

Kaikōura District Council Pre-Election Report 2022



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1.0 What is a Pre-Election Report?

Whether you are considering standing for election to the Kaikōura District Council, or preparing to vote, there are some important things to consider ahead of this year's local government elections.

The Pre-Election Report (the "PER") provides information in advance of the upcoming elections, to promote public discussion about the various matters of interest and importance to the Kaikōura District Council. Please take the time to read and consider the challenges and opportunities and major projects planned for our community that are outlined in this document.

The PER should provide candidates and voters with more information to help make an informed decision at the upcoming local elections. It sets out the strategic context for decision-making in the Kaikōura district.

The report focuses on how the Council is performing financially, including the Council's current financial position and provides more details on the key capital projects the Council plans to deliver over the next three years. It will enable voters to think about how well the Council has performed to date, and what it needs to focus on for the future.

Audit of Information

While the PER itself has not been audited (this is not a legal requirement), the forecast financial information for the 2022, 2024, 2025 and 2026 financial years have been extracted from the Long-Term Plan 2021-2031, which has been independently audited by Audit NZ. The financial statements for the 2020 and 2021 financial years are from the Council's Annual Reports which have also been independently audited by Audit NZ.

Information that has not been audited:

The financial statements for the year ended 30 June 2023 are extracted from the Annual Plan 2022/2023, which was not audited (it is not a legal requirement to audit the annual plans developed between LTP years).

2.0 Message from the Chief Executive

Introduction

I am pleased to present our Pre-Election Report (PER) ahead of the Triennial Elections for the 2022-2025 period. I would encourage you as voters and potential candidates to take the time to look through the document, as it provides information to encourage informed debate and discussion around some of the key issues and opportunities facing our district over the next few years. The following provides an overview of the PER.

Long Term Plan 2021 – 2031

In July 2021 the Council approved the Long-Term Plan 2021-2031 (LTP). The LTP is the Council's commitment to the community for the next ten years. It is the roadmap that guides what we do as a Council. It sets out what we plan to do, how much it is expected to cost, how it will be funded and how the Council will report on progress. An LTP needs to be reviewed and updated every three years (next due in 2024).

This was our most comprehensive and well informed LTP to date, outlining the activities the Council will undertake as we collectively look to fulfil our vision to “Move Kaikōura Forward”. Based on our understanding of our infrastructure assets and facilities, as well as taking on board what our community was telling us, we identified a number of priority areas to focus on (some of these are outlined in Section 6, 7 and 8).

We know that there are a number of uncertainties ahead of us in terms of various central government reforms and initiatives that are underway (see section 9). This makes planning for the next ten years a challenge, but we based our LTP on what we know now, rather than anticipating or guessing how things may develop. Our Annual Plan process is a way to respond to any changes as they become clearer. One thing the last few years has taught us is how to work together to manage and adapt to change.

A link to the LTP is included in section 12.

Annual Plan 2022 – 2023

In June 2022, Council approved the Annual Plan for the financial year 2022/2023. The Annual Plan basically confirms the budget for the financial year ahead and outlines what the main activities for the year ahead are and how they will be funded. It sets the rates for the properties across the district.

This year we were very pleased to be able to keep the rates increase to 4.63% (very close to the 4.04% we forecast in the LTP). This has been achieved in a time of cost escalations and global supply shortage, but we have been able to make provision for this without adjusting any scope or removing projects. The Annual Plan for the financial year ended 30 June 2023 is very much based on delivering Year 2 of our LTP and doing what we said we would do. A section is included in the front of the document that highlights any minor changes from Year 2 shown in the LTP.

You can find the link to our Annual Plan 2022/2023 in Section 12.

Significant council projects

This report includes details of some of the major achievement over the last three years (section 5) and also outlines some of the major projects that we have coming up (section 8). Completion of our \$40 million infrastructure rebuild programme following the November 2016 earthquake, together with delivery of three waters stimulus programme and several major facilities upgrades means that our Council-owned infrastructure is in a healthy space. This can be seen in our 30 year infrastructure strategy included in the LTP. We also have a number of really exciting projects underway and being completed over the next few years which will continue to help grow and develop our district for the future.

Development within our District

Other than delivery of core services and its capital projects, Council has a role to play to support the economic development of the District. Despite the challenges that were posed by the November 2016 earthquake and COVID-19 over the last few years, it is very exciting to see that there is external confidence in the potential of our District moving forward. A number of significant external projects are currently underway or likely to progress in the next few years. Council will play a role to work alongside these projects to assist with growth within the district. These include but are not limited to:

- **Sudima hotel** – a new five-star hotel is scheduled to open in October 2022.
- **Commercial hotpools, spa and wellness centre** - Council has entered into a lease agreement with Kaikōura Springs to re-develop the former old pool site along the esplanade.
- **Subdivisions** - a number of residential subdivisions are either underway or planned throughout the district.
- **New facilities for emergency services** - new developments are currently underway to house St John's Ambulance and Fire Emergency NZ which should be completed by 2023 latest.
- **Tourism ventures** – the opening of the borders to internationally tourists will hopefully see an increase in tourist numbers returning to the district. This will be good news for existing operators and also provide opportunities for new tourism offerings such as a Zip Line experience. We also see the return of Cruise liners to our district with 16 booked in for the 2022 season.
- **Business park** - ongoing discussions are being had with a developer with regard to potentially establishing a business park at the start of the Inland Rd.

- **International dark skies association accreditation** – The Kaikōura Dark Sky Trust is a dedicated group of community volunteers who are working towards obtaining International Dark Skies Association Reserve Status accreditation for Kaikōura district, providing both environmental and economic opportunities. Kaikōura District Council has confirmed support for the group on multiple levels.

Central Government Reforms

There is no doubt that the Local Government sector across New Zealand is facing the most significant period of reform in many years which is being driven by Central Government. An overview of the most significant reforms and current Council agreed policy with regard to them is provided in section 9.

Financial information

As we enter the 2022/2023 financial year, the Council's financial position is very stable, with debt at \$5.3 million and expected to reach no more than \$7.3 million by the end of June 2023. The earthquake rebuild has put us in a very good position in terms of the age and capacity of our three-waters assets, and our community buildings and facilities have been strengthened and refurbished. Significant work has been done to renew our bridges, road sublayers and surfaces, and we are continuing our commitment to address the roading backlog.

The key financial information contained in this document (section 10) covers the retrospective Funding Impact Statements and summary balance sheet for the last two financial years. It contains the Annual Report figures for 2020, 2021, the annual plan for 2022 and 2023 and the Long-Term Plan for 2024, 2025 and 2026.

It also contains information on our compliance with our Finance Strategy, as well as our key financial prudence benchmarks.

All of the information is collated from our LTP, Annual Plan and Annual Reports.

Record of Thanks and Appreciation

I would like to thank the outgoing Mayor and Councillors for the commitment and the hard mahi that has gone into this triennium. It is a vital role that you play in terms of local democracy. One that requires dedication, passion, strength of heart, resilience and above all strong leadership. I would also thank you for welcoming me in as the Chief Executive Officer mid-way through the term and for the ongoing support and encouragement since then.

I hope that this report is useful in providing an overview of some of the achievements from the last few years as well as some of the priorities for the future. We have a lot of hard mahi (work) ahead of us, but I am excited about the opportunity we have for our amazing district and what we can achieve by working together.

Ngā mihi



Will Doughty
Chief Executive Officer.

3.0 About the Kaikōura District

Overview

Our beautiful district spans from the Haumuri bluffs in the south to the Kekerengu valley in the north, covering 2,046 square kilometres of diverse landscape. The inland boundary of our district is the Inland Kaikōura Range, climbing 2,885 metres and snow covered for much of the year. The spectacular coastline provides excellent fishing, sporting and recreation for our 3,912 residents. The Kaikōura Canyon, at around 1,300 metres deep, provides the natural habitat for the several species of whales, dolphins, seals, and seabirds, and is also host to over 200 species of marine life.

The township is situated on a peninsula protruding from this rugged coastline. Māori legend tells that it was from this peninsula that Maui fished up the North Island from out of the ocean. Māori history and culture are an integral part of Kaikōura, and there is evidence of Māori settlement in the area up to 1,000 years ago.

Historically the district has thrived in the fishing, farming and dairy industries. Today Kaikōura is a world-class tourism destination, attracting one million visitors each year pre COVID-19, yet still maintaining its fishing and farming heritage. The district boasts award-winning restaurants, cafés and accommodation facilities, and world-renowned visitor attractions such as whale watching, swimming with dolphins and seals, surfing, golf, and much more.

The following table is a snap shot from our rating database that provides an overview of the capital and land values and count of properties that is used in the process for setting the annual rates.

Rating database at 1 July 2022:

	Capital value \$000's	Land value \$000's	Count
Rateable	2,228,428	1,337,260	3,018
Non-rateable	114,288	59,162	252
Part-non-rateable	5,611	3,356	8
Total rating units	2,348,327	1,399,778	3,278
Separately used or inhabited parts of a rating unit			3,085

Population	4,260 (3,912 usually resident population count in Census 2018)
Land Area	2,046 sq. km
Represented by	1 Mayor and 7 Councillors, elected at large
Utilities & Services	1 Landfill 8 Public Water Supplies 1 Wastewater system

Insights into our District

For Kaikōura people, our environment is our strength.

We treasure:

- Our natural environment (including our marine life)
- Our cultural heritage (1000+ years of continuous occupation)
- Our connected and supportive community.

Demographic and Economic Insights

We have a high reliance on tourism - nearly 40% GDP, a low median income (hospitality is the main source of income for many households), and static / low growth. Our reliance on tourism is far higher than most other communities, except tourism areas like, Queenstown, Twizel or Te Anau. Many Kaikōura residents are employed in tourism which traditionally has low incomes and relies heavily on seasonal migrant workers.

We have always had a low unemployment rate, but those levels may grow as the impacts of COVID-19 accumulate over time. Compared to the rest of NZ, we have a relatively high proportion of people aged over 60. We lose our youth as they leave for advanced education and future career prospects. Likewise, we also lose our elderly and vulnerable as they move to centres that can support them in later years.

Our economy has been boosted following the earthquake recovery phase, and the infrastructural spend in remediating our roads and the rail. When NCTIR completed the road and rail reconstruction at the end of December 2020, approximately 150 local people were released from the workforce. This, coupled with the impact on tourism from COVID-19, has impacted the local economy. Social wellbeing and economic impacts will need to be monitored closely as the uncertainty caused by COVID-19 drags on into 2022/23 and beyond. In contrast, most agriculture and primary industries

are doing relatively well, although ongoing droughts and other weather events continue to be felt.

Opportunities for improvements

- Diversification of our local economy can only strengthen our district's resilience and provide more economic development that will generate pathways for the next generation.
- Long term employment opportunities are essential, not just to mitigate the immediate effects of COVID-19 but to be able to retain our youth.
- We need to care for our elderly but acknowledge this is complicated given our small scale and the cost of high-end elderly care.

Strengths to build on

- We need to protect and preserve our unique natural environment – this is vital not just for our sustainability, but also for our competitive advantage.
- We should reshape and retell our story – historical, cultural, geological and earthquake recovery stories.
- It is important that we continue to engage with Te Rūnanga o Kaikōura as our major partner and build on our relationship with Iwi especially as we navigate the upcoming reforms.
- We are extremely fortunate that most of our aged infrastructure has been replaced by the earthquake rebuild projects, we have surplus capacity to cater for our projected population, and we have the financial stability to improve our levels of service we deliver to our community.

4.0 About the Kaikōura District Council

Overview

The Mayor leads the Council and:

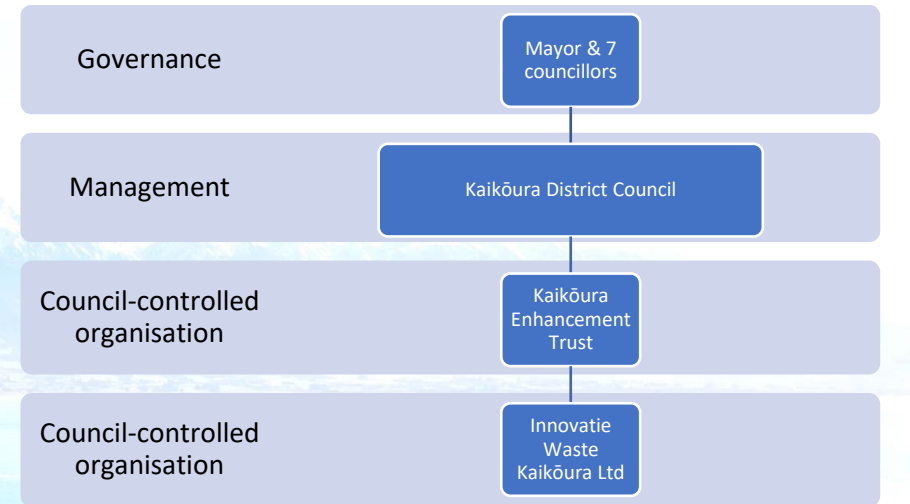
- Sets the vision
- Leads development of the Long-Term Plan, Annual Plans and other key strategic documents
- Represents the Council at public engagements.

Along with the Mayor, Kaikōura has 7 councillors elected at large – which means there are no wards based on geographic areas. These 8 elected members represent the Kaikōura community and make up the governing body of the Kaikōura District Council. These 8 members are responsible for governance and setting policies and strategic direction.

The Chief Executive is responsible for implementing the decisions made by the Council, providing advice to the Council, and ensuring that all the functions of the Council are performed effectively. The Chief Executive is also the sole employer of Council staff.

At 30 June 2022, there were 21 full-time employees with the balance of staff representing 9 full-time equivalents. This team delivers services including animal control, building consent processing & inspections, cemetery, community development, district planning, economic development, emergency management, food & health registrations, footpaths and streetlights, library, liquor licencing, parks, playgrounds, resource consents, roading, rubbish and recycling, and water, wastewater, and stormwater services.

The Council structure includes two Council-Controlled organisations: the Kaikōura Enhancement Trust (KET) and Innovative Waste Kaikōura Ltd (IWK). The Council owns KET, who in turn owns IWK.



KET is a charitable trust which aims to progress environmental projects. It has no staff and is managed within KDC's structure. KET achieves most of its environmental objectives through ownership of IWK, which includes the collection and disposal of waste in an ecologically sound manner, including the management of refuse and recycling facilities.

IWK has its own board, and employs a general manager and staff involved in operating the landfill and recycling centre, as well as three-waters service delivery, public toilet cleaning, etc.

In addition, the Kaikōura District Council owns an 11.5% share in the Marlborough Regional Forestry joint operation (MRF), with the Marlborough District Council owning the balance 88.5% share.

Fostering Māori participation in Council decision-making.

The Council is committed to improving our working relationship with Māori, and acts on the principles of Te Tiriti o Waitangi (Treaty of Waitangi) to include opportunities for Māori to participate in Council decision making in a meaningful way.

Te Rūnanga o Kaikōura (TRoK) & Te Rūnanga o Ngāi Tahu (TRoNT)

Te Rūnanga o Kaikōura (TRoK) is the Papatipu Iwi authority for the Kaikōura district, based at Takahanga Marae.

Te Rūnanga o Ngāi Tahu (TRoNT) is the organisation that services the tribe's statutory rights and ensures that the benefits of the Claims Settlement grow for the future generations. TRoNT is directly responsible for the overall governance of the group and for representing Papatipu Rūnanga and Ngāi Tahu Whānui and delivering direct benefits to them.

Working together

Local Iwi and the Council both support community wellbeing, work to enhance the environment, and contribute to the economic development of the Kaikōura district, but in different ways.

For example, Iwi have a kaitiakitanga (guardianship) role for the environment and the Council has a range of enhancement, monitoring and regulatory functions that it undertakes to protect and improve the environment.

Through over 800 years of history, Iwi have a long-term commitment to the Region and, through various businesses including Whale Watch Kaikōura Ltd, provide economic development and significant employment

to residents of the district. The Council focuses more on providing infrastructure to support businesses and the local economy.

The relationship between the Council and Iwi has in the past been described as a flagship for Ngāi Tahu¹ in how they would see governing bodies working together. Over the last few years that partnership has continued to grow and develop. This is a continuing journey and one that we will continue to walk together over the next few years, especially as we navigate the reform agenda. As a Council, we were grateful to have input from TRoK into our LTP, outlining some of the priorities of the Rūnanga and areas that we can work together.

The Council sees our relationship with the Rūnanga as vital for the community to continue to see the district flourish.

We do this by

- Attending regular hui/liaison meetings including monthly governance level meetings and every other fortnight our CEO and the General Manager of TRoK catch up.
- Attendance at monthly environmental pou (meetings), wider Runanga hui attendance and also other less formal conversations.
- Identifying opportunities for Māori to have input into issues of relevance such as involvement in working groups on specific issues.
- Identifying Council subcommittees and/or joint committees that would benefit from Iwi representation e.g Jointly considering whether Māori representation via a Māori ward would continue to help strengthen the partnership relationship or not.
- Providing staff and Councillors with training to improve the Council's understanding of Iwi culture, protocols and perspective.
- Finding joint initiatives that we can work on together.

¹ As described by R Solomon on behalf of Te Rūnanga o Kaikōura, September 2009, and published with permission in the Council's Annual Reports from 2009 to 2016.

Our vision:

Moving Kaikōura Forward

The Council and staff were involved in determining our vision statement for the Long-Term Plan 2021-31. We chose “Moving Kaikōura forward”.

We felt moving forward is an appropriate vision for several reasons. The first is that it acknowledges we have a point in time to move forward from – the 2016 earthquake. It recognises that the earthquake changed our lives forever, one way or another. It recognises that the earthquake also resulted in significant changes not only for our community, but also for our organisation, the Kaikōura District Council. Moving forward means letting go of the past.

The second reason is that “moving Kaikōura forward” also recognises the rebuild projects that have now all been completed, and we can enter the next phase of recovery which is our new normal. It is our turn as a district and as a community to confidently move forward towards that new normal.

The third reason why “moving Kaikōura forward” is important to us is that, at the Kaikōura District Council, we have developed a strong culture of continual improvement in everything we do. We are implementing new systems including asset management, document management system, process mapping tools, better customer service request processes, and utilising more modern technology such as our new library online portal service. At the Council we are keen to move forward with these exciting new systems and bring a better, more efficient and user friendly, level of service to our community.



Our community outcomes

What are they?

Community Outcomes are the high-level priorities the Council will focus on to promote community well-being. These outcomes have originated from several sources, such as from community feedback, from interactions with our partner agencies and key stakeholders, and from the Corporate & Financial Sustainability Review which concluded in 2020.

Each of our activities are linked to our community outcomes that promote the social, economic, environmental and cultural wellbeing of our community (these are known as the “four well-beings”).

The Long-Term Plan 2021-2031 outlines a performance framework of how we know when we will be successful in achieving our community outcomes and how we are going to measure success. We have the plan and now it is about doing what we say we are going to do.

A summary of some of the activities that we manage as a Council is shown in the infographic on page 13.

	COMMUNITY We communicate, engage with, and inform our community
	DEVELOPMENT We promote and support the development of our economy
	SERVICES Our services and infrastructure are cost effective, efficient and fit-for-purpose
	ENVIRONMENT We value and protect our environment
	FUTURE We work with our community and our partners to create a better place for future generations

What we do

District Stats	Community Facilities	Roads & Footpaths	District Development	<h2 style="text-align: center;">Kaikoura District Council</h2> <h3 style="text-align: center;">At a Glance</h3>
<p>Population 4,260</p> <p>Median Age 46.3yrs</p> <p>2,995 Rateable Properties</p> <p>40% GDP From Tourism</p>	<p>Memorial Hall</p> <p>Scout Hall</p> <p>Civic Centre</p> <p>Pensioner Cottages</p> <p>Boat Slipways</p> <p>Cemetery</p> <p>Parks & Reserves</p>	<p>208 kms approx. 50% sealed roads</p> <p>40 Bridges</p> <p>49 km Footpaths</p> <p>6.04km Cycleways</p>	<p>District Plan</p> <p>Strategy & Policy</p> <p>Economic Development</p> <p>Tourism & Marketing</p> <p>Resource Consents</p>	
Annual Survey <p>68% Overall Satisfaction</p>	<p>Water & Waste</p> <p>Drinking Water</p> <p>8 Public Water Supplies</p> <p>Sewage System</p> <p>Storm water</p> <p>Recycling Centre</p> <p>Waste Transfer Station</p>			Community & Customer Service <p>Emergency Management</p> <p>Library</p> <p>Community Funds & Grants</p> <p>Youth Development</p> <p>Customer Service</p>
Leadership & Governance	<p>Mayor & 7 Councillors</p> <p>Communications</p> <p>Support Services</p>	Staff <p>21 Full-Time + 9 Full-Time Equivalent</p>		Building & Regulatory <p>Dogs & Stock Control</p> <p>Parking</p> <p>Building Control</p> <p>Alcohol Licensing</p> <p>Food & Environmental health</p>

5.0 Major achievements in the last three years

Over \$40 million worth of earthquake rebuild projects completed

- The \$40m infrastructure rebuild programme has dominated our capital projects over the last few years but is now complete bar the Waiau Toa/Clarence Valley Access project.
- We worked collaboratively with Central Government agencies including Waka Kotahi (NZTA) and the Department of the Prime Minister (DPMC) to deliver the programme on time and on budget. We have been fortunate to get good financial assistance and support from these agencies to ensure that the \$40m rebuild was completed but at a cost to the ratepayer of only approximately \$2m.
- The rebuild has ensured that our Council infrastructure is now in relatively good shape, especially the three waters networks, which puts us in a better position going forward than many other local councils around the country.
- In summary the key achievements include:
 - 6 bridges replaced and 14 repaired
 - \$8.6m of roading repair work undertaken
 - 4 water reservoirs renewed, repaired and upgraded
 - 3 wastewater pump stations renewed, repaired and upgraded
 - 4 km's of water pipes replaced
 - 6.3 km's of sewer pipes replaced
 - New oxidation pond at the wastewater treatment plant
 - The Inland Road was returned to Council control, having been reinstated to a resilient condition by Waka Kotahi (NZTA) following the November 2016 earthquake.

Building accreditation retained

- The building control services team is required to have a biannual IANZ accreditation audit. This was undertaken in April 2022. The audit determines whether our systems, process and people are fit for purpose to provide building control services to the community.
- The accreditation was retained following the comprehensive audit process. No significant non compliances were identified and 8 general non-compliances (two already nearly cleared by the end of the assessment) were received. This was over half the number of general non compliances that were identified two years ago in the last assessment and none of them are of concern to IANZ. The assessment team highly praised the approach and commitment from all the team. They identified that we are a low-risk BCA and said we are easily in the top quartile of BCAs in the country.

Three-waters stimulus work complete

- Funding from the Government's "no commitment" three-waters stimulus package of \$1.88 million has enabled us to undertake several projects to improve the quality of drinking water, and to improve security and technology to support our three-waters systems.
- The Suburban water supply has been significantly upgraded, so that its water is now sourced from the same bores as the Kaikōura Urban supply, eliminating issues with discolouration and contamination, and removing the boil water notice that has been in place since the earthquake.
- Several water supplies in more rural areas (Fernleigh and East Coast) have received major upgrades to help comply with drinking water standards. It is hoped that permanent boiled water notices will be lifted from these schemes in the next few months.

Memorial Hall and Scout Hall upgrades

- Our main community hall (the Memorial Hall) was damaged during the earthquake and also required further work to meet building code requirements. A total of \$1.096M was spent on the Memorial Hall strengthening and refurbishment.
- The Scout Hall renovation, funded by NZ Lotteries and the Provincial Growth Fund (the PGF), was well underway by the end of June 2021 and reopened in November 2021.
- The Airport terminal and hangar earthquake repair have been completed.

Streetlights converted to LED

- In 2021, streetlights in the Kaikōura township were converted to LED, and technology installed so they can be set on timers and dimmed. Shields were also installed in sensitive areas to reduce upward and outward light pollution. These new lights will save electricity costs, reduce light pollution, and (we hope) help to prevent our Hutton's Shearwaters from crash-landing in the urban area. We worked closely with the Kaikōura Dark Sky Trust during delivery of that upgrade.
- The Council has committed to continue to work alongside the Kaikōura Dark Sky Trust towards the long-term goal of making the Kaikōura district an internationally recognised Dark Sky Reserve. We will also continue to work with Waka Kotahi (NZTA) with regard to their planned LED upgrade within the district for State Highway 1.

Supported the Kaikōura Community Facilities Trust to construct a new pool

- The Kaikōura Community Charitable Trust completed the new swimming pool in 2021, with funding support from the Council of \$1 million at 30 June and a further \$1 million, from NZ Lotteries, and some private donations. This facility was much needed post quakes and is a true example of the community coming together to make it a reality.

Improved asset management systems

- We have implemented a new asset management system which will streamline our customer service requests and enable us to reliably forecast asset renewals and maintenance programmes. An independent peer-review of our asset data has found the quality of our asset data to be graded "B" (reliable).
- We have developed new Roading and Three-Waters asset management plans, to feed into the new asset management system.

Developed a new solid waste transfer station

- We have completed a Solid Waste Assessment and developed a new Waste Management and Minimisation Plan. That Plan was fully consulted on in 2021 and has initiated several major changes to the way in which we provide our rubbish and recycling services.
- We have new solid waste, public toilet cleaning and three-water services contracts with our contractor Innovative Waste Kaikōura Ltd (IWK), having gone out to tender on the solid waste contract to test the market. That tender has confirmed we are getting best value for money from IWK, which is one of our Council-Controlled Organisations.

- We are in the process of completing the development of a Waste Transfer Station at the old landfill site. The site will be operational from July 2022, but completed by December 2022. New contracts are in place to transfer waste out of the district to Kate Valley effective from July 2022.
- Over the next few years we will also be looking to develop and undertake a landfill remediation plan.

South Bay Harbour Business Case

- As part of the Kaikōura Marine Development Project (PGF funded), a Better Business Case has been developed for redevelopment of the existing harbour in South Bay. The business case will be signed off by Council in July 2022. The business case proposes significant redevelopment of the harbour. The next steps will be to seek further funding for undertaking a feasibility study and preliminary design in 2023. The ultimate goal is to seek Government funding for the full redevelopment.

6.0 Our strategic priorities for the next three years

Strategic Priority 1: Deliver on our LTP commitments

As a Council we remain committed to the vision of Moving Kaikōura Forward. Our LTP provides us with the roadmap of what we are going to do and how we are going to do it. The LTP outlines some major priority activities for us to focus our energies on over the next few years. In this time of uncertainty and change we need to focus on the things we can control and prioritise our efforts as a small rural Council. There is so much that we could be doing or may wish to do, but we need to stick to the plan and do what we say we are going to do.

Strategic Priority 2: Economic Development

Kaikōura as a district has been impacted by several global and local events over the last 15 years which has impacted our local economy. This included the Global Financial Crisis in 2008, the earthquake of November 2016 and the global pandemic COVID-19 over the last two years. Our community has shown incredible resilience and strength of character to weather these events and rebound after each set back.

Continuing to support economic development as we emerge from the impacts of the last two years is a strategic priority for Council. One of the major ways we do this is through our continued financial support to Destination Kaikōura, our Regional Tourism Organisation. Our economic development activity also provides information resources, as well as Council support, resources and funding (to a tune of \$58,000 per annum) for events and projects which assist economic development in the district. A recent example of this was partnering with Ministry for Social Development (MSD) and the Mayoral Taskforce for Jobs (MTFJ) to bring

the Rebel Business School to Kaikōura for local entrepreneurs with business ideas to learn new skills.

Strategic Priority 3: Navigating the Reform agenda

The multiple reform agenda of the current government will bring significant change to the local government sector over the next three years. It is also likely to have a major impact on our community and our Council in terms of the activities we undertake and our resources. Currently there is much ambiguity in terms of this change and what it will mean. A strategic priority will be for us to continue to navigate through the reform agenda as it plays out, ensuring that we use our voice to adequately represent our local community, as well as ensuring we look after our people and have a plan for addressing the outcomes.

Strategic Priority 4: Continuing to grow our partnership with Local Iwi and collaborative relationships with other key stakeholders

As outlined above, the landscape for local government and other areas such as Health will significantly change over the next few years. Through that change and opportunity, we need to look to continue to strengthen our partnership with local Iwi as well as key stakeholders such as Environment Canterbury, Department of Conservation, our health service providers and community services groups. Working collaboratively has never been so important to both support each other and to ensure the best outcomes for our community.

7.0 Other major issues, opportunities and decisions

In addition to the challenges mentioned above, over the next three years many major issues, opportunities and decisions affecting the Kaikōura community will require leadership, direction and management. These include:

ISSUE	DESCRIPTION	COUNCIL'S ROLE
<i>Review of Funding and Rating Policies</i>	A review of the current rates system could identify areas where changes would be beneficial or more equitable for ratepayers and users of services. Council is set to undertake a review this financial year.	Rates are set within a strict legal framework (the Local Government Act and the Local Government Rating Act), however the Council has the ability within the legislation to determine its own rating policies, rates and user fees.
<i>National Policy Statement for Indigenous Biodiversity (NPSIB)</i>	The Ministry for the Environment is currently taking submissions on the exposure draft of the NPSIB. The objective of this National Policy Statement is to protect, maintain, and restore indigenous biodiversity within Aotearoa New Zealand.	Under the NPSIB every local authority must undertake a district-wide assessment of the land in its district to identify areas of significant indigenous vegetation or significant habitat of indigenous fauna that qualify as SNAs by 2027. The new council will consider how to give effect to this.
<i>Climate Change Strategy</i>	While the earthquake uplift has alleviated the issue of sea-level rise for the Kaikōura district, the frequency and severity of weather events (including droughts and wet-weather) means the district should plan for these events and seek ways to minimise or mitigate our greenhouse gas emissions and other environmental effects.	The Council plays a key role in decisions as to where developments can occur, the capacity of network infrastructure to protect against climatic events, and also plays a leadership role in managing our impact on the environment and changing our behaviours around transport and energy use. Council is current working on a climate change strategy.
<i>Council-Controlled organisations (CCO) structure</i>	There are advantages and disadvantages to the ownership of the Kaikōura Enhancement Trust (KET), but the reasons for establishing the Trust may no longer apply. The annual cost of accounting for the Trust and meeting its reporting obligations, including audit, is prohibitive. Reviews to date have indicated that the Council could wind up the Trust and make financial savings.	The Council owns KET, who in turn owns Innovative Waste Kaikōura (IWK). Consideration as to the future of KET will need to be a decision for the new council. As with KDC, IWK could potentially be majorly impacted by the three-waters reform. There is opportunity to work jointly with the Board of IWK to positively shape the future of IWK as a CCO.

8.0 Major capital projects on the go at Council

Roading backlog projects

The Council maintains 208km of local roads and 40 bridges in our district. Approximately half of our roads are sealed. Of the bridges, 32 are single lane and 6 apply weight restrictions. Waka Kotahi (NZTA) owns and maintains State Highway One (SH1), which includes Churchill Street and Beach Road (within the Kaikōura township).

In the Long-Term Plan 2021-2031 (the LTP), the Council has substantially increased its investment in local roading maintenance and renewal programmes to address a backlog of road remedial work and surface resealing. This will bring our roads back to a good, safe condition. Alongside the increased capital investment, we are also ensuring our maintenance budgets are at a level sufficient to keep the roads in good condition.

This increased investment in roading will not only address the risk of the roads deteriorating, but also our roads and footpaths are maintained by local contractors, and so continuing with these programmes of work helps keep local people employed and our local economy functioning. This is vital to help sustain our community during the COVID-19 pandemic, and we will continue to support roading projects.

Roading renewals will be a key focus for this current financial year, and for at least the next six years, as the Council works to address the accumulated backlog of underinvestment in road rehabilitation.

Footpath programme

The Kaikōura township lends itself to walking, with stunning scenery backdrops everywhere you look, but our footpaths continue to score among the lowest levels of satisfaction in the Council's resident

satisfaction survey. There are 49 kilometres of footpaths in the Kaikōura township, and the Council has committed to significant extra investment in upgrading current footpaths, as well as proposed cycle and walkways along Beach Road and the Esplanade area.

We have committed to an extra \$100,000 per year (from 2022/2023) in capital renewals, as well as boosting the former \$16,000 maintenance budget to \$60,000 per annum, to bring our urban footpaths up to the standard expected from the community. The footpath programme is anticipated to kick off this financial year with input from the community to develop a prioritised programme of work for the next few years.

Waiau Toa/ Clarence valley Access Project

The Glen Alton bridge in the Waiau Toa/ Clarence Valley was destroyed during the November 2016 earthquake and is to be replaced. With rebuild costs estimated to be over \$12 million, support from Waka Kotahi (NZTA) is essential, and that Agency has indicated it will fund 95% of the cost subject to it being to a design agreed with the Agency. We are currently working through with Waka Kotahi (NZTA) with regard to the impacts of inflation and timing on the project estimates. The design phase of the project is well underway and resource consents lodged, but actual construction will not be underway until this 2022/2023 financial year and may not be completed until 2025. We are continuing to work with the Runanga in regard to issues they have raised around the project.

Link Pathway Project

In 2021, the Council made a successful application to the Tourism Infrastructure Fund (TIF) for a new \$2.1 million Link Pathway from West End to Point Kean. The Link Pathway is a multi-use path from the Kaikōura Information Centre along the Esplanade and Fyffe Quay to the seal colony at Point Kean, linking key attractions, activities, sites, food and accommodation providers. The project also includes the upgrade of an

existing walkway from the Esplanade to the Kaikōura Lookout. This Pathway therefore takes in two of the most frequented spots on the Kaikōura peninsula.

TIF will contribute \$1.9 million toward the project, leaving the Council with \$200k to fund by loan. The Council has opted to loan fund the project over two years (\$200k in 2022 and \$221k in 2023), which includes provision for contingencies. If these loans are not required, then this will be revisited in the 2023 Annual Plan.

The project is broken into two Stages with the first stage from Memorial Gardens to the corner of Esplanade and Torquay St. Stage 2 continues around to Point Kean. All necessary consents and approvals have now been received for Stage 1 and it is anticipated that work can get underway in Spring 2022. The project is anticipated to be completed by June 2024.

District Plan Rolling Review

The Kaikōura District Plan, in accordance with our functions under the Resource Management Act 1991, sets strategic direction for how and where development should occur. It sets out standards for development and how we can assist in managing our environment. It also identifies where resource consents are required and attempts to provide certainty for property owners and occupiers, developers, and the environment.

The District Plan is due for a full review. A prioritised rolling review has been started where chapters are reviewed in groups as opposed to reviewing the whole of the Plan at the same time. Reviews are a statutory process open for public submission. We have scheduled the review in our Long-Term Plan and budgeted for its costs. The process will be largely delivered using consultants, and the Council's Planning team is resourced for business-as-usual activity only.

The review may need to adapt to the Government's promised reform of the Resource Management Act. In 2021 we completed a review and

update of the Natural Hazards Chapter and also rehoused the existing District Plan in the new national template.

Wakatu Quay Development

The Council's application to the Provincial Growth Fund (PGF) was successful back in 2020, with \$9.88 million granted to develop Wakatu Quay into a commercial precinct. The existing buildings at Wakatu Quay were demolished to make way for the exciting new development.

In 2021 the project team completed the Concept Design for the site and sought expressions of interest for potential investors/ developers for the site. Since February 2022 the project has been working with Cooper Developments under a Memorandum of Understanding (MOU) to undertake joint due diligence on the commercial viability of the project. Should the parties agree to continue to work together then it is anticipated that detailed design work would commence in November 2022 and be completed by May 2023, with construction starting from July 2023. A resource consent for the development will be lodged imminently.

Kāinga Ora Infrastructure Acceleration Fund

Since November 2021, Kaikōura District Council has been working with a local developer to seek funding under the Kāinga ora Infrastructure Acceleration Fund (IAF), which seeks to help projects accelerate core infrastructure that enables housing outcomes. On the 21st July 2022 the Minister for Housing announced that we have been successful with our funding proposal for \$7.8m which will see a significant upgrade of Ludstone Rd and Green Lane including the provision of both walking and cycling facilities. The funding helps enable the Vicarage Views Subdivision as well as parts of Ocean ridge. A total of 405 sections will be enabled which includes an initial focus in Vicarage Views on low to middle income housing and much needed elderly people's housing. The infrastructure upgrade will commence in 2022.

9.0 Local Government Reform

Central Government is currently progressing with a significant reform agenda across multiple sectors including local government, health, environment and emergency management.

There are three significant reform and review processes currently in train that will have a major impact on local government - Three Waters, Resource Management and the Future for Local Government. They collectively and individually represent the largest reforms to local government and local governance since the abolition of the provinces in 1877.

Central Government believes that what the reforms have in common are that they aim to achieve better outcomes for communities and the environment, efficiency improvements, and give effect to the principles of Te Tiriti of Waitangi. However, they are progressing on different (but aggressive) timelines and without, what appears to be from the outside, much of a joined-up approach. They are contributing to an increasingly complex and uncertain operating environment for local government now and post the 2022 elections. There is no doubt that the navigating change generated by the reforms will be a core focus for the next three years, but with change also comes opportunity. Our immediate focus is to deliver on our commitments within the current environment of uncertainty as the reform agenda continues to develop. We do that by managing the things we can control and focusing on delivering on our promises made in the LTP. Simply put, we do what we say we are going to do.

Three Waters Reform

Following the campylobacter outbreak in 2016 and the Government's Inquiry into Havelock North Drinking Water, central and local government have been considering the issues and opportunities facing regulation and management of the three waters (drinking water, wastewater, and stormwater).

The focus has been on how to ensure safe drinking water for all, improve the environmental performance and transparency of wastewater and stormwater network and deal with funding and affordability challenges, particularly for communities with small rating bases or high-growth areas that have reached their prudential borrowing limits. There is also a need to future-proof the assets and plan for the effects of climate change.

Both central and local government, including the Kaikōura District Council, are committed to better outcomes for communities and the environment and there is agreement that at a national level the status quo is not sustainable, despite the significant contribution, investment, and effort that local government and communities have made to date. There is also agreement on protection from privatisation of the three waters services and assets.

However, Kaikōura District Council currently does not believe the case for change is compelling at a local level. With significant investment in our infrastructure post-earthquake; and use of the first tranche of reforms stimulus money, that was provided on a no commitment basis our three waters infrastructure is in very good shape. This can be seen in our 30 year infrastructure strategy included in the LTP. With the information provided to date from Central Government, we simply cannot guarantee that our local community would be better off under the proposed reform model.

At the Council meeting of 1 September 2021, the council voted to support a Notice of Motion ***That Kaikōura District Council will not agree to transfer any water, wastewater or storm water assets to any other entity without first undertaking a full consultative or referendum process with the Kaikōura community.***

At the Council Meeting of the 24 November 2021 the Council voted to join the Communities for Local Democracy (C4LD) campaign. This is a group of over 31 councils from across the Country that represent over 1.4m New Zealanders. This group is opposed to aspects of the proposed reforms as

they currently stand and are working to influence and change the current proposals.

In October 2021 the Government announced that it would mandate the proposals to change the way three waters are delivered, effectively removing the ability for each local community to make a decision for itself.

The proposal is that the responsibility of managing and operating three waters assets would be removed from councils and all the Council's three water assets and any liabilities related to three waters would transfer to four regional Water Services Entities. As the proposed transfer is currently intended to happen on 1 July 2024, this would be within the term of the incoming Council. It is currently anticipated that assets, debt and delivery of the services for the three waters will fully transfer to the new regional entity by 1st July 2024 thus removing a significant component of our core services.

Parliament is currently considering the Water Services Entities Bill that creates this new entity and three others around the country. Under the Bill these entities will manage the future delivery of three waters services across the country. The Bill also sets out how these entities will operate, and how the local community will be able to hold them accountable. As a Council, we will be submitting on the proposed Bill by the due date of the 22nd July and supporting the wider submission from C4LD.

The government has stated that later in the year a second Bill will provide further details on the powers and duties of the entities. That Bill will also allow the Government to regulate the amount and the ways in which the entities charge for these services, and how they will demonstrate their services are value for money.

We understand this Bill will enter Parliament in or around September this year so the incoming Council will need to decide whether it wishes to submit on this Bill, and what it might say.

This is a significant issue for our small Council. In August 2021 we sought feedback from our community on the second part of the proposed reforms and had an overwhelming negative response. This helped inform our feedback to central government in September 2021.

There is a dedicated section on our website with all of the latest information with regard to the Three Waters Reform.

<https://www.Kaikoura.govt.nz/our-services/three-waters-reform/>

Given the current path, the next Council will need to work with the new Three-Waters entity to ensure all Kaikōura communities get the services they need now and in the future. The Council will need to work closely with the Government as this new entity is set up to make sure our district is represented on or through the regional representative group. The Council will also need to work with me, the CEO, as its sole employee to ensure my staff are supported through an incredibly challenging period of change management, both for those transitioning to the new entity and for those that are not, as well delivering the Councils work programmes.

Resource Management Act Reform

After many years of incremental changes, the Government is overhauling the resource management system² with the aim to:

- protect and restore the environment and provide for intergenerational wellbeing
- better enable development within environmental limits

² based largely on the recommendations of the independent review of the resource management system – the Randerson Report (launched in 2019 and published in 2020)

- better recognise Te Tiriti o Waitangi principles, te ao Māori and mātauranga Māori
- better prepare for adapting to climate change and risks from natural hazards, as well as mitigating greenhouse gas emissions
- make the system less complex and more efficient while retaining local democratic input.

The Government has said it will introduce three new pieces of legislation to achieve its objectives. The:

- Natural and Built Environments Act - the primary replacement for the Resource Management Act 1991. It will require outcomes-based planning and development within environmental limits and targets, give effect to the principles of Te Tiriti, create a single regional plan, overseen by a single regional committee, supported by a National Planning Framework.
- Strategic Planning Act – introduces mandatory 30-year regional spatial strategies that will set out, at high level, how regions and communities will develop integrating land use, major infrastructure and investment. It too is guided by the National Planning Framework and will be overseen by a regional committee.
- Climate Adaptation Act – this will deal with the complex policy, economic and legal issues around adapting to the effects of climate change, including managed retreat.

The Natural and Built Environments and Strategic Planning Bills will be introduced into Parliament around or shortly after the election period. The incoming Council will need to consider whether and how it wishes to respond to these Bills very soon after it takes office. The Climate Adaption Bill is likely to be introduced next year.

The reform of the resource management system will have a major impact on the Kaikōura District Council including future governance arrangements, functions, structure, decision making, operations, and investment priorities. The resource requirements and costs of transition cannot be underestimated, particularly as we transition to the new system while fulfilling essential requirements under the current one.

The resource management sector is currently under significant strain and facing capacity issues, including sourcing and retaining appropriately skilled people. There is currently a shortage of skilled planners and spatial planning will draw on the skills and expertise of a wide range of specialists and expertise from across the Council and beyond. There are also constraints on mana whenua and their capacity to fully participate in the current, let alone, future system.

The success of the new resource management system and the Council's part in it will depend in large extent on how well the transition to and implementation of the new system is planned for, managed and resourced and impact of inter-related reforms in water and the future of local government.

As outlined in section 8, one of our current major projects is the review and upgrade of our District Plan. This review will need to occur in the context of the RMA reforms. We are prioritising our rolling review to ensure that the most critical parts of the plan are updated first to feed into the regional planning process.

More details about the reform of resource management can be found on the Ministry for the Environment website at

<https://environment.govt.nz/what-government-is-doing/key-initiatives/resource-management-system-reform/overview/>

Review into the Future for Local Government

On 24 April 2021 the Minister of Local Government announced that she had established a Ministerial Inquiry into the Future for Local Government. The overall purpose of the review is to “identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership.”

In September last year the panel released an interim report that set out the engagement it had done up to that time, and the lines of inquiry it would follow. The full report, *Ārewa te ake Kaupapa: Raising the Platform* can be found at

https://www.futureforlocalgovernment.govt.nz/assets/Uploads/DIA_1672_4_Te-Arotake-Future-of-Local-Government-Interim-report_22.pdf

Ārewa te ake Kaupapa poses five key questions:

1. how should the system of local governance be reshaped so it can adapt to future challenges and enable communities to thrive?
2. what are the future functions, roles, and essential features of New Zealand’s system of local government?
3. how might a system of local governance embody authentic partnership under Te Tiriti o Waitangi, creating conditions for shared prosperity and wellbeing?
4. what needs to change so local government and its leaders can best reflect and respond to the communities they serve?
5. what should change in local governance funding and financing to ensure viability and sustainability, fairness and equity, and maximum wellbeing?

The panel has met with every local authority as part of its engagement, including a meeting on 30th March 2022 with our councillors and some of our senior managers.

At that meeting the Panel explored the following five big shifts and how our local context might influence them:

1. Strengthened local democracy
2. Stronger focus on wellbeing
3. Building on existing relationships with Hapū/Iwi/Māori
4. A genuine partnership between Central Government and Local Government
5. More equitable funding model that reduces the burden on the ratepayer

We highlighted the important role that small councils play with regard to local voice and local representation and the grassroots level connection that small local councils have with both the community and other agencies. This helps promote good collaboration and communication. Small councils can also help bring organisations together and work together to get things done. A great example of this was both immediately after the Nov 2016 earthquakes as well as the longer recovery process.

A draft report and recommendations for public consultation will be released by the Panel after the local government elections. The final report will be presented to the Government by 30 April 2023. With Parliamentary elections likely in late 2023 the Government may take some time to decide what, if any, of the panel’s recommendations it wishes to take up.

The new Council will need to respond to the Panel’s recommendations soon after being elected, and then consider the Panel’s recommendations to Parliament. In the future, Government decisions may change Council’s role, functions and structure.

10.0 Financial Statements 2020 to 2026

Basis for preparation

The following section outlines our financial statements and how we are staying within the requirements outlined in our financial strategy.

The financial statements have been prepared on an ongoing concern basis, and the accounting policies within the Council's annual reports and long-term plans have been applied consistently throughout the period.

The financial statements presented in this Pre-Election Report are for the Kaikōura District Council only, and do not include financial information for the two subsidiary Council-Controlled Organisations, the Kaikōura Enhancement Trust and Innovative Waste Kaikōura Ltd.

Financial information for the financial years ended 30 June 2020 and 2021 are taken from the audited financial statements included in the Kaikōura District Council Group annual reports.

- Actual results for the 2022 financial year were not finalised at the time of preparing this report. Therefore, we have used the forecast financial statements from the Annual Plan 2022 (which is the first year in the Long-Term Plan 2021-2031).
- Financial information for the next financial year (2022/2023) are taken from the Annual Plan 2022/2023.
- Financial information for the three years following the election is taken from the Long-Term Plan 2021-2031.

Note: Central government has decided to proceed with its Three-waters Reform programme to change the governance and management of water activity across New Zealand. This includes water supply, wastewater management and disposal, and stormwater management. This will result in significant changes to the Council group's revenues, assets, liabilities and the services we provide. However, there is not yet enough certainty about the specific impacts to incorporate into our forward budget projections.

The actual financial results for 2025 and 2026 financial years are likely to be significantly different to the financial forecasts disclosed in this Pre-Election Report 2022, and in the Long-Term Plan 2021-2031. Those financial forecasts have assumed the "status quo" in terms of three-waters operations and ownership, which is now extremely unlikely to eventuate.

Funding Impact Statement

For the financial year ended 30 June (\$'000s)	Annual Report		Annual Plan		Long Term Plan		
	2020	2021	2022	2023	2024	2025	2026
Sources of operating funding							
General rates, UAGC, and rates penalties	3,008	3,422	3,745	3,883	3,991	4,236	4,320
Targeted rates	4,868	4,767	4,809	5,061	5,075	5,156	5,394
Subsidies & grants for operating purposes	5,695	4,431	1,638	2,771	658	676	690
Fees and charges	1,759	2,520	1,528	1,526	1,817	1,869	1,931
Interest and dividends from investments	2	6	7	3	4	3	3
Fuel tax, fines, infringements fees and other	814	761	78	88	114	127	130
Total operating funding (A)	16,146	15,907	11,805	13,332	11,659	12,067	12,468
Applications of operating funding							
Payments to staff and suppliers	13,789	14,425	11,843	12,879	10,467	10,820	10,894
Finance costs	152	69	118	189	225	260	275
Total applications of operating funding (B)	13,941	14,494	11,961	13,068	10,692	11,080	11,169
Surplus/(deficit) of operating funding (A - B)	2,205	1,413	(156)	264	967	987	1,299
Sources of capital funding							
Subsidies and grants for capital expenditure	11,942	7,361	4,976	5,163	5,457	408	419
Development and financial contributions	31	18	125	44	46	47	48
Increase/(decrease) in debt	5,423	(2,000)	1,214	406	2,171	489	415
Gross proceeds from sale of assets	-	-	250	325	-	-	-
Total sources of capital funding (C)	17,396	5,379	6,565	5,938	7,674	944	882
Application of capital funding							
Capital expenditure							
- to meet demand	260	254	3,894	3,535	-	-	-
- to improve the level of service	834	1,223	2,623	514	264	270	195
- to replace existing assets	16,551	7,597	4,716	3,835	9,012	1,836	2,603
Increase/(decrease) in reserves	1,956	(2,282)	(4,824)	(1,681)	(635)	(175)	(617)
Total applications of capital funding (D)	19,601	6,792	6,409	6,203	8,641	1,931	2,181
Surplus/(deficit) of capital funding (C - D)	(2,205)	(1,413)	156	(264)	(967)	(987)	(1,299)

Summary Statement of Financial Position

For the financial year ended 30 June (\$000s)	Annual Report		Annual Plan		Long Term Plan		
	2020	2021	2022	2023	2024	2025	2026
ASSETS							
Current assets							
Financial assets	4,331	5,456	742	3,998	1,004	702	650
Non-financial assets	3,298	1,698	1,343	1,455	1,360	1,042	1,071
Total current assets	7,629	7,154	2,085	5,453	2,364	1,744	1,721
Non-current assets							
Financial assets	57	182	207	287	207	207	207
Non-financial assets	203,993	215,580	218,337	228,091	243,622	242,378	241,793
Total non-current assets	204,050	215,762	218,544	228,378	243,829	242,585	242,000
TOTAL ASSETS	211,679	222,916	220,629	233,831	246,193	244,329	243,721
LIABILITIES							
Current liabilities							
Borrowings	4,000	3,000	-	-	-	2,000	-
Other liabilities	4,806	4,695	1,723	1,851	1,553	1,597	1,606
Total current liabilities	8,806	7,695	1,723	1,851	1,553	3,597	1,606
Non-current liabilities							
Borrowings	3,000	2,000	6,000	7,300	10,000	8,000	11,000
Other liabilities	2,083	1,956	2,084	2,016	726	726	726
Total non-current liabilities	5,083	3,956	8,084	9,316	10,726	8,726	11,726
EQUITY							
Accumulated equity & reserves	186,287	204,281	209,083	221,591	220,783	233,914	232,006
Surplus/(deficit)	11,503	6,984	1,739	1,073	13,131	(1,908)	(1,617)
RATEPAYERS EQUITY	197,790	211,265	210,822	222,664	233,914	232,006	230,389
TOTAL LIABILITIES & EQUITY	211,679	222,916	220,629	233,831	246,193	244,329	243,721

Compliance with our Financial Strategy

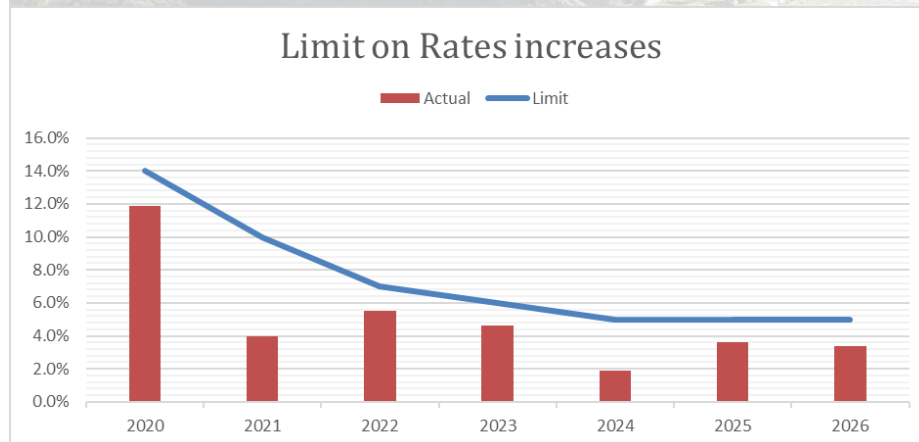
Return on investments

The Council has very limited investments, mainly consisting of our share in the Marlborough Regional Forestry (MRF), and our ownership of two Council-Controlled Organisations, Innovative Waste Kaikōura Ltd and the Kaikōura Enhancement Trust.

None of our investments are expected to generate a return within the next six years.

Rates & limits on rates

The Council's financial strategy set a limit on rates increases for the 2022/2023 financial year at 6%, and 5% for every year thereafter to 2031. The Annual Plan 2022/2023 shows the total rates requirement is a 4.63% increase over the previous year, which is well within the limit set by the Council's financial strategy.



Borrowing & debt limits

The Council has set a self-imposed limit on the amount it can borrow, to no more than \$15 million. It has also set a limit on loan interest expenses to be no more than 10% of total revenue. Actual debt is expected to reach up to \$7.3 million, less than the \$8.0 million forecast in the LTP. Loan interest is forecast to only be around 1.02% of total revenue.



Borrowing facilities are in place with the Local Government Funding Agency (LGFA) and also with the Bank of New Zealand (BNZ).

Balanced budget

A balanced budget means that revenue is set at a level that is adequate to cover all operating expenses (including depreciation). The Annual Plan 2022/2023 forecasts a surplus of \$1.07 million, and therefore meets the definition of having a balanced budget. Once again grants and subsidies are a large portion of our total revenue, with \$7.9 million forecast in grants and/or subsidies for 2022/2023.

Financial assumptions

- Loan interest rates will be less than 3.0% with the Council borrowing from the Local Government Funding Agency (LGFA).
- Waka Kotahi (NZTA) subsidies for roading work is 51% for normal roading maintenance, and 95% to rebuild the Waiau Toa (Clarence River) Bridge.
- Provincial Growth Fund (PGF) of up to \$4.42 million will be received during the 2022/2023 year, to progress with the Wakatu Quay development and South Bay marina feasibility study.
- PGF funding of \$889k will be received to progress the Link Pathway project.
- The Waiau Toa (Clarence River) Bridge replacement will take three years with final completion in the 2024/2025 financial year.
- The Wakatu Quay and the Link Pathway projects will each progress beyond this Annual Plan year, with expected completion for each by end of June 2024.

Level of uncertainty and risks

The COVID-19 pandemic continues to turn our world on its head, and now the Russian invasion of Ukraine threatens to destabilise the supply of wheat, oil and other products to the world. The confluence of the number of shocks to societies and economies globally is unprecedented. This Annual Plan has been prepared during this uncertainty, and it is expected to be several years before things return to “normal” (whatever that is).

Not least amongst the uncertainty is the increasing cost of construction, and the delays in supply of goods and materials. We are also facing the risk that Council staff need to take sick leave for extended periods or at key times of the year, and that this could affect our levels of service. We have business continuity plans in place to help to mitigate this issue.

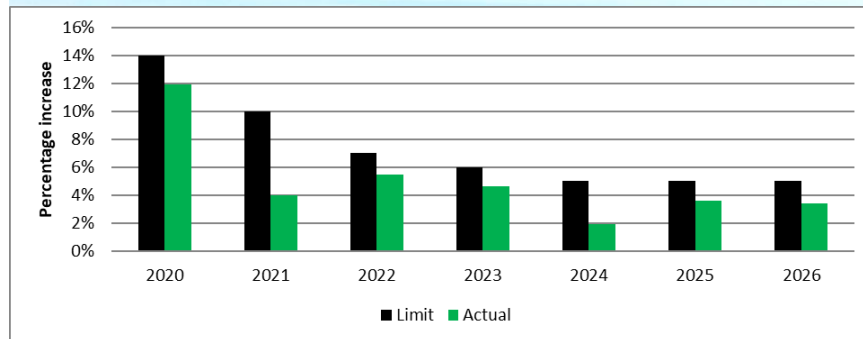
Readers are encouraged to consider the very high level of uncertainty in preparing its forecast financial statements. The Council has mitigated the financial uncertainty by ensuring we have some reserve funds in place and can raise short-term contingency loans at short notice if reserve funds are unavailable.

Financial prudence benchmarks

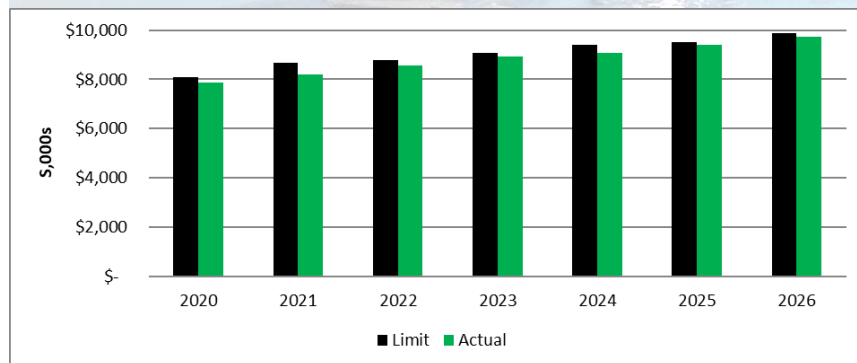
Rates affordability benchmarks

Following the November 2016 earthquake, the Council needed to apply relatively large rates increases of 14% in 2019 and again in 2020. This has provided a stepped increase that enabled the Council to respond to and recover from the quakes, and now enables the Council to sustain good levels of service and keep rates increases to no more than 5% for at least the next four years.

The following graph shows rates increases continue to remain well within our self-imposed limit on rates increases as a percentage.

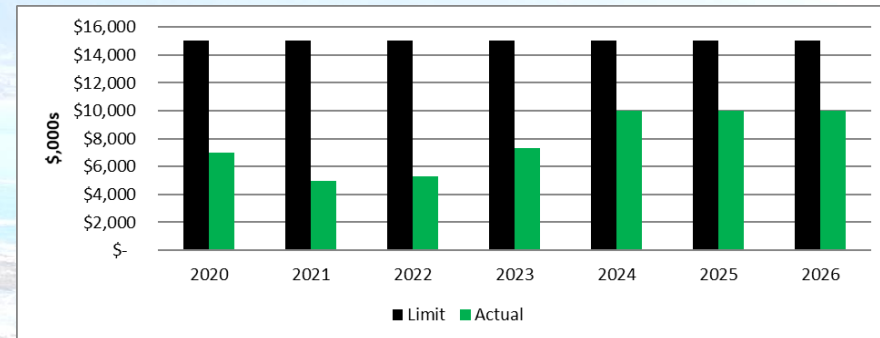


The following graph also shows rates will remain within the dollar value limits (calculated by the above percentages).



Debt affordability benchmark

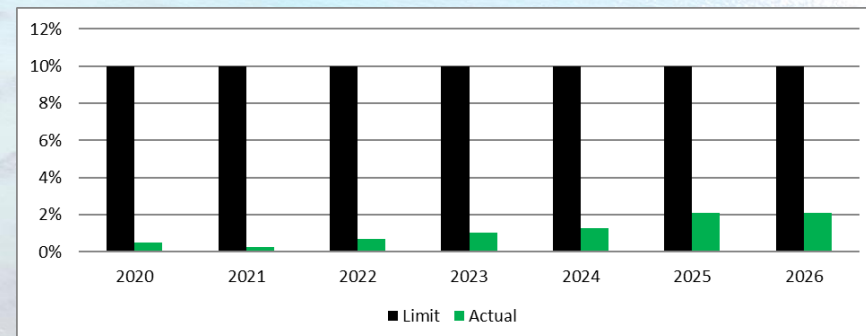
The Council has a self-imposed limit on total borrowing of \$15 million. The graph below shows we currently do not expect our borrowings to exceed \$10 million within the next four years. This means if there were to be another earthquake or unforeseen event, the Council could borrow to meet the immediate costs to respond to the event, until insurance and other funds are received to progress the rebuild and recovery.



Debt servicing benchmark

The following graph compares the Council's loan interest costs as a percentage of revenue (revenue excluding development contributions, vested assets, and other gains). The Council meets the benchmark if borrowing costs are equal to or less than 10% of revenue.

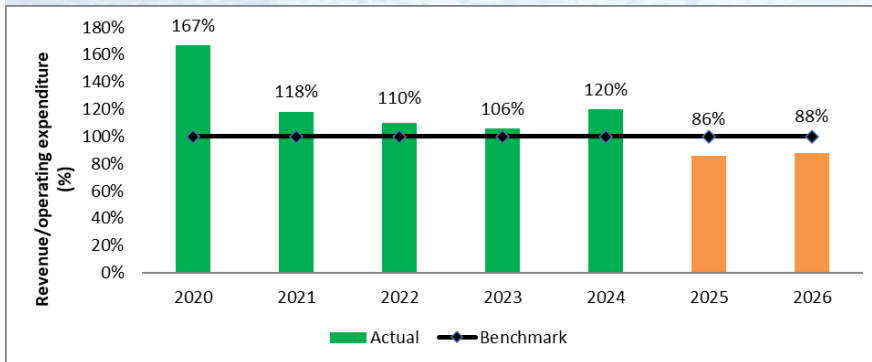
The graph below shows we are well below that benchmark.



Balanced budget benchmark

The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

The Council meets the benchmark until the 2025 financial year, when forecast grants for various capital projects are expected to cease. To date the Council has made the conscious decision not to fund depreciation, instead funding renewal expenditure through rates, and seeking external funding for upgrades from grants, subsidies, and borrowing.



The Council’s decision not to fund depreciation (and therefore potentially not meet the balanced budget benchmark) should be read in conjunction with the essential services benchmark (below).

Essential services benchmark

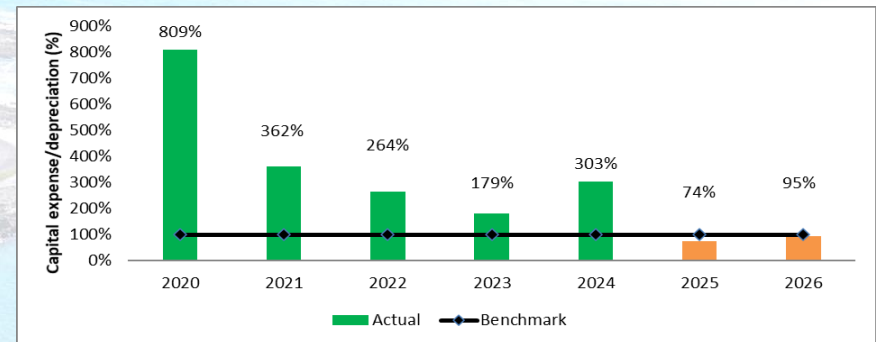
This benchmark displays the Council’s capital expenditure on network services as a proportion of depreciation on those network services. Ideally, annual capital expenditure should be spent at a similar level to annual depreciation to ensure that assets are not deteriorating over time.

The essential services benchmark graph highlights the extent to which our earthquake rebuild projects and other capital works have significantly exceeded depreciation.

The Council’s Infrastructure Strategy in the Long-Term Plan 2021-2031 confirms that – because roading, water, wastewater and stormwater assets have substantially been renewed following the earthquake, there is actually very little renewal expenditure required for at least the next 30 years.

The exception to this is roading, where the Council has identified a backlog of work and has committed to address this by ramping up the roading capital programme.

The Council does not meet the essential services benchmark (capital expenditure as a proportion of depreciation) in the 2025 and 2026 financial years, because – other than addressing the roading backlog – there is very little capital work identified as necessary in those years.




11.0 Local Elections 2022

The local government elections are where you vote for who will be the mayor and the councillors for the Kaikōura District Council for the next three years.

This is also your opportunity to vote for the local representatives of Environment Canterbury. There are no District Health Board elections this term.

Key upcoming dates are shown below.



Nomination day opens	15 July 2022
Nominations close at 12.00 Noon	12 August 2022
Final Candidates announced	17 August 2022
Delivery of voting papers	16-21 September 2022
Election day: Voting closes at 12.00 Noon	8 October 2022
Progress and preliminary results published	8 October 2022
Declaration of final results	13-19 October 2022

12.0 More information

Links are provided to all of the following documents:

- **Long-Term Plan 2021-2031**
<https://www.kaikoura.govt.nz/our-council/plans-reports-bylaws-and-policies/>
- **Annual Plan 2022/2023**
<https://www.kaikoura.govt.nz/assets/Uploads/Annual-Plan-2022-2023.pdf>
- **Annual Report for the year ended 30 June 2021**
<https://www.kaikoura.govt.nz/assets/Uploads/Annual-Report-2021.pdf>
- **Kaikōura District Plan**
<https://www.kaikoura.govt.nz/our-council/plans-reports-bylaws-and-policies/>
- **Elections Information**
<https://www.kaikoura.govt.nz/local-elections-2022/>



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