facing affordability constraints and increases in rates, this was a lever that Council used to help reduce rates increases, and as a result Council's rated debt repayment for each of the past three years was only 1%.

The key challenges we see now are:

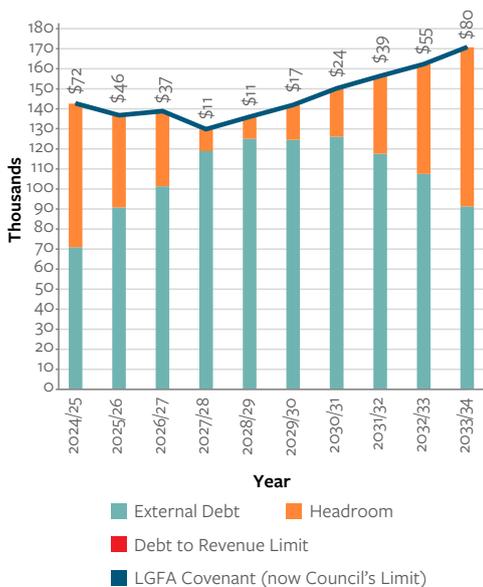
- price increases higher than anticipated for capital projects
- regulatory compliance and change in standards Council is required to adhere to
- three waters assets remaining in Council ownership and operation
- Growth and climate change compounding the level investments required in our infrastructure

In this Long Term Plan we see Council's debt levels peaking at \$130 million in 2030-2031 year.

Having this strategy in place allows Council to pay debt back above the current portion of its borrowings, effectively accelerating its debt repayments.

The graphs below show the financial headroom that is created for future borrowing from this strategy. Without this strategy, Council will have very little headroom in years 4-6 (2027-2030) to allow it to fund the capital works program or borrow to respond to an unforeseen event.

With debt repayment



Without debt repayment



## Ngā Herenga Mino Borrowing Limits

In its previous Long Term Plans, Council embarked on an ambitious capital investment program and it is continuing to invest heavily for the length of this Long Term Plan. As a result, Council's debt is projected to increase significantly from \$68.5 million to a peak of \$130 million during the course of the Plan.

To enable this investment, with rising interest rates and increase to Council's debt levels, Council has increased three of its debt limits as can be seen in the table below.

These limits are requirements Council has with LGFA (its funding provider). These limits mirror those that our within our financial prudence benchmark section of this plan.

The table below highlights the available borrowing ability against the changed debt limit.

Although Council complies with all of the debt limits for the 10 years of the Long Term Plan as per its Treasury and Risk Management Policy, the previous graphs and the table below show that Council has very little headroom available during years 4 – 5 (2027- 2029) of this plan.

In these years Council will have very little ability to respond to an unforeseen event should it be required to do so, Council will also need to be prudent in approving any unbudgeted expenditure in the years leading up to and including 2027-2029.

Because of this, in years 2 and 3 of the plan Council will look to become a credit rated Council, to allow Council to increase it's borrowing limits outside of the maximum limits imposed under its LGFA covenant of 175%.

There is a risk that Council may not achieve a credit rating or may achieve an unfavorable credit rating. This risk will be fully assessed and clarified prior to proceeding.

The next graph shows Council's debt against each of the available debt limits the LGFA provides for within its debt covenants.

Council Borrowing Limits	2021-2031 LTP	2024-2034 LTP
Net debt as a percentage of total revenue will not exceed 175%*	< 150%	< 175%
Net Interest on External Borrowings as a Percentage of Total Revenue^	< 7%	< 10%
Net Interest on External Borrowings as a Percentage of Annual Rates Income^	<10%	<15%
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	> 110%	> 110%

\*Net debt is defined as total debt less liquid financial assets and investments.

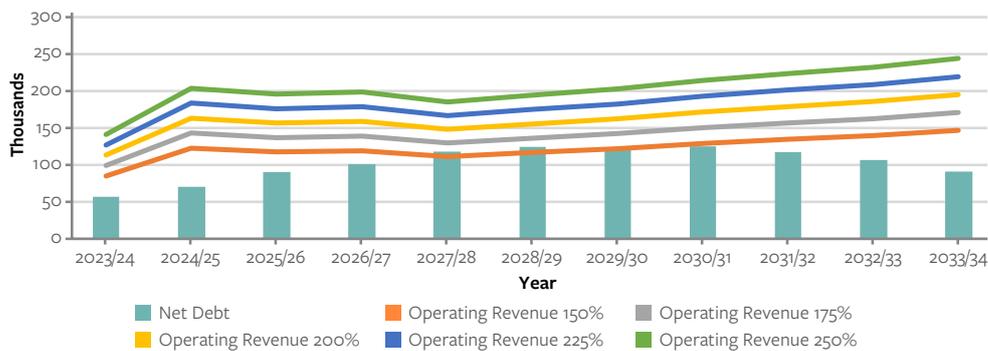
^ Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period

Performance against these borrowing limits in each of the years in this Long Term Plan can be seen in the Financial Prudence Benchmark section on pages 8 & 9.

	LTP Year 1 2024/25 \$000's	LTP Year 2 2025/26 \$000's	LTP Year 3 2026/27 \$000's	LTP Year 4 2027/28 \$000's	LTP Year 5 2028/29 \$000's	LTP Year 6 2029/30 \$000's	LTP Year 7 2030/31 \$000's	LTP Year 8 2031/32 \$000's	LTP Year 9 2022/33 \$000's	LTP Year 10 2033/34 \$000's	
<b>Council's borrowing availability based off the proposed borrowing limits 2024/2034 Long Term Plan</b>											
Net Debt as a Percentage of Revenue	<17.5%	71,769	46,133	37,522	11,014	10,822	17,479	24,184	38,912	54,984	79,580
Net Interest on External Borrowings as a Percentage of Total Revenue	<10%	99,704	93,357	72,051	36,075	25,577	25,475	29,826	35,774	49,105	67,271
Net Interest on External Borrowings as a Percentage of Annual Rates Income	<15%	52,868	65,451	59,342	45,018	37,404	40,093	45,107	53,852	69,798	88,829
Liquidity (External term debt + committed loan facilities + available liquid investments to existing external debt)	>110%	27,557	28,543	28,888	29,807	29,926	29,513	29,222	28,208	27,031	25,405

Note that figures are expressed in dollars rather than percentages to provide greater understanding of Council's borrowing availability.

**Council Net Debt vs LGFA Debt Limits Available**



**Ngā Puna Reweniu Revenue Sources**

Alternative sources of revenue, other than rates and loans, are critical to help fund Council's activities.

Since 2012, funding from rates had increased from 60% to 62% in year 1 of the 2021-2031 Long Term Plan. Council has put a greater focus on alternative funding sources in this Long Term Plan to reduce the financial burden on ratepayers. After a period that resulted in funding from fees and charges drop from 13% in 2012 to 9% of total revenue, Council adopted

a pricing strategy in 2015. This provided a framework for decision making when setting fees and charges. Fees and charges for activities that provide a benefit to a direct user have been increased in year one of this Long Term Plan to reflect the cost of providing the service. This is illustrated in the table below.

Over the previous decade, external funding provided by Waka Kotahi NZ Transport Agency (NZTA) towards the roading network has increased significantly. Funding is provided at a Funding Assistance Rate (FAR) on approved funding categories and has increased from 59% in 2015, to 73%. In 2018, footpaths were also

included in the scheme having previously been fully provided from rates funding. These changes have enabled increased expenditure in roading and footpaths without creating a significant impact on ratepayers.

Capital projects are funded by loans for new assets, and depreciation reserves for replacements. Where external grants and subsidies are available, Council will actively seek funding.

The major contributor to capital subsidies is NZTA . However, Council has funding still to be received from the Three Waters Reform Better Off Funding package to fund both capital and operational projects as well as funding still to be received for the upgrade of a section of Route 52 that Council was successful in securing during the previous long term plan.

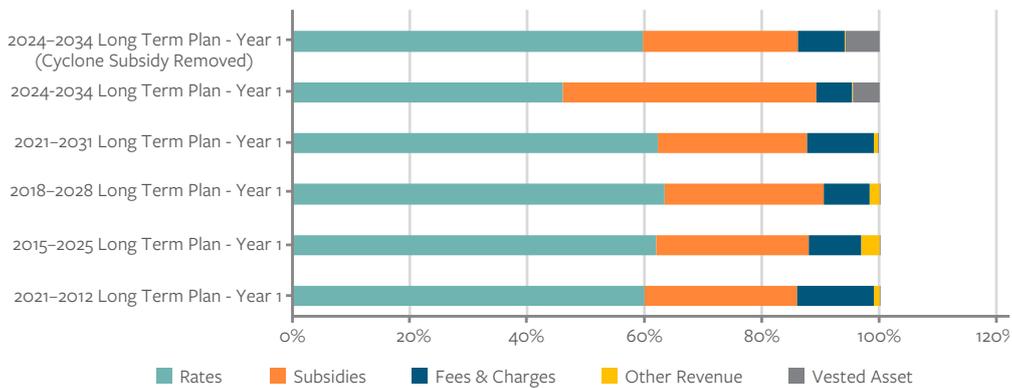
No new funding sources have been indicated in the Government’s “Water Done Well” program. This means debt, user chargers and rates will still be the main sources of funding for whoever deliver the services in the future.

Council is introducing Financial Contributions in year one and will look to introduce Development Contributions in year two. These charges provide an alternative tool to rates to fund capital investment necessary as a direct consequence of new property subdivisions. Council has not in the past imposed development contributions in order to encourage development in the district.

Council has also budgeted in year one to complete rationalisation of the land and buildings it owns. The outcome from this piece of work is to reduce operating expenses and debt, arising from the sale of assets.

Council had indicated in its previous Long-Term Plans that it will be divesting its forestry assets. Council has gone to the market again to divest its forestry portfolio. Like the land and buildings rationalisation this will also allow Council to reduce both operating and debt services expenses from the sale proceeds.

**Sources of Funding**



**E maheretia ana e mātou kia noho taurite te taha Tahua**

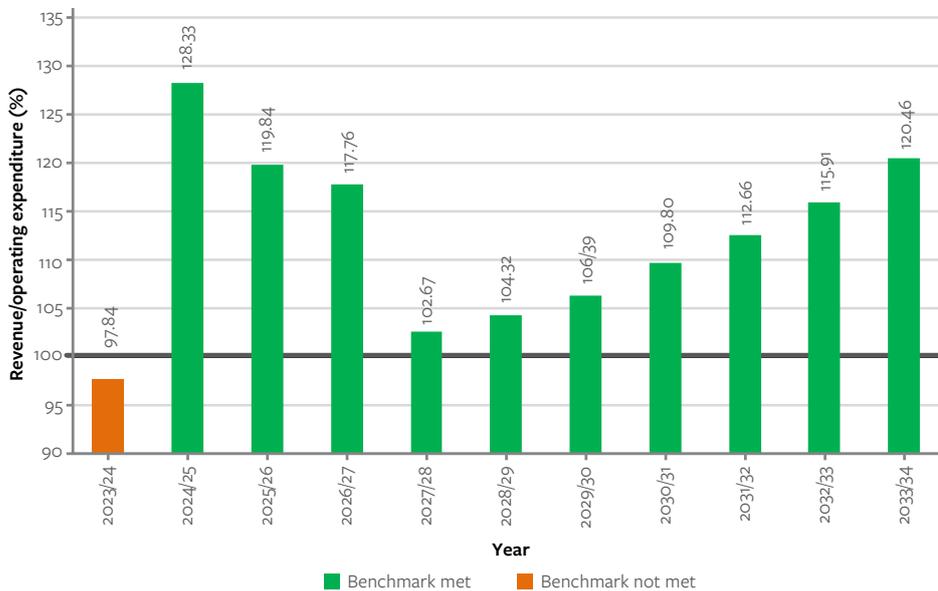
**We plan to balance the Budget**

Section 100 of the Local Government Act (2002) states that we are required to balance our budget unless we resolve it is financially prudent not to. This means in each year of the plan the revenue we receive from operations, e.g. Rates, operational subsidies and grants, fees and charges etc., meets the day-to-day cost of providing our services and maintaining our assets, and other operating requirements.

The graphic below illustrates our operational revenue over the 10 years of our plan.

As can be seen we are forecasting to achieve a surplus in years 1 – 3 which is a result of external funding we are budgeting to receive for our Cyclone Gabrielle Recovery works on Route 52 (\$19m), as well as one off funding to be received by way of a vested asset (\$3.7m) into Council and gain on sale from the sale of some of Council’s forest assets (\$1.7m). This funding is utilised to fund capital renewal work which is not factored into this calculation. In years 4 – 5 we are achieving a balanced budget, then for years 6 – 10 of this plan we are budgeting for additional depreciation funding as explained further below which is resulting in Council budgeting a surplus in these years of the plan as well.

**Balanced Budget**



## Haupū Moni Hekenga Depreciation funding

Most assets lose their value over time as they wear out (in other words, they depreciate), and must be replaced once the end of their useful life is reached. Depreciation is a method of allocating the cost of an asset over its useful life.

The objective of depreciation funding is to ensure that those who receive the benefit of Council's assets, pay a fair share towards the eventual replacement cost of the asset.

Council will review the amount of funded depreciation each Long Term Plan to ensure that we are funding for our future renewals in a sustainable and prudent manner. The assumptions that are made when undertaking the depreciation modelling are conservative and are reviewed every three years.

A notable rise in Council's asset value's following revaluations has significantly increased depreciation expenses, especially for infrastructure assets.

Consequently, the Council has opted not to allocate funds to cover 100% of depreciation

expenses. In making this decision, considerations include:

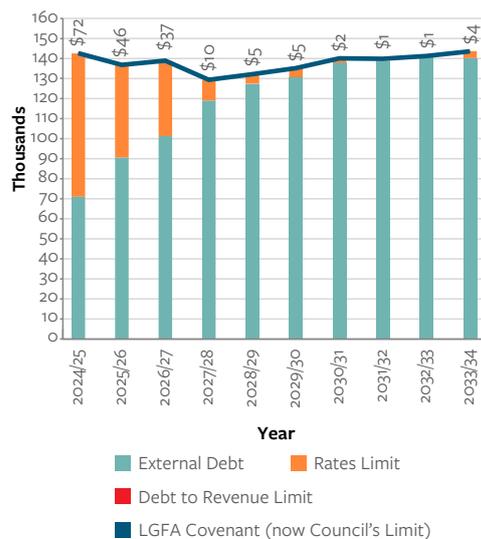
- Optimization: The replacement of certain assets may not be like-for-like. For instance, a bridge might be replaced by a culvert, or a multi-story building by a single-story one.
- Compounded interest: Funds set aside for depreciation can be internally borrowed and accrue interest. It's important to consider the long-term compounded interest on these funds to avoid over-accumulating for asset renewals.
- Rationalisation: Council may decide not to replace the asset or sell the asset. For these assets, Council may choose not to even fund the depreciation.

For the 2021/2022 and 2022/2023 financial years, to reduce the level of rate increases, Council deferred providing for some depreciation and the caveat that it will be provided for during the Long Term Plan.

**Debt profile with additional Depreciation Funding**



**Debt profile without additional Depreciation Funding**



To provide relief to our ratepayers this plan proposes to fund less depreciation than it would ordinarily do so as a lever to spread the impact of the year one rates increase over the first four years of the plan.

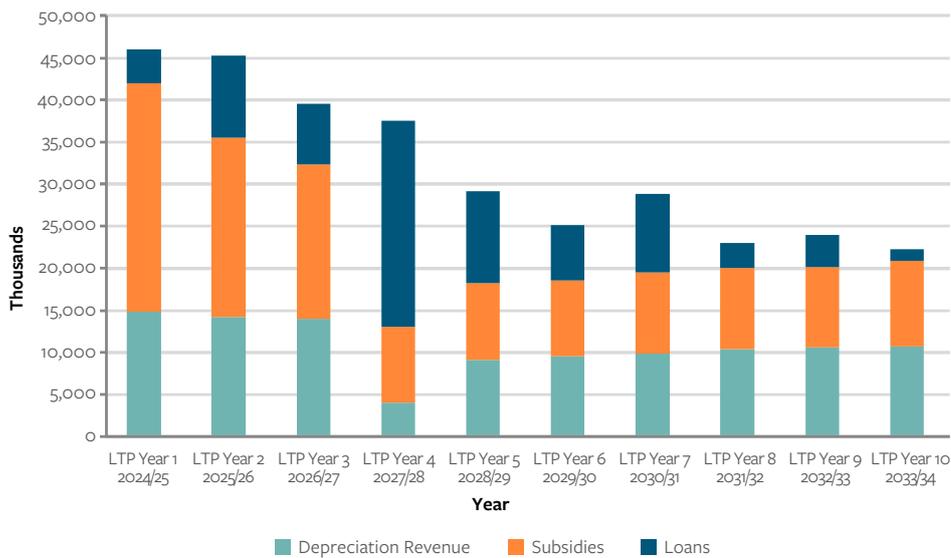
Council plans to fund additional depreciation in years 4-10 (2027-2034) to build depreciation reserves to meet the costs of the capital renewal program.

Without this strategy in place and can be seen in the graph above Council in years 4-10 (2027-2034) has very little debt borrowing ability getting as low as \$542,000 in year 9 (2032-3033).

With Council retaining its three waters assets under the government’s Local Waters Done Well reform until the depreciation reserves are replenished. The depreciation Council has been funding is not enough to deliver the three waters renewal program.

This means Council will need to increase it’s external borrowings to fund the projected capital renewal program.

**Infrastructure Capital Program Funding**



# Kei hea tātou ināianei

## WHERE ARE WE NOW?

### Tā mātou whakapaetanga tūnga ōhanga

#### Our current and forecast financial position

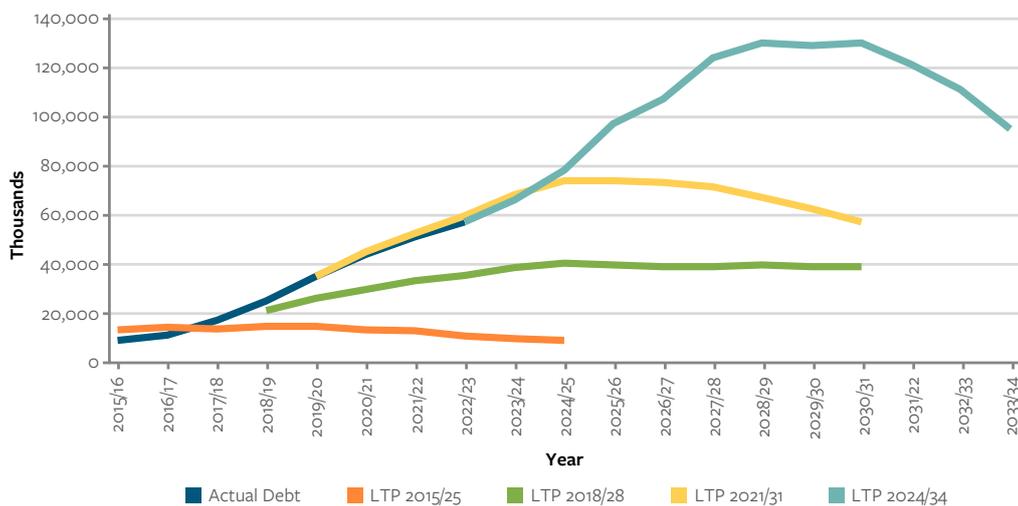
Council is starting in a stable financial position with forecasted assets at 30 June 2024 of \$1.178 billion in fixed assets (including forestry), \$8.5 million in cash and \$4 million in term deposits, total external borrowings of \$68.5 million and equity of \$1.127 billion.

#### Debt levels

Over the last decade Council has invested heavily in its core infrastructure. Council began this period of capital investment well placed with very low levels of debt. Due to the heavy capital investment, along with increasing replacement of ageing infrastructure and higher than planned emergency repairs from climate events, Council’s debt has significantly increased over the previous six years.

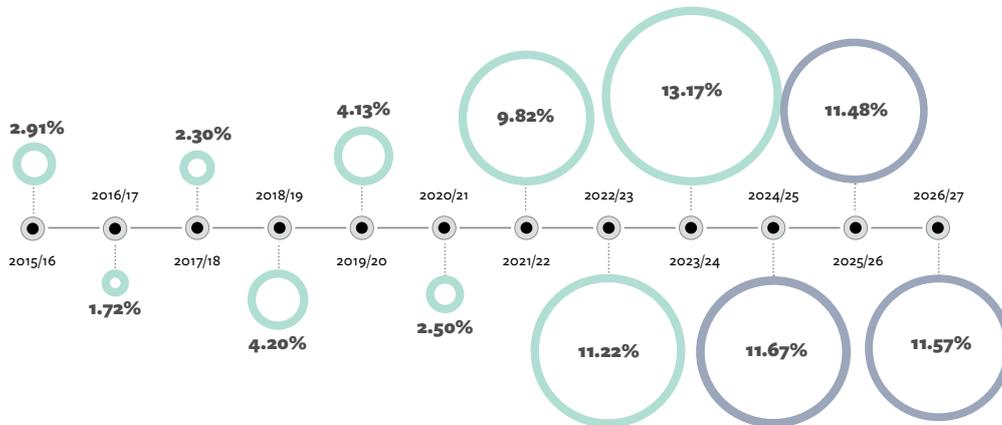
As a result, in the previous financial strategy a debt repayment program and an increase in Council’s debt borrowing limits were introduced as key directions. In 2024 we see this as now more important than ever, and a requirement to increase debt borrowing limits further, as well as implementing additional depreciation funding into later years of this plan are key strategies to enable this 10 year plan.

**Total External Debt**



### Rates level

Rates affordability continues to be a key issue for ratepayers, especially for those who are on low incomes.



Council has historically been able to achieve low rates increases from 2015-2020, however, like all households and businesses in this current economic climate Council has also been experiencing ongoing increases in costs for its business as usual (insurance, power, and maintenance costs etc.) as well as increase in interest costs with interest rate rises (2.1% first year previous long term plan to 4.7% first year of this plan) and increase in debt levels.

Council has also been facing cost increases with changes required to existing levels of services as a result of changes in legislation and the introduction of new standards. Council has 7 water and wastewater treatment plants, and changes to legislation, standards and consent conditions has resulted in increased operating costs and increase in resource demands as Council continues to maintain service levels.

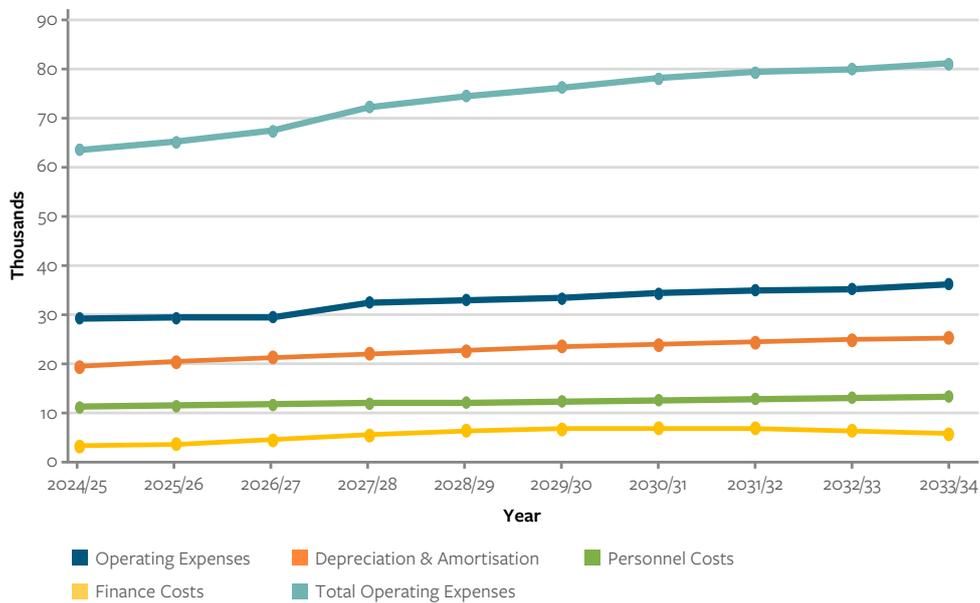
### Operating Expenditure

Like all businesses, Council incurs day-to-day running costs to provide the services and maintenance of our assets, and as everyone is currently experiencing personally and professionally it's fair to say that across the board there is a price exploitation that Council is not immune to.

Unfortunately, what this means is that Council's budgeted costs of operations have increased from \$58 million in 2024 to \$81 million in 2034. How that is funded is that Council aims to raise enough revenue each year to cover the budgeted operating expenditure, including depreciation, unless prudent not to do so (as discussed further in the strategy).

Rates are used to fund any balance of operating expenditure after all other revenue streams have been exhausted.

#### Forecast Operating Expenditure 2024-2034



# Ā mātou wero, angitūtanga hoki **OUR CHALLENGES AND OPPORTUNITIES**

## He Whakatakinga Introduction

The purpose of this section in the strategy is to outline other significant factors/challenges/opportunities that could affect Council's ability to meet additional demands for services. The Assumptions section of this Long Term Plan discusses the likelihood, financial impact and risk mitigation factors Council has considered.

## Whakatipuranga - Taupori Growth – Population

More people are choosing Tararua as a place to live, work and play.

Over the past decade, Tararua has seen a surge in growth, especially in urban areas like Pahiatua and Woodville, with increases of 11%, and Dannevirke growing by 8% from the 2018 census.

Council has projected that over the life of this plan, the district population will increase by 5.7% with the total population in June 2034 at 20,357, compared to 19,261 forecast for June 2024 in the previous Long Term Plan.

The total number of households is predicted to increase by 7.5% to 8,520 (increase of 594 households). These additional households are anticipated to be split 70% urban & 30% rural.

Council has been working on it's district plan review over the previous three years and as a result of this has produced a Growth Strategy for the district which it has recently consulted on. Council predicts that urban development will drive this growth, despite a recent dip in housebuilding due to economic pressures.

The forecasts are based on informetrics data and factor in historic growth forecasts and the anticipated positive impact of the Te Ahu a Tūranga Highway. Although the population is an aging demographic shifting towards an older population, with the number of older residents in the district increasing significantly over the long term, this will lead to changes in the way Council delivers services. The number of residents aged over sixty-five increased by 17.3% (583 people) from June 2018 to June 2023. Older people at June 2023 made up 20.6% of the estimated resident population (up from 19% in the March 2018 census). Council forecasts this to increase to 26.2% of the population in 2034.

This is an increase of 1,231 people aged over sixty-five to 5,333 residents for the 10 years, against a total population forecast increase of 1,096 residents to 20,357.

To accommodate this growth and anticipated changes to our population, Council is exploring funding options like development contributions



to manage the infrastructure demands without overburdening current ratepayers. This is part of a broader strategy to prepare for growth, ensuring community facilities meet future needs and keeping rates affordable. The rising population is also putting pressure on the rental market, complicating housing and employment attraction. Employment in Tararua is expected to grow by 1,367 FTEs over 30 years, with rural areas and Dannevirke seeing the most significant increases.

### Whakatipuranga - Ōhanga Growth - Economic

Council recognises the proposed increase in population is likely to boost further economic development.

The rising number of residents and businesses requires Council to invest in improving amenities and the functionality of our towns, maintaining the Tararua district as an attractive place to live, work, and enjoy leisure activities.

Tararua is home to four primary towns: Dannevirke, Woodville, Pahiatua, and Eketāhuna, along with several smaller communities throughout the district.

It boasts strong connectivity to both the south and north, positioning Wellington and Hawkes Bay

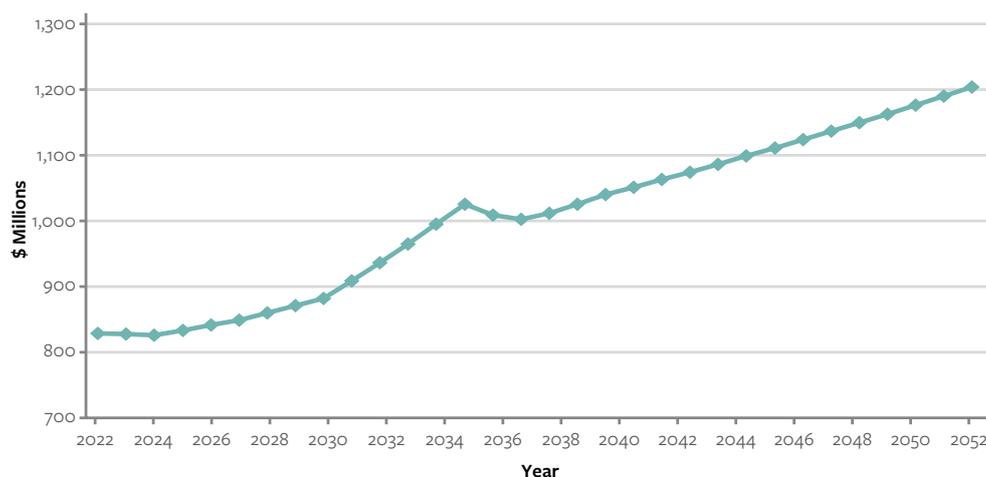
within a manageable driving distance. Additionally, Palmerston North, a significant provincial city, is close enough for daily commuting, allowing Tararua residents to enjoy the district’s lifestyle without compromising on career opportunities. The introduction of the Te Ahu a Tūranga (Manawatū Tararua Highway) is set to further enhance accessibility, promising shorter travel times and more attractive living options in Tararua, especially in Woodville.

Council’s growth strategy highlights the district’s strategic location as an ideal spot for creating industrial and potential satellite distribution hubs, facilitating the transport of goods in and out of the area.

By 2053, Tararua’s GDP is expected to reach \$1.208 billion, marking a \$378 million increase from 2022 and averaging an annual growth rate of 1.2% over the next three decades. Of this growth, rural Tararua is projected to contribute \$188 million, with the urban centres adding another \$190 million.

Currently, the primary sector is the region’s dominant force, contributing 36% to the GDP, with manufacturing also playing a significant role at about 20%. This dynamic is expected to remain stable for the next 30 years. Nevertheless, forecasts indicate an increasing need for industrial

#### Tararua GDP Forecast



Source BERL – Long-term economic forecasts - Tararua District Council

and commercial real estate, as highlighted in the land use overview.

The district's heavy reliance on its primary sector is seen as a vulnerability, especially since shifts in global markets could directly influence export revenues resulting in negative outcomes for the districts economy.

## Mahinga Whenua Land Use

Land use change is a key consideration of this Strategy. It signals where Council may need to consider investments and changes to service levels to meet the changing needs of ratepayers.

Council forecasts a slight change of land use from rural to commercial and industrial use in the Tararua District over the next 30 years. At present, commercial and industrial activities cover 131 hectares. By 2053, this figure is anticipated to increase to 187 hectares, with commercial use accounting for 49 hectares and the remainder allocated to industrial purposes. This expansion by 56 hectares will lessen the amount of land available for other purposes.

The growth of commercial and industrial land use will be greatest in rural Tararua with an estimated 31 hectares of land required by 2053 followed by Dannevirke which will require an additional 5 hectares of land. Dannevirke sees the highest growth in commercial land use by 2053 requiring 7 hectares of land.

Our districts population is continuing to grow at a significant pace, with very few rentals and a shortage of housing available to purchase. This is likely to see new and infill urban subdivisions increase the district's number of rateable properties. Initially, these are likely to be provided from within the current urban boundaries, but if there is a need to extend beyond the urban boundary, we will see a small number of urban and rural properties converted into urban housing. If this occurs, the cost of providing infrastructure to these new areas would be

significant. Councils' intention is to explore the use of development contributions to help fund the infrastructure required for urban development.

## Urban Development

Tararua has begun to experience increased population growth, with an increased demand for land for private development as evidenced through the subdivision of rural and urban land throughout our district. Therefore, Council has developed an Urban Growth Strategy to establish clear, effective direction for the management of projected residential, commercial and industrial growth within our District over the next 30 years. We have used population growth predictions based on Statistics NZ and Informetrics. Informetrics is a research company and they have provided detailed analysis of the Stats NZ numbers for our district. We have also used BERL (Business and Economic Research Ltd) to help us predict commercial and industrial growth for our district in the main town centres. There was a business-as-usual scenario run on the Statistics NZ high population growth scenario and an aspirational scenario run on these figures. The aspirational scenario assumes that the Tararua Industries grow by 1% per annum. This scenario assumes that Council is successful in attracting manufacturing, transport and warehouse businesses to locate in Woodville, a potential outcome with the opening of Te ahu a Tūranga.

The Urban Growth Strategy signals a direction for recommended residential, commercial and industrial re-zonings to accommodate population growth throughout the four main town centres of the District. These re-zoning recommendations will need to be incorporated into the Proposed District Plan review to be given effect to and these will create changes to our urban and rural boundaries. The Proposed District Plan Review is to be notified under Schedule 1 (RMA) in early 2025.

## Manawanuitanga Resilience

Over the previous three years Council has experienced the effects of a severe drought that led to a critical water supply shortage, a global pandemic, Cyclone Gabrielle and other weather events, showing us why planning for unforeseen events is critical.

Council maintains an extensive roading network vulnerable to climate change. The majority of these roads are in challenging terrain that is highly vulnerable to slips and dropouts, leading to unplanned repair costs. Over the last ten years the district has seen an increase in frequency and intensity of rainfall events across the district.

Council sets aside funding for emergency repairs each year with the intention of maintaining a reserve fund that fluctuates year to year. A high proportion of the costs (historically 89% from 1 July 2024 will be 93% – subject to NZTA approval for each event) is funded by NZTA from the Land Transport Fund.

The emergency roading reserve is currently healthy, Council was successful in securing emergency funding at a 100% FAR from NZTA to aid the initial response and recovery planning in response to the damage caused to our network by Cyclone Gabrielle in February 2023.

With the economic pressures and affordability issues this reserve is likely to become a growing issue in the future for Council. Recent events suggest it is prudent for Council to continue to fund this reserve.

After Cyclone Gabrielle Council has been investing in building further resilience into its network to enable it to sustain climate events. The incorporation of renewal projects with that of capital projects such as Route 52 is expected to produce efficiencies in the renewal and capital programs. The focus on drainage assets is incorporated into the roading program and essential in providing whole of route resilience.

In urban areas, the increasing severity and frequency of rainfall events is also likely to put increasing pressure on stormwater systems.

This trend is likely to continue, and to maintain current levels of service will require Council to respond with significant improvements to the stormwater network in the future. Council has already begun providing for these risks within existing budgets. However, the stormwater network along with infiltration into the wastewater network is likely to require further investment than is currently provided for.

The Council needs to ensure it has capacity in its borrowing limits to fund these currently unplanned improvements as the impacts of climate change intensifies.

We are also likely to have more frequent and severe droughts. Council has invested significantly in water storage and is planning to continue in that space.

However, Council will need to continue to manage water demand, and is still investigating alternative water sources and looking to introduce universal metering during this Long Term Plan to ensure the needs of current and future residents are met.

## Whakangao Moni Tōpū Capital Investment

As previously mentioned Council has been investing heavily in improving core infrastructure, whilst gradually increasing planned asset replacements.

Council is responsible for over \$1 billion of plant, property, and equipment and is required to maintain these assets to provide the required levels of service our communities expect.

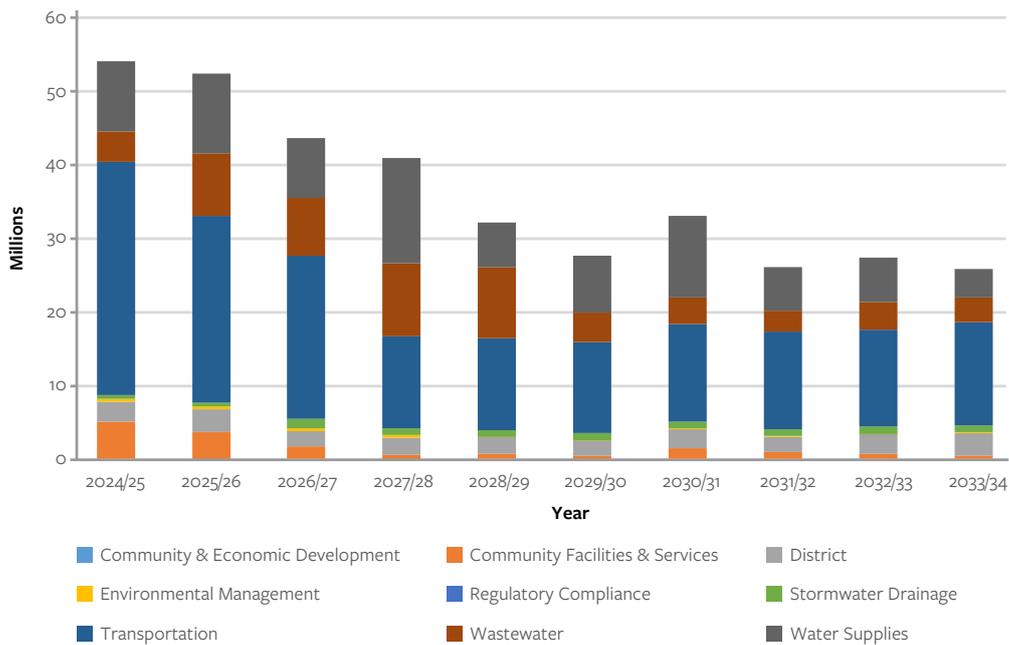
During the life of this plan Council plans to spend \$360 million investing into our infrastructure, community and recreational facilities. Of this \$270 million is expected to be spent on network infrastructure that is required to maintain existing levels of service.

The key spending priorities are summarised below:

- Improving resilience in existing infrastructure networks
- Ageing infrastructure requiring replacement
- Upgrades to infrastructure to meet change in legislation and maintain existing levels of service
- Community and recreation facilities
- Increased demands from growth

Council has had a great deal of focus over the previous few years on obtaining data around the age, location and condition assessments of its three waters network. As a result of this work Councils three waters renewal works program for this plan has been able to be programmed and prioritised.

### 2024-2034 Capital Programme



Council needs to have financial resilience to allow for future borrowing to enable projects to be added to this plan, needing to give effect to changing regulations and provide funds if required in order to respond to an emergency event.

This need to maintain financial flexibility is driven from the pace of growth within the district being different than assumed in this plan, and the uncertainty around legislative changes, climate and growth impacts. Although this plan has been prepared on the assumption of Council continuing to own and operate the three waters infrastructure, this has put an enormous financial strain on our district.

Key projects included in this plan include:

- Cyclone Gabrielle Recovery – Route 52 – \$45.2m
- Dannevirke water main line renewal – \$15.7m
- Dannevirke wastewater treatment plant upgrade – \$5.6m
- Pahiatua swimming pool – \$2.5m (Council’s contribution)
- Dannevirke impounded supply – \$7.1m
- Woodville reservoir earthquake assessment and renewal – \$3.5m
- Pahiatua wastewater treatment plant upgrade – \$3.1m
- Woodville wastewater treatment plant upgrade – \$2.1m
- Wastewater sludge disposal facilities – \$2.2m
- Eketāhuna wastewater treatment plant upgrade – \$2.1m
- Pahiatua town hall/library earthquake strengthening – \$0.8m
- Wastewater reticulation network renewals – \$22.8m
- Water reticulation network renewals – \$30.2m
- Stormwater reticulation network renewals – \$8.5m
- Roading pavement rehab, reseals & heavy metaling – \$81.9m
- Roading emergency reinstatement – \$12.3m
- Roading drainage – \$13.1m
- Dannevirke Wastewater Land Irrigation Purchase - \$3.7m
- Universal Metering Strategy and Implementation - \$5m

## Pikinga taumata ratonga Increased service levels

Council is planning to increase service levels in years 2 and 4 of this Long Term Plan.

In year 2 of this plan with the completion of the Pahiatua Swimming Pool anticipated this will result in an increase in existing service levels with the new pool expected to be available for use all year round as opposed to just the summer months currently provided for.

In year 4 of this plan Council is looking to increase the service levels in our Waste Management activity as Council responds to changes in Government legislation and community expectations.

These will be funded by a mix of rates, fees and charges, and subsidies/grants. Council has considered the additional funding pressures when weighing up whether to increase existing levels of service.

## He whakamimitanga taumata ratonga

### Decreased service levels

Council is having to pay more for less and as a result some activities through the consultation process will be decreasing from the existing levels of service (Economic and Community Development).

In year one of this LTP Council will be conducting section 17a reviews (a review of how Council provides the service) of its Camping Grounds, Swimming Pools, and Waste Management activities. The results of these reviews could mean a change in existing service levels which Council will consult with the community on.

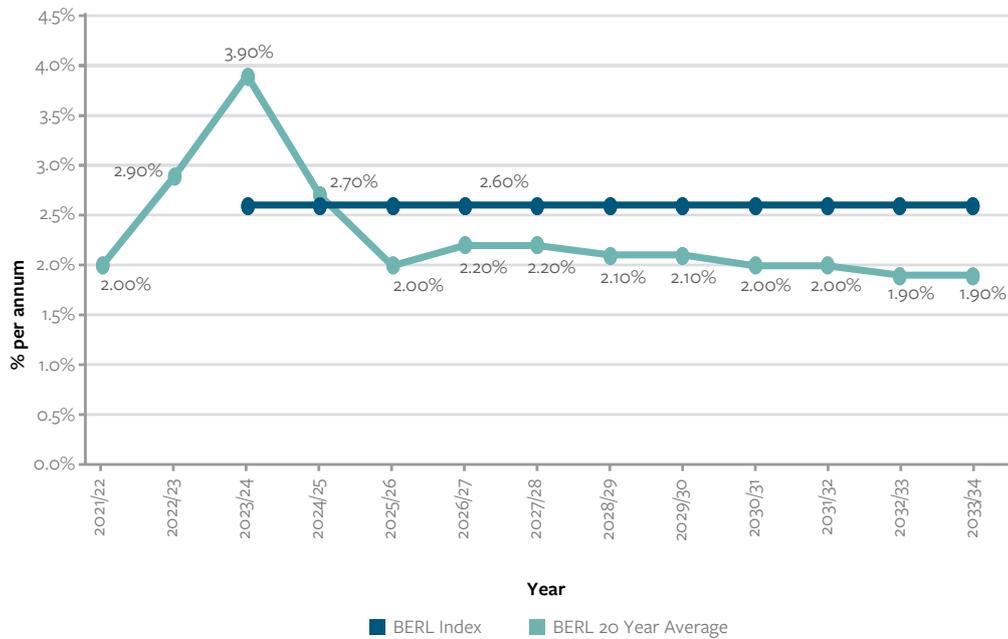
In year one of this LTP Council will also be completing a land rationalisation project and looking at integration of services, both of these items could also mean a change in existing service levels which Council will also be consulting with the community on.

Outside of the changes in levels of services specified above all other existing levels of service Council provides will continue. Council has the ability to provide and maintain these existing levels of service and meet additional demands for services within its financial limits within this plan.

## Pikiutu tukipū Inflation

We have used an BERL inflation factor to reflect the impact of inflation on each year of our plan.

### BERL Forecast Inflation vs 20 year Average



Discussions about inflation in the news often focus on the Consumer Price Index (CPI), which measures the price changes of goods typically used by households. However, for councils, the CPI is less relevant due to their unique cost pressures, like those from infrastructure materials such as pipes and bitumen. Councils instead look to specialized measures like the Local Government Cost Index (LGCI) provided by Business and Economic Research Limited (BERL), which more accurately captures the costs associated with the goods and services they commonly purchase.

In the period leading up to the Long Term Plan, inflation saw significant rises, hitting 7% in 2022 and 5% in 2023. These increases have notably pushed up the prices, leading to elevated expenses.

Looking ahead, we forecast inflation to fall below to the 20-year average in the coming decade. Nonetheless, the high inflation rates seen before the plan’s introduction, particularly alongside rising infrastructure costs, have contributed to the need for larger rate increases.

Accounting for inflation is crucial for accurate financial planning and budgeting, especially in terms of infrastructure projects and the maintenance work that is continuously required. Council also needs to balance its budgets.

## Āpiti hanga 1

# APPENDIX 1

### Ngā Kaupapa Here e whakahaere mino ana me ngā whakangao

## Policies governing borrowing and investments

- i. Council appetite for risk: Council activities are largely funded from collecting rates in return for the provision of services for the benefit of the district. Therefore, the Council is risk adverse and has strict limitations on what investments it can make. These limitations are contained in the Treasury and Risk Management Policy.
- ii. Borrowing: Council uses both external and internal borrowing to fund the acquisition of assets. Council's Treasury and Risk Management Policy governs the borrowing mechanisms and current limits. The term of borrowings is to be the lesser of the estimated useful life of the asset or twenty years. Loans principal is repaid over the life of the loan by regular principal repayments throughout the life of the loan. Strategies included as part of the Financial Strategy cover key strategic decisions that have been made in relation to treasury activities.
- iii. Internal borrowing: Internal borrowing is a mechanism available to manage both the level of funds available and external debt. This facility enables an activity to borrow from the Council Treasury Function as opposed to borrowing externally, with an appropriate interest rate charged. Utilising internal borrowing enables Council to manage its cash/investment portfolio to take advantage of the moving margins between interest rate receivable and interest rates payable. Internal borrowing is used when external borrowing costs are higher than investment returns.
- iv. Security for borrowing: Many of Council's assets are not readily saleable so are less attractive as security items. Council will secure borrowings by a charge over our rating revenue either directly or through a debenture trust deed. Council will not secure other assets unless circumstances show it to be appropriate (e.g. leased assets).
- v. Council currently provides its lenders Local Government Funding Agency (LGFA) with security on its borrowings through a debenture trust deed. In the extremely unlikely event this gives lenders a charge over our rates income. In the unlikely event of Council defaulting on a loan, the lender can ensure a rate is set to recover the outstanding amount owed. This security is attractive to lenders, which helps ensure we have ongoing support for our debt program, while reducing the interest rates lenders charge.
- vi. Financial investments: Council holds financial investments as part of its day to day working capital management, cash backed trust funds, and as required by the LGFA (Borrower Notes). Council may invest in approved financial instruments as set out in the Treasury Risk Management Policy. Council only invests in approved creditworthy counterparties. These investments are held for maturity terms up to 12 months and are actively managed to ensure sufficient liquidity and to maximise interest returns for ratepayers. For further

information on the Council's Investment Policy, refer to the full Investment Policy (part of the Treasury Risk Management Policy).

- vii. Equity investments: Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council. Council equity investments are in NZ Local Government Insurance Corporation Limited (Civic Assurance).
- viii. Asset investments: The purpose of asset investments is to provide a return to the Council to offset the rates requirement. The main asset in this category is the Birch North Forest. Council has created a reserve to ensure ongoing maintenance of the forest continues to be self-funding with no input from rates. Council has been utilizing this reserve to remove costly roadside trees to improve road safety and resilience of Council's roads. Council is exploring options on the future of this investment given the long periods of no returns, and ongoing maintenance costs between harvests.

