Ashburton District Council

AGENDA

Notice of Meeting:

A meeting of the Ashburton District Council will be held on:

Date:	**Wednesday 17 March 2021**
Time:	**1.00pm**
Venue:	**Council Chamber**

Membership

Mayor	Neil Brown
Deputy Mayor	Liz McMillan
Members	Leen Braam Carolyn Cameron John Falloon Rodger Letham Lynette Lovett Angus McKay Diane Rawlinson Stuart Wilson

Watch the live-stream of this meeting on our You Tube channel, Facebook page and website:
https://www.ashburtondc.govt.nz/council/public-meetings-research-centre

Meeting Timetable

Time	Item
1pm	Meeting commences
2.15pm	Waka Kotahi/NZTA – Michael Blyleven (New Zealand Upgrade Programme Canterbury Team Lead), Fiona McLeod (Comms & Engagement)
2.50pm	Ashburton Air Cadets presentation of Charter
3pm	Welcome to new and long-serving staff

1 Apologies

2 Extraordinary Business

3 Declarations of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

Minutes

Reports

Business Transacted with the Public Excluded

4. Council Minutes – 3 March 2021

Minutes of the Council meeting held on Wednesday 3 March, commencing at 1.00pm, in the Council Chamber, 137 Havelock Street, Ashburton.

Present

His Worship the Mayor, Neil Brown; Councillors Leen Braam, Carolyn Cameron, John Falloon, Rodger Letham, Lynette Lovett, Angus McKay, Liz McMillan, Diane Rawlinson and Stuart Wilson.

In attendance

Hamish Riach (Chief Executive), Paul Brake (GM Business Support), Steve Fabish (GM Community Services), Jane Donaldson (GM Strategy & Compliance), Neil McCann (GM Infrastructure Services), Sarah Mosley (Manager People & Capability) and Phillipa Clark (Governance Team Leader).

Staff present for the duration of their reports: Toni Durham (Strategy & Policy Manager), Richard Mabon (Senior Policy Advisor), Mel Neumann (Policy Advisor), Colin Windleborn (Commercial Manager), Zane Adam and Michelle Hydes (Property Officers) and Brian Fauth (Roading Manager).

1 Apologies

Nil.

2 Extraordinary Business

The Mayor advised that the Air Cadets presentation and the welcome to new and long-serving staff will be deferred until the 17 March meeting, due to Alert Level 2 restrictions being in place this week.

3 Declarations of Interest

Item 14 – The Mayor declared a non-pecuniary interest and gave notice that he will leave the meeting for this item and the Deputy Mayor will take the Chair.

4 Confirmation of Minutes – 17/02/21

That the minutes of the Council meeting held on 17 February 2021, be taken as read and confirmed.

McMillan/Cameron Carried

5 Audit & Risk Committee – 10/02/21

That Council receives the minutes of the Audit & Risk Committee meeting held on 10 February 2021.

Braam/Falloon

6 Youth Council – 3/02/21

It was noted that the minutes will be amended to record that Crs Rawlinson & Lovett were in attendance.

That Council receives the minutes of the Youth Council meeting held on 3 February 2021.

Rawlinson/Lovett Carried

7 Review of Rates Remission Policy 2021

That the matter from 17 February 2021 be uplifted for debate.

McKay/Wilson Carried

The Senior Policy Advisor tabled alterations to clauses 23 and 28. This will provide flexibility for dealing with customers, with quarterly and annual allowances, who must provide evidence that the leak has been fixed. A back-dating option will be provided for those (other than under clause 23).

Officers propose to develop some principles that can be put into the policy at a later date.

That Council adopts the draft Rates Remission Policy 2021 attached as Appendix One for public consultation.

Cameron/Braam Carried

8 Community Engagement Policy (Significance and Engagement Policy)

That Council adopts the Draft Community Engagement Policy 2021 for consultation.

McKay/Falloon Carried

9 Canterbury Regional Land Transport Plan 2021-31

Council agreed to some additional comment being included in the submission:

1. reference to Selwyn and Rakaia bridges
2. reference to the economy south of Ashburton district is also reliant on the district's bridges
3. reference to increased freight and larger trucks
4. emphasise that Council's concern is about saving lives
5. acknowledge funding that the RLTP provides this district for general maintenance
6. seek more detail on what's proposed in the remaining 7 years of the Plan

A copy of the updated submission will be circulated to Councillors.

1. That Council:

1.1 **Receives** the report.

1.2 **Approves** the submission, with agreed additions, to the Canterbury Regional Transport Committee on the draft Canterbury Regional Land Transport Plan 2021-31.

McKay/Cameron Carried

10 Elderly Persons Housing – Section 17A review 2021

1. **That** Council receives the Section 17A Elderly Persons Housing review report.
2. **That** Council agrees to consult with the community through the Long-Term Plan 2021-31 on an increase of rents in year 1 of the LTP, to $110 for a single and $130 for a double unit, and thereafter $10 per annum.
3. **That** Council directs officers to draft the Elderly Persons Housing Policy 2021 to reflect this proposal.

Braam/Cameron Carried

Clarification was sought on whether financial sustainability was looked at when the S17A review was undertaken in 2017. Officers will advise.

11 Library & Civic Centre Project Control Group – Terms of Reference

The inclusion of the Baring Square East project within the PCG's terms of reference wasn't fully supported. The Chief Executive acknowledged concerns noting that the PCG provides oversight of the projects, but decision-making will continue to be that of full Council.

That Council adopts the amended Library & Civic Centre Project Control Group Terms of Reference (2021), attached as Appendix 1.

McMillan/Lovett Carried

Cr Cameron, McKay and Wilson recorded their votes against the motion.

12 Mayor's Report

- **Rural & Provincial**

The meeting in Wellington has been cancelled due to the Alert Level changes. Instead the meeting will be held via Zoom on Friday.

- **Reserve Bank**

The Mayor will provide Council with more information on 17 March, following the meeting with the Reserve Bank Governors in February.

That the Mayor's report be received.

Mayor/McMillan Carried

13 Financial Variance Report – January 2021

That Council receives the variance report for the period ending 31 January 2021.

Cameron/Wilson Carried

Business transacted with the public excluded – 2.17pm.

That the public be excluded from the following parts of the proceedings of this meeting, namely – the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No	General subject of each matter to be considered:	In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:	
14	Council 17/02/21 • Freeholding Glasgow lease • Sale of land	Section 7(2)(h)	Commercial activities
15	Audit & Risk Committee 10/02/21	Section 7(2)(h)	Commercial activities
16	Caring for Communities Welfare Recovery Group	Section 7(2)(a)	Protection of privacy of natural persons
17	Library & Civic Centre PCG 16/02/21	Section 7(2)(h)	Commercial activities
18	NZTA organisation and budget update	Section 7(2)(h)	Commercial activities
19	Ashburton Contracting Ltd	Section 7(2)(h)	Commercial activities

Cameron/McMillan Carried

The meeting concluded at 4.32pm.

Confirmed 17 March 2021

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MAYOR

Council

17 March 2021

5. Long-Term Plan 2021-31 Consultation Document

Author	*Emily Reed; Corporate Planner*
Activity manager	*Toni Durham; Strategy & Policy Manager*
Group manager	*Paul Brake; Business Support*

Summary

- The purpose of this report is to adopt the consultation document for the Long-Term Plan 2021-31, as attached in Appendix 1.
- Consultation will be undertaken in line with the Special Consultative Procedure, between 19 March and 19 April 2021.

Recommendation

1. **That** Council adopts the Long-Term Plan 2021-31 consultation document, and undertakes consultation with the community using the Special Consultative Procedure from 19 March to 19 April 2021.

Appendix

Consultation document – to be tabled

Background

The current situation

1. Council is required to adopt a long-term plan every three years. The Local Government Act 2002 requires Council to follow a Special Consultative Procedure (Section 93) to adopt the 10 year plan. This includes the development of a consultation document which forms the basis of community consultation.

2. Included within the consultation document are two significant issues for the community to consider.

   - Should we install water meters on all properties on our drinking water schemes?
   - Should we should aim to get our Elderly Persons Housing self-funding, through incremental rent increases.

3. The consultation document is required to be audited by Audit NZ. At time of writing, the Audit opinion has not yet been received. However, Audit NZ have indicated that they are considering qualifying the document based on the level of uncertainty around receiving 80% of funding for the Ashburton-Tinwald second urban bridge from central Government in 2024/25.

Previous Council decisions

4. 17 December 2020 the Draft Significant Forecasting Assumptions were adopted. The draft 10 year plan and consultation document have been prepared based on these assumptions.

5. 3 March 2021 the Elderly Persons Housing report was received by Council, and Council agreed to consult the community through the Long-Term Plan 2021-31 on an increase in rent.

6. The plan has also been prepared based on Council directions given at a number of workshops over the past year. These include workshops on the pre-engagement results, budgets, activity management plans, community outcomes, levels of service, and financial and infrastructure strategies.

7. Council also indicated their agreement with the draft consultation document, which was then sent on to Audit NZ, during the 11 February 2021 workshop.

Options analysis

Option one – adopt the consultation document (recommended option)

8. Council would adopt the consultation document for consultation as required under the Local Government Act 2002 using the Special Consultative Procedure as outlined in Section 93.

9. Consultation will be undertaken between 19 March and 19 April. This will allow Council enough time to hold hearings and deliberations, and adopt the final Long-Term Plan 2021-31 by 30 June 2021, as required by statute.

Option two – adopt the consultation document with amendments

10. Council would adopt the consultation document with amendments. This is not recommended as the consultation document has to be signed off by Audit NZ. Any amendments will mean the document is required to go back and be approved by Audit again.

11. It is unclear if Audit have time to consider any changes to the current document, and this may result in the dates for consultation moving. This then reduces the time available after consultation to hold hearings and deliberations, and for Audit NZ to undertake their audit of the final Long-Term Plan document. This may mean Council fails to meet its legislative obligations under the Local Government Act 2002 to adopt a long-term plan by 30 June 2021.

Option three – do not adopt the consultation document

12. Council would not adopt the consultation document. This would mean that Council would not be able to engage the community and discuss the decisions contained in the document. Council would be unable to adopt the Long-Term Plan 2021-31 by the 30 June 2021 deadline. This would mean Council fails to meet its legislative obligations under the Local Government Act 2002.

Legal/policy implications

13. The consultation document for the Long-Term Plan 2021-31 has been prepared within the requirements of the Local Government Act 2002.

Financial implications

Requirement	Explanation
What is the cost?	*Include estimates of costs or details of quotes received.*
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Strategy & Policy budget
Are there any future budget implications?	No
Reviewed by Finance	Not required.

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	Yes
Level of significance	High
Level of engagement selected	3. Consult – Formal two-way conversation
Rationale for selecting level of engagement	We are required under the Local Government Act 2002 to consult with the community following the Special Consultative Procedure.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

Date	Action / milestone
19 March – 19 April	Public consultation
11 May	Public hearings
12 May	Deliberations
30 June 2021	Long-Term Plan adopted
1 July 2021	Long-Term Plan takes affect

6. *Draft Infrastructure and Financial Strategies*

Author	*Emily Reed; Corporate Planner*
Activity manager	*Toni Durham; Strategy & Policy Manager*
Group manager	*Paul Brake; GM Business Support*

Summary

- The purpose of this report is for Council to adopt the draft Infrastructure and Financials Strategies, as appended.
- These assumptions will underpin the development of the Long-Term Plan 2021-31.
- The final Infrastructure and Financial Strategies will be adopted by Council on 30 June 2021 when Council adopts the Long-Term Plan.

Recommendation

1. **That** Council adopts the draft Infrastructure Strategy and draft Financial Strategy to underpin the development of the Long-Term Plan 2021-31.

Attachments

Appendix 1 Draft Infrastructure Strategy

Appendix 2 Draft Financial Strategy

Background

The current situation

14. Council is required to have a ten year Long-Term Plan (LTP) at all times.

15. A core part of developing the LTP is the preparation of an Infrastructure Strategy and Financial Strategy.

16. The Infrastructure Strategy looks across the next 30 years and beyond, and lays out the most likely scenarios for how our critical infrastructure will be managed, and the most important decisions we're going to face as a community in the future.

17. The Financial Strategy outlines how we will manage our finances over the next 10 years. It sets out our general approach and principles that we will follow, including limits on rate levels, rate rises and borrowing.

18. Audit New Zealand have reviewed these strategies as a part of their pre-consultation audit.

Previous Council decisions

19. The Infrastructure and Financial Strategies were discussed with Council at the 18 May and 18 June 2020 workshops.

Options analysis

Option one – Council does not adopt the draft Infrastructure and Financial Strategies to underpin the development of the Long-Term Plan 2021-31.

20. This option would see Council not adopt the draft strategies as they currently stand. This is not the recommended option.

21. These documents underpin the Long-Term Plan and consultation document. Not adopting these strategies would send an inconsistent message to the community and to Audit NZ. These documents will be on Council's website during consultation, and not having these adopted, could cause confusion and cast doubt on Council's intentions.

Option two – Council adopts the draft Infrastructure and Financial Strategies to underpin the development of the Long-Term Plan 2021-31.

22. This option would see Council adopt the draft strategies as they currently stand. This is the recommended option.

23. These documents underpin the Long-Term Plan and consultation document. Adopting these strategies will send a consistent message to the community and to Audit NZ of Council's intentions.

24. These documents will be on Council's website during consultation. Adopting these draft strategies will increase the community's confidence in the information contained.

Legal/policy implications

Local Government Act, 2002

25. These strategies have been developed in line with Sections 101A and 101B of the LGA.

Financial implications

Requirement	Explanation
What is the cost?	Nil
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Strategy and Policy Cost Centre
Are there any future budget implications?	No
Reviewed by Finance	No

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Medium – not significant
Level of engagement selected	2 Comment
Rationale for selecting level of engagement	Through the consultation on the Long-Term Plan in mid-March 2020, the community will be able to provide feedback on the draft strategies.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Our 30-Year Infrastructure Strategy 2021-2051

March 2021

Ashburton DISTRICT COUNCIL

www.ashburtondc.govt.nz

Document control

Revision	Name	Author	Reviewed by	Date
0.1	Infrastructure Strategy	Chris Stanley, Deborah Barron		
0.2	Infrastructure Strategy	Emily Reed, Toni Durham		
0.3	Infrastructure Strategy	Chris Stanley, Deborah Barron		Feb 2021

Contents

1. Introduction

We manage drinking water, wastewater, stormwater, roading and footpath assets for the benefit of everyone who lives, works and travels in our district. Thinking ahead and planning for the long term is vital to make sure that current and future generations enjoy well-maintained services, and this Infrastructure Strategy is a key part.

The Infrastructure Strategy looks across the next 30 years and beyond, and lays out the most likely scenarios for how our critical infrastructure will be managed, and the most important decisions we're going to face as a community in the future.

This strategy does not stand alone. It is written in conjunction with the Financial Strategy, which sets out the funding challenges that the community faces over the next 10 years. These two strategies underpin the Long-Term Plan 2021-31, which contains more detailed plans and programmes.

Both documents are informed by our overarching strategic vision: to be the district of choice for lifestyle and opportunity, and the guiding principle of planning for and providing fit for purpose services.

In this document, as elsewhere in the Long Term Plan, figures used are inflated unless stated otherwise.

2. Our present

2.1. Our district

Our district is in the central South Island, south of the city of Christchurch. It has a land area of around 6,175 square kilometres and is crossed by State Highway 1. We have a population estimated to be 35,800, of which around 21,000 people live in our largest town – Ashburton[1]. Other urban centres in our district include Methven (around 1900 people) and Rakaia (around 1200 people). There are also a number of smaller villages around the district.

Our district's economy is centred on agriculture and its supporting industries, and has shown strong economic growth in recent years due to the expansion of reliable irrigation and the pivot towards dairying, dairy support and high value crops. The township of Methven is close to the Mt Hutt ski field and attracts a large number of tourists.

We have seen consistent growth of approximately 2% per year between 2006 and 2018 in our district. While we continue to grow, the rate is projected to slow to approximately 1.0% per year over the next 30 years, adding approximately 11,000 people between 2013 and 2048. This growth is projected to occur evenly both in the rural and urban area, although to a lesser amount in Rakaia. The population in 2051 is expected to be around 44,400.

2.2. Our assets

This Infrastructure Strategy covers the core asset groups of drinking water, wastewater, stormwater, roads and footpaths. According to the July 2019 asset valuation, we have approximately $800 million of replacement value ($500 million after depreciation) in these asset groups, more than half of which is in roads and footpaths.

Asset group	Description and highlights	Depreciated replacement value
Drinking Water	12 drinking water schemes with 15 water treatment plants 497km of water mains	$76.2 million
Wastewater	4 wastewater treatment and disposal facilities serving 3 schemes 15 wastewater pump stations 185km of wastewater mains - most is gravity, but there are some isolated areas of pressure sewer reticulation	$102.0 million
Stormwater	44km of stormwater mains 7.5ha of stormwater detention and infiltration basins	$41.6 million
Roads and Footpaths	1512km of sealed and 1102 km of unsealed road	$296.0 million

[1] .iD population forecasts for 2021 (based on the 2013 Census data).

Asset group	Description and highlights	Depreciated replacement value
	245km of footpath 186 bridges 10,570 signs	

We spend around $12.7 million each year operating and maintaining these assets, and in 2019/20 we budgeted $22 million for renewals and upgrades.

How well do we know our assets?

We know our assets pretty well, but there is also a lot we don't know. Some of our assets were built a hundred years ago, and it's not always easy to understand the condition they're in or to predict exactly when they'll fail.

In the last five to ten years a lot of work has gone into improving our knowledge and understanding of our assets. In particular, we have implemented a new asset database for the three waters and have thoroughly checked and corrected the information we hold on all of our assets, both water and transportation.

We carry out regular condition assessments on our assets. In the three waters we carry out a closed-circuit television (CCTV) survey of a selection of our wastewater pipes each year to assess their condition and refine our renewals programme. Roads, bridges, footpaths and other transportation assets are also inspected regularly for defects and condition to inform the upcoming renewal programme.

Both asset groups are generally assessed as having accuracies of ±5-15% depending on the type of asset. Some assets are inspected more easily and more regularly than others, such as bridges or fire hydrants. Others are more difficult to inspect, such as underground pipes, or are less well-documented, such as retaining walls. Replaced or new assets come with high-quality data, which improves our overall knowledge.

The tables below list the data confidence grades given to each of our asset classes. We have given a grade to various pieces of information:

- the amount or number of assets in each class (e.g. the length of pipe);
- the location of those assets;
- the cost to replace those assets;
- the life remaining in them; and
- the depreciated replacement cost, which is a measure of the remaining value of the assets, after accounting for their age.

Table 1 - Utilities Assets Data Confidence

Asset Group	Asset	Quantity	Replacement cost	Life expectancy	ODRC
Utilities assets	Water	B	B	B-C	B
	Wastewater	B	B	B-C	B
	Stormwater	B	B	B-C	B
	Stockwater	B	B	B-C	B

Table 2 - Transportation Assets Data Confidence

Asset Group	Asset	Location	Quantity	Replacement cost	Life expectancy
Transportation assets	Berms	B	C	B	C
	Bridges	A	A	B	B
	Drainage	B	C	B	C
	Footpaths	A	A	B	B
	Islands	B	B	C	C
	Minor Structures	B	A	B	B
	Railings	B	B	C	C
	Retaining Wall	C	C	C	C
	Signs	B	C	B	C
	Street Lights	A	A	C	C
	Surface Water	A	B	B	C
	Traffic Facility	B	B	B	C
	Traffic Signals	A	A	C	C
	Formation	A	A	B	B
	Pavement	A	B	C	C
	Top Surface	A	B	A	C

An A grade means the data is accurate (±5%) and based on reliable documentation. A B grade applies where the data is based on some supporting documentation but is less certain (±15%). A C grade means there is a fair amount of assumption and local knowledge used to reach the conclusion (±30%). Finally a D grade signifies a reasonable informed guess, where there is no formal documentation to base an assessment on (±40%).

On the whole, this gives us reasonable confidence that the information we're using in our planning is correct and that our plans represent good use of funds.

3. Our direction

3.1. Our vision

Our vision for our district, is to be the district of choice for lifestyle and opportunity.

Fit-for-purpose infrastructure, maintained and operated well, plays a vital role in achieving our community outcomes of providing great spaces and places, a balanced and sustainable environment, and a prosperous economy based on innovation and opportunity.

3.2. Our key drivers

We are guided by a range of factors that influence our decisions. For this Strategy we have identified four key drivers, made assumptions about the most likely future, and assessed the impact that they might have on our infrastructure.

Driver	Most likely scenarios for our district	Impact on infrastructure and our response
Compliance	Short- to medium-term uncertainty over the future regulatory model for drinking water, wastewater and stormwater ("three waters"). An expectation of higher regulatory standards in the drinking water and public health area. Long-term pressure to reduce or maintain volumes in water take resource consents. General tightening of environmental discharge rules to improve freshwater quality, affecting the renewal of consents. Increased requirements for evidence-based proposals and results reporting for New Zealand Transport Authority (NZTA) subsidy funding. Temporary Traffic Management (TTM) changes driven by NZTA, with additional minimum training and increased on-site requirements.	There will need to be increased investment in water treatment and monitoring equipment in the short term and in wastewater and stormwater treatment in the longer term. The exact detail of future three waters regulations is not clear, and we must be able to adapt to the future. This means considering all reasonable options, working with authorities and preparing to respond as new information arises. Increasing water-use efficiency requires ongoing investment in monitoring, but also in education and communication with customers. Current staff resources and expertise will be stretched, thus requiring either additional roles or an increase in consultancy fees. TTM changes will increase the costs of in-house staff certifications and contractor project costs. An alternative TTM system could be utilised with lesser, but still appropriate, requirements.

Driver	Most likely scenarios for our district	Impact on infrastructure and our response
Demand and growth	The district is forecast to grow at an average rate of 1.0% per year, adding approximately 12,000 people from 2013 (a total of 44,400 in 2051). Growth is forecast to occur evenly across both the rural and urban area. There is likely to be strong growth in the number and proportion of older people (65+) and of young people particularly the 0-14 and 25-39 age groups. Heavy Commercial Vehicles cause the majority of damage to roads, and while their volumes are forecast to slightly decrease, their mass is predicted to increase, albeit at reduced rates in comparison to the last ten years.	Growth and development and the extra capacity required is accounted for when planning renewals and upgrades. The makeup of households has an impact on the location and type of development that will occur. For example, an increase in young families with children might lead to more suburban residential development which means networks on the fringes of towns need to be able to accept new connections. This Where planning for water and transportation networks takes place we make provision where practicable. Growth and demographic shifts are currently occurring slowly enough that they are not affecting modelling processes or budgets, beyond a steady increase in renewal and maintenance budgets commensurate with the expansion. Urban walking and cycling would be affected by increases in older and younger residents, but not to the extent of changing existing levels of service or forecast works. Road deterioration is likely to continue, but at lesser rates than seen during the core dairy expansion period. Maintenance and renewals will need to be increased to ensure promised levels of service are attained.
Resilience	Resilience is the ability of the network to remain as fully functional as possible when there is disruption to parts of it, and to recover quickly from this disruption. There is a reasonable probability of a significant earthquake in the life of our infrastructure assets. Climate change is expected to lead to more frequent and more extreme weather events, including heavy rain and flooding, and drought conditions.	New and renewed infrastructure needs to be designed to remain as serviceable as possible, or be quickly repaired, after a natural disaster. This will affect construction priorities and methodologies. As part of the regular renewal programmes we prioritise the replacement of critical or vulnerable assets. We consider the resilience of the replacement solutions at the design phase. Extremes of weather are likely to impose additional demand. Additional capacity will continue to be added to the network to meet future requirements. Climate change and other extremes are considered

Driver	Most likely scenarios for our district	Impact on infrastructure and our response
		whenever assets are renewed, replaced or new assets planned, and proposed work programmes already account for this. Water sources of all types may be threatened in the longer-term, and alternatives or more secure sources may be needed. Some less secure water sources have alternatives already proposed in this LTP, including formalising a backup bore. As trends indicate the need for further work we will provide for that. The large grid-like road network means the district is relatively well-placed to withstand long-term disruption, with rivers the main weak points. Where flooding is a recurring issue on particular parts of the road network these are addressed either with an engineering solution (which may remove or minimize the effect of the flooding) or a standard procedure (traffic management).
Affordability	Financial forecasts show that future infrastructure spending will remain within affordability benchmarks. We will face increased pressure to keep rates affordable. This means future rates rises and borrowing limits have caps to work within. Interest rates are forecast to be stable in the medium-term; borrowing remains affordable. There is likely to be increased pressure on engineering resources (people and plant) due to the government's enhanced infrastructure programmes, and the reduced availability of overseas assistance, which will likely result in rising costs. Oil price volatility will affect construction costs and bitumen prices in particular.	Ongoing infrastructure maintenance and renewal programmes will be able to continue as they currently do. Cost-efficiencies will be sought wherever possible, including improved procurement approaches such as larger packages or longer-term delivery contracts. Major project work, such as water treatment upgrades, can have a significant effect on rates. Where practical, the timing of major projects will be coordinated across council's activities to manage their impact on rates affordability. However, where there is an immediate need, or a regulatory deadline, this may not be possible. The strain on resources, coupled with reduced NZTA subsidies (forecast for at least the 2021-24 period) will require judicious decision-making when programming forward work. In the transportation activity, forecast works are initially based on need rather than available budget, so any funding constraints will be managed by undertaking a final programme that is affordable. Flexibility in programming is always required as

Driver	Most likely scenarios for our district	Impact on infrastructure and our response
		works may change in priority for a number of reasons.

3.3. Our assumptions

All long-term planning is based on assumptions about the future, which will affect future operations and future capital spending. Infrastructure planning has to be set in a wider context of what else is happening in the district, the country and the world.

As well as the scenarios outlined above, there are some general forecasting assumptions from the 2021-31 Long-Term Plan which tell us about the overall direction we see the district going in. When discussing future decisions later in this strategy we have also identified some more specific assumptions.

Some key assumptions not previously covered that affect infrastructure planning are:

Three Waters Reform

While we are anticipating that there will be change to the ownership and delivery of three waters in the next ten years, we are not able to say with certainty what those changes will be, and we probably won't know until mid- or late-2021. For this Infrastructure Strategy we have assumed that it will be business as usual for the delivery of three waters.

Taking this assumption means that we are planning for what we believe is necessary and reasonable. It is expected that if water services come to be provided by larger independent entities this will make it easier to fund and afford necessary capital works.

We are also assuming there will be changes to standards and compliance rules, but these have already been covered in the previous section.

Climate Change

Council's Climate Change Policy was adopted in 2019, which contains district-specific assumptions.

The main threats to our infrastructure from climate change come from extreme weather events: heat, cold, rain and wind. We don't have any assets in areas likely to be affected by sea-level rise.

Flooding and storm damage threatens bridges and culverts, some of which also carry water assets. Wetter weather places greater demands on wastewater and stormwater systems and increases the risks of overflows and flooding. Warmer summers increase peak water demand, while less alpine snow can reduce groundwater recharge and affect bore levels.

COVID-19

COVID-19's impact on the Ashburton District has been relatively limited, partly due to a focus on agriculture in our economy. We have assumed that New Zealand will continue to pursue elimination of COVID-19 from the country, with efforts focused on the border and on vaccination.

This is likely to have a small impact on our rating base, which will be factored into affordability calculations and rate rises. Where COVID-19 could have a larger impact is on the availability of specialist staff and consultants, which often come from overseas. This could be especially acutely-felt if there is a ramp-up of activity to meet new targets for drinking water and a shortage of skilled people in the country.

The effect is assumed to be mostly limited to the coming 3-5 years.

4. Our major projects

We have a number of major decisions to make around how we deal with a number of major projects over the coming 30 years. These decisions are shown across the timeline below, when they need to occur and roughly how long it will take to complete the project. Further detail explaining the projects and decisions that need to be made are in the following chapters.

There are a large number of projects in the programme, and a particular concentration in the first three of four years. The relatively small number of projects in the later years is partly because specific projects have simply not been identified in the later years, partly because some of the drivers of level-of-service improvements, such as new regulations and standards, do not yet exist.

The relatively high number of projects early on, particularly for drinking water, reflects a need for work to meet current and imminent drinking water standards. There will be challenges in completing this programme, both internally in project management and externally in finding capable consultants and contractors. This may be compounded by other water suppliers doing the same thing.

We need to set such an ambitious timetable to meet our obligations, but be prepared to be flexible and adapt to changing circumstances. We might, for example, combine work into larger packages, perhaps even working with neighbouring water suppliers, to help facilitate this work.

5. Our future – Drinking Water

Our drinking water services provide our communities with access to safe, reliable and potable water at an affordable cost.

The future for the Drinking Water activity will see significant tension between demands to improve drinking water quality and security of supply, and the costs involved in achieving this aim. This will be of greatest concern for our relatively small rural schemes.

Our priorities for the next 30 years are to:

- Attain and maintain compliance with all applicable regulations, especially the Drinking Water Standards for New Zealand (DWSNZ) and our various resource consents.
- Monitor and manage demand to ensure levels of service can be maintained.
- Continue to replace aging assets to minimise the chance of failures.
- Seek out cost efficiencies, including adopting new technologies.

Compliance

Compliance, particularly in the area of water safety, is the highest priority in the Drinking Water area.

Several water supplies do not currently meet the DWSNZ, particularly Methven, Mt Somers, Methven Springfield and Montalto. Compliance for these schemes must be achieved and this will be the focus for the next two to three years.

Drinking water standards are expected to tighten further in the coming few years, following the creation of a new national drinking water regulator, Taumata Arowai, which will provide national direction and oversight of drinking water provision, and will produce revised DWSNZ. This is anticipated to lead to upgrades across the board. Where schemes are currently compliant, upgrades will be introduced to provide multiple layers of protection to meet higher safety standards. In particular, there will be an expansion of protection and monitoring for the reticulation; for example, this means rolling out backflow prevention devices, and establishing continuous monitoring of pressure and chlorine around the networks.

There has already been change. The requirement to comply with the DWSNZ has been reinforced and qualifying language such as “all practicable steps” removed. Water Safety Plans (WSPs) are now required to be much more detailed and comprehensive, and the Health Act has been amended to give more weight to the implementation of WSPs and delivering the identified improvements. Additional staff resourcing will be needed to manage the preparation, maintenance and implementation of these plans and programmes.

More change is in the pipeline. There are proposals for a change to service delivery arrangements on the table, which include the transfer of service delivery from local councils to regional council-controlled organisations. These arrangements have not been decided upon, so this Strategy assumes the status quo.

Demand management

Ashburton's water supplies have notably high levels of reported water loss. Early investigations from smart water meters retrofitted to existing residential properties suggest that there is a relatively high level of real water loss. This means that ADC is not meeting the water loss or the consumption per person level of service targets.

As well as the level of service targets, water loss bears real, tangible costs. There is a financial cost to pump and treat water that is wasted. Reducing water loss also delays the need to amend or expand water take resource consents, which is a costly process that brings other risks. In some cases there is a possibility of breaching consent limits in the short term.

Water loss from old pipes will be addressed over time through our ongoing renewal programme, and new leaks can be located and fixed. Design and construction standards are being improved to reduce the probability of leaks from new and renewed infrastructure.

Industry rules of thumb estimate that around half of water loss is from private (on-property) pipes and fittings. Our main tool to address private water loss and inefficient consumption is universal water metering, and it is assumed that this will be rolled out in the early years of the plan. This infrastructure for measurement and modelling will be built on and refined over the life of the plan.

Universal water metering will give future councils better information on which to base decisions on drinking water funding, including the introduction of wider or universal volumetric charging in the future. Changing the drinking water funding model is a significant decision to be taken in the coming years.

Asset renewal

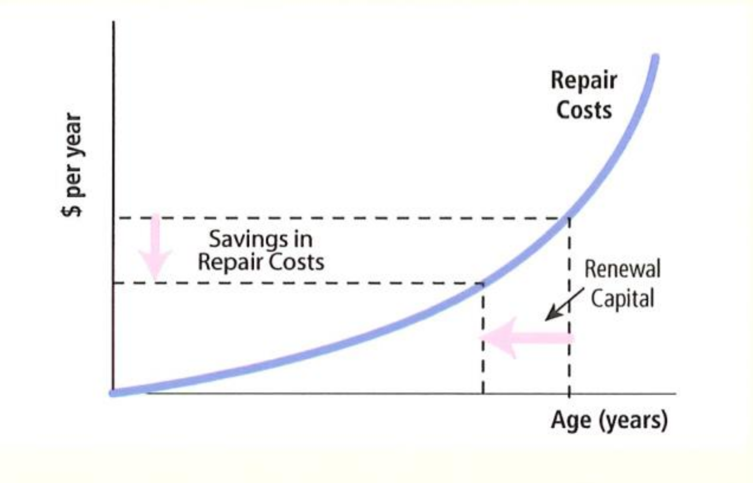
We have been renewing our water pipes and associated assets steadily for decades, and this programme will continue into the future. Timely renewal of assets is important to reduce the probability of major unplanned failures, and to reduce the maintenance cost imposed by frequent, repeated minor repairs, such as stuck valves or leaking pipes or fittings. This is important to control costs; many repairs simply have to be carried out and paid for.

Renewals to date have been focused mainly on Ashburton and Methven, the oldest schemes. At the present rate, the renewal of all original pipe networks in the Ashburton and Methven towns is likely to take another 20-30 years. The other schemes were constructed later, in the 1970s and 1980s, and so large-scale renewals have not been needed yet, although some isolated renewals have taken place. In the life of this Strategy there will be an increase in routine renewals in other schemes, beginning with Rakaia and then others as indicated by criticality, faults and condition assessments.

Renewals expenditure is matched approximately to the rate of depreciation. We are not seeing a large number of full-scale asset failures, so the assets do not appear to be on the verge of imminent failure, although that risk increases over time. We choose to spread out renewals over time to avoid having a large spike of expenditure over a short time period. Where a significant rise in maintenance visits is seen for specific assets or classes of asset, they are prioritised for urgent renewal.

Renewal priority is based around age, material and criticality, with modifications made based on analysis of maintenance records and customer complaints.

As more assets age toward the end of their nominal life, we expect an increased rate of failures, unreliability or other problems. In that case, a faster rate of renewal will be required to prevent the maintenance cost burden, and reduced levels of service to customers caused by widespread network failures. Renewal lowers the average age of the network, which lowers the maintenance cost. The optimum theoretical renewal approach for an individual asset is to renew it when the cost of renewal approximates the maintenance cost saving (see figure inset). However, it may become beneficial to increase the rate of renewal early to spread out expenditure peaks, rather than reach a point where a large volume of assets reaches its optimal renewal point at the same time.



Cost efficiency

Affordability is one of the key drivers for any public service, and councils constantly face the need to balance the costs of providing higher levels of service against the desire to keep cost increases to a minimum.

Some cost efficiency will come from minimising maintenance costs and optimising renewals. More will come from minimising water loss and inefficient water use.

Another route to reducing costs is likely to be the adoption of new technologies to enable automation, optimisation and remote monitoring of networks. For example, smart water meters can be read wirelessly from a passing vehicle and do not need a meter reader to open every toby box and record the reading. If these meters were able to automatically send back readings continuously, there would be only minimal need for readings.

Automation is used around Ashburton in the central control system, which adjusts the numbers and speeds of the various pumps to optimise the running of the network and avoid inefficient pumping practices. With more detailed pressure and demand information this system could be further refined. There is also the option to time reservoir filling cycles to take advantage of cheaper power at low demand times (e.g. overnight). These options have not been worked through in detail and have not been assumed when forecasting future costs.

As a final example, cameras and solar-powered data loggers can reduce the number of visits required at remote locations, such as the Montalto water intake, saving significant time and cost.

5.1. Significant decisions

This section outlines the main significant decisions to be made in the coming years. These range from very specific questions about projects to questions of strategic direction.

Only one issue is being specifically addressed in the Consultation Document: universal water meter installation.

In this section, figures used are uninflated to facilitate comparisons between options.

5.1.1. Universal water meter installation

Driver: Compliance, demand and growth **Decision required: 2021** While our population is growing, we operate within fixed water take limits. The district's water supplies have relatively high levels of water loss. Not being able to demonstrate sound management of water demand is likely to hinder consent renewals or applications for larger allocations. We need to improve our water use efficiency to remain compliant with consents and to ensure levels of service can be maintained for our customers.	
Assumptions	Population growth will continue as forecast, and will lead to a proportional increase in demand. Water take resource consent limits will remain unchanged, at least until they begin to expire in the 2030s. For planning purposes, we assume consents are renewed with the same annual allocation as the current consents. Given general growth, this represents a reduction in per-property allocation. We will continue a programme of public leak detection work.

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Preferred option	Install water meters on every water connection	Meters are likely to slow water demand through knowledge of consumption. Assists with understanding and finding private property leaks or high users, and facilitates a better estimate of real water loss. Metering would show good stewardship of the water allocated under our consents. Supports broader objectives under the Climate Change Policy. However, there would be an ongoing cost associated with reading meters. Additional infrastructure to enable automatic continuous reading may provide operational cost savings.	$5m 2021-2024		✓	
	Do not expand meter coverage universally. Use education and awareness campaigns.	The interventions are likely to be far less effective, and may not achieve the desired outcome. They may also be seen as inadequate by regulators. This option does not allow for private leak detection or improved estimates of water loss.	$40,000 pa Ongoing		✓	
	Do nothing.	May leave us liable to prosecution if we knowingly breach resource consent limits. We would also continue to not meet the levels of service agreed with the community for water loss and consumption. Significant reputation loss would arise from a perceived double-standard between ADC water supplies and other water users (e.g. farmers) who are working hard to improve efficiency. May reinforce perceptions at Government level that local authorities are not a fit steward of water resources.	$0			

5.1.2. Water charging

Driver: Compliance, demand and growth **Decision required: 2023/24** While our population is growing, we operate within fixed water take limits. The district's water supplies have relatively high levels of water loss. Not being able to demonstrate sound management of water demand is likely to hinder consent renewals or applications for larger allocations. We need to improve our water use efficiency to remain compliant with consents and to ensure levels of service can be maintained for our customers.

Assumptions	Population growth will continue as forecast, and will lead to a proportional increase in demand. Water take resource consent limits will remain unchanged, at least until they begin to expire in the 2030s. For planning purposes, we assume consents are renewed with the same annual allocation as the current consents. Given general growth, this represents a reduction in per-property allocation. We will continue a programme of public leak detection work.

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Preferred option	Universally charge for water on a volumetric basis	The exact charging model is yet to be determined, and options include: • Charge per m^3 with an allowance • Charge per m^3 with no allowance • Charge per m^3, reducing the cost per m^3 as consumption increases • Charge per m^3, increasing the cost per m^3 as consumption increases Each option has different impacts on customers and will have different effectiveness. Adding a direct cost signal is likely to improve the effect of meters through reducing demand to save money and improving the rate and speed with which leaks are fixed. However, there would be an ongoing cost associated with generating and handling billing.	Cost-neutral However, there will be some small operational cost associated with billing		✓	

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Other options	Charge volumetrically for commercial and large properties only (status quo)	As this option represents the status quo, no significant effect is expected to be seen. We would probably also continue to not meet the levels of service agreed with the community for water loss and consumption.	$0 (no change)		✓	
	Remove all volumetric charging	It is expected that this option would lead to an increase in demand from some customers. This might be immediate as people are no longer incentivised to economise, or longer-term as there is no financial feedback if demand grows. People may feel that, as they pay their rates, they are entitled to as much water as they wish. This option may be popular with larger consumers, particularly, for example, large residential or small lifestyle property owners, whose relatively high demand would be subsidised by other ratepayers. We would probably also continue to not meet the levels of service agreed with the community for water loss and consumption.	$0 Potentially a small saving in administration cost, although this is unlikely to be realised as this is a small part of larger roles for the staff involved.		✓	

5.1.3. DWSNZ compliance upgrades – Montalto, Methven-Springfield, Mt Somers

Driver: Compliance

Decision required: 2021

Council is not currently complying with the DWSNZ for these four schemes, and compliance with the Health Act 1956 is only possible through having, and actively implementing, a water safety plan (WSP). A WSP for these schemes would require steps to be taken to comply with the DWSNZ.

Mt Somers Water Treatment Plant was upgraded in 2013 to meet the DWSNZ requirements for protozoa treatment. This treatment has proven not to be adequate in severe weather events, and boil water notices have been issued for this scheme.
Montalto and Methven-Springfield have not received upgrades for protozoa treatment requirements due to uncertainty around the compliance models for rural agricultural schemes.

Doing nothing is not an option, the provision of safe drinking water to our customers is required under the Health Act 1956 (and the proposed Water Services Bill).

Assumptions	DWSNZ rules will be substantially the same in the short term. Alternative delivery mechanisms for rural agricultural schemes remain available to us. Rural agricultural schemes remain separate from the 'household schemes' rating group. This could be changed.

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Preferred option	Upgrade existing treatment facilities (based on Methven experience)	Providing high quality membrane or conventional treatment systems would ensure protozoal compliance, but at high capital and operational cost. This could affect affordability, particularly for the rural schemes which are not part of the group rating system at present. This could be changed by Council if desired.	$9.5m 2021-2023		✓	

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Other options	Seek alternative water sources first	Bore drilling to find water of a better and more consistent quality has a low to moderate chance of success in these areas. If successful, the existing treatment could be retained at Mt Somers but upgrades would likely still be required at Methven Springfield and Montalto. Operational costs would be reduced due to more consistent water quality, simpler operation and fewer quality incidents to manage. Should this option be unsuccessful this expenditure would not affect the cost of any other option pursued.	$650,000 (bores) $1m (wellheads and pipework) The additional cost to develop the wells and pipework is highly uncertain, and is dependent on the depth and location. 2021-2023		✓	
	Build pipelines to connect the rural schemes to a central treatment site	If Methven has upgraded compliant treatment equipment, it may be possible to pipe water to the smaller water supplies and retire the individual treatment plants. Due to the distances involved and the need for additional pumping stations the cost will be high (capital and operational).	**UNKNOWN** Estimate for pipe is extremely uncertain and would need to be the subject of further investigation. 2022		✓	
	Decentralised treatment (point of entry, point of use) for the rural agricultural schemes	Instead of installing a large central treatment system for schemes where over 75% of the water is for agricultural purposes, we apply a simple, coarse pre-treatment to the water at source and supply and maintain smaller, high-performance treatment equipment at each connected dwelling. This option has the potential to offer lower capital costs but may have higher operational costs to maintain the individual treatment systems. Some pre-treatment and monitoring will still be required to ensure the individual treatment systems can adequately treat the water, or that	**UNKNOWN** 2021		✓	

Principal options	Implications of the options	Cost estimate and timing	Driver: Growth	Driver: Level of service	Driver: Renewal
	we communicate with property owners if they can't. There is some uncertainty about whether this will be an acceptable solution in the longer term.				
Withdraw from providing water services to some or all communities.	Following a referendum of customers, and ensuring that there was access to alternative water sources, we could move to close the schemes, or convert them to non-potable, agricultural schemes only. Grants or other assistance could be provided to effect a safe transition. This option may only be applicable to Montalto due to population limits (maximum 200 people) and has a requirement to consult with the Medical Officer of Health and with the community. This option also does not improve the quality of the service provided to the community.	$100,000 2021			

5.1.4. Water treatment upgrades in response to DWSNZ revisions

Driver: Compliance

Decision required: 2021 and again in later years

Council is not currently complying with the DWSNZ on several schemes, specifically due to not meeting the protozoal compliance criteria relating to secure groundwater. Compliance with the Health Act 1956 is only possible through having, and actively implementing, a water safety plan (WSP). A WSP for these schemes would require steps to be taken to comply with the DWSNZ. Due to factors external to the bores themselves, such as nearby potential sources of contamination, it seems likely that protozoa treatment will be required to ensure water safety.

If not required currently, it is expected that a new revision of the DWSNZ will be issued in the next few years, once the new regulator Taumata Arowai is fully established. These new standards may require changes to existing infrastructure or additional infrastructure to be installed, to provide more safeguards, barriers, monitoring or control.

Based on previous experience, and the need to allow water suppliers reasonable time to respond, there is likely to be some flexibility in the timing of these changes. This decision seeks to set Council's preference for how quickly and urgently to respond to required changes.

Some examples might include additional UV disinfection for groundwater sources, additional treated water storage, more continuous monitoring of pressure and chlorine.

Doing nothing is not an option, the provision of safe drinking water to our customer, and the duty to comply with the DWSNZ is required under the Health Act 1956.

Assumptions	DWSNZ will require increases in treatment quality An implementation period of several years will be allowed, especially for smaller schemes

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Preferred option	Proactively plan for and implement improvements once they are in the DWSNZ	Shortly after new requirements are clear, a programme would be developed and put to Annual Plans and budgets for approval. Upgrades may still be staged over years according to risk and urgency, but this option would allow for us to achieve the requirements ahead of statutory deadlines. This is preferred, to demonstrate good management of water safety, ensuring that identified risks and inadequacies are addressed as soon as reasonably possible. Note that this option still allows for the consideration of financial, practical and operational factors, so the effect on rates affordability would be part of this planning process.	**UNKNOWN** (new standards being released December 2020 / January 2021 which will effect improvements)		✓	
Other options	Wait until upgrades are due and install them as late as possible	This option is similar to the preferred option, but delays implementation until the statutory deadline, to limit the risk of further changes to the DWSNZ making new upgrades obsolete. This risk is low but not zero. The possibility exists that additional funding might be made available as deadlines near and that by installing upgrades too soon we might miss out on this funding. However, this option also presents the risk that delays or difficulties might mean that planned upgrades are not completed in time. It is also fair to note that this option may leave important water safety risks unaddressed for years, and this may not be acceptable to our community. Finally, there is a risk that prices from suppliers and contractors may rise as the deadlines approach and demand rises.	**UNKNOWN** Potentially in the order of millions of dollars. Possibly 2022		✓	

5.1.5. Reticulation extensions

Driver: Demand and growth

Decision required: 2021

Around the district, particularly on the edges of towns, there are areas of development or residential areas that are currently unserviced. There are regular requests for large-scale extended reticulation.

For example, the North-East Ashburton area contains mainly large residential and lifestyle properties, obtaining their water from private bores. In recent years there have been concerns around the quality and safety of the water being supplied to these properties, with E.coli and nitrate being the main areas of concern.

Assumptions	Demand for reticulation in the area will be present and will increase. We are not compelled to provide reticulation by an external factor.

	Principal options	Implications of the options	Cost estimate and timing	Driver: Growth	Driver: Level of service	Driver: Renewal
Preferred option	Proactively prepare plans and designs for peri-urban residential areas and areas identified for future development but wait for demand and service small areas – an incremental approach.	Overall servicing plans are developed to ensure that the systems will work and provide appropriate levels of service. Installing the reticulation ourselves ensures control over the alignment and quality of the infrastructure, and allows fair cost recovery to be achieved. Spreading out the construction helps keep increases in capital cost and depreciation cost small. Where a pipeline is constructed in a street there may be a capital contribution required, and even non-connected properties may be liable for a (half) rating charge. Responding to demand limits the impact of this on opposed ratepayers.	Higher overall capital cost, but spread over time.	✓	✓	
Other options	Consult with larger areas and proceed with design and construction only if an area-wide rollout is favoured.	This is the approach as presented in the 2018-28 LTP for the north-east Ashburton area. This option, as a larger single package of work, offers cost-efficiency. However, the cost is all incurred at once, which may affect debt and rates limits. This option also may lead to the installation of infrastructure which is largely unused for years or decades, and slow uptake may delay cost recovery through capital contributions. This option may be seen as not recognising the needs of specific roads or areas.	Lower capital costs overall but incurred in larger amounts each time.	✓	✓	

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
	Do not plan for or install reticulation. Allow developers or private landowners to install reticulation to be vested in Council.	This option is the cheapest for Council, as the costs of development are borne by the landowners directly. This may act to discourage connections to the reticulated network and encourage more deep private bores. This option cedes some control over the location and timing of development.	Minimal cost to Council	✓	✓	
	Regulate to restrict development	This option uses non-engineering responses to control development by reducing the available areas of residentially zoned land, to steer development into areas that are currently serviced or which will be the most cost-effective to service. This option takes more control over the location of development, but is vulnerable to legal challenge through the District Plan process and the environment court. This option could alternatively be combined with other options, rather than being seen as an option in itself.	Potentially high cost if legal challenges arise	✓	✓	

5.1.6. Renewal programme intensity

Driver: Resilience, affordability **Decision required: 2023, and prior to every LTP thereafter** Ongoing renewal of aging pipes is carried out to minimise the costs of failures or leaks. The amount of money dedicated to renewals can be varied to trade expenditure for risk.						
Assumption	The rate of failures increases relatively slowly, rather than a sudden jump					
	Principal options	Implications of the options	Cost estimate and timing	Driver: Growth	Driver: Level of service	Driver: Renewal
Preferred option	Renew in line with depreciation	There is no additional effect on rates as depreciation must be rated for regardless. This is the preferred option because we are not seeing a widespread increase in infrastructure failures and so the additional cost may be unnecessary.	No additional cost			✓
Other Options	Raise renewal funding above depreciation	This option would help to flatten a potential 'bow wave' of failing pipes in the future, protecting potential future ratepayers but at a cost to present ratepayers. When borrowing costs are low, this might present a favourable option for Council compared to waiting for assets to fail and borrowing at the prevailing rates at the time.	Variable. Possibly $500,000 pa additional		✓	✓
Other Options	Lower renewal funding below depreciation	There is no effect on budgeted rates as depreciation must still be funded, but over time an increase in maintenance costs may be seen as more pipes fail. This ensures that asset lives are maximised and a reserve may be built up with this option, to be spent on demand as assets begin to fail. However, failures can be unacceptable to the public, causing inconvenience and potentially danger. Renewal of failing assets is more time-critical and less flexible than planned routine renewal. Work under this option is inherently more variable, and may not	Potential for higher costs of repairing at point of failure		✓	✓

Principal options	Implications of the options	Cost estimate and timing	Driver: Growth	Driver: Level of service	Driver: Renewal
	be compatible with efficient procurement of large or multi-year work packages.				

5.2. Financial forecasts

5.2.1. Renewal profile

The renewal profile below shows the forecast renewals for each year over the next 100 years (orange bars), based solely on standard asset lives and valuations, modified for condition rating. This shows the theoretical renewal programme before any smoothing is applied. The chart also shows the 10-year moving average and 100-year average.

What this illustrates is that there is a need for continued renewals for the next 20-30 years, averaging $1.5m initially and then reducing after year 20. In our actual programme we are targeting an average of $1.7m in the first 10 years, as we bring forward some renewals on the small schemes where issues other than life, such as level of service or leakage, are having an effect.

There is also a lull in renewals between years 30 and 50, which reflects that most of the rural water supplies were built in a relatively narrow period in the 1960s, 70s and 80s and will not reach the end of their theoretical life until around the 2050s. In practice, we would aim to bring forward renewal work where appropriate to smooth the peak in year 67 and from year 85 onwards.

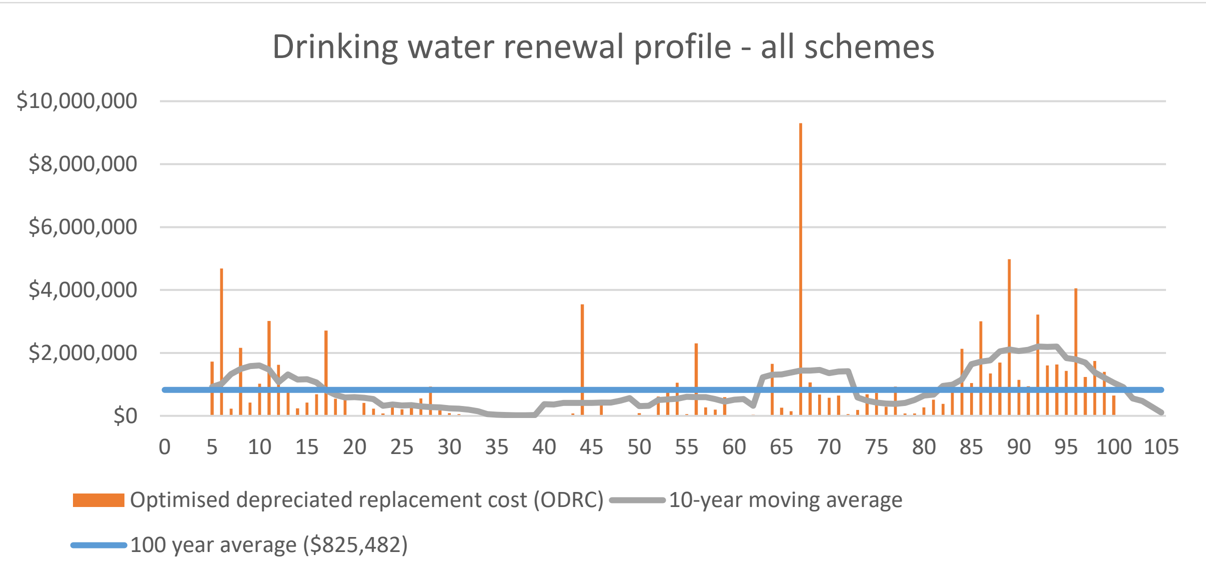


Figure 1 - Drinking Water Renewal Profile

Looking at the next 10 years, and considering reticulation and facility assets, the graph below shows our actual planned renewal expenditure (blue bars), with the 10-year average expenditure (black line) and the annual depreciation in 2021 dollars (blue line) on top. This shows how we plan to spend approximately in line with our depreciation, effectively replacing assets as fast as they age.

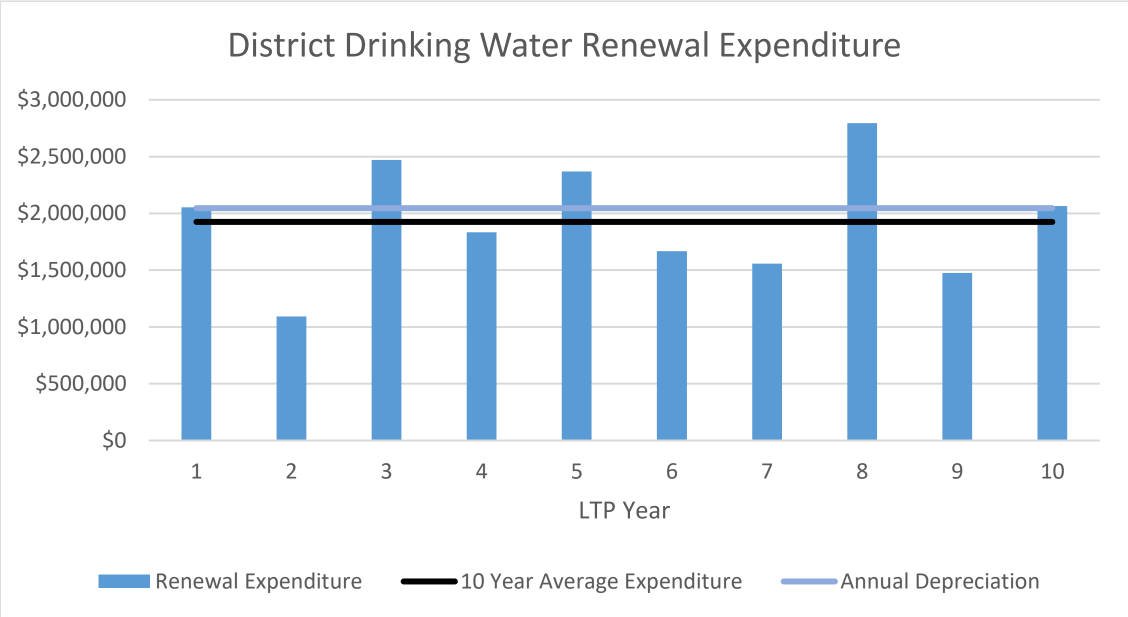


Figure 2 - Drinking Water 10-Year Renewal Expenditure vs Depreciation Forecast

5.2.2. Capital expenditure

All new capital expenditure on Drinking Water is shown in the chart below. Note that the last four bars represent 5-year totals. The chart shows a large amount of new infrastructure in the first 5 years of the plan, reflecting a push to achieve compliance with the current and proposed Drinking-Water Standards within 5 years.

The lack of projects in the later years reflects high uncertainty about where standards may go in the future. We will add projects to this long-term programme when the direction of travel becomes clear. For example, we may be required to provide for nitrate removal, or a policy of removing chlorination may be adopted, but any attempt to predict the scale and timing of any such improvements will only provide misleading guesses.

Unlike some other councils, we do not proactively install water pipes in advance of development, preferring to let developers install this as development occurs and vest the assets in Council.

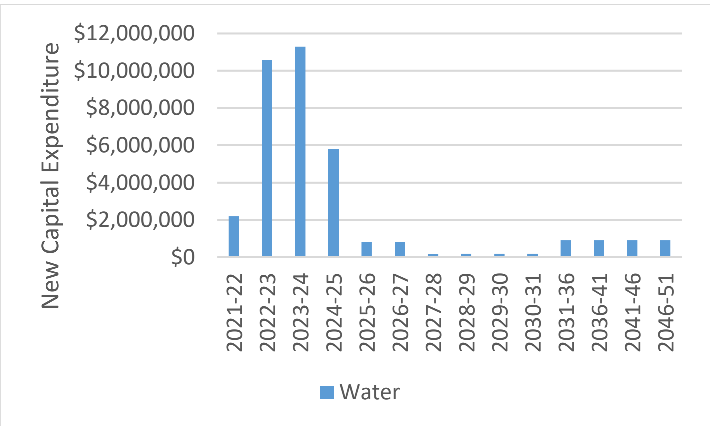


Figure 3 - Drinking Water New Capital Expenditure

5.2.3. Operating costs

Forecast operational expenditure for Drinking Water is shown in the chart below. Note that the last four bars represent annual average figures, for easier comparison. This chart shows a general increase over the next 30 years, as costs overall rise in line with inflation and growth in the network. New facilities add to the cost of operating the network, while new pipes should not lead to an immediate increase in costs as they should be reliable for a long time.

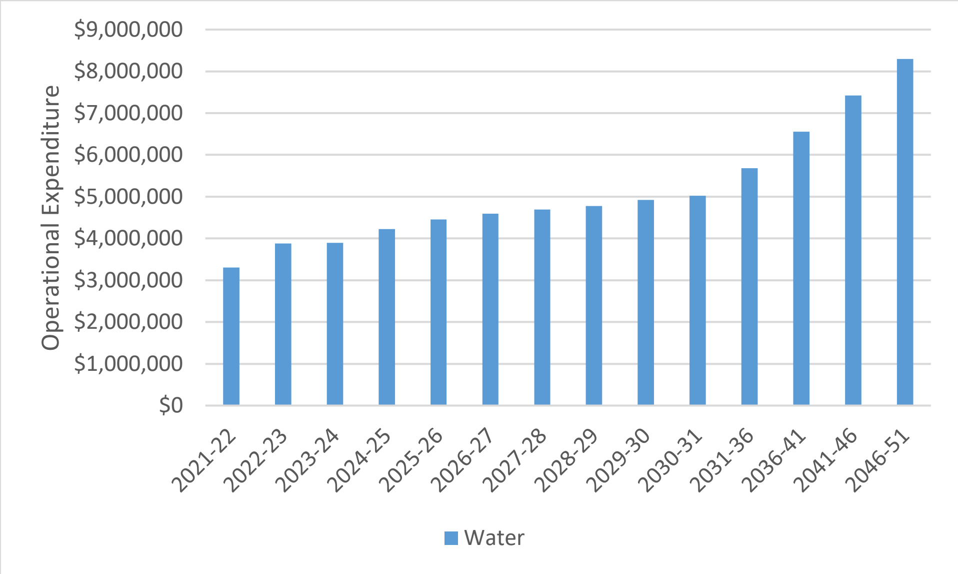


Figure 4 - Drinking Water Forecast Operational Expenditure.

6. Our future - Wastewater

Our wastewater services provide communities with safe, reliable and sanitary disposal of wastewater at an affordable cost.

The future for the Wastewater activity will see tighter requirements for nutrient loadings take effect as resource consents come up for renewal in the 2030s.

The ongoing central government Three Waters Review and the new regulator Taumata Arowai will have impact on the governance, management and regulation of wastewater services. The detail is still to be determined, but it is likely to mean higher standards and expectations, and may also include regional or supra-regional entities responsible for managing wastewater services.

Infiltration and inflow (I&I) will continue to consume capacity, pumping and treatment resources. Ongoing renewals will help to reduce infiltration from the public mains networks, but other interventions may be needed if capacity becomes too constrained and causes maintenance problems or impedes development and expansion.

Low pressure and vacuum sewer systems are gaining acceptance and can provide advantages in certain circumstances over gravity networks. Council adopted a Pressure sewer System Policy in 2020. Throughout the life of this strategy an expansion of these types of sewer systems is likely and they need to be understood to ensure they can be managed in a way that minimises faults and maintenance costs and that optimises the use of the networks.

Finally, there exists a possibility that pressure may come to expand municipal wastewater services to areas not currently serviced. Initially this is likely to be areas on the periphery of existing urban schemes, and there are proposals in place already to extend the reticulation to the north-west of Ashburton, for example. Other villages such as Hinds may need to be serviced in the longer term, although there is no direct imperative for that at present.

Our priorities for the next 30 years are to:

- attain and maintain compliance with applicable resource consents;
- monitor condition and performance of assets to ensure that levels of service are being maintained;
- continue to replace aging assets to minimise the chance of failures and to increase resilience;
- seek out cost efficiencies, including adopting new technologies.

Compliance

Compliance with resource consents and particularly with effluent quality and contaminant loadings is the highest priority in the Wastewater area.

Our three wastewater schemes generally comply with our resource consents, although there have been departures in recent years. The most important of these are at Ocean Farm, where the effluent has had E. coli concentrations above the permitted levels, and Rakaia, where the sludge nitrogen loading has been higher than permitted. These are being addressed through consenting processes and proposed capital work.

These resource consents are due for renewal in the 2030s. In anticipation of higher standards, capital expenditure is likely to be needed at these treatment facilities, either to achieve higher treatment levels or to increase disposal area. Ocean Farm and Rakaia have already had extra land purchased nearby to provide options for extending irrigation areas. What is yet unknown is whether the focus will remain primarily on nutrient loadings, or whether treatment processes will need to be made more sophisticated to deal with emerging contaminants, such as viruses.

Inflow and infiltration management

Inflow of water directly into sewers or infiltration of groundwater into pipes and manholes consumes conveyance and treatment capacity in wastewater networks and facilities, which adds to running costs and leads to the need to renew earlier or enlarge pipes to avoid wet weather overflows.

Our ongoing renewal programme helps to reduce infiltration in the public network by replacing older, leaky pipes with new, sealed ones. Inflow is addressed through ongoing inspection of gully traps and stormwater systems and by tracing sources of water during wet weather events.

Asset renewal

We have been renewing our wastewater pipes and associated assets steadily for decades, and this programme will continue into the future. Timely renewal of assets is important to reduce the probability of major unplanned failures, and to reduce the maintenance cost imposed by frequent, repeated minor repairs, such as blockages caused by dips or faulty joints. This is important to control costs; many repairs simply have to be carried out and paid for.

Relining is favoured for the on-property sewers that are prevalent in Methven and the Hampstead area of Ashburton. Relining is only practical when the sewer main is not collapsed or badly deformed, otherwise excavation is needed. It is therefore important to ensure that relining is carried out before these pipes begin to fail, or accelerated if there appears to be an increase in failures.

We carry out CCTV inspections of a sample of approximately 1-2% of pipelines every year and have used this information to extrapolate the condition of similar pipes in the network. As more information is forthcoming the priorities and pace of the programme can be revisited.

Renewals expenditure is matched approximately to the rate of depreciation. As with the drinking water assets we are not seeing a large number of full-scale asset failures, so the assets do not appear to be on the verge of imminent failure, although that risk increases over time. We choose to spread out renewals over time to avoid having a large spike of expenditure over a short time period.

Renewal priority is based around age, material and criticality, with modifications made based on analysis of maintenance records and customer complaints.

Since the Rakaia scheme was constructed in 1999 we do not anticipate widespread renewals in the near future, but we anticipate adding this scheme to the inspection programme from the 2040s onwards. We expect to begin the first renewals towards the 2070s or 2080s in order to provide reasonable smoothing of expenditure, although this is very much subject to change depending on the deterioration of the pipes.

Cost efficiency

A large component of cost in our wastewater treatment systems is electricity – used for powering mechanical aerators and pumping wastewater around treatment plants and out for irrigation at Rakaia and Ocean Farm. The best way to save costs is to stop groundwater or stormwater from entering the network, and thereby not spending resources pumping or treating it. Methods for reducing this infiltration and inflow have already been discussed.

There are also options to improve the efficiency of the treatment, such as more energy-efficient aeration methods, smarter monitoring and control of aeration, and managing pumping schedules to spread demand.

In the reticulated networks we carefully consider the best approach to renewals. This means carefully selecting the methods used, and also means considering which assets to replace and to what extent.

As with drinking water, remote monitoring equipment and greater use of automation can reduce the number of visits required at sites, saving significant time and cost.

6.1. Significant decisions

This section outlines the main significant decisions to be made in the coming years. These range from very specific questions about projects to questions of strategic direction.

None of these are being specifically addressed in the Consultation Document. This is because the options are not developed and understood, or the decisions fall several LTPs hence, or the proposed option is status quo.

In this section, figures used are uninflated to facilitate comparisons between options.

6.1.1. Renewal programme intensity

Driver: Resilience, affordability **Decision required: 2023, and prior to every LTP thereafter** Ongoing renewal of aging pipes is carried out to minimise the costs of failures and blockages, and the additional treatment costs from infiltration and inflow. The amount of money dedicated to renewals can be varied to trade capital expenditure for risk.	
Assumption	The rate of failures increases slowly, rather than in a sudden jump

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Preferred option	Renew in line with depreciation	There is no additional effect on rates as depreciation must be rated for regardless. This is the preferred option because we are not seeing widespread infrastructure failures and so the additional cost may be unnecessary.	No additional cost 2023		✓	✓
Other options	Raise renewal funding above depreciation	This option would help to flatten a potential 'bow wave' of failing pipes in the future, protecting potential future ratepayers but at a cost to present ratepayers. When borrowing costs are low, this might present a favourable option for Council compared to waiting for assets to fail and borrowing at the prevailing rates at the time.	Variable. Perhaps $500,000 pa additional		✓	✓
	Lower renewal funding below depreciation	There is no effect on budgeted rates as depreciation must still be funded, but over time an increase in maintenance costs may be seen as more pipes fail. A reserve may be built up with this option, to be spent on demand as assets begin to fail. This has the advantage of maximising the life of assets, by not renewing them until they fail, or begin to cause large increases in maintenance costs. However, this option also requires more reactivity and agility as renewal of failing assets is more time-critical and less flexible than planned routine renewal. Work under this option is inherently more variable, and may not be compatible with efficient procurement of large or multi-year work packages.	Potential for higher costs of repairing at point of failure			✓

6.1.2. Ocean Farm wastewater disposal system

Driver: Compliance, affordability

Decision required: 2023 – Allows time for investigation before programming for the next LTP

Treated wastewater is disposed of to land at Ocean Farm via a network of pop-up sprinklers and grass is harvested and sold through a cut-and-carry operation. The sprinklers suffer from pressure problems that limit irrigation coverage and the direct application of effluent to the grass limits the markets it can be sold to. Alternative systems for disposal of wastewater could solve both problems, which would increase yields and thus income.

At present ADC is generally meeting its levels of service, although this could change if operational performance deteriorates.

We have a long-standing unmet requirement to measure effluent volumes discharged to each irrigation zone. Ideally this would be addressed along with any overhaul of irrigation.

Assumption	Cut and carry remains part of the operation of Ocean Farm Any required variations or approvals from ECan to vary the irrigation methodology are forthcoming

	Principal options	Implications of the options	Cost estimate and timing	Driver: Growth	Driver: Level of service	Driver: Renewal
Preferred option	Replace current irrigation system with subsurface irrigation	Under this option the existing irrigation will be removed from the whole farm and replaced with subsurface drip irrigation. Main pipework may be reused or may be replaced, to be determined by detailed design. This option carries a high capital cost but should be cheaper for operations as the number of sprinklers needing replacement and cleaning will be dramatically reduced. This option also enables higher grass yields due to more complete coverage (up to doubling the area reached by irrigation) and may unlock higher prices for the grass due to more buyers for the product.	\$400,000 2021		✓	✓
Other options	Replace existing popup sprinklers with another type, such as impact sprinklers	Small-scale trials have indicated that changing to impact sprinklers improves irrigation coverage. High-maintenance pop-up sprinklers would be replaced with simpler alternatives, reducing operational costs. There is a significant capital cost for this option as well, although the cost could be spread. Failed pop-up sprinklers could be replaced with impact sprinklers individually or on a zone-by-zone basis, so the up-front cost is offset by not spending maintenance funds on new pop-ups.	More expensive than the preferred option			✓

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
	Replace existing irrigation system with other irrigation system, such as a combination of pivots and laterals	This option has not been explored in detail to date, and would require investigation to determine both feasibility and cost. It is likely to be the most expensive and most complicated option, particularly given the nature of the farm (long, narrow and split across two levels with inlets).	Likely to be the most expensive and complicated option			✓
	Do minimum	This is a viable option, because the irrigation methodology is not a consent liability per se. We would still need to either improve flow monitoring to meet our consent condition or vary the consent (or seek non-enforcement).	Cheapest option			

6.1.3. Resource consent renewal approach

Driver: Compliance, demand and growth **Decision required: From 2035** Resource consents for the wastewater activity are due for renewal in the 2030s: Rakaia in 2033, Methven in 2034 and Ashburton in 2039. In anticipation of higher standards, capital expenditure is likely to be needed at these treatment facilities, either to achieve higher treatment levels or to increase disposal area.						
Assumption		We have not proposed any major projects in the short term, but with the uncertainty about the future regulatory environment it is possible that a clearer strategic direction may emerge in the next few years, which will be reflected in subsequent AMPs and LTPs.				
	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Preferred option	Follow a similar treatment approach, but expand the disposal area to meet contaminant loading limits	Likely to be the lowest cost and gets the most from our available resources	Moderate Relatively quick to implement		✓	
Other options	Upgrade the treatment processes	Expensive	High Due to the need for investigations and design we would need to begin planning perhaps 3 years prior to renewal		✓	
	Attempt to ensure compliance though the consenting process	Unlikely	Low Approximately 1 year prior to expiry			

6.1.4. Sludge management – Ashburton and Methven

Driver: Compliance, demand and growth

Decision required: From 2030

Sludge, a by-product of biological wastewater treatment processes, naturally builds up in wastewater treatment ponds over decades. Eventually it will build up to a level that impairs correct functioning of the treatment and will need removal. Sludge surveys are carried out periodically to check levels.

A range of options exist to manage and remove sludge, with different efficacies and timescales.

Assumption	Sludge builds up at a similar rate to historical records

	Principal options	Implications of the options	Cost estimate and timing	Driver: Growth	Driver: Level of service	Driver: Renewal
Preferred option	Explore non-conventional sludge management options This might include microbial or chemical digestion	This investigation may not identify any viable alternatives to conventional desludging. Microbial digestion has been proven ineffective in one trial, but other systems are available.	Low, but risky if techniques do not work. As these methods may be slower, this work would need to begin much sooner than more conventional methods.			✓
Other options	Dredging to geotextile bags or on-site holding pond for dewatering before disposal off-site (landfill)	This option is safe but the most expensive. It may also be seen as inefficient to cart all of the solids to landfill.	High Relatively quick to remove sludge, although drying time could be extensive.			✓
	Dredging to geotextile bags or on-site holding pond for dewatering before disposal to farmland or composting	This option may not be practical, depending on the nutrient levels in the sludge. High nutrient levels or limited land availability may limit the rate of disposal to land.	Moderate-High Could be cheaper than landfill if land is available and consenting is not too difficult.			✓
	Dredging to geotextile bags or on-site holding pond for dewatering before retaining permanently in situ	This option would require careful planning to manage the risks around retaining this material on site. There is a risk that we may not be able to obtain a consent for this.	High Compliance costs could be very high			✓

6.2. Financial forecasts

6.2.1. Renewal profile

The renewal profiles below show the forecast renewals for each year over the next 100 years (blue bars), based solely on standard asset lives and valuations, modified for condition rating. This shows the theoretical renewal programme before any smoothing is applied. The chart also shows the 5-year moving average and 10-year average, as well as the running totals of depreciation and replacement cost

What these illustrate is that there is a need for a routine pipeline renewals programme for the next few decades, and then a relative lull before renewals expenditure ramps up again into the 22nd century as PVC pipes installed in the last two decades come up for renewal. This is likely to be brought forward, based on condition assessment, both in order to spread the cost and to renew pipes as they need it, since some are likely to not make their theoretical life.

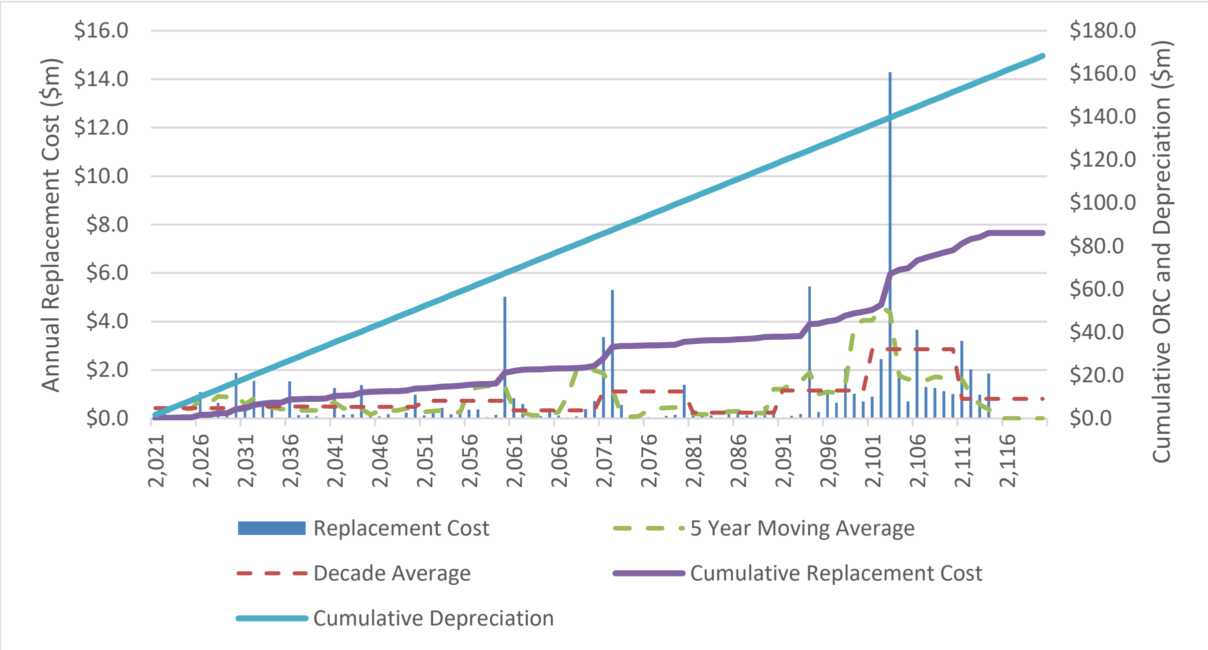


Figure 5 - Wastewater Reticulation Renewal Profile

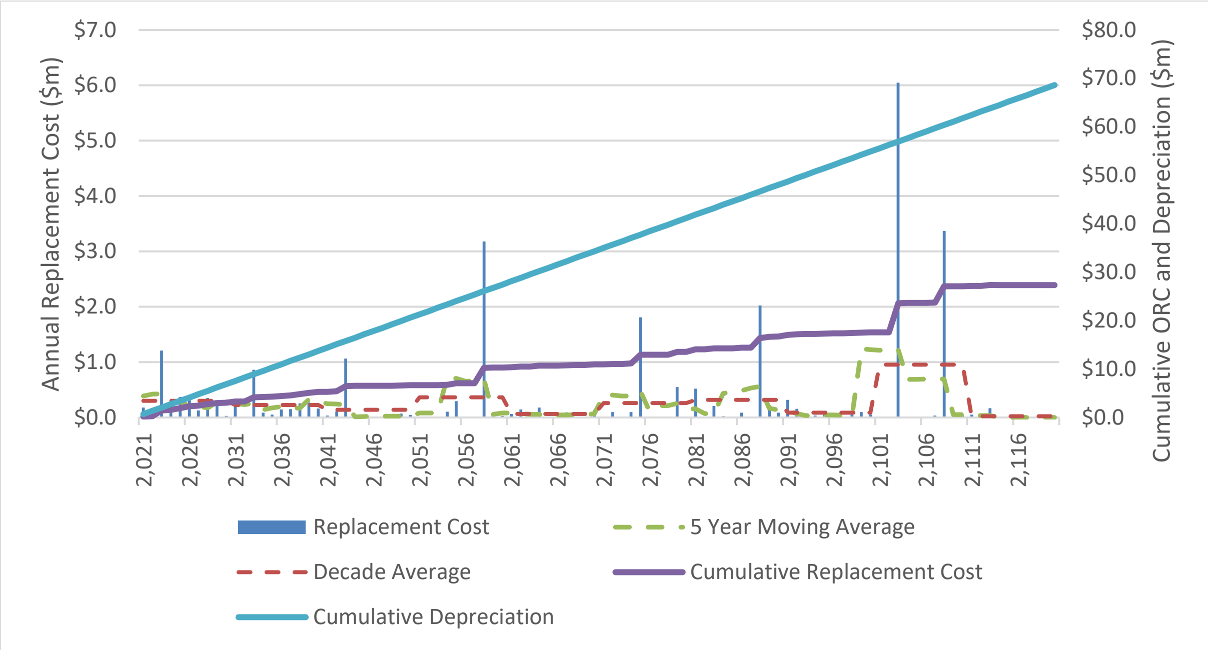


Figure 6 - Wastewater Facilities Renewal Profile

6.2.2. Capital expenditure

All new capital expenditure on Wastewater is shown in the chart below. Note that the last four bars represent 5-year totals. The chart shows significant expenditure in three large tranches:

- At the beginning, there is a large spend on the Ashburton Relief Sewer, and on reticulating the north-west area of Ashburton;
- In 2027-28 there is another area of town being reticulated in the north-east area;
- In 2031-36 and 2036-41 there are projects included to extend irrigation in Rakaia and at Ocean Farm, and to install a UV treatment system at Ocean Farm. These are in preparation for future resource consent renewals.

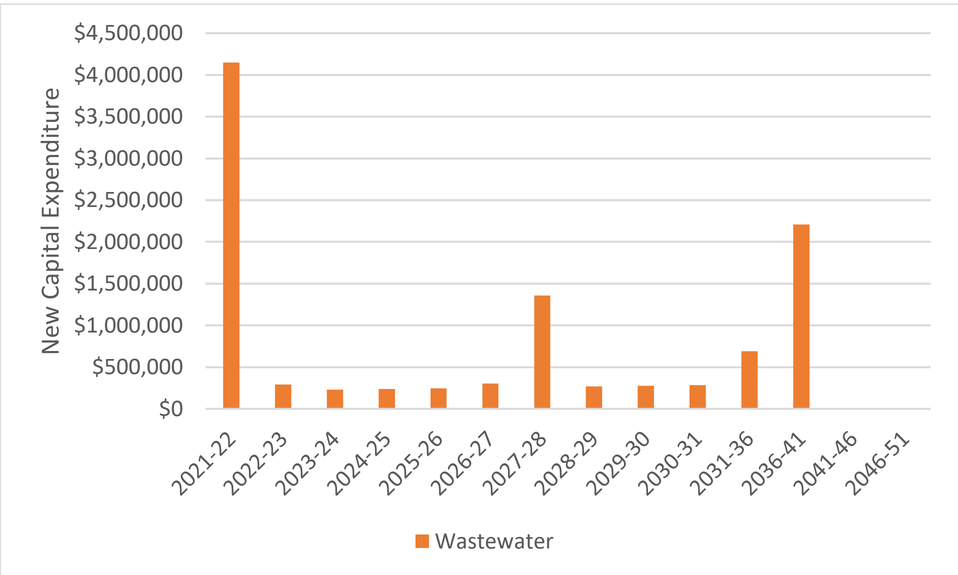


Figure 7 - Wastewater New Capital Expenditure

6.2.3. Operating costs

Forecast operational expenditure for Wastewater is shown in the chart below. Note that the last four bars represent annual average figures, for easier comparison. This chart shows a general increase over the next 30 years, as costs overall rise in line with inflation and growth in the network. New facilities add to the cost of operating the network, while new pipes should not lead to an immediate increase in costs as they should be reliable for a long time.

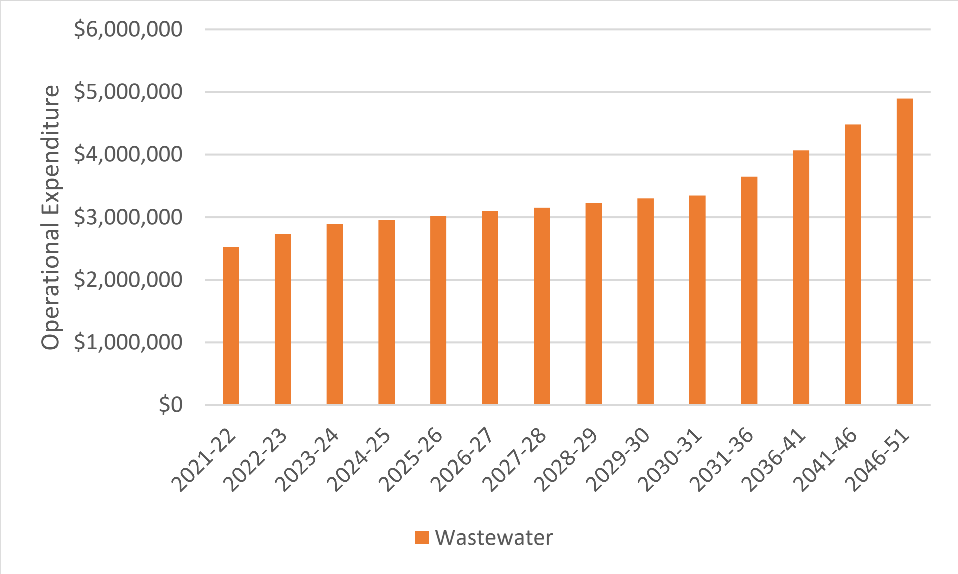


Figure 8 - Wastewater Forecast Operational Expenditure

7. Our future - Stormwater

Council stormwater services provide communities with managed collection, conveyance, treatment and disposal of stormwater at an affordable cost.

The next 30 years will see a stronger focus from government and regulators on improving freshwater quality, and stormwater management is a key part of that. Historically stormwater networks have focused on collection and disposal rather than treatment and the quality of wastewater discharges to waterways; this balance is changing.

Councils need to formalise resource consents for stormwater disposal from their urban networks, and begin to implement monitoring and improvement programmes outlined in these consents. Council has recently obtained a global stormwater consent covering the Ashburton, Tinwald and Fairton urban areas which is beginning to be implemented. Methven and Rakaia will follow; consents for these are currently required by 30 June 2022.

The ongoing central government Three Waters Review and the new regulator Taumata Arowai will have limited impact on stormwater in the short term – their initial focus is on the regulation of drinking water, but the purpose of Taumata Arowai includes an aim to:

> "provide national-level oversight, leadership, communication, and co-ordination in relation to—
>
> […]
>
> (ii) the environmental performance, management, and regulation of wastewater and stormwater networks;"

At present it is not certain whether stormwater is likely to be included with wastewater and stormwater in any putative new water entity, or whether it will remain with local government.

There has been an increasing interest in rural stormwater management in recent years, particularly as land use patterns change and irrigation and stockwater races are closed or moved. This may lead to an expansion of the scope of the stormwater services to include more than the traditional concentrated networks.

Our priorities for the next 30 years are to:

- obtain, implement and maintain compliance with applicable resource consents;
- roll out the programme of upgrades proposed for Ashburton to ensure that discharges to the river and streams are captured and treated to an appropriate quality;
- monitor the condition and performance of existing assets to ensure that levels of service are being maintained;
- seek out cost efficiencies, including adopting new technologies.

7.1. Significant decisions

The future direction for the urban stormwater networks is largely set by the existing and future resource consents. As a result, there are no significant decisions relating to those networks. The identified significant decision relates to the future of the responsibility and management of rural drainage.

In this section, figures used are uninflated to facilitate comparisons between options.

7.1.1. Rural stormwater

<table>
<tr><td colspan="7">Driver: Resilience, demand and growth
Decision required: 2024
Ashburton District has had a network of stockwater races since the late 1800s. As these races have been closed and filled in the drainage function they also served has been lost, causing flooding and nuisance issues. Environment Canterbury only takes responsibility for the drainage schemes operated by the former drainage boards. This decision is around how we manage rural stormwater on behalf of our ratepayers.</td></tr>
<tr><td colspan="2">Assumption</td><td colspan="5">Stockwater race closures continue at similar rates to present</td></tr>
<tr><td colspan="2" rowspan="2">Principal options</td><td rowspan="2">Implications of the options</td><td rowspan="2">Cost estimate and timing</td><td colspan="3">Driver</td></tr>
<tr><td>Growth</td><td>Level of service</td><td>Renewal</td></tr>
<tr><td>Preferred option</td><td>Assess and designate important former races as drainage assets for the purposes of the Land Drainage Act

Accept responsibility for these drains</td><td>By accepting responsibility for these drains there will be a need for funding and resources to inspect and manage them.
A modest budget provision has been agreed already for current issues, but this would increase continually as more assets come under the Rural Stormwater umbrella.

We might require landowners to maintain the drains, or undertake maintenance ourselves.

There may be some efficiencies available in the short term if the management can be shared with the existing Stockwater activity, but this may not continue indefinitely.</td><td>Final cost is undetermined at the moment, as these drains are yet to be comprehensively identified. This project should be completed during this LTP.

However, the cost is likely to be high, on the order of hundreds of thousands of dollars per year.</td><td></td><td>✓</td><td></td></tr>
</table>

	Principal options	Implications of the options	Cost estimate and timing	Driver		
				Growth	Level of service	Renewal
Other options	Leave as the responsibility of landowners	Council may be seen as not providing a necessary community service.	Minimal cost		✓	

7.2. Financial forecasts

7.2.1. Renewal profile

The renewal profiles below show the forecast renewals for each year over the next 100 years (blue bars), based solely on standard asset lives and valuations, modified for condition rating. This shows the theoretical renewal programme before any smoothing is applied. The chart also shows the 5-year moving average and 10-year average, as well as the running totals of depreciation and replacement cost

What these illustrate is that there are few assets in need of renewal in the next 30 years, and so depreciation accumulates until it is needed in later decades. By the time all current assets have been renewed, renewal expenditure has (correctly) caught up to depreciation.

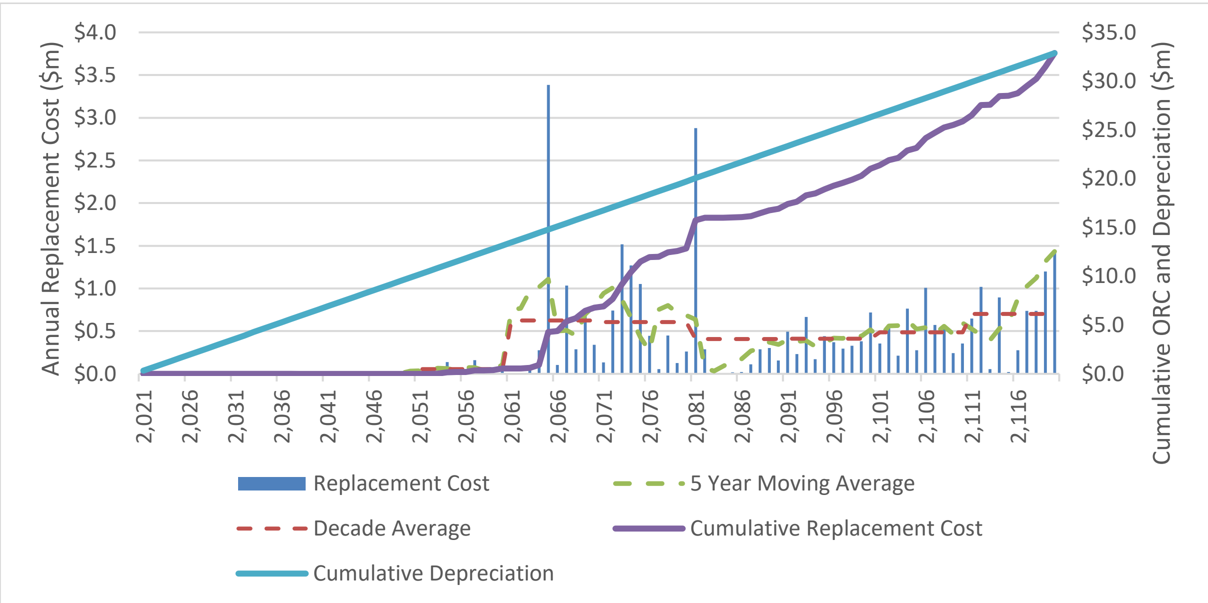


Figure 9 - Stormwater Reticulation Renewal Profile

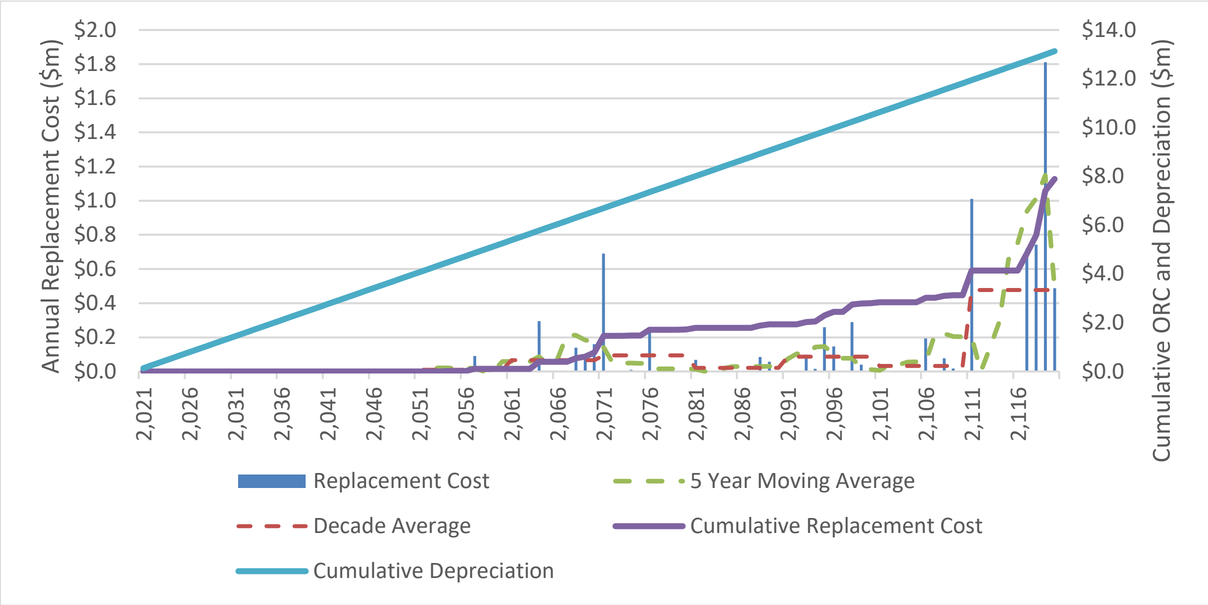


Figure 10 - Stormwater Structures Renewal Profile

7.2.2. Capital expenditure

All new capital expenditure on Stormwater is shown in the chart below. Note that the last four bars represent 5-year totals. The chart shows a long-term programme of pipelines and treatment facilities spread across the 30 years.

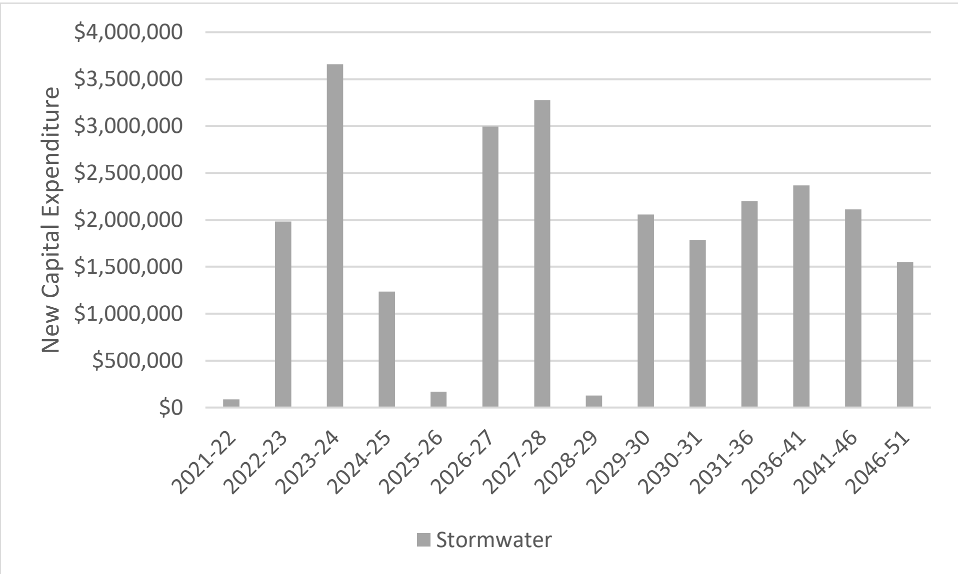


Figure 11 - Stormwater New Capital Expenditure

7.2.3. Operating costs

Forecast operational expenditure for Stormwater is shown in the chart below. Note that the last four bars represent annual average figures, for easier comparison. This chart shows a general increase over the next 30 years, as costs overall rise in line with inflation and growth in the network. New facilities add to the cost of operating the network, while new pipes should not lead to an immediate increase in costs as they should be reliable for a long time.

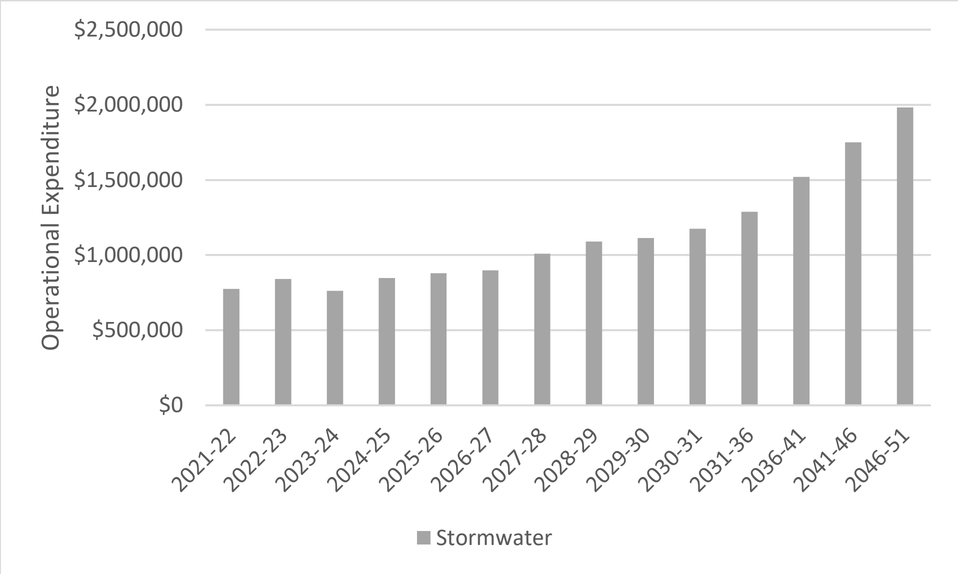


Figure 12 - Stormwater Forecast Operational Expenditure

8. Our future - Roads

Our responsibility is to provide users with a network that enables safe, effective and fit-for-purpose journeys. This network includes roads, footpaths, walkways and cycleways.

Our users are diverse and include (but are certainly not limited to) residents, tourists, pedestrians, truck drivers, cyclists, commuters, goods and service suppliers, schoolchildren, motorcyclists, farmers, the disabled and physically challenged, and shoppers. This means we have to balance social, personal, economic and community requirements. The composition and needs of users over the next 30 years is unlikely to change markedly, but there is likely to be moderate expansion of the existing urban areas.

While forecasting so far ahead cannot be an exact science, it is certain that the following will be key objectives over that period;

- ensuring network users' safety
- providing multi-modal transportation options
- achieving value for money
- providing economic and social benefits
- minimising environmental impacts
- identifying and managing risks
- enabling and improving resilience.

Specific challenges that, if not addressed and managed, could impede the achievement of these objectives include;

- resource availability and affordability
- maintaining levels of service while ensuring cost effectiveness
- meeting NZTA reporting and proposal requirements
- future-proofing Ashburton-Tinwald connectivity
- ensuring bridge replacements are anticipated and budgeted.

8.1. Significant decisions

In this section, figures used are uninflated to facilitate comparisons between options.

8.1.1. Ashburton-Tinwald connectivity

Driver: Resilience, demand and growth

Decision required: 2021

State Highway 1 (SH1) is a key strategic transport route for the South Island, is the main route through Ashburton and Tinwald, and also functions as a core local traffic distributor. A number of factors combine to sometimes cause standstill congestion through this urban area.

A Strategic Business Case (SBC) has been completed to demonstrate the need for wider investment across the Ashburton and Tinwald transport network. This SBC outlines the benefits of investing in improving connectivity, examining available evidence for the problems, and identifies key performance indicators (KPIs) to measure the success of investment over time.

The need for investing in improving connectivity between Ashburton and Tinwald is being driven by:

- the need to support population growth
- the need to ensure people can move safely and easily across the river, including emergency services
- the need to ensure that inter-regional freight is moved efficiently
- the need to provide locals with alternative travel modes to motor vehicles.

This SBC has come about from a long-standing council proposal to build a second bridge across the Ashburton River. This bridge would be on a local road thus be a council asset. Council has previously resolved to only fund 20% of the costs involved. The remaining 80% may be sourced from NZTA subsidy, and/or other central government funding options (e.g. Provincial Growth Fund).

An SBC is required to step back from the proposed solution (the second bridge) and ensure that, at a strategic level, the previously identified issues and evidence are valid and robust. At the time of writing, the SBC is with NZTA for review, and dependent on NZTA's response, the next step could be to write a Detailed Business Case (DBC). A DBC delves deeper into the problems and looks at specific solutions and their appropriateness. Based on Council's previous decisions, and NZTA's current policies, one of the following four scenarios will arise;

A. NZTA agree to fund the project to the current standard Funding Assistance Rate (FAR) of 51%. (Council's cost: $14.21M)

B. NZTA agree to fund the project at the 80% subsidy proposed by Council (Council's cost: $5.8M)

C. NZTA agree to fund the project at an alternative FAR (Council's cost: unknown)

D. NZTA do not agree the project merits subsidy and there is no NZTA funding (Council cost: $29M)

The option of either building or not building a bridge will in large part be dependent on which situation ensues. If there is NZTA funding offered then Council will have to decide if the proposed subsidy rate is acceptable. If it is then the project can proceed. If not then scenario D arises which would either stop the project or require investigation of alternative funding sources.

Note that the current estimated cost of $29 million will need to be reviewed/revised with updated and detailed design data and criteria.

Assumption	Having only a single two-lane bridge across the Ashburton River in the urban area is causing undue traffic congestion.

	Principal options	Implications of the options	Cost estimate and timing	Drivers		
				Growth	Level of service	Renewal
Preferred option	Construct a second bridge within the urban area.	Substantial financial commitment for both construction and subsequent ongoing maintenance and renewals. Requires connecting roads/paths (and related assets) to be constructed or renewed. Requires bylaws regarding HCV routes to be updated to ensure residential areas are not unduly affected by changes in traffic composition or volumes.	$29 million (ADC portion unconfirmed) 2021/22 to 2025-26 (investigations, design, construction)	✓	✓	
Other options	Do not construct a second bridge – investigate other options on existing roads that could manage the traffic flows through Ashburton and Tinwald.	These options could include increasing lane numbers, increasing lane widths and controlling traffic movements on the existing State Highway and connecting local roads through Ashburton and Tinwald. It is unlikely that these actions would adequately address the current congestion issues, and even less likely with subsequent traffic growth, even if that growth is low.	Unknown		✓	

8.2. Financial forecasts

8.2.1. Renewals

The forecast renewal expenditure for the next 30 years us shown in the graph below. Note that the last four bars are annual averages, for ease of comparison.

This illustrates a fairly consistent rate of renewal, reflecting a stable programme with no large variations for major asset renewals. The increase is due mainly to a general trend of cost inflation, with no significant increase in the asset base anticipated.

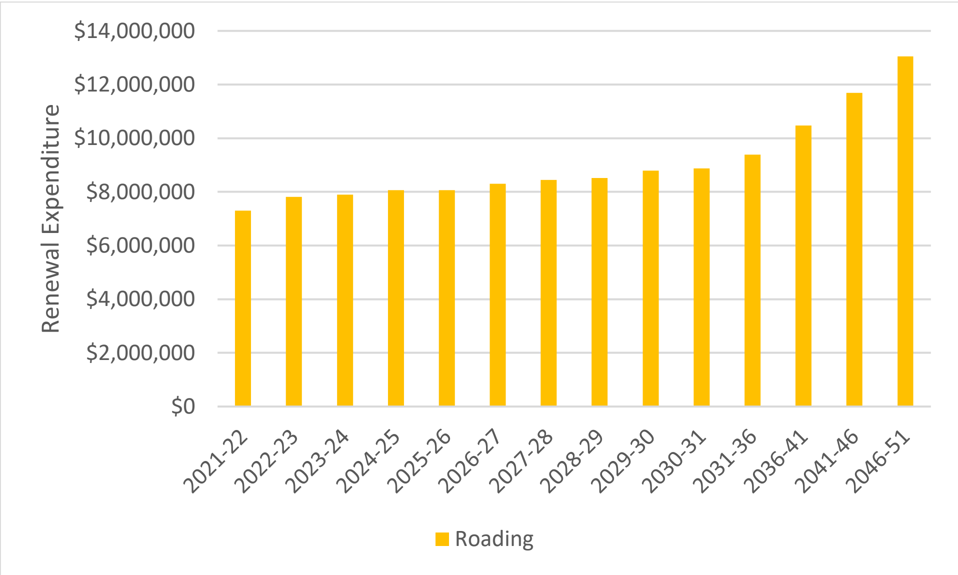


Figure 13 - Roading Renewal Expenditure

8.2.2. Capital expenditure

All new capital expenditure on Drinking Water is shown in the chart below. Note that in this chart the last four bars represent 5-year totals.

The chart shows large expenditure in 2025-26 and 2026-27 for the Ashburton-Tinwald connectivity project, followed by three light years before annual expenditure reverts to a more typical $4-5m.

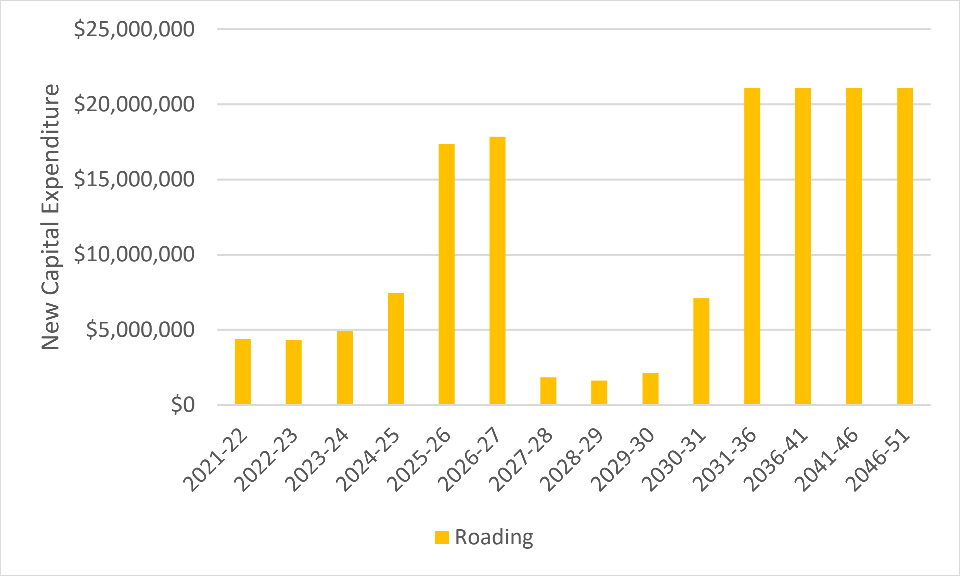


Figure 14 - Roading New Capital Expenditure

8.2.3. Operating costs

Forecast operational expenditure for Transportation is shown in the chart below. Note that the last four bars represent annual average figures, for easier comparison. This chart shows a general increase over the next 30 years, as costs overall rise in line with inflation.

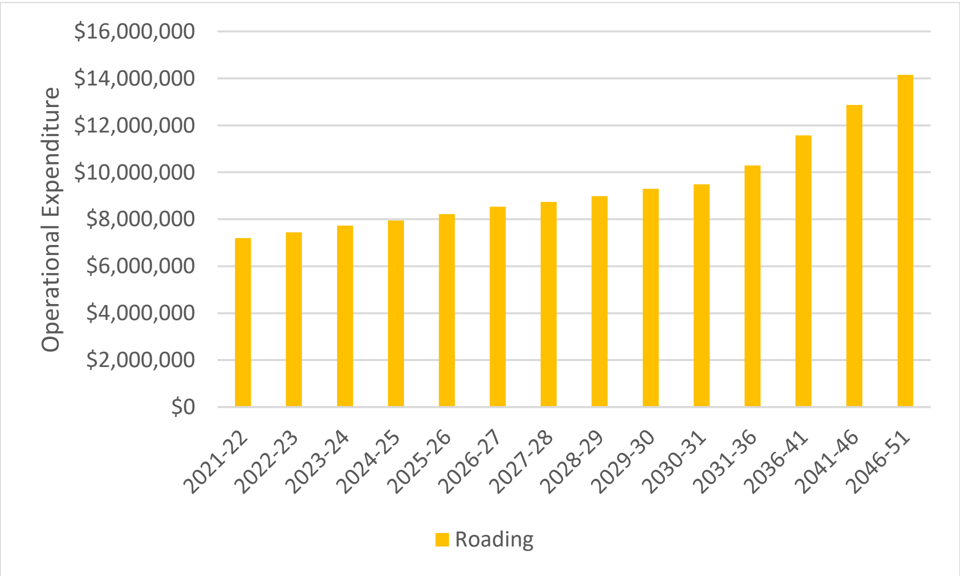


Figure 15 - Roading Forecast Operational Expenditure

Draft Financial Strategy 2021-2031[1]

Executive summary

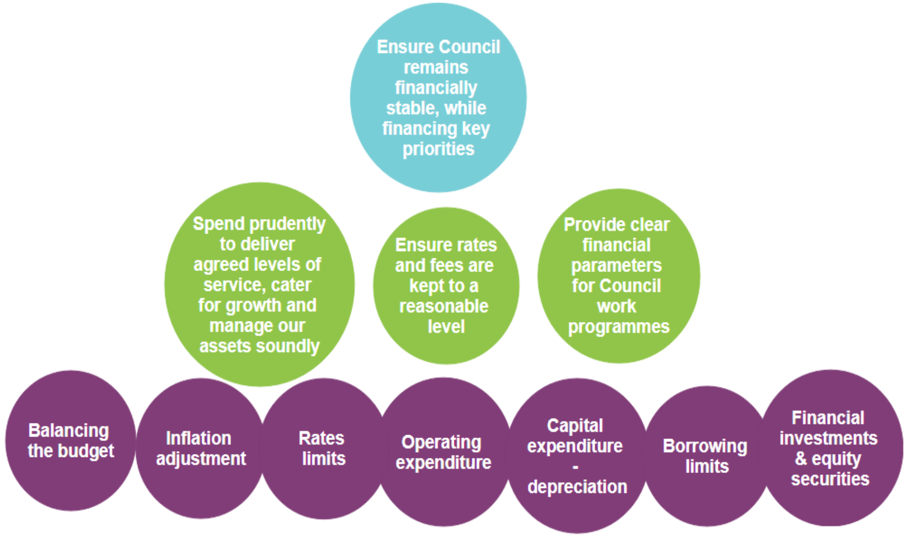
The Financial Strategy outlines how we will manage our finances over the next ten years. It sets out our general approach and principles that we will follow, and provides a guide to assess spending proposals. The Financial Strategy includes limits on rates levels, rates rises and borrowing, and aims to promote financial stability and affordability over the short, medium and long-term. In simple terms, the strategy determines the size of our cake over the next ten years, while our policy decisions will determine how the cake is cut.

Our district has been growing and this growth coupled with fast-approaching regulatory deadlines for some of our network infrastructure, will see our biggest ever capital expenditure programme for our district over the next ten years. This will mean that we will be increasing our debt to levels that we have not done so before.

However, we are currently in a strong financial position, largely due to previous Council decisions and direction focused on infrastructure renewals and replacements. In 2019, we received our first Fitch Credit Rating, AA+, one of the highest ratings for a territorial authority in the country.

In real terms, at our peak debt in 2026/27 ($166 million), is equivalent to a household income of $96,079 per year and a mortgage of $158,000.

The aim of our Financial Strategy is to ensure Council remains financially stable, while financing key priorities. The following graphic shows our financial goals along with the strategies we will use to achieve these goals over the next ten years.



Our financial future

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

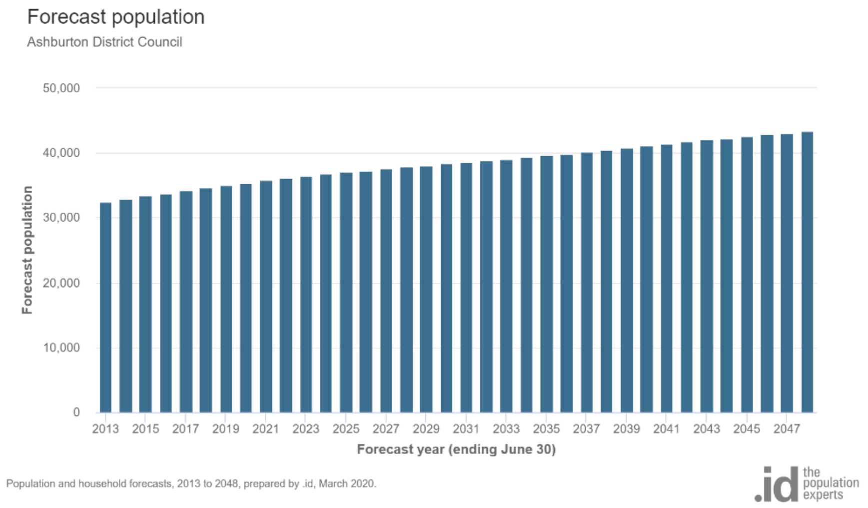
- Total assets are forecast to be $1,349million (2020/21: $908million).
- Total equity is forecast to be $1,171million (2020/21: $793million).
- Liabilities are forecast to be $178million (2020/21: $115 million) and to be 13.2% of total assets (2020/21: 8.65%).
- Cash investments are budgeted to be $38.6 million, (2021/21: $26.8 million)
- Rates revenue is budgeted to contribute 57% of total income (2020/21: 53%).
- At no time over the period 2021/22 – 2030/31 are we expecting to breach our debt ratio limits.
- Council will remain in a strong financial position.

[1] Sourced from financials dated 20 Feb 2021

Context

1. Population growth

Our district has experienced notable growth over the past 20 years with a population increase of 36% since 2001 (approx. 1.9% p.a.). This growth is projected to slow going forward, increasing at a rate of 0.8% each year to a population of 43,500 in 2048.



Ratepayer growth

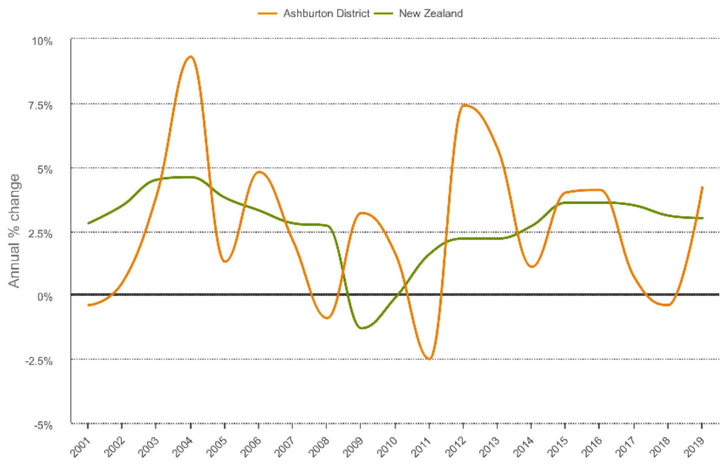
The link between our district's population and the number of ratepayers is the average number of people per household, which determines the number of houses that are required. The lower the average household size, the greater the number of houses that are required.

The current average number of residents per household is 2.5; however, this is expected to reduce to 2.45 by 2043, reflecting an increase in single-person households and couples without dependent children. This suggests, that by 2043, over 3,300 additional homes will need to be built.

In addition to an increase in rateable properties, population growth also leads to increased load on our infrastructure and assets, and increased demand on our services.

2. Economic growth

The effects of the Covid-19 pandemic on the local economy have not been significant to date. Our district's Gross Domestic Product (GDP) was $2.32 billion for the year to September 2020. This was a decline of 1.7%, compared to the national decline of 3.3% and the Canterbury region of 3.2% over the same period. Overall, the outlook for our economy is relatively strong, with the economy expected to expand by a third or around 2% per year over the next 15 years[2].



However, this growth is not guaranteed. It is worth noting that our local economy's reliance on land resources, and the ongoing concentration of the economy, presents some risks to the overall economy as exposed by the drop in milk prices in the past. Similarly, natural disasters and events, such as the

[2] AD EDS 2018

Covid-19 pandemic, and the impacts of the recently approved National Policy Statement on Freshwater Management pose risks to our local economy.

The long-term impacts of Covid-19 on our economy are still unfolding. The tourism sector (including accommodation, hospitality and some retail) have been impacted the most obviously within the district to date. However, effects of the pandemic on global trade markets could have a significant impact on our economy in the mid-long term.

3. Land use changes

Most land in our district is rural farmland. Irrigation has enabled land use changes, leading to a reduction in dry stock and arable farming, an increase in dairy farming and high-value cropping such as seeds. We have the highest concentration of irrigated land in New Zealand, however, the majority of land conversions are likely to have now occurred and the rate of land change has slowed.

Ashburton (including Lake Hood), Methven, Rakaia and Hinds are the main urban growth areas of our district. These areas continue to have new residential developments on the urban periphery of each town, expanding the urban footprint into surrounding rural and rural-residential areas.

There are sufficient residential and commercial sites available or planned, to accommodate current foreseeable growth for some years, and there may be over-capacity for residential land in the Ashburton North area.

4. Expenditure

While our district has been growing, the fast-approaching regulatory deadlines for some of our network infrastructure, will see our biggest ever capital expenditure programme for our district over the next ten years. This will mean that we will be increasing our debt to levels that we have not done so before.

Our level of expenditure is also closely linked to the level of service we provide to our community. Our 10 Year Plan details the levels of service we aim to provide over the next ten years, and is determined through considering the:

- legislative compliance;
- our community outcomes and strategic priorities;
- community expectations; and
- political mandate.

The following table shows our capital expenditure on growth, improved levels of service and renewals over the next 10 years.

ACTIVITY GROUP	Growth $000s	Improve service level $000s	Renewals $000s
Drinking water	$9,279	$52,909	$41,934
Wastewater	$4,630	$6,507	$45,323
Stormwater	$0	$34,667	$0
Transport	$0	$133,533	$156,849
Other	$1	$140,727	$22,062
All activity groups	$13,910	$368,343	$266,168

5. Affordability

Ensuring our rates remain affordable for our residents is a top-priority. The chart below indicates the affordability of our rates when compared with the other district and city councils in the Canterbury region.

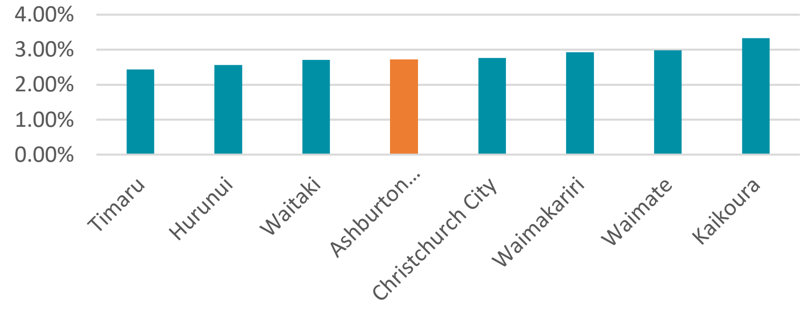


Figure 1. Affordability – Average rates 2020/21 by mean household income[1]

Although there may be individual cases of hardship for some ratepayers, the rating levels in our district remain affordable overall and are still comparatively low compared to other Canterbury Councils.

6. Rating review

We have reviewed our rates as a part of the development of our 10 Year Plan and considered who benefitted from each of our services. Further detail of our decisions can be found in our Revenue and Financing Policy[3].

[3] Our Revenue and Financing Policy can be found at *ashburtondc.govt.nz* → Council → Policies and Bylaws.

Our Financial Strategy

Our Financial Strategy is focused on making progress towards meeting the needs of growth, rising expectations of our community and regulatory compliance, while delivering affordable rates, minimising our borrowings and optimising our spending.

1. Balancing the budget

We are required by law to ensure that the operating revenue we budget for is enough to meet our operating expenses each year (a balanced budget) – unless it is financially prudent not to do so.

The work programmes and budgets included in this 10 Year Plan show a balanced budget.

> **Operating revenue** e.g. rates, fees and charges.
>
> **Operating expenses**
> The day-to-day costs of providing our services and maintaining our assets.

2. Inflation

We are required to budget for an inflation adjustment in each year of our plan. Our costs reflect the type of work we undertake for the community and are significantly affected by the price of items such as energy, bitumen and civil contracting services. This is quite different from the average household, and so using the Consumer Price Index (CPI) for inflation is not appropriate.

Instead, Business and Economic Research Limited (BERL) have prepared specific inflation values for councils - referred to as the Local Government Cost Index (LGCI). All budgets across the ten years have been adjusted using these values. They are also used as part of our setting of limits on rates and borrowing. See below for the average LGCI over the next 10 years.

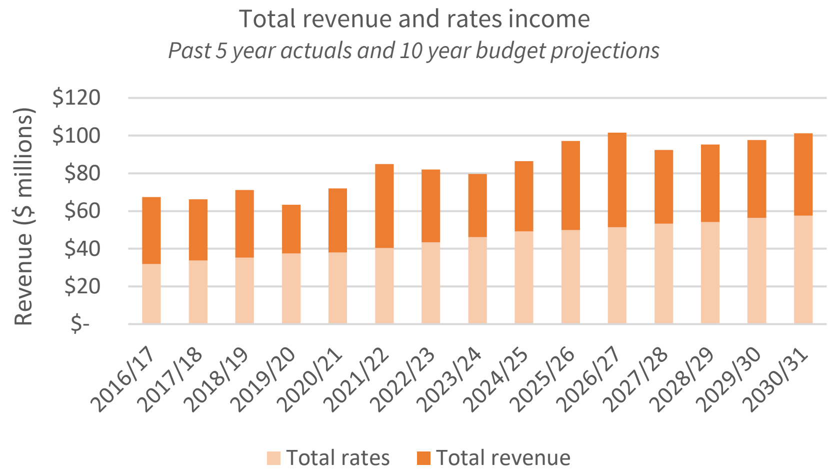
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
LGCI	3.7%	2.9%	2.5%	2.5%	2.6%	2.5%	2.6%	2.7%	2.7%

3. Rates over the coming 10 years

Rates are a form of property tax and must be paid by all property owners in the district.

The percentage of our annual revenue that comes from rates varies from year to year and over time - for the 2020/21 year it was approximately 53%. Other revenue comes from fees and charges, government subsidies, investment income and a variety of other sources.

The graph below shows the overall rate requirement and our total revenue for the past five years and the coming ten years covered by this 10 Year Plan.



Rates limits

Our plan for the next ten years has been prepared based on the following limits on total rates and annual total rates increases.

- Total rates in any one year are to be no greater than 1% of the total capital value of our district.
- Total rates increase for 2021/22 to 2024/25 to be no greater than 5%, exclusive of LGCI each year.
- Total rates increase for the years 2026/27 – 2030/31 to be no greater than 3%, exclusive of LGCI each year.

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
Rates as a % of district capital value	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Rate increase (%)	2.7	4.5	4.0	4.1	-1.1	0.4	1.0	-1.1	1.5	-0.5
Average LGCI adjustment (%)	3.6	2.9	2.5	2.5	2.5	2.5	2.6	2.7	2.7	2.6
Rate increase after LGCI adjustment (%)	**6.3**	**7.4**	**6.5**	**6.6**	**1.4**	**2.9**	**3.6**	**1.6**	**4.2**	**2.1**

4. Operating expenditure

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

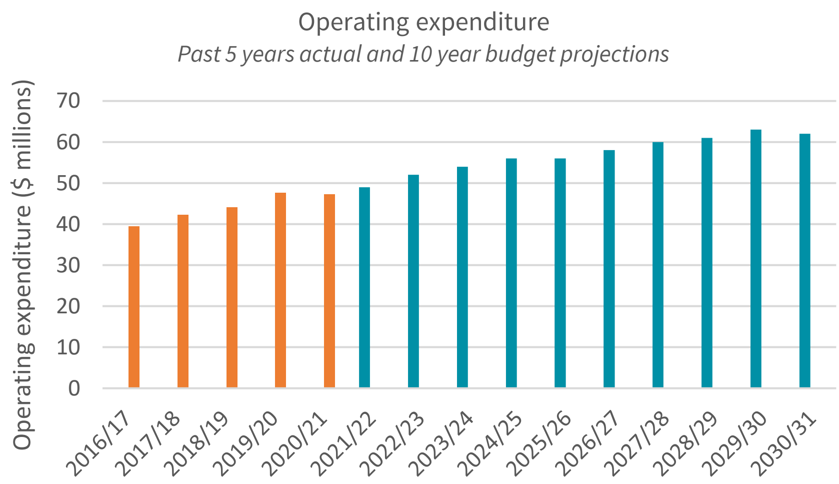
Rates are used to fund the balance of operating expenditure after all other revenue streams are accounted for.

We have budgeted for operating expenditure to increase from $49.2 million to $64.9 million between June 2021 and June 2031.

The increase is the result of:

- price increases (inflation);
- improvements to the level of service we provide; and
- to a lesser extent population growth.

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



5. Capital expenditure

Capital renewals

In general, we look to at least maintain the level of service that we currently provide across our different activities. This means, each year, we need to ensure enough work is done to maintain our assets and, when necessary, to rebuild or replace them – this is called our capital renewal work programme.

The following capital renewal expenditure is budgeted for network infrastructure activities over the coming ten years to ensure we can continue to provide the current levels of service. The total cost of delivering this programme is expected to be $128 million over the next 10 years.

$000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Drinking Water	2,055	1,124	2,611	1,989	2,638	1,906	1,829	3,375	1,832	2,634
Wastewater	3,439	6,186	2,847	2,677	2,068	1,685	1,694	1,719	934	1,131
Stormwater	0	0	0	0	0	0	0	0	0	0
Transportation	7,297	7,810	7,894	8,062	8,064	8,303	8,450	8,514	8,798	8,881

Depreciation

We rate for depreciation each year based on how much it would cost to replace an asset, divided by its expected useful life. Different assets have different expected useful lives – the time you can expect them to work efficiently before they need replacing.

These funds are included in our operating expenditure, and are used for any capital work that is required on that asset. Any funds that are not required in the year they're rated for, are held for future expenses. We see this as fair, as this spreads the costs evenly across the ratepayers who use the asset over its lifetime. This is the principle of intergenerational equity.

However, due to our concern about the affordability of the rate rises, we have chosen to only fund deprecation on the equipment at the EA Networks Centre to the value that is required for capital works in the year we are rating for it. In addition, we have also only partially funded depreciation on the Ashburton Library & Civic Centre building across our 10 Year Plan (this affects Year 3 onwards). We also will not fund hall depreciation and will instead rate for repairs and renewals as needed.

New capital expenditure

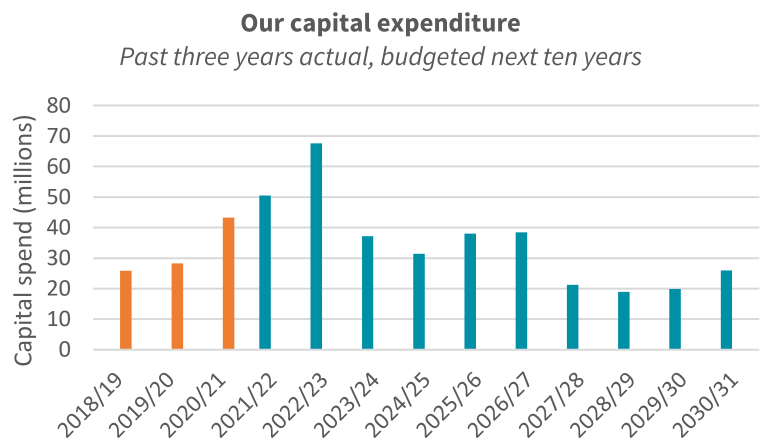
Capital expenditure (including renewals) is budgeted to be $50.5 million in 2021/22 and $67.6 million in 2022/23, due primarily to investment in improving roads, drinking water, wastewater and stormwater, and the new Library & Civic Centre building.

Over the next ten years, we have budgeted a total capital expenditure of $648 million, including capital expenditure on network infrastructure - transportation, drinking water, wastewater, stormwater and stockwater.

New capital expenditure is budgeted to be funded mostly from loans, with the principal and interest costs being funded by targeted rates over 25 years.

The following new capital expenditure is budgeted for network infrastructure activities over the coming ten years to ensure we can meet additional demand - due to either population growth or improvements to the level of service we provide.

* Excludes assets vested to us from subdivisions.



Our total capital expenditure for both new and renewals is displayed in the following graph for the next 10 years.

6. Borrowing

In developing this strategy, we have set limits on borrowing, to promote financial stability, affordability and value for money over the short, medium and long term.

These limits have guided the preparation of our work programmes and budgets set out in our plan for the next ten years and will be used to guide the preparation of yearly work programmes and budgets in the future.

We can exceed borrowing limits if it is prudent to do so; however, any breach must be explained in the relevant Annual Plan, along with the reasons why a breach is considered prudent.

During the period of this ten year plan, we have budgeted to repay debt as soon as prudent to reduce finance charges.

Internal debt

As well as external borrowing, an option available to us is using realised investment funds to internally fund capital expenditure. This reduces the net cost of borrowing as we can internalise the lender's margin.

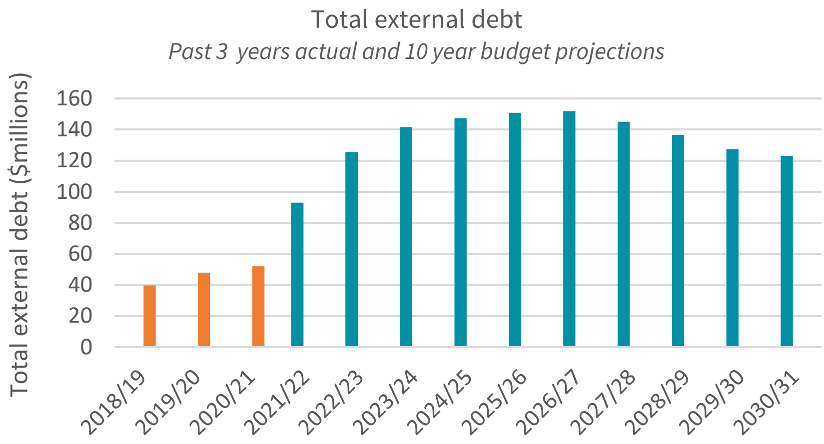
We have used internal funding from our investment pool in the past and may do so again in the future. However, the current strategy is to borrow externally because of the low interests rates available. This will be reviewed on an ongoing basis using our Treasury Advisor.

External debt limits

Debt interest no more than 10% of total income is widely considered appropriate. It is important to note that having debt interest higher than this does not necessarily mean debt is not sustainable, but it could limit future options and we need to be mindful of managing debt at this level. The cost of future borrowing may also increase if lenders perceive a greater risk.

Our ten year plan has been prepared based on the following limits on external debt:

- Net interest payments to service external debt must be less than 20% of our total revenue (excluding vested assets, infrastructure revaluations and other gains).
- Net interest payments to service external debt must be less than 25% of total rates for the year.
- Net debt shall not exceed 250% of total revenue.



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Interest as a % of revenue*	2.6	3.0	4.1	4.2	3.9	3.9	4.4	4.4	4.3	4.1
Interest as a % of rates revenue	5.3	5.4	6.8	7.1	7.3	7.4	7.3	7.3	7.0	6.8

* Excluding development contributions and vested assets.

Managing interest rate risk

Interest rates are still at historically low levels. If we were carrying high levels of external debt, any marked increase in interest rates could present difficulty in managing the increased cost of capital in the future.

We have treasury management policy that seeks to minimise the impact of any such interest rate increase on our overall financial position.

7. Cash reserves

Our projected balance sheet shows external gross debt of $162 million by 2030/31 and a building up of cash reserves to $38.6 million over the same period.

Much of the cash generated is from general rate activities (such as sales in the Ashburton Business Estate) and cannot be used to repay debt funded from targeted rates (such as for drinking water or wastewater capital expenditure). Over this period, cash reserves also increase through repayment of internal debt.

We consider it prudent to rebuild cash holdings (primarily through land sales and depreciation funding). This will increase our funding flexibility by enabling cash reserves to be used, or internally borrowed against, rather than requiring external borrowing.

8. Approach to debt security

We provide lenders with security on its borrowings through a debenture trust deed. 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 programme, while reducing the interest rates lenders charge.

Our Treasury Management Policy permits us to give security over specific assets, where

a) there is a direct relationship between the debt and the asset being funded and,

b) security over the asset is considered preferable to security over our rates income.

Currently, we have no securities issued over our assets and our plan for the next ten years does not include any provision to secure debt directly over assets.

Our approach to debt security seeks to maximise access to the capital needed for providing appropriate services to the community at the lowest cost possible.

9. Financial investments and equity securities

We have financial investments that generate a return, which can be used to pay for services and reduce rates. This section explains our objectives for holding and managing financial investments and equity securities and its targets for returns on those investments and equity securities.

Ashburton Contracting Limited

We own 100% of the 4,500,000 shares in Ashburton Contracting Limited (ACL).

Our objectives in holding this investment are to:

- ensure local capacity and capability to undertake civil works, particularly for infrastructure
- promote competition in the district for civil construction and maintenance activities
- form part of a balanced portfolio of investments.

Our expected rate of return on average shareholder funds is a minimum of 12% after tax, based on the rolling average of the last five years, excluding any tax loss offset / subvention payment or the costs of ACL's investment in the Lake Hood extension project.

This return, paid by way of dividend, is used to offset rates in the year it is received. This has been budgeted at $400,000 per year before inflation.

Transwaste Canterbury Limited

We are a 3% shareholder in Transwaste (600,000 shares) in Transwaste Canterbury Limited. As at 30 June 2017, these shares had a net asset backing of $1.34 per share ($804,000).

Our objectives in holding this investment are to:

- provide an environmentally sustainable facility for the disposal of the district's residual solid waste
- form part of a balanced portfolio of investments.

Dividends are determined by the board of directors and dividend returns are applied against the general rate and the uniform annual general charge as detailed in our Revenue & Financing Policy. This has been budgeted at $500,000 per year before inflation.

10. Cash

We hold cash to operate and maintain stable cash flows. We also hold cash in reserves, largely to fund the renewal of assets. These funds are invested in internal borrowing or deposits as provided by our Investment Policy. Our target return on cash is the average 90-day bill rate. The return on net cash investments is budgeted at 0%.

7. Review of Treasury Management Policy 2021

Author	*Richard Mabon, Senior Policy Advisor*
Activity manager	*Rachel Sparks, Finance Manager*
General manager	*Paul Brake, General Manager Business Support*

Summary

- This report is to inform Council's decision on a review of the Treasury Management Policy 2021 (TMP). The TMP is enclosed as Appendix One.
- Council practice is to review this policy alongside the long-term plan every three years. It was last reviewed in 2018.
- Officers and Miles O'Connor (Bancorp) have reviewed the TMP and propose:
  - minor updates to reflect changes in the treasury management environment; and
  - separating the administrative and operational detail in the policy into a management document *Operating Guidelines to the Treasury Management Policy* (enclosed as Appendix Two); and
  - undertaking no public consultation on the policy as it is not required under Section 103(5) of the Local Government Act 2002 (LGA 2002) and not needed in terms of the overall significance of the matter.
- Officers **RECOMMEND** that Council:
  - adopts the Treasury Management Policy 2021; and
  - receives the *Operating Guidelines to the Treasury Management Policy*;

Recommendation

1. **That** Council adopts the Treasury Management Policy 2021 (as set out in Appendix One).
2. **That** Council undertakes no public consultation on the Treasury Management Policy 2021.
3. **That** Council receives the *Operating Guidelines to the Treasury Management Policy* (as set out in Appendix Two).

Attachments

Appendix 1 Treasury Management Policy

Appendix 2 Operating Guidelines to the Treasury Management Policy

Background

The current situation

1. Council practice is to review the Treasury Management Policy (TMP) every three years alongside the long-term plan. The current TMP is attached as Appendix One.

2. Officers and Miles O'Connor (Bancorp) have reviewed the text of TMP in 2021 and propose minor amendments to the TMP, including:

   - amendments that reflect changes in the treasury management environment, such as Council obtaining a credit rating.
   - removing the administrative detail from the TMP and creating a separate *Operating Guidelines for the Treasury Management Policy* document.
   - correcting typographical and grammatical errors

3. Officers consider that the Policy, as amended, is fit for purpose and meets legal requirements.

Legal requirements

4. The TMP meets the legal requirements for a liability management policy and an investment policy under Sections 104 and 105 of the LGA 2002 respectively. It sets out how the Council will exercise financial prudence in its investment and borrowing activities.

5. The policy is primarily a risk management tool, addressing the risks associated with the investing and borrowing of monies by the Council.

6. There is a specific exemption in Section 102(5) of the LGA 2002 from consultation on this Policy. Council may choose to consult if it wishes.

Options analysis

7. Officers note that Council has four reasonable and practicable Options:

   - Option One – Adopt the policy and consult in 2021
   - Option Two – Adopt the policy without consultation in 2021
   - Option Three – Amend the policy and consult in 2021.
   - Option Four – Amend the policy without consultation in 2021.

8. As noted in Paragraph 3, the Policy is fi t for purpose, as amended. Officers see no good reason to amend the TMP 2021. For this reason, Officers do **NOT RECOMMEND** either Option Three or Option Four.

9. Officers note that:

   - consultation is not required;

- the overall significance of the matters in the policy is medium; and
- the TMP is a specialised and technical policy concerned with risk management related to financial market instruments

10. Officers do not support spending Council resources on a consultation that is not required to improve services or meet a legal duty.

11. For this reason, Officers do not support Option Two. Officers **RECOMMEND** Option One.

Legal/policy implications

12. These implications are addressed throughout the background and options analysis.

Financial implications

Requirement	Explanation
What is the cost?	$33,000 p.a. plus GST. The cost of the treasury management activity is contained within operating budgets.
Is there budget available in LTP / AP?	Yes, as noted above..
Where is the funding coming from?	Financial services is allocated as an overhead against other activities and thus funded across the spectrum of financial policies and funding tools. Effective treasury management has enabled Council to
Are there any future budget implications?	No. The recommendations proposed do not materially affect the cost of Treasury Management.
Reviewed by Finance	Finance review not required.

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	The matter is assessed as having medium significance.
Level of engagement selected	1. Inform . This is achieved through this report appearing on a public meeting agenda.
Rationale for selecting level of engagement	The policy is exempt from consultation and the overall significance of the matters do not warrant choosing to consult.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

2. This table describes governance actions that include and arise from the recommendations. This matter will not return to the Council table until 2024, or if there is some unforeseen material change that leads to a need for earlier review.

Date	Action / milestone	Comments
17 February 2021	Council approves recommendation in the report	Decision made by Council

Policy

TREASURY MANAGEMENT POLICY

Investment Policy & Liability Management Policy

TEAM:	Finance
RESPONSIBILITY:	Finance Manager
ADOPTED:	30 June 2021
REVIEW:	Every 3 years, or as required
CONSULTATION:	Consulted not required under S.102(5), Local Government Act 2002
RELATED DOCUMENTS:	Local Government Act 2002

Policy Objective

The Treasury Management Policy includes the Investment Policy and the Liability Management Policy. This policy details the specific policies ~~and procedures~~ in respect of all treasury activity to be undertaken by Ashburton District Council. The formalisation of such policies ~~and procedures~~ will enable treasury risks within Council to be prudently managed. Council is required to have a Liability Management Policy and an Investment Policy. The document sets out ~~procedures and~~ policy guidance to be used to safeguard Council's investments, maximise returns and minimise its risks, both in investing and its borrowing liability.

Part I

- **Investment Policy**
  The Investment Policy sets out the objectives of Council's investing activities. The actions required in order to obtain each objective are detailed on an objective by objective basis.

- **Liability Management Policy**
  The Liability Management Policy sets out the objectives of Council's borrowing activities (external and internal). The actions required in order to obtain each objective are detailed on an objective by objective basis.

Part II – Operations:

This section details the day-to-day administration of investments and borrowing of Council, including the controls ~~and procedures~~ used to ensure a clear audit trail of treasury activity and the reporting required of the Finance Manager to Council.

Appendices

Appendix I – Authorised investment criteria for short term funds and long term funds.

~~Appendix II – Authorised interest rate risk management instruments.~~

~~Appendix III – Financial market investment instruments.~~

Part I – Investment Policy

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Investments and associated risks are monitored and managed, and regularly reported to Council. Council has considerable investments in the following areas:

- Cash and cash equivalents
- Investment property
- Forestry
- Shares
- Other financial assets (i.e. bonds).

These assets form a large part of the total assets of Council, and provide significant income which can be used to offset rates. It is therefore critical that policies are in place that firstly, ensure the risk of capital loss is minimised, and secondly, ensure the maximum return is achieved while minimising risk. This policy sets out how this will be achieved.

Introduction

Council recognises that as a responsible public authority all investments held should be low risk. Council also recognises that low risk investments generally mean lower returns. Council can internally borrow from reserve funds ~~in the first instances~~ to meet future capital expenditure requirements~~, unless there is a compelling reason for establishing external debt.~~ where this is appropriate.

Council has an investment portfolio which may include:

- New Zealand Registered Bank deposits
- Local authority bonds
- Corporate bonds
- New Zealand Registered Bank bonds
- Bonds issued by Financial Organisations ("Financials").
- State Owned Enterprise bonds
- Shares
- Forestry
- Property

This combination of investments supports Council's desire to minimise risk while maintaining options for choice of investment to be based on less commercial criteria. An example of this is ownership of elderly persons housing, which is held for the purposes of providing a social benefit to the community. Council's investments in equities have arisen as a result of local authorities on a nation-wide basis trying to gain from bulk purchasing (i.e. Civic Financial Services Ltd), or for strategic purposes such as the equity investment in Transwaste Canterbury Ltd.

For the purpose of managing Council's investments it is necessary to consider them as belonging to four separate categories:

- Working capital
- Investment funds
- Property I (intended to gain a market return, including forestry)
- Property II (intended for community use or held for strategic purposes and for which gaining a market return is not the highest priority).

Policy Objectives

The objectives of Council's Investment Policy are to ensure that:

1. Council's funds are safeguarded and investments and borrowings selected are not detrimental to other areas of the Council's operations. This requires that policy guidance is established to define the investment and borrowing risks acceptable to Council.

2. Council's investment and borrowing activities satisfy the legislation controlling Council's ability to invest and borrow, and the prudent person concept as per the Trustee Amendment Act 1988.

3. Council's investments, both in financial instruments and physical assets, are managed so as to maximise the return, given the maturity profile chosen and within acceptable risk constraints.

4. Additions and disposals of investments are controlled to achieve the greatest benefit for Council while minimising risk.

5. The use of income and gains made by investments is ~~regulated~~ applied per Council's revenue and financing policy.

6. Council is adequately informed of investments by way of regular reporting.

7. Existing investments held by Council, that do not meet the criteria contained elsewhere in this document, are reviewed individually and are either disposed of or some justification made in writing for their retention and that they be reviewed on a regular basis.

8. ~~Accurate and timely information is produced to maintain appropriate control, exposure monitoring and performance measurement in relation to investment activity.~~

Policy Implementation

Safeguarding Council's investments and other interests

In order to safeguard Council's interests it is necessary for two criteria to be achieved:

1. The possibility of Council suffering financial loss due to *natural disaster and deterioration*, *interest rate risk* and/or *credit risk* must be minimised while sufficient liquidity is maintained to meet Council's day-to-day monetary needs.

2. ~~Controls and procedures are implemented to ensure that Council officers are adhering to the policy requirements.~~

Minimisation of interest rate risk, credit risk and the maintenance of liquidity

Natural disaster and deterioration

The value of Council-owned buildings must be protected by adequate insurance being held against loss by fire and natural disaster and must be maintained as per the relevant asset management plan.

Forestry plantations are to be insured against fire and are to be maintained as per the Forestry Activity Management Plan.

Interest rate risk

The choice of a portfolio's maturity profile is the key to management of interest rate risk. Both debt and investments are subject to this risk. It is necessary to select the term of investments or debt depending on the volatility of the particular market as the longer the term of the transaction, the greater the effect of any movement in the underlying interest rate.

The use of risk management products as detailed in *Guidelines to the Treasury Management Policy* should be considered when any sizeable, long term investment is made. Professional advice should be sought when using these products.

Credit risk

The risk of default by the other party to an investment is best minimised by combining the careful selection of investments which conform to a minimum credit rating and by diversifying the investment portfolio.

As Council is effectively a trustee for public money it must act conservatively, only financial market investments authorised in Appendix I are to be entered into. Investments outside these provisions must only be undertaken with the express consent of Council and subject to criteria specified in this policy.

Diversification of the investment portfolio ensures that only a limited sum is invested in any risk bearing instrument from a single issuer or with a single class of issuer. The lower the credit risk of the issuer or class of issuer, the larger the proportion of funds that may be invested with that issuer or class of issuer.

Council has set limitations on investing with a single issuer or class of issuers for working capital and investment funds. Investment in shares for investment, other than through an equity managed fund are not permitted. This is due to the high risk nature of the share market and the potential for the loss of principal which is less likely to occur through other financial instruments.

Controls and Procedures for Investing

Council acknowledges it is important to clearly document internal control and procedures for investing. These procedures ensure the risk of error and loss to Council are minimised. ~~See Part II of this policy for details of these controls and procedures.~~

Meeting Legislative Requirements

Council's investment ~~and borrowing~~ must meet all relevant legislative requirements. ~~Most legislation concerning borrowing and investment activities of local authorities is specific and allows little room for subjective decision making. It is essential Council does not contravene any such legislation.~~

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk. ~~but leaves Treasury with only one, very broad, guideline.~~ Ratepayers, in their own capacity, can make decisions on investing in high risk investments but they do not expect Council to get involved in such dealings. Council is a custodian of public money not an organisation whose function is dealing in investment management.

Council officers and elected representatives have a duty to ensure that investment funds are protected and that ~~debt and~~ investments are of an acceptable credit risk defined by this policy.

Managing Investments

Maximising Return

In order for returns on investments to be maximised it is necessary for attention to be paid to several areas:

1. What types of investments should Council be involved in?

    - Should investments be long or short-term?
    - Should investments consist of assets or financial instruments?
    - When are "community projects" a suitable investment?

2. Does the return on these investments match or better Council's required rate of return?

    - Should there be different rates for different types of investment?
    - How should Council's required rate of return be set?

Council acknowledges that any increases in return are likely to bring increased risk. ~~As Council must invest conservatively, the maximisation of returns has a relatively low ceiling.~~

Determining the type of investments Council should be involved in:

a) Duration of investments

As the achievement of prior objectives requires that Council's portfolio be diversified in terms of duration it is necessary to maintain a mix of both short and long-term investments, with regard given to whether funds invested are part of the working capital or the investment fund.

The duration of the long-term funds portfolio shall be controlled by referencing its duration against an appropriate external benchmark. Council is able to vary the duration of the portfolio by no more than 25% either side of the benchmark portfolio's duration. Compliance with the duration control is not required if the nominal value of the long term funds portfolio is less than $10 ~~$15~~ million ~~over a rolling 12 month period~~.

b) Type of Investment

Investment risk needs to be minimised. This is achieved, in the case of financial market investments, by restricting investments through a combination of credit criteria, ~~and~~ limiting investment in any issuer class and in any one individual issuer and by the types of financial market instruments that may be invested in.

It must also be noted that a variety of legislation applies to the purchase, sale and use of property by local authorities including:

- Local Government Act 2002
- Public Works Act 1981
- Public Bodies Leases Act 1969
- Reserves Act 1977
- Residential Tenancy Act 1986
- Resource Management Act 1991

c) Investments in Property

Investments in property fall into three classes:

i) Leased property

The types of assets Council invests in on a commercial basis currently include residential property, commercial property and farm land as well as a large number of commercial and residential properties which are leased via "Glasgow leases".

At present the return on these investments is mixed. Glasgow lease properties have typically provided low returns (as little as 2% on some properties). Part of the reason for this is the restrictions faced by local authorities in leasing land. These restrictions mean Council may find it difficult to divest itself of these assets.

~~No further Glasgow leases are to be entered into and~~ Council may seek professional advice before purchasing any ~~more~~ land for other investment purposes.

ii) Forestry

Investment in forestry has been the subject of investment planning within Council and adheres to this investment plan.

The key points of this are as follows:

- profit is to be maximised while minimising risks through management of the tree crop and selection of low risk land for plantings
- benefits of any new forestry projects to be measured using the "internal rate of return" method where the target rate of return = 10 year govt. bonds - inflation + risk.

iii) Non-commercial properties

Council holds buildings (such as the Ashburton Art Gallery and Heritage Centre premises) for non-commercial purposes and as such does not seek a market return on them nor adequate provision for their eventual replacement. It also holds a number of units let to elderly persons in the district at a concessionary rate. Council has identified properties it holds for non-commercial purposes and a schedule of these is available.

(c) Investments in community projects

From time to time groups within the community request loans, advances or guarantees for projects that will benefit the community. As these investments are with organisations Council would not normally invest with, Council needs to ~~debate~~ confirm the suitability of any loan application. ~~During this process~~ Councillors should pay particular regard to the ability of the applicant to service the debt and repay principal. Council is responsible for authorising any such loans, advances or guarantees.

(d) Share Investments

Council believes it may be appropriate to have limited investment in equity (shares) when investing for strategic or social reasons. Equity investments for strategic or social reasons will be approved by Council on a case by case basis.

Return on Investments

Categories of investment

As different investments made by Council serve different purposes it is necessary for the return from these investments to be judged using appropriate criteria. For the purpose of assessing the return received from investments, the following categories of investment are to be assessed separately:

- Working capital } Financial instruments and managed fund investments
- Investment (long term) funds }
- Commercial property (intended to gain a market return including forestry)
- Non-commercial property (intended for community use and not aimed at gaining a market return)

Required return on investment

Generally the term of any investment has a large effect on the rate of return received, with long term investments normally gaining a higher return than short term investments other than those in the interest rate markets where yield fluctuations can be pronounced. Given this, each category of investment is to be subject to a different required rate of return.

Financial Instruments

(a) Working Capital

As the bulk of funds invested as working capital is in the form of deposits with New Zealand Registered Banks, the required rate of return for working capital is the movement in the industry standard short-term rate indices or other indices that are appropriate. The nominal value of this fund is to be determined by the Group Manager Business Support, taking into account the working capital requirements of Council. Short-term funds are defined as investments which at the time of purchase have a maturity date of less than six months.

Performance of the working capital (short-term) funds

The performance of the short-term funds portfolio shall be compared on a quarterly basis against the average of the ~~call rate and the 30, 60,~~ 90 ~~and 180~~ day bank bill rate~~s~~ for the preceding quarter. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average is less than $10 million for the relevant quarter.

(b) Investment (long-term) funds

Long-term funds are defined as those which at the time of purchase have a maturity date of more than six months. The nominal value of long-term funds is determined by the Group Manager Business Support taking into account the amount of funds required for working capital purposes. Due to the large choice of investments available and the variations in their duration, the required rate of return on investments is measured against appropriate external benchmarks.

Performance of the investment funds

The performance of the financial market investments long-term funds portfolio shall be compared against ~~an external benchmark such as one of~~ the NZX~~'s~~ ~~portfolios~~ Investment Grade Bond Index or a benchmark portfolio constructed for Council. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average less than $10 ~~$15~~ million for the relevant quarter.

Investments in long-term funds must comply with the criteria listed in Appendix I.

Commercial Property: Ideally property should perform as well as a long-term financial investment i.e. it should be required to have a net return equal to the 10 year government bond rate - inflation + risk to reflect the long term nature. The benefits received from property should be assessed using the "internal rate of return" method as this allows some estimation of capital gains to be included. This should be used as a benchmark to determine which properties should be disposed of (if possible), and which should be retained.

Non-commercial Property: As these properties are acquired for specific purposes the required return will be set in each case by Council at the time the property is acquired or transferred to its non-commercial use and reviewed every three years. ~~During this process it should first be established that the property is either required for the intended purpose or, that it is being used for some other non-commercial purpose. Secondly the return required from the use of the property should be re-established. Properties already existing in this category should be brought within this review process.~~

Local Government Funding Agency

Despite anything earlier in this Investment Policy the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- Obtain a return on the investment
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council

Because of this dual objective, the council may invest in LGFA shares on the basis that the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required, in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

Part II – Liability Management Policy

The Liability Management Policy focuses on borrowing (external and internal) as this is most significant component of Council's liabilities and exposes Council to the most significant risks. Council raises debt to finance longer term asset creation and renewal. This policy details how Council will raise debt funding, and minimise the cost of debt.

Liabilities

Council is faced with two types of liability, short-term (current) liabilities and long-term liabilities (debt). Current liabilities are those obligations that generally arise from day to day operations (such as trade creditors), and that would normally be expected to be paid (settled) within a twelve month period. These liabilities are planned for, and met, from Council's working capital cash flow management. This policy is more focused on the long term liabilities (loans) which have arisen as a result of purchasing or constructing assets.

This policy sets out the types of debt instruments that are appropriate and sets out policies to minimise the interest risks to Council from borrowings.

Internal borrowing/ investing

This policy explicitly allows for internal borrowing against the investment pool Council maintains. This may be in lieu of external borrowing or may be used together with external fund raising. The policy sets out matters that need to be considered when borrowing either internally or externally.

Policy objectives

The objectives of the Liability Management Policy are to ensure that:

1. Council's borrowings are not detrimental to other areas of the Council's operations. This requires that policy guidance is established to define the borrowing risks acceptable to Council.

2. Borrowing activities satisfy the legislation controlling Council's ability to borrow, and the prudent person concept as per the Trustee Amendment Act 1988.

3. Borrowing is managed so as to minimise total borrowing costs given the maturity profile chosen and within acceptable risk constraints.

4. Council is adequately informed of borrowing, by way of regular reporting.

5. Existing debt held by Council, that does not meet the criteria contained elsewhere in this document, is reviewed individually and is either disposed of or some justification made in writing for its retention and that it be reviewed on a regular basis.

6. Council is able to meet its borrowing obligations in an orderly manner as and when they fall due, in both the short and long-term, through appropriate liquidity and funding risk management.

7. Appropriate funding facilities are arranged, ensuring these are at market related margins utilising bank debt facilities and /or capital markets (including the LGFA) as appropriate.

8. Lender relationships are maintained and Council's general borrowing profile in the capital markets enables Council to fund itself appropriately at all times.

9. ~~Accurate and timely information is produced to maintain appropriate control, exposure monitoring and performance measurement in relation to the liability management process.~~

10. Council stays within its debt covenants contained in LGFA agreements and the Financial Strategy

Policy implementation

~~Safeguarding Council's investments and other interests~~

~~In order to safeguard Council's interests it is necessary for two criteria to be achieved:~~

1. ~~The possibility of Council suffering financial loss due to natural disaster and deterioration, interest rate risk and/or credit risk must be minimised while sufficient liquidity is maintained to meet Council's day-to-day monetary needs.~~

2. ~~Controls and procedures are implemented to ensure that Council officers are adhering to the policy requirements.~~

Minimising interest rate risk, credit risk and the maintenance of liquidity

The choice of a debt portfolio's maturity profile is one of the keys to management of interest rate risk. Debt is subject to this risk. It is necessary to select the term of debt depending on the volatility of the particular market as the longer the term of the transaction the greater the effect of any movement in the interest rate.

The use of risk management products to manage the underlying interest rate risk as detailed in *Guidelines to the Treasury Management Policy* should be ~~considered~~ utilised when a large debt portfolio is ~~are~~ being structured. ~~Professional~~ Specialist independent external advice should be sought when using these products.

Meeting Legislative Requirements

Council's debt management must meet all relevant legislative requirements.

~~Much legislation concerning debt activities of local authorities is specific and allows little room for subjective decision making. It is essential that Council does not contravene any such legislation.~~

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk~~. but it leaves Treasury with only one, very broad, guideline.~~ Ratepayers, in their own capacity, can make decisions on borrowings but may have different concerns regarding the types of debt Council takes on. Council is not an organisation whose function primarily is dealing in liability management.

Council officers and elected members have a duty to ensure that borrowings are undertaken as per the criteria set out in this policy.

Controls and Procedures for Borrowing

Internal controls and procedures for borrowing are to be clearly documented. ~~These need to ensure the risk of error and loss to Council are minimised.~~ These procedures are detailed in ~~Part II of this~~ separate *Guidelines to the Treasury Management Policy*

Management of borrowing

~~In entering into a borrowing transaction sufficient inquiries should be made to enable the selection of the transaction with the lowest total costs of those currently available.~~ When entering into a borrowing transaction, factors such as the type of debt, term of the debt, its all-up cost (including any ancillary internal and external costs) and its compatibility with the existing debt portfolio shall be considered. ~~These costs include internal administrative costs, managerial resources, interest expense, advisory fees and the transaction costs specific to that form of debt.~~

At various times it may be possible to refinance a debt in such a way as to reduce the total costs of the transaction. Any such refinancing must take into account the cost/benefit characteristics of the proposed transaction ~~additional costs of refinancing~~ and how the ~~new~~ transaction fits within the context of other sections of this policy.

Council will maintain an overdraft facility of at least $500,000 for day to day cash management purposes.

Council will consider both “interest only” and “principal and interest” repayment loans at the time of raising a loan. If “interest only” loans are raised a funding reserve will be set up to accumulate funds until principal repayments are required as per the applicable loan agreement.

Where possible, Council will secure borrowing against rates revenue in order to gain lower borrowing costs. Physical assets will only be pledged where:

- There is a direct relationship between the debt and the asset purchase/construction e.g. operating lease or project finance
- Council considers a pledge of physical assets to be more appropriate than a pledge of rates

Debt instruments

The following funding instruments and methods may be used to raise external debt:

- Committed bank facilities
- Uncommitted bank facilities
- Commercial Paper issued by Council or the LGFA

- Local Authority debt instruments ~~Bonds~~ issued by Council which include Fixed Rate Bonds and Floating Rate Notes.
- LGFA ~~Local Government Funding Agency~~ debt.

Long-term debt limits

Debt should be maintained within the following limits:

- Net interest costs to be less than 20% of total revenue
- Net interest costs to be less than 25% of total rates revenue
- Net debt shall not exceed 250% of total revenue.
- Available financial Accommodation to external indebtedness to be greater than 110%

Refer to the Financial Strategy section of the Long Term Plan ~~2018-28~~ 2021-31 for more information on Council's debt limits.

Fixed rate hedging percentages

Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0-2 years	40~~50~~%	100%
2-~~5~~ 4 years	20~~25~~%	80%
~~5-10~~ 4-8 years	0%	60%

Fixed rate hedging in excess of ~~10~~ 8 years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

The fixed rate hedging percentages shall apply to the core debt of Council as detailed in the Long Term Plan/ Annual Plan or as otherwise amended by the ~~Finance~~ Group Manager Business Support. However, if core debt is less than ~~$25~~ $15 million interest rate hedging is at the discretion of the ~~Finance~~ Group Manager Business Support.

Debt repayment

Council will make provision for the repayment of debt over the life of the asset for which the loan has been raised, however it is not possible or practical in many circumstances to match the life of an asset with the underlying debt. This will be achieved either by making regular loan repayments or provision of sinking funds to be used to extinguish debt at a future time.

Authorised interest rate risk management instruments: The Finance Manager may use the following interest rate risk management instruments to manage the core debt of Council.

- Forward rate agreements
- Interest rate swaps
- Forward start interest rate swaps

- Swaptions (options on swaps)
- Interest rate options
- Interest rate collar type structures but only in a ratio of 1:1

It is recognised that the issuance of Fixed Rate Bonds is an acceptable method of achieving compliance with the fixed rate hedging percentages.

Definitions of the above instruments are contained in *Guidelines to the Treasury Management Policy*.

Management of funding and liquidity risk: Council must ensure that it has sufficient funds available to meet its obligations as they fall due. Liquidity is improved by maintaining a diversified portfolio of debt and investment with varying degrees of liquidity and maturity dates. This is necessary to allow Council to access funds before maturity should the need arise and to prevent large amounts of debt falling due at the same time.

To avoid a concentration of debt maturity dates, where practicable no more than 50% of total debt can be refinanced in any rolling 12 month period.

Council must maintain access to liquidity ~~committed funding lines~~ of not less than 110% of projected core debt. Liquidity can include committed bank facilities, bank cash and term deposits and fixed interest investments. Core debt is defined as that contained in the Long Term Plan/ Annual Plan or as otherwise determined by the Group ~~Finance~~ Manager Business Support.

Internal borrowing

Internal borrowing against the investment pool Council maintains may be used in lieu of external borrowing. This policy applies whether the loans are internal or external and is governed by the policy covering Council investments in the document.

Local Government Funding Agency

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

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required
- Subscribe for shares and uncalled capital in the LGFA
- Secure its borrowing from the LGFA and the performance of other obligations to the LGHFA or its creditors with a charge over the Council's rates and rates revenue.

Part III – Accountability

[Clauses 2.1 and 2.2 of Part III transferred to the *Guidelines to the Treasury Management Policy*.]

Reporting

To ensure that the Treasury Management Policy is being adhered to, the ~~Finance~~ Group Manager Business Support must keep abreast of significant changes in the market which could lead to an alteration in policy, strategy or the nature of investments or liabilities held. The ~~Finance~~ Group Manager Business Support is ~~ultimately~~ responsible to Council to ensure the policies are adhered to and should report to either Council or the Chairman of the responsible Standing Committee on a regular basis providing relevant details of the portfolio excluding property.

For financial market investments, the Finance Manager will submit a monthly summary report (as contained in Council's financial variance report) to Council or the responsible Standing Committee outlining:

- term of investments
- interest rates
- movements in portfolio
- any other appropriate measures contained in this policy.

For property investments, the Property Manager and District Forester will submit an annual property investment report to either Council or the responsible Standing Committee detailing:

- investments held (Commercial and Non-commercial)
- the rate of return received by investments (Commercial and Non-commercial)
- confirming adequate insurances are held where appropriate
- movements in portfolio
- maintenance of assets has been carried out as per the relevant asset plan
- revaluations have been carried out where applicable.

For the debt portfolio, the Finance Manager shall present a monthly report to Council or the responsible Standing Committee which contains the following:

- Total debt facility utilisation, including any debt sourced from a bank, the capital markets and the LGFA
- Interest rate maturity profile against percentage hedging limits
- New hedging transactions completed – interest rate risk management
- Weighted average cost of funds
- Funding profile against the policy limits
- Liquidity profile against the policy limits
- Exception reporting as required
- Summary of any unresolved exception reports
- Statement of policy compliance

Appendix I

Authorised investment criteria for short term funds and long term funds

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	• Government Stock • Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Local Authorities where rates are used as security	60%	• Commercial Paper • Bonds/MTNs/FRNs	Not Applicable	$2.0 million $2.0 million
New Zealand Registered Banks	100%	• Call/Deposits/Bank Bills/Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1+ ~~or better~~ Short term S&P rating of A-1 Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA – or better	$20.0 million per bank $7.5 million per bank $1.0 million $2.0 million $3.0 million $4.0 million
State Owned Enterprises	70%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million

Corporates	60%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long termS&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA -or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Financials	30%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 milliom

The combined holdings of corporates and financials shall not exceed 70% of the portfolio

The combined holdings of entities rated BBB and/or BBB+ shall not exceed 25% of the portfolio

Appendix II

[All of Appendix II transferred to *Guidelines to the Treasury Management Policy*]

Appendix III

[All of Appendix III transferred to *Guidelines to the Treasury Management Policy*]

Guidelines

OPERATING GUIDELINES TO THE TREASURY MANAGEMENT POLICY

Investment Policy & Liability Management Policy

TEAM:	Finance
RESPONSIBILITY:	Finance Manager
APPROVED:	17 February 2021
REVIEW:	Every 3 years, or as required
RELATED DOCUMENTS:	Treasury Management Policy 2021

Guideline Objective

This Guideline details the procedures in respect of all treasury activity to be undertaken by Ashburton District Council under its Treasury Management Policy. The formalisation of such procedures will enable treasury risks within Council to be prudently managed.

Part I - Operations:

This section details the day-to-day administration of investments and borrowing of Council, including the controls and procedures used to ensure a clear audit trail of treasury activity and the accountability to Council.

Appendices

Appendix A – Authorised interest rate risk management instruments.

Appendix B – Financial market investment instruments.

Part I – Operations

This section details procedures and controls to be used by Treasury in order to provide a clear audit trail as to movements in the investments and borrowings undertaken by Council.

2.1 Duties and responsibilities

Duties and responsibilities under this policy are:

Full Council

- Approve the Treasury Management Policy including any amendments proposed by the Finance & Business Support committee
- Approve any hedging outside the parameters of the Treasury Management Policy
- Approve use of any risk management products not authorised by Treasury Management Policy
- Monitor Treasury performance through receipt of appropriate reporting.
- Approve overall borrowing limits on an annual basis through the Long-Term Plan/ Annual Plan process.

Finance & Business Support committee

- Review the Treasury Management Policy every three years or on an "as required' basis and submit any recommended changes to Council for approval.
- Monitor and review the ongoing Treasury performance of Council and compliance with the Treasury Management Policy parameters through receipt of regular reporting.
- Approve any new borrowing facilities recommended by the Finance Manager within overall borrowing limits approved by Council.

Chief Executive/Group Manager: Business Support

- In the absence of the Finance Manager, undertake all his/her duties as detailed in the Treasury Management Policy or delegate the duties as appropriate.

Finance Manager

- Make decisions in respect to treasury management within the parameters of this policy.
- Report to the Finance & Business Support committee on overall treasury activity on a regular basis.
- Manage the bank lender and capital market relationships, providing financial information to lenders and negotiate new/amended borrowing facilities or methods for approval by the Finance and Business Support committee within Council approved limits.
- Execute treasury transactions in the absence of the accountant.

Financial Accountant

- Execute treasury transactions
- Assist the Finance Manager in the preparation of reports to the Finance and Business Support committee
- Check external confirmations against internal records.

2.2 Controls and procedures

Daily Operations

Before investment decisions can be made, the Finance Manager should be aware of Council's immediate and short term cash flow requirements, taking account of:

- regular identifiable payments, e.g. PAYE and other taxes, loan repayments, payroll expenditure, regional council levies

- regular identifiable revenue, e.g. rates, subsidies, interest receipts, annual fees and charges, and debtor and creditor cashflows

Some significant payments will not be identifiable until a few days prior to payment and therefore the Finance Manager needs to leave sufficient liquidity in Council's investment policy to allow for these. Working capital is to be a ratio of 2:1 against current liabilities. Close liaison with other Council departments is essential for stringent cash flow management.

Account must be taken on a regular basis of both working capital and investment funds to allow investment decisions to be made. Working capital funds need to be assessed more frequently than investment funds to allow Council to meet its financial commitments. Loan funds and sinking funds are of a more controlled nature, and management of these funds therefore also requires less frequent attention than the working capital fund.

When making investments documentation must have the signature of the Finance Manager and any one of the Accountant, Accounts Officer, or Group Manager – Business Support. For investments made by direct debit, coding from the bank statement must be performed by either the Accounts Officer or Accounts Clerk in order to ensure that the person responsible for the initiation of the transaction is not involved in recording it.

To assist with daily operations the Finance Manager should have a good working relationship with Council's bank representative and also with Council's financial advisor. This will enable the Finance Manager to better evaluate investment opportunities.

Portfolio management

The Finance Manager needs to be aware of investment maturities in each portfolio for three reasons:

- To be aware of interest payment dates
- To ensure investments are actioned on maturity
- To determine whether maturing investments are required to meet cash outflows or are available for reinvestment

Each investment should be separately itemised along with the following details:

- Type of security and issuer
- Interest rate
- Commencement date
- Maturity date
- Type and amount of funds invested, e.g. Working capital or long-term funds
- Supporting documentation to evidence the transaction.

To assist this process, each investment should be numbered. A control account should be used, setting out the types of security and also the types of funds. This will provide a basis for a monthly reconciliation to the ledger and simplify the categorisation of investments held. Upon sale or maturity of each investment, details of the course of action taken should be noted, and where full or partial reinvestment is made, all details should be recorded on the maturing investment. A clear audit trail should be maintained, setting out in chronological order the various investments (by fund type) showing investment reference, amount and security type.

Matching maturities to cash flow requirements is an important part of portfolio management and the Finance Manager must be able to obtain funds when required. Working capital investments would typically be placed on deposit from call to 90 days. In managing the portfolio the Finance Manager will need to continually monitor changes in market conditions. Timely reaction to changes in the market is an essential part of effective funds management.

Informed Decision Making: Two of the key factors in making sound investment decisions are having adequate information with respect to: the financial market; and the funding requirements and objectives of Council. It is important for staff involved in fund management to continually monitor financial markets. This can be done in a number of ways, including:

- Daily contact with financial institutions;
- Reviewing various publications ranging from the business section in the local paper, a metropolitan paper and the National Business Review, etc.
- Monitoring political statements and events in parliament,
- Reviewing Council reports and daily contact with senior staff
- Maintaining a close working relationship with Council's financial advisors.

2.3 Accountability Reporting (This section is restated from the Treasury Management Policy)

To ensure that the Treasury Management Policy is being adhered to, the ~~Finance~~ Group Manager Business Support must keep abreast of significant changes in the market which could lead to an alteration in policy, strategy or the nature of investments or liabilities held. The ~~Finance~~ Group Manager Business Support is ~~ultimately~~ responsible to Council to ensure the policies are adhered to and should report to either Council or the Chairman of the responsible Standing Committee on a regular basis providing relevant details of the portfolio excluding property.

For financial market investments, the Finance Manager will submit a monthly summary report (as contained in Council's financial variance report) to Council or the responsible Standing Committee outlining:

- term of investments
- interest rates
- movements in portfolio
- any other appropriate measures contained in this policy.

For property investments, the Property Manager and District Forester will submit an annual property investment report to either Council or the responsible Standing Committee detailing:

- investments held (Commercial and Non-commercial)
- the rate of return received by investments (Commercial and Non-commercial)
- confirming adequate insurances are held where appropriate
- movements in portfolio
- maintenance of assets has been carried out as per the relevant asset plan
- revaluations have been carried out where applicable.

For the debt portfolio, the Finance Manager shall present a monthly report to Council or the responsible Standing Committee which contains the following:

- Total debt facility utilisation, including any debt sourced from a bank, the capital markets and the LGFA
- Interest rate maturity profile against percentage hedging limits
- New hedging transactions completed – interest rate risk management
- Weighted average cost of funds
- Funding profile against the policy limits
- Liquidity profile against the policy limits
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Appendix A

Authorised interest rate risk management instruments

1. Forward rate agreement

An agreement between Council and a counterparty (usually a bank) protecting Council against a future adverse interest rate movement. Council and the counterparty agree to a notional future principal amount, the future interest rate, the date and the benchmark rate, which is listed on BKBM contained in the Reuters system.

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period. A forward rate agreement (FRA) typically applies to a 3 month period, starting at some point within the next 12 months.

2. Interest rate swap

An interest rate swap is an agreement between the Council and a counterparty (usually a bank) protecting Council against a future interest rate movement. Council pays a fixed interest rate and receives a floating interest rate. The parties agree to a notional principal amount, the future interest rate, the settlement dates and the benchmark floating rate, which is listed on BKBM contained on the Reuters system.

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal for an agreed period. Floating rate sets are typically every 1 or 3 months over the life of the swap.

3. Forward start interest rate swap

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period, commencing at a future point in time. All other conditions are as with an interest rate swap.

4. Options on a swap – “swaption”

Objective

To provide Council with the right, but not the obligation, to enter into a fixed rate swap at a future point in time on an agreed principal amount for an agreed period. A swaption is an option on a swap and typically requires a premium to be paid.

5. Interest rate options

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right, but not the obligation to borrow (described as a cap) or invest (described as a floor) at a future date. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark floating rate which is listed on BKBM contained on the Reuters system.

Objective

To provide Council with worst case cover on its interest rate cost on an agreed principal amount for an agreed period. As for an interest rate swap, rate sets are typically at each 1 or 3 month date for the life of the option. A premium is payable for entering into an interest rate option.

6. Interest rate collar

The combined purchase (or sale) of a cap or a floor with the sale (or purchase) of another floor or cap.

Objective

To provide Council with certainty to its interest rate cost on an agreed principal amount for an agreed period, but at the same time to avoid the need to pay an upfront premium.

Appendix B

Financial market investment instruments

1. Introduction

This section provides a brief introduction to a number of financial market instruments. It covers such aspects as the security, liquidity, pricing, payment and delivery of these instruments.

Instrument characteristics

1.1. Expected return

Government stock is a risk free investment and as such regarded as the benchmark from which the pricing of other investments is determined. For an investment with a higher risk than government stock to be acceptable the return must be proportionately higher.

Although greater returns may be achieved by investing in higher yielding stocks, e.g. in company debentures rather than government stock, the Finance Manager must be satisfied the higher yield represents the extra margin generally required to compensate the investor for increased risk.

1.2. Duration

The duration of investments can vary from a one day term, such as call deposits, to a long term (e.g. 10 years). Ideally, the duration of the investment selected should be determined with reference to the planned expenditure of Council, i.e. investment maturities should closely match expected cash outflows. Duration is not a major concern if the investment is particularly liquid.

If we assume a case where a cash outflow will occur in one year from date of deposit and investment opportunities are considered to be significantly better for a two year term then the decision may be to:

i) Invest for one year to match cash outflow, or

ii) Invest for at least 2 years, optimising return on investment, while ensuring the investment has liquidity characteristics which will allow its sale when required.

Note that a risk of adverse interest rate movements exists and must be recognised by the Finance Manager in the context of the overall management of the portfolio.

1.3. Liquidity

Liquidity is provided where there are sufficient buyers for an investment instrument whenever there are sellers. Lack of liquidity may force the seller to discount the price below its current market value. The liquidity of an instrument is affected by characteristics such as the creditworthiness of the issuer and the volume of supply.

If Council has sufficient funds to allow a portion of the investment to be unavailable until maturity, then investments with low liquidity characteristics coupled with low default risk often represent an excellent opportunity to maximise return on investment.

Effective funds management will result in a need to liquidate investments only in unpredictable circumstances. As liquidity is important to interest rate risk management it should be considered before expected return in investment decisions.

Types of financial market investment instruments

Treasury Bills ("T. bills")

T. bills have, until recently, been used by the RBNZ to manage primary liquidity in this country. They were issued for the government, when required by the RBNZ, to reduce interest rate volatility and assist with the management of markets affected by interest rate movements. The use of T. bills has now ceased and been replaced by Reserve Bank Bills. T. bills are still available in the market place for short term investment with maturities commonly ranging from 21 days to 180 days.

The issue of T. bills is at the discretion/instruction of the Debt Management Office of Treasury. This enables the Government to borrow in the same fashion as a private company on the short-term market.

The issuer and registrar of T. bills is the RBNZ. A T. bill is government guaranteed and as such is risk free. The liquidity is good, although it was marginally reduced when replaced by the R.B. bill as the tool for primary liquidity. However T. bills can be bought and sold through any bank, broker or merchant bank. These characteristics make the T. bill a good investment for Council in terms of minimising risk.

Pricing of a T. bill is by the standard discounting formula. Payment is by direct credit to an account nominated by the seller. As a registered document the T. bill is transferred into the investor's name at the registry (RBNZ) and a 'statement' of the position held is then mailed to the investor. This statement substitutes for the certificates used for the other securities. When a T. bill is sold, the investor must arrange to have a transfer delivered to the registry on the date of settlement, instructing that the T. bill be placed into the buyer's name. Payment would simultaneously be made to the Council by that buyer.

Upon maturity of a T. bill no delivery of title is required unless a 'Certificate of Title' has been issued. The registry (RBNZ) will automatically make a payment to the registered holder of the maturing bill. In the past T. bills have traded at yields below comparable bank bill yields. However, since T. bills ceased to be used as a tool for primary liquidity their yields have risen to levels similar to bank bills.

NZ Government inflation indexed bonds

These bonds are particularly appropriate to preserve the value of capital over the long term. They are issued vary rarely and have a duration of about 20 years. Every quarter the principal sum is adjusted for movements in the CPI. Generally the index adjustments are lagged. The index adjustment will be the average percentage change of two quarters ending in the quarter two periods prior to that in which the interest payment and principal adjustment date occurs, e.g. a February 2015 principal adjustment is based on the average movement in the CPI over the two quarters ending September 2014. These bonds are tradable, allowing the investor access to their funds before maturity.

Bank bills

Bank bills may be purchased at a fixed interest rate for a given term, generally ranging between 21 days and 95 days, however, terms are negotiated up to 180 days. Bank bills can be issued by any bank registered with the Reserve Bank of New Zealand ("RBNZ") when approached by a borrower. There are always two parties involved when Bank Bills are drawn down with both being named on the bill. The secondary market for bank bills is the most liquid market for short term securities in New Zealand.

Any bank, broker or merchant bank can act as the buying or selling agent for a bank bill, however, professional investors discriminate between the bills issued by the original four trading banks, and those issued by any other registered bank. Bills issued by ANZ, BNZ, Westpac and the National Bank are more liquid than those from the other registered banks. Security is provided by the issuing bank which accepts and endorses the bills. The drawer is the institution or client wishing to borrow funds from the bank. The acceptor of the bill is the issuing bank.

A bank bill is sold at a discount with the face value payable by the borrower at maturity. All money market investments are priced by determining the present value of the cash flows which are being purchased by the investor.

The face value of the bill is discounted at the market interest rate for the term remaining until maturity of the bill, i.e:

- $1,000,000 discounted at 13.75% for 90 days = $967,207.68, OR
- $967,207.68 invested at 13.75% for 90 days = $1,000,000

Delivery is usually arranged by one of two methods:

- physical delivery to the purchaser
- retention of the instrument in safe custody on behalf of the purchaser at the bank where the purchase was made.

A bank bill is a bearer document. Confirmation is by contract note detailing all conditions and terms of the bill. Physical delivery places a security risk on the investor's ability to safely retain such documents in-house but is generally not required where the bank holding the bill is the issuer. Where an agent, other than the acceptor, is holding the instrument on behalf of the investor, the investor is exposed to the risk that no such instrument is being held. Thus the purchaser must be absolutely satisfied with the integrity of the agent or, alternatively, take delivery of the instrument and ensure it is held in safe custody. Recent corporate failure has heightened the awareness of the necessity to obtain and have control over all documents.

Payment is usually made by direct credit to the seller's nominated bank account prior to 4.30 p.m. on the date of settlement. In the case where the bank from which the bank bill is purchased holds the Council's current account, the bank may offer to debit the Council's account for payment. Alternative arrangements can be made for payment if negotiated with the selling party at the time of the transaction.

Maturing bills are repayable on the maturity date specified on the bill. Repayment is credited to a nominated bank account. This will be done automatically by the party holding the bill. However, if the bill is being held in the Council's office it must be delivered to the issuing bank for repayment.

Registered certificate of deposit ("RCD")

RCD's are issued in a similar way to bank bills, enabling the investor to accept a fixed interest rate for a term ranging from 21 to 95 days. They are issued by a bank to raise funds in its own name and bear no reference to any borrower/drawer. Security is offered by the issuing bank which endorses the RCD. An active secondary market exists as the issuing bank will often repurchase its own RCD's ensuring that there is adequate liquidity.

Internal investing

Council may also use the investment funds to finance internal borrowings. The interest and principal would be charged to the Council activity undertaking the borrowing. Matters to be considered are:

- Market loan rates v investment pool rates
- Liquidity of investment pool, i.e. are funds available to use to finance borrowings
- The desired maturity profile for the debt and the investment
- Minimum levels of investment funds required to be held

The aim of internal investing is to provide a win-win situation for the investment pool and the borrowing activity. Internal investment must leave the investment pool in no worse a position then if external investments had taken place. As these investments are repaid via rates, they are considered a low risk investment

Deposits

Deposits are the simplest form of short term money market investment.

To achieve a competitive rate of return interest rate quotes can be obtained by telephone. The investor will then accept the best offer taking account of the rate and the security of the offering institution. The selected institution is then notified and the monies banked to its account. A certificate or note of acceptance is provided confirming the transaction following settlement.

Generally specific security is not offered however, if a specified security is offered this usually becomes the sole security for the investment. In such a case the security instrument should be delivered to the investor. An example would be where an ANZ bank bill is offered as security for a deposit to an organisation which did not itself have a satisfactory credit rating. The credit risk then becomes that of the ANZ bank, not the borrowing organisation as in the event of default by the borrower the bill would be sold to realise the investment funds.

Interest is payable on the amount deposited and a deposit may either be repaid or renegotiated in part or in full upon the maturity date agreed to at inception. If a deposit has been secured, by delivery of some form of security that security must be returned to the party from whom repayment is sought. Repayment will, in most cases, be made to a bank account nominated by Council.

Stocks/Bonds ("Stocks")

In New Zealand, the terms stocks and bonds are used interchangeably. For the purpose of simplicity in this report we have used the more common term 'stocks'. Stocks are issued by a wide variety of organisations, including the government, to raise long term debt at a fixed interest rate.

Typically the shortest term offered is 2 years and, while commonly the longest term is not more than 10 - 12 years, it can be as long as the issuer requires. Generally stocks are registered investments and knowledge of the registry system will enable swift and efficient transfer of ownership. Bearer stocks are rare.

Commercial Paper

Commercial Paper is a short term bearer security issued at a discount by a borrower who promises to repay the face value of the note to the bearer when the note reaches maturity. Because the only name appearing on CP belongs to the issuer, these securities are sometimes referred to as “one name Paper”.

The pricing and marketability of CP is primarily determined by the credit worthiness of the issuer, since it is the issuer who promises to directly repay the bearer of the CP upon maturity. CP is usually issued via an open market tender or dealer system where appointed dealers bid competitively for the CP. An issuer will usually advise the market of its intention to tender CP on a “same day” basis i.e. the market is usually given a few hours’ notice. A fixed amount is normally offered for tender, with successful bidders being allocated the notes according to the lowest yields bid.

CP may be issued with a term to maturity ranging from 7 to 365 days though maturities of more than one year can and have been arranged the majority of the CP issued in the New Zealand market are for terms of 30 60 or 90 days. Similar to bank bills, the market price is determined as a discount on the face value of the note using the following formula:

Market price = FV/(1+(Y/100)*(n/365)

Where: FV = face value

Y = yield to maturity

n = number of days to maturity

Investors price P. Notes at a margin over bank bills for a similar maturity. The basis point margin over bank bill bid rate (BBBR) will reflect an investor’s assessment of the credit risk of the particular issuer and the paper’s marketability or liquidity.

Debentures

Debentures are a form of debt security issued by organisations pursuant to a trust deed. Until 1986 debenture issues were quite common in both the wholesale and retail markets. Debentures are now common only in the retail investor market.

Liquidity is low for debentures. Corporate borrowers have moved from issuing debentures, as was common in the early 1980's, to the use of P. notes or stock issues. This has reduced the volume of debentures available for financial market trading and thus their liquidity. A lack of homogeneity in maturity and interest payment dates also restricts the liquidity of the debenture market.

Security on debentures must be assessed carefully as consideration must be given to the security of the issuing organisation and to the ranking of the debenture. In a very similar fashion to the way mortgages may be registered as first or second, debentures may be first ranking or second ranking.

Debentures are priced on a yield to maturity in a similar fashion to other debt securities, such as stocks and money market investments.

Interest payment dates also vary more on debentures than on the instruments previously described. Several companies chose to debentures with semi-annual interest payments however, others issuing them with quarterly interest payments and in some cases compounding interest facilities.

Registration of debentures is often kept by the issuing company; however, it is not uncommon for a registry service to be employed. Certificates are issued to the investors and must be stored securely as return of this document is required before repayment will be made on maturity. If the certificate is lost a legal indemnity must be signed acknowledging responsibility for the loss before another will be issued.

Mortgages - Council as Mortgagor

Commercial or residential mortgages may be issued at the request of the Council. While it is not advisable for the Council to invest in mortgage secured loans as a commercial investment, there may be times when social objectives will override commercial objectives. If such a mortgage investment is made the funds offered should not exceed 65% of an independent registered valuation obtained by Council. The mortgage security should in every case be a first mortgage security. Due consideration must be given to the borrower's ability to repay over the term of the loan. In making this assessment Council may require independent professional advice. Repayments of capital and interest should, in all cases, be made by regular automatic payments to Council's account on predetermined dates.

Equities/Registered Mortgages

Investment in equities (shares) and registered mortgages may be made by Council and would need direct Council approval. Should Council wish to invest directly in equities/registered mortgages it should take professional advice.

Council

17 March 2021

8. *Closed Circuit Television (CCTV) Policy*

Author	*Mel Neumann; Graduate Policy Advisor*
Activity Manager	*Toni Durham; Strategy and Policy Manager*
GM Responsible	*Jane Donaldson; Group Manager Strategy and Compliance*
	Steve Fabish; Group Manager Community Services

Summary

- The purpose of this report is to recommend to Council that the amended Closed Circuit Television (CCTV) Policy be adopted, and the amended guidelines be received.

Recommendation

1. **That** Council adopts the amended Closed Circuit Television (CCTV) Policy.
2. **That** Council receives the amended Closed Circuit Television (CCTV) Guidelines.

Attachments

Appendix 1 Closed Circuit Television (CCTV) Policy
Appendix 2 Closed Circuit Television (CCTV) Guidelines

Background

Current situation

1. The CCTV Policy was last adopted by Council in March 2016, and is required to be reviewed every five years. The policy is now due for review.

2. Officers have determined that minor updates to the policy and internal guidelines are required.

3. Changes applied to the policy and guidelines include:

    - listing the Community Services Group Manager as the manager responsible for the policy and guidelines;
    - adding Community Services Group Manager into the release of images process;
    - correcting staff titles following the organisational restructure;
    - updates to the form for new and additional CCTV requests;
    - updating ‘Privacy Act 1993’ to ‘Privacy Act 2020’; and
    - listing additional camera locations.

4. Having a CCTV Policy helps to:

    - protect the rights of individuals in line with the Privacy Act 2020 and our Customer Privacy Policy
    - provide clarity on Council’s processes regarding CCTV
    - contribute to community safety.

Options analysis

Option 1 – adopt policy (recommended)

5. This is the recommended option and would see Council adopting our amended CCTV Policy.

6. Advantages: the updated policy includes changes in line with legislative and organisational changes since the policy was last adopted.

7. Disadvantages: there are no disadvantages to this option.

Option 2 – do not adopt policy

8. This option would see us keeping our current policy. It is not considered best practice and therefore is not recommended.

9. Advantages: there are no advantages to this option.

10. Disadvantages: the policy is not in line with current legislation and organisational structure.

Legal/policy implications

11. Our amended CCTV Policy is in line with our Customer Privacy Policy and is consistent with the requirements of the Privacy Act 2020, Local Government Act 2002, and the Search and Surveillance Act 2012.

Financial implications

Requirement	Explanation
What is the cost?	There is no cost to adopt the amended CCTV policy
Is there budget available in LTP / AP?	Not required
Where is the funding coming from?	Not required
Are there any future budget implications?	No
Finance review required?	No

Significance assessment

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low
Level of *engagement* selected	1. Inform – one way communication
Rationale for selecting level of engagement	• Community interest is very low – previous consultation saw only one submission • Only minor changes have been made to the policy
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

Date	Action / milestone
2026	Policy due for review

Policy

CLOSED CIRCUIT TELEVISION (CCTV)

GROUP:	**Community Services**
RESPONSIBILITY:	**Community Services Group Manager**
ADOPTED:	**XXX**
REVIEW:	**Every five years, or as required**
CONSULTATION:	**Required**
RELATED DOCUMENTS:	**Ashburton District Council CCTV Guidelines – Public Places, Local Government Act 2002, Privacy Act 2020, Privacy and CCTV; A guide to the Privacy Act for business, agencies and organisations (Office of the Privacy Commissioner - 2009), Search and Surveillance Act 2012.**

Policy Objectives

- To outline how Ashburton District Council (ADC) operates CCTV cameras and the use of images obtained from CCTV footage.
- To ensure the protection of privacy of individuals in accordance with the Privacy Act 2020.
- To encourage a safer environment for the community and the protection of Council assets and infrastructure.
- This policy applies to all Council owned and administrated land.

Policy Statement

1. Location of Cameras

1.1 The location and placement of cameras will be determined by authorised Council staff and specialist consultants.
1.2 Signs will be installed in areas where ADC is operating a CCTV system.
1.3 The placement of cameras will not interfere with the normal activities of the space where it is placed, nor unreasonably intrude on the privacy of individuals.
1.4 The specific location of monitored CCTV cameras will be listed in the CCTV Guidelines – Public Places.
1.5 Council may expand the CCTV system if required.

2. Intended purposes of CCTV cameras

2.1 The intended purposes of the CCTV cameras include (but are not limited to):
- Increasing public safety

- Discouraging crime
- Preventing public disorder
- Evidence gathering with respect to crime prevention.

3. Access, storage and retention of recorded images

3.1 Recorded footage will only be viewed by authorised personnel.
3.2 Images will be securely stored for ADC and access will be limited to authorised Council staff and Police.
3.3 All footage will be deleted after 30 days, unless required for evidential purposes.
3.4 Some recordings and images may be retained for the purposes of resolving incidents or to assist in any legal proceedings.

4. Viewing recorded images

4.1 The Council (through an authorised officer) has overall responsibility regarding the release of images.
4.2 Monitoring of the CCTV cameras will be managed by the Police.
4.3 CCTV footage is administered by a third party contractor who has security protocols in place for their staff to ensure privacy and safety of recorded images.
4.4 Any person may request to view the recordings of themselves but approval will be subject to the discretion of ADC as guided by the Privacy Act 2020.
4.5 Any persons wishing to view recordings must complete a 'Request for CCTV Information' form that is available from the Council website or reception.
4.6 The general public and media shall not have access to any recorded material unless the recording is of themselves, and they follow the process as per 4.4 of this policy.
4.7 Where a member of the public believes a crime may have been committed which may have been captured by CCTV, they should report that matter to the Police in the first instance.
4.8 Council will allow access to view relevant recorded images only to:
    - Authorised staff of ADC with delegated authority
    - Contractors who are employed specifically to work on the CCTV equipment
    - New Zealand Police or other public sector agency (such as the Privacy Commission).

Ashburton District Council Closed Circuit Television Guidelines – Public Places

COMMUNITY SAFETY CCTV PROGRAMME

TEAM:	Community Services
RESPONSIBILITY:	Community Services Group Manager
DATE:	XXX
RELATED DOCUMENTS:	Ashburton District Council CCTV Policy 2016, Local Government Act 2002, Privacy Act 2020, Privacy and CCTV; A guide to the Privacy Act for business, agencies and organisations (Office of the Privacy Commissioner - 2009), Search and Surveillance Act 2012.

Purpose

The purpose of this document is to provide guidance on the installation, monitoring and maintenance of Closed Circuit Television (CCTV) community safety cameras within Ashburton District.

Background

Ashburton District Council operates CCTV cameras in the Ashburton district. The CCTV camera locations and monitoring are strongly supported through our partnership with the Ashburton Police.

The CCTV cameras are part of an initiative that aims to make Ashburton a safe place through preventative measures that target crime and public disorder, increase public safety and ensure efficient responses.

Some CCTV cameras will be monitored at the Ashburton Police Station. The monitoring of those cameras will be managed by the Police.

Scope

The scope of these guidelines includes cameras installed for the purposes of monitoring safety within Ashburton, any future cameras installed for this purpose, and the process Council will follow for requests for images from the CCTV cameras. The scope excludes those cameras owned by private residents (including businesses) and other government agencies.

Location of Cameras

There are a number of cameras monitored through the Ashburton Police Station, including both fixed and pan, tilt, zoom cameras. The cameras are located in various spots in Ashburton that have been determined by Council staff and specialist consultants, supported by information provided by a range of stakeholders including Ashburton Police. Council also has cameras at a number of other locations. While these are not monitored in real time, images can be accessed by Council as required. The monitored cameras are located in the following areas:

- The intersection of East and Burnett Streets
- The intersection of East and Tancred Streets
- At the two pedestrian accesses to the car park on the East Street side (directed to the walkway and into the West Street carpark)

Other locations include:

- EA Networks Centre
- Ashburton Domain
- Tinwald Domain
- Friendship Lane
- Ashburton Public Library
- Art Gallery and Museum
- Clock tower
- Refuse sites (Ashburton, Methven and Rakaia)
- Public toilets (Ashburton, Methven and Rakaia).

Use of Images

The use of recorded images must be carried out in accordance with the Privacy Act. Council (through an authorised officer with delegated authority) has overall responsibility regarding the release of information.

If Police require a download of the images for prosecution purposes/court based evidence they must follow a formal request process to obtain the images through the authorised officer with delegated authority at Council. The request form is attached as Appendix 1.

If the public want to request images regarding a crime, the first step is to log a complaint with the Police. The Police can request the images directly from the Council (if there is any information held on the incident). Council will not release images directly to the public or private organisations.

Release of Images

- Council will determine the release of images in accordance with the Privacy Act and the Request for CCTV Images Process (Appendix 1).
- Applications for CCTV images are first assessed by Council staff members with delegated authority.
- The following Council staff members will have delegated authority to release images:
    - Environmental Monitoring Manager
    - Group Manager – Strategy and Compliance
    - Group Manager – Community Services
    - Library Manager
    - Senior Librarian
    - Sports Facility Manager
    - Recreation Services Manager

Approval for the release of CCTV images is at the discretion of the Environmental Monitoring Manager or the Group Manager – Strategy and Compliance.

Privacy

Ashburton District Council must comply with the provisions of both the Privacy Act 2020 and the Local Government Official Information and Meetings Act 1987 (LGOIMA). All due care must be taken to ensure CCTV systems operated by Council do not capture images from private dwellings.

The Privacy Act 2020 requires that people are made aware that information is gathered about them and the purpose for doing so is made clear. Areas where cameras are installed must be clearly signposted to notify the public that a camera is or may be in operation. The signs also serve as a general crime deterrent.

Storage of Information

All images from the cameras will be stored at a central location under the control of Ashburton District Council. There will be a feed to the Ashburton Police Station to allow the monitoring of the cameras (including manoeuvrability during monitoring) to maximise any issues that need to be observed. The monitoring station will provide Police with viewing access to identify specific images but no download capability.

All images not required for evidential purposes will be erased after 30 days. Images required for evidential purposes may be retained and stored according to Police standard procedures for the safe custody of evidence or exhibits.

Signage

Signage notifying the operation of a CCTV system addresses legitimate privacy considerations and potentially acts as a deterrent to anti-social behaviour. Signage has proven to be an effective component of CCTV systems although it does not necessarily increase the public perception of safety.

- Signage shall include the words “video cameras operating”.
- Signage should be positioned in areas monitored by CCTV where it is likely to be seen by the maximum number of people entering and in that area of coverage.
- Signage should be erected near the CCTV cameras to notify people that cameras are operating.
- Signage shall be maintained and be kept in good order.
- Signage shall not be placed in areas where CCTV is not installed in an attempt to provide deterrent to crime and when a CCTV system is removed the signage shall also be removed.

CCTV Needs Criteria

Approval for the addition of a CCTV cameras is at the discretion of the Information Services Manager. Council staff must complete the appropriate form available on the Council Intranet *here*.

Considering Options

The CCTV needs criteria discussed in this section offers guidance for decisions in relation to expanding camera coverage at existing or new locations, and to ensure that a CCTV system is the most appropriate tool for addressing the identified issues. Council recognises the importance in reassessing the requirements of both the location and the monitoring programme regularly to ensure the programme continues to meet the needs of Council and Police.

When determining the location of new CCTV camera locations, the following objectives will be considered:

1. A clear decision making process is followed that justifies the expansion of the CCTV system
2. There is a rational connection between the problems sought to be addressed and the solutions identified to address them
3. Council's funding is applied to areas with the greatest need.

There is a tendency to rely on CCTV systems as an immediate solution for all safety issues. However, CCTV systems do have a number of limitations that have to be considered. It must be recognised that there may be a number of solutions for addressing a range of community safety issues; many of these are outside the scope of Council operations or delegations. Council will ensure that CCTV systems are considered alongside other options for dealing with the identified problems and not just as a stand-alone measure. Alternate solutions are particularly relevant where the problems being encountered are seasonal, short term, or as a result of crime displacement.

Options to respond to identified problems include:

- Crime Prevention through Environmental Design (CPTED)
  - Natural deterrent - people are present and can observe what is going on
  - Access management – methods used to attract people and vehicles to some places and restrict them from others
  - Territorial reinforcement – clear boundaries encourage community "ownership" of the space
  - Quality environments – good quality, well maintained places attract people and support observation
- Community-led initiatives involving government agencies, social service agencies, businesses and community groups or volunteers
- Ashburton District Council Public Places Bylaw (liquor ban areas)
- Security presence during seasonal/short term issues
- Education and social marketing programmes.

Criteria for Determining Future Locations

Cameras installed for crime prevention:

- are used to prevent and detect criminal offences and / or social behaviour problems in identified high crime areas;
- are not used to maintain surveillance on individuals or groups; and
- must be operated in a manner that complies with Privacy Act 2020.

Council will require clear evidence of the problems to be addressed through the installation of a CCTV camera. Cameras should not:

- track or zoom in on any member of the public;
- be located within public toilets;
- be directed to look through windows into buildings; or
- look into private residences except as part of a wide angle or long shot or while panning past them.

The following checklist will be taken into account during decision-making regarding establishment of new CCTV cameras:

- Establish whether there is a crime or social behaviour problem at the location in question. Obtain a very clear understanding of the issue (what, where, when, how, who and why).
- Where a crime or social behaviour problem can be identified, undertake a CPTED assessment of the space to consider the different possible intervention points to remove the potential victim or motivated offender or to weaken the desirability of the location for anti-social activity. This phase will likely include stakeholder consultation across a number of topics relating to the space.
- Any decision to implement CCTV must be balanced with the researched evidence around the benefits and limitations.
- CCTV must be implemented as a package of interventions to resolve a crime or social behaviour problem at a particular location.
- Clear community safety objectives must be set for an area prior to the implementation of CCTV. There must be clear links between the installation of CCTV and the achievement of these objectives.
- If CCTV is considered as a result of the CPTED assessment to be an appropriate option, assess what existing infrastructure is in the space concerned (e.g. fibre optics, ducting etc.). This will have a significant level of cost if not already established.
- Where possible, any new CCTV installed must be wired into the existing network for monitoring in real time at the Hub and the Ashburton Police Station. Stand-alone systems are not recommended.
- Placement of cameras must be carefully considered, to avoid being obstructed unnecessarily by trees, signs/hoardings, or buildings for example, and to maximise the scope of view each camera will have.
- Ongoing publicity must be planned to maximise the life cycle of the CCTV. Good signage alerting people to the fact that CCTV is operating in a space is also important.
- The implementation of any new cameras in public places must comply with applicable principles of the Privacy Act 2020.

Appendix – 2021 CCTV guidelines –appendix

REQUEST AND APPROVAL FOR CCTV IMAGES
ASHBURTON DISTRICT COUNCIL

Please use this form to request CCTV images. The information will be used to asses and respond to your request.
Send the completed form to Ashburton District Council.

APPLICANT

Information requested by	
Name	
Agency (if applicable)	Position/Rank (if applicable)
QID (if applicable)	Phone
Address	Email
Request Details	
Location	
Date	Time
Describe the event	
Declaration Under the Local Government Official Information and Meeting Act 1987 Section 10, and the Privacy Act 2020 Principle 11, I request information listed above which I believe to be recorded in the form of images held by the Ashburton District Council.	
Name	
Signature	Date

POLICE

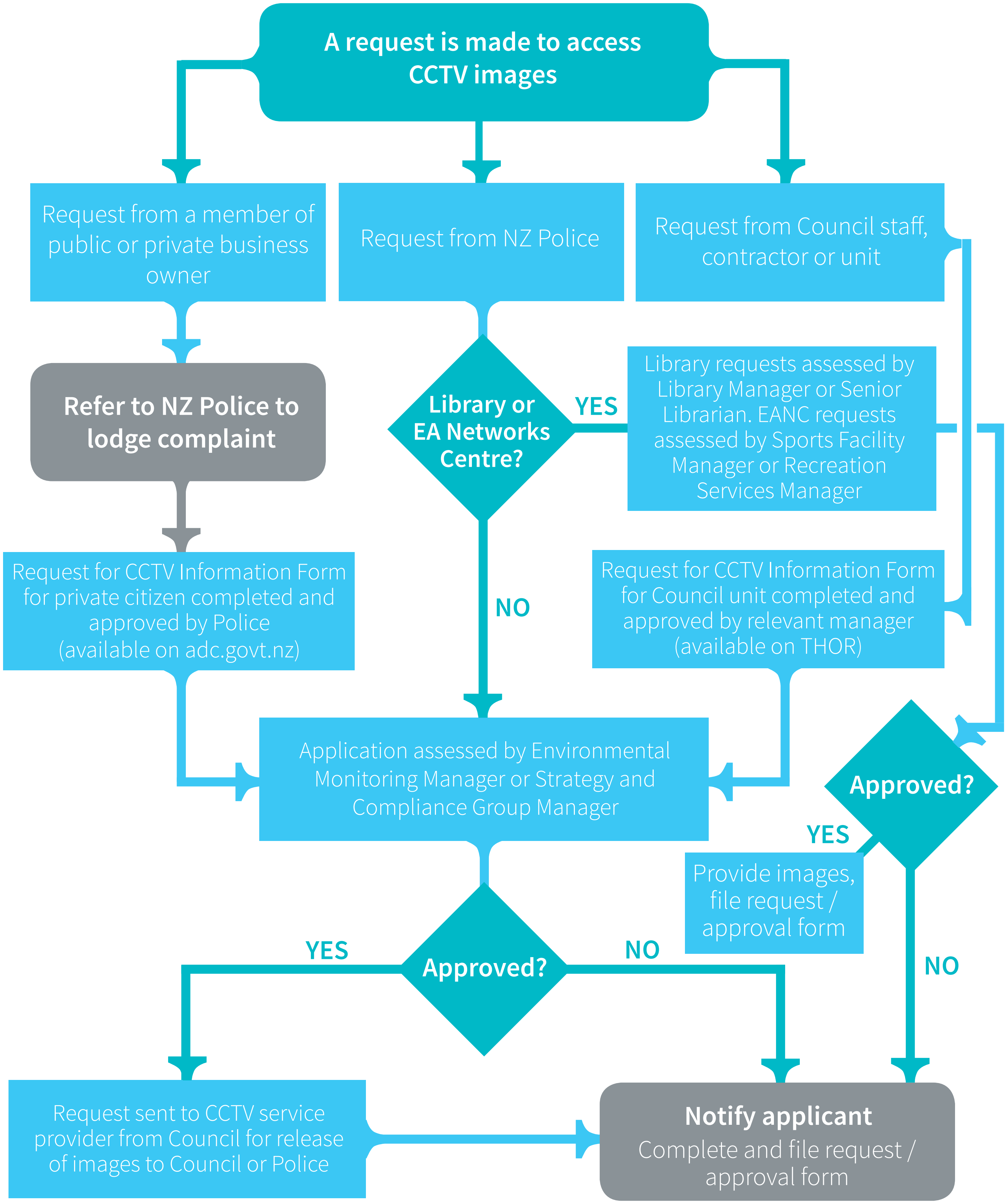
Reason for requesting this information	
Request checked and signed by approved Police Manager	
Date	File/job reference
Reason for request	

COUNCIL

Council Use	
Request approved/declined	Name of Council officer completing request
Action taken/comments	
Images downloaded by	

REQUEST FOR CCTV IMAGES PROCESS

NOTE: No images will be released to members of the public



9. *Elderly Persons Housing Policy*

Author	*Mel Neumann; Graduate Policy Advisor*
Activity Manager	*Toni Durham; Strategy and Policy Manager*
	Colin Windleborn; Commercial Property Manager
GM Responsible	*Jane Donaldson; Group Manager Strategy and Compliance*
	Paul Brake; Group Manager Business Support

Summary

- Changes have been made to the Elderly Persons Housing Policy in line with Council's decision on 3 March 2021.
- The purpose of this report is to recommend that Council adopt the draft Elderly Persons Housing Policy for consultation through the Long-Term Plan.

Recommendation

1. **That** Council adopts the draft Elderly Persons Housing Policy for consultation through the Long-Term Plan.

Attachment

Appendix 1 Draft Elderly Persons Housing Policy 2021

Background

Current situation

1. Our Elderly Persons Housing Policy was last adopted by Council in June 2017, and was due for review in 2020.

2. Council has a requirement under s17A of the Local Government Act to review the costs and effectiveness of the services we provide. The review of this policy was put on hold until the s17A review of the Elderly Persons Housing service was carried out, and officers received direction from Council regarding the future of this activity.

3. A report was taken to Council on 3 March regarding the s17A review of our Elderly Persons Housing activity. Council resolved to increase rental prices in order to return the service back to a self-sustaining level, and directed officers to amend our policy in line with this decision.

4. The rental prices below were resolved by Council at the meeting 3 March 2021.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Single	$110.00	$120.00	$130.00	$140.00	$150.00	$160.00	$170.00
Double	$130.00	$140.00	$150.00	$160.00	$170.00	$180.00	$190.00

5. Officers have amended our current policy in line with this decision, as well as changes to legislation through the Residential Tenancies Amendment Act 2020.

Options analysis

Option 1 – adopt the draft policy for consultation through the Long-Term Plan (recommended)

6. This option would see Council adopting the draft Elderly Persons Housing Policy for consultation through the Long-Term Plan, beginning 19 March.

7. Advantages: the draft policy enables the Elderly Persons Housing activity to reach a financially self-sustaining level.

8. Disadvantage: there are no disadvantages to this option.

Option 2 – do not adopt the policy

9. This option would see Council maintaining its current policy. This option is not recommended.

10. Advantages: there are no advantages to this option.

11. Disadvantages: this option does not remedy issues identified by the s17A review, and is not in line with Council resolution regarding rental increases. Our current policy does not allow for rental increases above the Consumer Price Index from 2020/21.

Legal/policy implications

12. The draft Elderly Persons Housing Policy is in line with the Local Government Act 2002, the Residential Tenancies Act 1986, and the Residential Tenancies Amendment Act 2020.

Revenue and Financing Policy 2021

13. In 2020 Council adopted the new Revenue and Financing Policy to take effect from 1 July 2021. The new policy allows for Elderly Persons Housing to be funded through 'ranges' of 70-100% fees and charges (rent), and 0-30% general rate. The aim of the general rate introduction was to provide a buffer against large rental increases to cover essential unit upgrades.

14. Council's resolution to increase rental prices means that it is unlikely we will need to use the general rate as a long-term fix.

Financial implications

Requirement	Explanation
What is the cost?	There is no cost to adopt the draft policy. Cost of consultation is covered by the LTP consultation budget.
Is there budget available in LTP / AP?	Not required
Where is the funding coming from?	Not required
Are there any future budget implications?	No
Finance review required?	No

Significance assessment

Requirement	Explanation
Is the matter considered *significant*?	Yes
Level of significance	Medium
Level of *engagement* selected	3. Consult – two way communication. Consultation is to be carried out through LTP consultation.
Rationale for selecting level of engagement	• High level of impact on those affected • Related to strategic asset • Potentially high community interest
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

Date	Action / milestone
2024	Policy due for review

DRAFT Policy

DRAFT ELDERLY PERSONS HOUSING

TEAM:	Commercial Property
RESPONSIBILITY:	Commercial Property Manager
ADOPTED:	XXX
REVIEW:	Three years or as required.
CONSULTATION:	Minimum of Section 82 under the Local Government **Act 2002**
RELATED DOCUMENTS:	Local Government Act 2002, Residential Tenancies Act 1986.

Policy Objective

- To provide clear guidelines on tenant eligibility for persons wanting to live in Council owned elderly persons housing.
- To provide guidelines for the level of rental, with the intention of the facilities becoming self-funding.
- To ensure Council meets its statutory obligations with respect to tenancies.
- To outline how Council will provide elderly persons housing in Ashburton District.

Definitions

Assets includes cash, investments, house and other property (but not including a car, furniture, personal effects, and any Kiwisaver or government recognised superannuation funds).

Council means Ashburton District Council.

Council Officer means any officer of the Council or any other authorised person carrying out work on behalf of the Council.

Disability Assist dog has the same meaning as section 2 of the Dog Control Act 1996 and generally means any dog certified to assist a person with a visual, hearing, mobility or other disability.

Elderly means those people aged 65 or over, but may include persons 60 years and older if they have a medical condition and they are on a permanent invalids benefit or similar.

Elderly Persons Housing (EPH) means housing owned and managed by the Council for the purposes of meeting elderly housing needs in Ashburton District. As per national standards, Elderly Persons Housing is not considered social housing.

Policy Statement

1. Eligibility criteria

1.1 Those applying to reside in elderly persons housing shall meet the following criteria:

1.1.1 Be eligible for Government National Superannuation OR aged 65 (for a couple only one applicant).

1.1.2 Not receiving a gross income exceeding the total value of 15 hours per week multiplied by the rate of minimum wage at the time.

1.1.3 Be able to care for themselves independently. The use of home-based support services does not mean applicants are automatically excluded.

1.1.4 Show a housing need which cannot be met adequately elsewhere.

1.1.5 Total assets, including cash, investments, house and other property (but not including a car, furniture and personal effects) should not exceed $20,000 (single), $30,000 (couples).

1.1.6 Be compatible with other EPH residents, in the opinion of the Council officer.

1.2 Where an application is received for a couple, both applicants must meet the criteria specified in policy 1.1. Where one applicant does not meet the criteria, the application will be considered at the discretion of the Council officer.

2. Change in circumstances

2.1 All residents shall notify Council on becoming aware of their eligibility criteria changing.

2.2 Where it is suspected that there are existing or impending eligibility issues for medical, physical or mental health reasons, the Council will in the first instance seek to facilitate the provision of the appropriate social service support.

2.3 Following consultation with the appropriate social service, if the tenant is clearly unable to meet the eligibility on an ongoing basis, the Council will consider giving the tenant the required notice to vacate.

3. Priority

3.1 Applications will be accepted, and considered in the following priority order:

3.1.1 Current residents of Ashburton District

3.1.2 Those with family in the Ashburton District

3.1.3 Past residents of Ashburton District

3.1.4 Other applicants.

4. Application process

4.1 Council Officers will assess applications for elderly persons housing against the criteria listed in 1.1 and, where applicable, 1.2. Applicants will be required to sign a statutory declaration as part of the application process.

4.2 Applicants will be advised of the outcome within 10 working days of the application being submitted to Council.

4.3 Applicants will be notified of the status of their application by letter as to whether or not a unit is available.

4.4 Where there are no available units, applicants will be added to a waiting list.

5. Dispute resolution

5.1 In the event of a dispute, resolution will be sought in accordance with the Residential Tenancies Act 1986.

6. Smoking

6.1 Smoking, including the use of e-cigarettes, is not permitted inside the elderly persons housing units. This applies to both residents and visitors.

6.2 New tenancy agreements
All new tenancy agreements will contain a clause stating that smoking, including the use of e-cigarettes, is banned.

6.3 Existing tenancy agreements
Existing tenancy agreements will not be changed to include a smokefree clause as a result of this policy.

7. Animals

7.1 Council recognises that some tenants may wish to keep small pet animals in their units.

7.2 Council officers will determine if the type of animal is appropriate based on the potential level of nuisance caused by that animal.

7.3 Dogs will not be permitted under any circumstances, excluding disability assist dogs.

7.4 Tenants wishing to keep animals (including cats) in elderly persons housing must make a request in writing to Council.

7.5 Council officers will consider the request and advise the applicant within 10 working days.

7.6 Any animal kept in elderly persons housing must be well behaved and properly cared for so they do not pose a nuisance to other tenants, or neighbours.

7.7 New tenants wanting to keep a cat must provide Council with a copy of a desexing certificate and proof of vaccinations for their cat.

8. Rent charges

8.1 Council will review rental costs on an annual basis.

8.2 Rent is charged per unit i.e. there are set rates for a single and double unit. If a single person is occupying a double unit, double unit rates will still apply.

8.3 Rent charges are based on an internationally adopted standard of affordability, which states that residents should pay no more than 30% of their gross household income on housing costs. This has been incorporated into policy 8.4.3, however some single residents choose to live in double units and therefore may pay more than 30% of their income on rent.

8.4 New and existing tenants:

8.4.1 All tenants will be subject to progressive rent increases until 2027/28 to meet the rent levies necessary for the elderly persons housing activity to be self-funding.

8.4.2 Once rent levies have progressed to the full amount as set out for 2027/28 in policy 8.4.3, rent levies will increase on an annual basis as per the Consumer Price Index for the previous financial year.

8.4.3 Rent levies for existing tenants are as follows:

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Single	$110.00	$120.00	$130.00	$140.00	$150.00	$160.00	$170.00
Double	$130.00	$140.00	$150.00	$160.00	$170.00	$180.00	$190.00

8.5 Any rent increases will take effect in each new financial year, on the date corresponding to when the tenancy agreement was signed.

9. Welfare

9.1 Council acknowledges its role as landlord, and as such, will be accessible and diligent towards the general welfare of tenants.

9.2 It is not the responsibility of Council to provide social services to the tenants as these services are better provided by other professional service providers.

9.3 Where Council officers are concerned about the health or welfare of any tenants, the next of kin/emergency contact will be contacted in the first instance.

Council

17 March 2021

10. Draft Development and Financial Contributions Policy 2021

Author	*Richard Mabon; Senior Policy Adviser*
Activity manager	*Toni Durham; Strategy and Policy Manager*
	Andrew Guthrie; Assets Manager
Group manager	*Jane Donaldson; Group Manager, Strategy and Compliance*
	Paul Brake: Group Manager, Business Support

Summary

- This report recommends that Council adopt the draft Development and Financial Contributions Policy 2021 (Appendix 1) for public consultation.
- The key changes proposed are:
  - Updating the schedules and the DCs to align with the draft long-term plan, the consumption of scheme capacity and the construction of new capacity. This is achieved within the previously consulted maximum increase of $2,500.
  - Changes to the triggers for requiring a DC, which will enable Council to collect DCs for water and wastewater for houses consented by Kainga Ora and other private building consent authorities.
  - Changes to who will pay community infrastructure development contributions. This will be limited to residential and accommodation developments only. There will be no DCs for community infrastructure for agricultural, commercial and industrial developments.
  - Methven water treatment upgrade is proposed to be omitted from the schedules. The final configuration of this project, the catchment it will serve, and the extent of third-party funding, are not yet confirmed.

Recommendation

1. **That** Council adopts the draft Development and Financial Contributions Policy 2021 and Consultation Document for consultation from 19 March 2021 to 19 April 2021 under s.82 of the Local Government Act 2002.

Background

The 2020 Review

1. The Local Government Act 2002 requires all councils adopt a Development and Financial Contributions Policy outlining the Councils approach to recovering a fair and proportionate share of the capital expenditure necessary to service growth over the long term from persons undertaking development.The policy is reviewed once every three years as part of Council's strategic planning for the next ten years.

2. Council reviewed the policy in 2020 and addressed a number of issues. These included

   - Changes to the quantum of development contributions in all locations, with the proviso that no DC should increase by more than $2,500 including GST.
   - Changes to the triggers for requiring a DC, which confirms that Council will require a development contribution when a consented building joins the water or wastewater network by way of network extension.
   - Changes to the rules regarding capacity credits extending the term from two years to five years, and also confirming that the five year term applies to vacant land from which a building was removed or demolished.

The Current Situation

Issues to address

3. The 2020 Review provided a clear basis for project funding ahead of the budgeting process, and reduced the need for re-work. It also identified that two issues would need to be addressed in 2021:

   - Adjustments to the schedules and the DCs arising from any changes to CAPEX, the consumption of scheme capacity, and the construction of new capacity.
   - A closer look at the definitions which set out the developments which Council collects community infrastructure DCs from.

4. Three more issues have emerged since the Review:

   - Kainga Ora intends to build 43 houses in Ashburton District in the next 3 years. As Kainga Ora is a building consent authority, Council cannot collect DCs using its normal trigger of building consent. Solutions, options and rationale are discussed below.
   - The Methven Drinking water upgrade costs $4,470,000 and will increase the Methven drinking water DC by $4,000. Solutions, options and rationale are discussed below.
   - The Rakaia WWTP sludge area extension project will cost $63,800. We have not previously consulted on any wastewater DC for Rakaia. Solutions, options and rationale are discussed below.

Policy issues and Options

5. Policy Options are discussed in Table 1 below.

Issue	Options	Recommended response and rationale
Definition of who pays community infrastructure DCs	**Status Quo**. This is not favoured because it is difficult to apply and the causal nexus between some forms of development and the levy of a DC is weak. For example, DCs on some farm buildings. **Amend policy** so that DCs are paid only by residential developments and accommodation units. One house will equal 1 HUE. An accommodation development will be assessed for HUE based on its maximum occupancy. Agricultural, industrial and commercial developments – and other non-residential/ accommodation developments pay no community infrastructure DC. This is favoured.	**Amend policy** This solution is clear, simple to apply, and has a stronger causal nexus than the status quo.
DCs for developments where council is not the BCA	**Status Quo**. Under this Option, housing developments consented by Kainga Ora will impose demand on the water and wastewater systems but cannot be charged a DC. There is a missed revenue opportunity of over $200,000. **Amend policy** Allowing council to collect DCs at service connection for water and wastewater is lawful and enables council to take the revenue opportunity that will otherwise be missed.	**Amend policy** This solution is simple to apply, and enables council to capture DCs for increased demand on Water and wastewater networks from new builds by Kainga Ora.
Methven Drinking Water Upgrade	**Include the project** in the 2021 project schedules. This increases the Methven water DC above the $2,500 cap and requires the CI DC to be reduced to $2,400 to offset.	**Omit the project** This means that Council will set a proportionate DC when the cost of the works, their funding, and any third-party contribution is known

	Omit the project from 2021 Schedules and introduce project to the schedules when the service catchment and funding is confirmed.	There is an advantage for parties who build before the scope, costs and funding are confirmed, and this DC revenue is lost to Council..

Table 2 - Summary of $ changes proposed

Activity	2018 DC/HUE $ (incl. GST)	2020 DC/HUE $ (incl. GST)	Draft 2021 DC/HUE $ (incl. GST)
Ashburton water supply DC	878.00	1,226.00	840.00
Ashburton wastewater DC	3,604.00	3,750.00	3,762.00
Methven water supply DC	256.00	3,983.00	2,182.00
Methven wastewater DC	336.00	392.00	303.00
Rakaia water supply DC	256.00	256.00	0.00
Rakaia wastewater DC	0.00	0.00	107.00
Hinds water supply DC	917.00	934.00	1,400.00
Fairton water supply	2,367.00	2,366.00	1,911.00
Ashburton District community infrastructure	2,875.00	4,841	4,892.00

Options analysis

Option One – Adopt the policy as a draft for consultation (RECOMMENDED)

6. The advantages are:

- Alignment of the policy with our draft long--term Plan CAPEX programme
- No overcharging for projects not in the LTP
- Kainga Ora issued addressed
- Who pays CI DCs is clarified

7. The impaired alignment raises a risk of legal challenge to DCs in 2021-24.

8. The disadvantages are:

- Less consultation to do.

Option Two – Adopt an amended policy as a draft for consultation

9. The advantages and disadvantages of this Option are a mirror of the previous option.

Legal/policy implications

Local Government Act 2002

10. Section 106 and Part 8, subpart 5 of the Local Government Act 2002 give effect to the DFC Policy. This has been considered throughout the decision-making process to ensure all decisions are legally compliant.

Financial implications

Requirement	Explanation
What is the cost?	The immediate costs of the decision to adopt the DFC Policy for consultation relate to the cost of carrying out engagement. Specifically, these are for printing consultation material such as booklets (local suppliers to be used), and holding engagement meetings (where a venue or catering may be required), and advertising. When the policy is adopted as part of the LTP 2021-31, it will have financial effect as a source of revenue. The impact is likely to be effected by the Covid-19 pandemic and its economic after-effects.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Funding will be met from within existing budgets (Strategy & Compliance and Communications)
Are there any future budget implications?	No
Reviewed by Finance	Not required – no additional funds required. This consultation is considered 'business as usual' as far as engagement is concerned. Revenue impacts will be considered in the LTP budget process.

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	Yes
Level of significance	High
Level of engagement selected	4. Involve – participatory process
Rationale for selecting level of engagement	Given the extent of changes proposed, officers suggest a participatory process is required where the community are given multiple opportunities to provide feedback.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

Date	Action / milestone	Comments
17 March 2021	Council adopt DFC Policy for consultation	
19 March – 19 April	Consultation period	
28 May – 1 June	Hearings	
1 June – 6 June	Deliberation	
30 June	Policy adopted (Council)	Following community feedback and deliberation

Appendix One – Table 3 - $ Change by community

Appendix Two – Draft Development and Financial Contributions Policy

Appendix One

Table 3 – Total $ change by community

Community	2018 DC total "A"	2020 DC total "B"	2021 Water DC	2021 Wastewater DC	2021 Community Infrastructure DC	2021 DC proposed total "C"	$ change "C"-"A"
Ashburton	7,357	9,817	840.00	3,762.00	4,892.00	9,494.00	2,137
Methven	6,929	9,216	2,182.00	303.00	4,892.00	7,377.00	448
Rakaia	3,131	5,097	0.00	107.00	4,892.00	4,999.00	1,868
Hinds	3,792	5,775	1,400.00	0.00	4,892.00	6,292.00	2,500
Fairton	5,242	7,207	1,911.00	0.00	4,892.00	6,803.00	1,561
All other	2,875	4,841	0.00	0.00	4,892.00	4,892.00	2,017

Policy (Draft)

DEVELOPMENT & FINANCIAL CONTRIBUTIONS 2021

TEAM:	Assets
RESPONSIBILITY:	Assets Manager
ADOPTED:	30 June 2021 (effective 1 July 2021)
REVIEW:	Every three years or as required
CONSULTATION:	Special Consultative Procedure undertaken
RELATED DOCUMENTS:	Ashburton District Council Long-Term Plan 2021-31, Building Act 2004, Local Government Act 2002, Local Government (Rating) Act 2002, and Resource Management Act 1991.

1. Introduction

1.1 Background

The population of Ashburton District is growing and is expected to continue to grow in the future. Council must plan for this growth by investing in infrastructure that will enable new homes and businesses to connect to Council water and wastewater infrastructure, and provide the opportunity for new residents to use community facilities.

Development contributions enable Council to charge developers of new residential and business units a share of the cost of providing capacity to cater for growth.

This policy sets out the development contributions payable; how and when these are calculated and paid, and includes a summary of the methodology used to calculate contributions.

1.2 Policy Objectives

This policy is intended to assist Council to achieve the following objectives:

- enable Council to plan for and fund infrastructure and facilities provision that meets the anticipated growth requirements of the district,
- provide predictability and certainty regarding the infrastructure required to cater for growth,
- enable a share of the costs Council incurs to provide infrastructure to cater for growth to be fairly and equitably recovered from those directly benefiting from Council infrastructure – i.e. developers,
- provide for the wider ratepayer base to contribute to funding infrastructure provision that raises service standards, and
- to promote understanding and awareness of what Council intends to fund and how this applies to a particular development.

1.3 Legislative context

Local authorities are required, under section 102 of the Local Government Act 2002, ("the Act") to adopt funding and financial policies as part of their financial management obligations. As part of the requirements for funding and financial policies, section 102(4)(d) of the Act requires a policy on development contributions or financial contributions.

The purpose of the development contributions provisions in the Act is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.

The Act requires any development contributions policy to be prepared taking into account principles detailed in section 197AB. In summary these are:

- development contributions should only be required if the effects or cumulative effects of developments will create or have created a requirement for provision of new or additional assets, or assets of increased capacity,
- development contributions should be determined in a manner that is generally consistent with the capacity life of the assets for which they are intended,
- cost allocations used to establish development contributions should be determined according to, and be proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who create the need for those assets,
- development contributions must be used for or towards the purpose of the activity or the group of activities for which the contributions were required, and for the benefit of the district or the part of the district that is identified in the development contributions policy in which the development contributions were required, and
- territorial authorities should make sufficient information available to demonstrate what development contributions are being used for and why they are being used.

1.4 Financial management policies

This policy has been prepared within the wider context of the Council's overall financial management policies.

This policy is consistent with the provisions of Council's Revenue and Financing Policy and provides for development contributions and financial contributions to be used as part of Council's overall approach to funding capital expenditure.

1.5 Funding to provide for growth

Development contributions and financial contributions are used by Council to fund some of the costs associated with providing infrastructure that caters for demand from growth. Council aims to take a balanced and fair approach to how it raises funding required for new developments. Other sources of funding of capital expenditure may include:

- outside sources such as New Zealand Transport Agency (NZTA) subsidies, grants, regional council or central government funding; and
- borrowing, rates, reserves and sale of assets.

2. Policy on Development Contributions

2.1 Requirement for a development contribution

Under section 198 of the Act, Council may require a development contribution to be made when:

- resource consent is granted under the Resource Management Act 1991 for a development in Ashburton District,
- building consent is granted under the Building Act 2004 for building work situated in Ashburton District,
- authorisation for a service connection is granted without a building consent being issued*, and
- a change in use of a business unit.

*An example of this is where a tap is connected to the piped water system for watering or a temporary connection to the sewer system is made. In both cases the connection can be used without a building consent but requires a development contribution to be made.

Development contributions can only be required where a development as defined by section 197 of the Act is to occur. Under section 197, development means:

a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but

b) does not include the pipes or lines of a network utility operator."

On receiving an application for subdivision consent, resource consent, building consent or service connection[1], Council will first:

a) test that the application represents a development under section 197,

b) determine whether alone or in combination with other developments the application under consideration will have the effect of requiring new or additional assets or assets of increased capacity and, as a consequence, the council will incur capital expenditure to provide appropriately for this, and

c) ensure that any development contribution that may be required, is provided for in this policy.

If Council is satisfied that the application meets the legal requirements above, it will assess contributions following the process set out in the Assessment section.

2.1.1 **Exceptions:** For clarity, development contributions are not required for:

- an addition or alteration to a residential unit that does not result in any additional unit or units
- an addition or alteration to a non-residential unit that does not result in any additional unit or units and the development does not result in an increase in demand on the water or wastewater schemes servicing the property

[1] Service connection is defined in clause 2.6 of this policy as "service connection for an existing residential or non-residential unit, which has been added to the network as a consequence of Council approving an extension to the water or wastewater network"

- change of use for a non-residential unit that does not result in an increase in demand on the water or wastewater schemes servicing the property
- a new or replacement out-building or ancillary building servicing a non-residential unit that does not result in any additional unit or units and the development does not result in an increase in demand on the water or wastewater schemes servicing the property.
- a new residential or business unit that is replacing like with like.
- a Crown development - the Crown is exempt from the provisions of this policy by virtue of section 8 of the Local Government Act 2002.

2.2 Activities

Council requires a development contribution for the following infrastructure services:

- **Drinking water** – applies to Council drinking water supplies where Council has incurred or plans to incur capital expenditure to cater for growth.
- **Wastewater**– applies to Council wastewater schemes where Council has incurred or plans to incur capital expenditure to cater for growth.
- **Community infrastructure -** applies to Council community infrastructure projects where Council has incurred or plans to incur capital expenditure to cater for growth –Ashburton Art Gallery and Heritage Centre, Ashburton Library and Civic Centre and EA Networks Centre

2.3 Catchments

A catchment is the area served by the network infrastructure or community infrastructure asset where common benefits are received. The following are treated as catchments for the purposes of assessing development contributions:

- **Drinking Water** – each of the Council's drinking water supplies is a separate catchment.
- **Wastewater** – each of the Council's wastewater schemes is a separate catchment.
- **Community Infrastructure** – the district as a whole is treated as a single catchment.

2.4 Units of demand

Drinking water and wastewater

The calculation of the development contribution required for water and wastewater is based on the average demand of a single residential housing unit using the average household size of 2.5 residents (based on 2018 Census data for Ashburton District). This unit of demand is referred to as a "Household Unit Equivalent" or HUE.

Residential

Each single residential unit (regardless of size or number of occupants) is treated as being 1 HUE for assessing drinking water, and wastewater development contributions.

Non-residential

Each single non-residential unit will be assessed for the demand it is expected to place on the water and wastewater networks based on the type of business. This assessment will determine demand relative to a residential unit and a HUE derived from that assessment. The assessment uses the information in the Water Consumption Non-residential Properties table in Schedule 4 of this policy as the base line demand for various uses.

Community Infrastructure

For assessing community infrastructure development contribution each household unit is treated as being 1 HUE. Accommodation units and other forms of residential development will be assessed for the demand they are expected to place on the community infrastructure based on the type of business. This assessment will determine demand relative to a household unit and a HUE derived from that assessment.

Non-residential development attracts no HUE for community infrastructure.

2.5 Capacity Credit

Where a new development is replacing an existing residential or non-residential unit the demand on infrastructure generated by the previous use will be recognised in any assessment of development contributions with units of demand from existing development deducted from the total units of demand assessed to be generated by the new development.

This credit applies to:

- a building which has been inhabited or used for the stated purpose within the last five years, or
- a building which has been used as a place of business within the last five years; or
- a vacant site from which a building meeting either of the above descriptions has been removed or demolished

A credit can be transferred from one property title to another as long as the two properties are regarded as contiguous (effectively operating as a single property) as described in section 20 of the Local Government (Rating) Act 2002.

Requests to extend a capacity credit beyond five years will be considered by Council or a standing committee with appropriate delegated authority.

2.6 Calculation of development contribution

An assessment of requirement to pay development contribution will be made at the time Council receives an application for:

- building consent for a new residential or non-residential unit,;
- building consent or resource consent for an addition, alteration, or change of use for a business unit;
- Service connection for an existing residential or non-residential unit, which has been added to the network as a consequence of Council approving an extension to the water or wastewater network; or
- Service connection for a new residential or non-residential unit where the building consent for the development has been issued by a building consent authority other than the Ashburton District Building Consent Authority

If a development meets the requirement for a development contribution detailed in section 2.1 of this policy, Council will undertake a development contribution calculation using the calculations detailed in Schedule 3 of the Policy.

2.7 Limits on Development Contributions

As part of seeking a balanced and fair approach to funding capital expenditure required to cater for growth, Council may decide to limit the level of development contributions for a particular contribution. Any such limit will be detailed in the section of the Policy regarding calculation of development contributions. Where a limit is in place the funding that would normally come from development contributions is instead funded by rates collected under Council's revenue and financing policy.

2.8 Reconsideration of requirement for development contribution

An applicant may request Council to reconsider a requirement to make a development contribution if the applicant has grounds to believe that:

a) the development contribution was incorrectly calculated or assessed under this policy,

b) Council incorrectly applied provisions of this policy, or

c) the information used to assess the applicant's development, or the way Council has recorded or used information when requiring the development contribution, was incomplete or contained errors.

A request for reconsideration must be made within 10 working days after the date on which the applicant receives notice from Council (invoice) of the level of development contribution required.

A reconsideration cannot be requested if an objection under section 199C and Schedule 13A of the Act has already been lodged.

A request for reconsideration must be made in writing to the chief executive and identify the basis on which the reconsideration is sought together with, as appropriate, the legal and evidential grounds supporting the application.

Council may, within 10 working days of receiving the request for reconsideration, request further information from the requester to support the grounds stated in the reconsideration.

Council will proceed to determine the request for reconsideration if:

a) it has, in its view, received all required information relating to the request; or

b) the requester refuses to provide any further information requested by Council (as set out above).

In considering the request for reconsideration, Council will make its decision without convening a hearing.

In all cases, Council will give written notice of the outcome of its reconsideration to the applicant within 15 working days after:

a) the date the application for reconsideration is received, if all required information is provided in that application; or

b) the date the application for reconsideration is received, if the applicant refuses to provide further information; or

c) the date the further information is received from the applicant.

An applicant requesting a reconsideration may object to the outcome of that reconsideration by lodging an objection under section 199C of the Act.

2.9 Objection to assessed amount of development contribution

An applicant may object to the assessed amount of development contribution required.

An objection may be made only on the following grounds:

a) Council has failed to properly take into account features of the development that, on their own or cumulatively with those of other developments, would substantially reduce the impact of the development on requirements for community facilities in the district or parts of the district; or

b) Council has required a development contribution for network infrastructure and/or community facilities not required by, or related to, the objector's development, whether on its own or cumulatively with other developments; or

c) Council has required a development contribution in breach of section 200 of the Act; or

d) Council has incorrectly applied its development contributions policy to the objector's development.

An objection may be lodged irrespective of whether a reconsideration of the requirement for a development contribution has been requested.

The right of objection does not apply to challenges to the content of this policy.

Schedule 13A of the Act details the procedure relating to development contribution objections.

Council may (under section 252 of the Act) recover actual and reasonable costs from an applicant lodging an objection that relate to the following costs it incurs:

a) the selection, engagement, and employment of the development contributions commissioners; and

b) the secretarial and administrative support of the objection process; and

c) preparing for, organising, and holding the hearing

2.10 Postponement of development contribution payment

Postponements may be allowed for substantial developments at the discretion of Council. A request for postponement must be made in writing to the Chief Executive stating the reasons why a postponement is sought. Requests for postponement will be considered on a case by case basis by Council or a standing committee acting under delegated authority.

2.11 Refund of development contribution

A development contribution will be refunded if:

i. the building consent or resource consent that triggered the requirement for a development contribution lapses or is surrendered

ii. the development does not proceed

iii. Council does not provide infrastructure for which a development contribution was required.

An administration fee of $150 will be charged in the case of (i) and (ii) above.

2.12 Payment of development contribution

Following assessment of the requirement for a development contribution and a calculation of applicable development contribution required an invoice will be issued at the time of:

- a building consent being uplifted
- a resource consent for a change in use deemed to result an increase in demand for service for water or wastewater services being granted
- a service connection being granted for a residential or non-residential unit, which has been added to the network as a consequence of Council approving an extension to the water or wastewater network
- A service connection being granted for a new residential or non-residential unit where the building consent for the development has been issued by a building consent authority other than the Ashburton District Building Consent Authority

Payment is treated as any Council charge and is due by the 20th of the following month.

Non-payment of development contributions will be treated the same as other Council debt and will result in penalties, debt collection fees and court costs as applicable.

In addition, in situations of non-payment Council may take the following actions:

- Code of Compliance Certificate (section 95 of the Building Act 2004) will not be issued
- Network connections will not be completed
- Statutory Land Charge may be lodged against the property.

2.13 Development contribution for Council development

Development carried out by Council will be subject to any applicable development contribution except for any required for the same activity as the development.

2.14 Private development agreements

Council may enter into private development agreements in circumstances where there is a need to allocate responsibility between developers and Council for the construction and funding of public works associated with a development.

This policy is a funding policy for planned capital expenditure on community facilities. Private development agreements will not be used to reduce the amount of any contribution charge calculated under this policy.

Any private development agreement entered into must show how costs payable to a developer for public works will be funded.

2.15 Financial contributions

The Resource Management Act 1991 (RMA) authorises local authorities to require financial contributions from developers in certain situations.

Council's District Plan provides for developments to be assessed for financial contributions at the resource consent application stage. In particular, Council can require developers to provide cash or land for the provision of open space and recreation areas for the following purposes:

- provision of new neighbourhood parks in areas where there are existing or potential deficiencies in the provision of local parks,
- development of neighbourhood and District parks to a level at which they are usable and enjoyable for children's play, general recreation and visual amenity, and
- provision and development of neighbourhood walking and cycling linkages.

The full provisions relating to financial contribution requirements are contained in section 9 (policy 9.3C) of the Ashburton District Council District Plan.

Council cannot require a development contribution to fund an asset for which a financial contribution has been paid.

Council's District Plan is available for inspection from:

- Council's website www.ashburtondc.govt.nz
- Council offices, 5 Baring Square West, Ashburton.

Please note – Council will no longer be able to require financial contributions to be paid under the Resource Management Act from 18 April 2022. Government has introduced the Resource Management Amendment Bill to repeal this provision, and the Bill is part way through parliamentary process. If it does not pass into law, Council will need to review whether it introduces a development contribution for Open Spaces.

2.16 Limitations applying to requirement for development contribution

Council must not require a development contribution for a reserve, network infrastructure, or community infrastructure if:

- it has, under section 108(2)(a) of the Resource Management Act 1991, imposed a condition on a resource consent in relation to the same development for the same purpose;
- the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure;
- Council has already required a development contribution for the same purpose in respect of the same building work, whether on the granting of a building consent or a certificate of acceptance; or
- a third party has funded or provided, or undertaken to fund or provide, the same reserve, network infrastructure, or community infrastructure.

2.17 Public inspection of development contributions policy information

This policy and its supporting information is available on Council's website www.ashburtondc.govt.nz or on request from the Council offices.

2.18 Policy Review

This policy will be adopted in conjunction with Ashburton District Council's Long Term Plan 2021-31.

The policy must be reviewed at least every three years and may be amended at any time if required. Any review of the policy must be undertaken using a consultation process that gives effect to the requirements of section 82 of the Act.

This policy has been prepared to comply with relevant legislation including the requirements of the Local Government Act 2002 and all subsequent amendments

Appendix 1. Definitions

Accommodation unit: means units, apartments, rooms in one or more buildings, or cabins or sites in camping grounds and holiday parks, for the purpose of providing overnight, temporary, or rental accommodation. Accommodation unit includes boarding houses, home stays, recreation lodges and visitor accommodation.

Act: means the Local Government Act 2002.

Activity: means a good or service provided by Council (as per section 5 of the Local Government Act 2002), and for which development contributions are collected.

Allotment: has the meaning given to it in section 218(2) of the Resource Management Act.

Authorised Officer: is an officer authorised in accordance with Council's delegations register to carry out functions under this policy.

Catchment: is a defined area of the district that receives a discrete service subject to development contributions as detailed in this policy.

Business property: a non-residential development using land or buildings for the provision of services in the course of a trade or business.

Community facilities: reserves, network infrastructure, or community infrastructure for which development contributions may be required in accordance with section 199 of the LGA

Community infrastructure: means land, or development assets on land, owned or controlled by the Council for the purpose of providing public amenities; and includes land that the Council will acquire for that purpose.

Development: means any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but does not include the pipes or lines of a network utility operator

Development agreement: is a voluntary contractual agreement made (under sections 207A to 207F of the LGA) between one or more developers and one or more territorial authorities for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves in one or more districts or a part of a district.

Development contribution: a contribution—

a) provided for in a development contribution policy of a territorial authority; and

b) calculated in accordance with the methodology; and

c) comprising—

   i. money; or

   ii. land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Māori land within the meaning of Te Ture Whenua Maori Act 1993, unless that Act provides otherwise; or

   iii. both.

Development contribution objection: an objection lodged under clause 1 of Schedule 13A of the LGA against a requirement to make a development contribution.

Development contributions commissioner: a person appointed under section 199F of the LGA.

District Plan: means the Operative Ashburton District Plan including any proposed plan change or variation.

Household unit: is a building or part of a building capable of being used as an independent residence and includes apartments, semi-detached or detached houses, units, town houses, granny flats (or similar), and caravans (where used as a place of residence or occupied for a period of time exceeding six months in a calendar year).

Household Unit Equivalent (HUE): is a unit of demand representing one average household unit.

Methodology: is the methodology for calculating development contributions set out in Schedule 13 of the LGA.

Network infrastructure: means the provision of roads and other transport, water, wastewater, and stormwater collection and management.

Network utility operator: has the meaning given to it by section 166 of the Resource Management Act 1991.

Non-residential development: any development that is not for residential purposes. This includes:

- all buildings that are considered a fundamental place of work such as dairy milking sheds, shearing sheds and indoor farming facilities such as for chickens or pigs
- all buildings for the provision of sport, recreation or entertainment
- all buildings for the provision of social or cultural pursuits.

Objector: means a person who lodges a development contribution objection.

Residential development use of land and buildings by people for the purpose of permanent living accommodation in a household unit where the majority of occupiers intend to live at the site for a period of one month or more of continuous occupation per annum and will generally refer to the site as their home and permanent address. Residential development includes household units, elderly persons' homes, and worker accommodation.

It includes accessory buildings and leisure activities associated with needs generated principally from living on the site.

Resource consent: has the meaning given to it in section 2(1) of the Resource Management Act 1991 and includes a change to a condition of a resource consent under section 127 of that Act.

Service connection: means a physical connection to a service provided by, or on behalf of, Council.

Appendix 2. Key assumptions

The following assumptions have been used in the preparation of this policy:

Capital expenditure

Future capital expenditure costs are based on the best available knowledge at the time of preparation. These take into account known or likely construction costs and assumed inflation rates.

Population growth

Council has prepared population growth forecasts based on Statistics NZ medium population projections.

Inflation

All project costs in the Development Contributions Policy are based on current estimates of infrastructure construction prices in 2020 dollars with inflation of all capital costs over the period using local government cost adjusters supplied by BERL.

Cost of capital

No cost of capital (including interest) is included in the cost of providing for growth and therefore is not included in development contribution calculations. The cost of capital is carried by the relevant set of ratepayers who fund the rates for that activity under Council's revenue and financing policy.

Residential household size and household demand

Each residential unit is assumed to have the same number of residents living at the property. This is the average household size in Ashburton District from the 2018 Census – 2.5 residents (1 HUE).

Each household is assumed to place the same demand on Council infrastructure.

Appendix 3. Calculation methodology

Development contribution for residential unit for water and wastewater

1. Determine the overall growth capacity of the applicable scheme

   Maximum connections (HUEs) - current connections (HUEs)

   = Growth Capacity (GC) (HUEs)

   GC as a ratio of maximum connections = Scheme Growth Factor (SGF %)

2. Identify capital projects (and the cost of those projects) that include a cost to provide capacity for future growth = Capital Expenditure (CE).

   The projects identified will be:

   - completed capital projects with identified residual growth capacity and which are not fully paid for – i.e. have an outstanding loan
   - current capital projects with identified cost component to provide growth capacity
   - planned capital projects included in the Council's Long Term Plan with identified cost component to provide growth capacity and that will be given effect to within the next 10 years

3. Identify the proportion of CE for each project that is provided to cater for growth to get a Project Growth Factor (PGF%)

   Scheme Growth Factor (GF%) is used for completed projects and a project growth factor (PGF%)is used for current and future projects.

   The lower of the project growth factor or the scheme growth factor is used for calculations – Applied Growth Factor (AGF%).

   Cost associated with component capacity over and above current scheme capacity will be recovered when the scheme capacity is increased or will be funded by the scheme as a whole.

4. Multiply capital expenditure identified in step 2 by the Applied Growth Factor = Net Growth Expenditure (NGE $)

5. Divide Net Growth Expenditure (NGE) by the Excess Capacity in Household equivalents (EC) = Development Contribution to be levied per household equivalent.

   - The cost of maintaining or increasing capacity within each scheme for development growth is shared equally among the household equivalents which are able to connect to the scheme.

   CE x GF% EC = development contribution amount.

Calculation methodology to determine non-residential development contribution for water and wastewater (HUEs)

The demand impact of a non-residential unit for both water and waste water is determined by assessed water consumption.

1. Determine water consumption per person per day based on the use of the property.

   Water consumption is determined by typical water consumption based on the property uses listed in Appendix IV.

If there is no suitable property use listed in Appendix IV on which to make a fair assessment, the developer will be requested to provide an assessment of water consumption.

If this assessment is not deemed appropriate the assessment will be determined by a Council officer with delegated authority.

2. Determine the expected maximum occupancy of the property (persons)

This assessment is based on information and design drawings submitted as part of the development approval process i.e. management plans, bed or seating plans or other such plan as agreed by Council, or where not available fire service occupancy rates may be used.

3. Determine total water consumption

Total Water Consumption (litres per day) =

water consumption per person(litres per day)

X

maximum occupancy (persons)

4. Convert to household unit equivalent (HUEs)

Demand Impact (HUEs) =

Total Water Consumption (litres per day)/

HUE consumption

Household Unit Equivalent water consumption is 550 litres per day

- Assumed water demand of 1 person =220 litres per day
- Assumed household of 2.5 persons

Normal rounding protocols shall be applied to the result to yield a whole number.

5. Determine non-residential development contribution for applied property

Non-residential development contribution =

Demand Impact (HUEs) X Development Contribution (per HUE)

Calculation methodology to determine development contribution for community infrastructure – per HUE

The development contribution for community infrastructure is levied on all new residential and accommodation developments within the district.

Methodology

1. Determine the growth capacity of each asset to be levied that is designed to accommodate future development growth = Growth Factor (GF%).
    - District population for which the asset has been designed minus current district population = Excess Capacity (EC) in household equivalent units
2. Identify capital expenditure which has a growth component = CE.
    - Any capital expenditure which maintains Excess Capacity (EC) has a growth component equal to the Growth Factor. If the capital expenditure results in an increase in Excess Capacity then the Growth Factor will also increase proportionately.
3. Multiply capital spending identified in Step 2 by the Growth Factor = Net Growth Expenditure (NGE).

- The growth related component of the capital expenditure in dollars is identified

4. Divide Net Growth Capital Expenditure (NGE) by the Excess Capacity in Household equivalents (EC) = Development Contribution to be levied per household equivalent

    - The cost of maintaining or increasing capacity within each scheme for development growth is shared equally among the household equivalents which are able to connect to the scheme.

CE x GF% EC

5. Each residential unit will be levied 1 HUE. Accommodation units will be assessed based on the maximum occupancy of the development. This assessment is based on information and design drawings submitted as part of the development approval process i.e. management plans, bed or seating plans or other such plan as agreed by Council, or where not available fire service occupancy rates may be used. Convert the maximum total occupancy to household unit equivalents.

    A household is 2.5 persons. So, for example, a 16 unit motel development that has maximum total occupancy of 48 persons attracts a DC of 48/2.5 = 19.2 HUE which rounds to the nearest full HUE i.e. 19 HUE.

Important Note: The above methodology has been applied to establish the maximum development contribution for community infrastructure.

Council has decided that the community infrastructure development contribution will be capped at $~~4,841~~ $4,892(including GST) per HUE ~~and at 1 HUE per development~~. This limit has been introduced to ensure the level of development contributions does not inhibit development, therefore promoting the economic well-being of the district.

Appendix 4 – Development contributions by location

1. Development contributions by location

This table shows the development contributions by location under the proposed policy. Figures shown are inclusive of GST.

Catchment	Water ($)	Waste Water ($)	Community Infrastructure ($)	Total ($)/HUE Draft 2021/31 LTP
Ashburton *	840.00	3,762.00	4,892.00	9,494.00
Methven	2,182.00	303.00	4,892.00	7,377.00
Rakaia	0.00	107.00	4,892.00	4,999.00
Hinds	1,400.00	0.00	4,892.00	6,292.00
Fairton	1,911.00	0.00	4,892.00	6,803.00
All Other	0.00	0.00	4,892.00	4,892.00

*Ashburton includes Lake Hood.

2. Schedule of assets for which a development contribution is required

Details of the community facility assets for which development contributions are required are included in Appendix 5 of this policy.

Appendix 5 – Development contribution by activity and location

Development contribution - Ashburton water supply

HUE calculation	Maximum connections	10,197	**Scheme growth factor**	10.12%%
	Current connections	9,165		
	Growth capacity (HUEs)	1,032		

Ashburton water supply development contribution calculation								
Period of CAPEX	**Project description**	**Year incurred / proposed**	**Amount ($)**	**Project growth factor**	**Applied growth factor**	**Funding from other sources ($)**	**Cost of providing for growth ($)**	**Development contribution per HUE ($)**
Recent	Loans	2004/20	5,726,157	22.22%	12.77%	4,994,927	731,230	708.56
Current	No growth related expenditure							0.00
Future LTP- 2021-31	Chalmers Ave water main renewal (Dobson St to River)	2022-24	228,400	15.59%	10.12%	205,286	23,114	22.40
Ashburton water supply – development contribution (excl. GST)								**730.95**
GST								**109.64**
Ashburton water supply – development contribution (incl. GST)								**840.60**

Development contribution - Methven water supply

HUE calculation	Maximum connections	1,057	**Scheme growth factor**	6.33%
	Current connections	990		
	Growth capacity (HUEs)	67		

Methven water supply development contribution calculation								
Period of CAPEX	**Project description**	**Year incurred / proposed**	**Amount ($)**	**Project growth factor**	**Applied growth factor**	**Funding from other sources ($)**	**Cost of providing for growth ($)**	**Development contribution per HUE ($)**
Recent	Loans	2004/20	1,318,416	12.34%	8.70%	1,203,714	114,702	785.63
Current	Reservoir Upgrade	2020/21	222,000	7.51%	7.51%	205,328	16,672	114.19
Future LTP- 2021-31	McKerrow St watermain renewal	2021/22	155,800	5.00%	5.00%	148,010	7,790	53.36
	Raw water trunkmain renewal	2021/22	535,700	5.00%	5.00%	508,915	26,785	183.46
	Main St watermain renewal	2022/23	66,700	5.00%	5.00%	63,365	3,335	22.84
	Mackie St watermain renewal	2023/24	123,600	5.00%	5.00%	117,420	6,180	42.33
	Spaxton St (Carr/Alford) renewal	2024/25	130,000	5.00%	5.00%	123,500	6,500	44.52

	Reservoir Upgrade Phase 2	2024/26	550,000	12.00%	12.00%	484,000	66,000	452.05
	Cameron St watermain renewal	2026/27	138,600	5.00%	5.00%	131,670	6,930	47.47
	Jackson St watermain renewal	2027/28	142,800	5.00%	5.00%	135,660	7,140	48.90
	Spaxton St (Alford/ Blackford) watermain renewal	2028/29	123,600	5.00%	5.00%	117,420	6,180	42.33
	Spaxton St (Blackford/ Main) watermain renewal	2029/30	76,700	5.00%	5.00%	72,865	3,835	26.27
	Farquhar Place watermain renewal	2030/31	49,700	5.00%	5.00%	47,215	2,485	17.02
	Talbot Place watermain renewal	2030/31	49,700	5.00%	5.00%	47,215	2,485	17.02
Methven water supply – development contribution (excl GST)								**1,897.39**
GST								**284.61**
Methven water supply – development contribution (inc GST)								**2,182.00**

Development contribution - Rakaia water supply

HUE calculation	Maximum connections	682	**Scheme growth factor**	14.08%
	Current connections	586		
	Growth capacity (HUEs)	96		

Rakaia water supply development contribution calculation								
Period of CAPEX	**Project description**	**Year incurred / proposed**	**Amount ($)**	**Project growth factor**	**Applied growth factor**	**Funding from other sources ($)**	**Funding from development contributions ($)**	**Development contribution per HUE ($)**
Recent	Loans repaid	2004/20						0.00
Current	No growth related expenditure							0.00
Future LTP- 2021-31	No growth related expenditure							0.00
							Rakaia water supply – development contribution (excl GST)	0.00
							GST	0.00
							Rakaia water supply – development contribution (inc GST)	**0.00**

Development contribution - Hinds water supply

HUE calculation	Maximum connections	147	**Scheme growth factor**	5.53%
	Current connections	139		
	Growth capacity (HUEs)	8		

Hinds water supply development contribution calculation								
Period of CAPEX	**Project description**	**Year incurred / proposed**	**Amount ($)**	**Project growth factor**	**Applied growth factor**	**Funding from other sources ($)**	**Funding from development contributions ($)**	**Development contribution per HUE ($)**
Recent	Loans	2004/20	176,217	17.81%	5.53%	166,472	9,745	1,218.10
Current	No growth related expenditure		0					0.00
Future LTP- 2021-31	No growth related expenditure		0	0				0.00
Hinds water supply – development contribution (excl GST)								**1,218.10**
GST								**182.72**
Hinds water supply – development contribution (inc GST)								**1,400.82**

Development contribution - Fairton water supply

HUE calculation	Maximum connections	84	**Scheme growth factor**	8.62%
	Current connections	77		
	Growth capacity (HUEs)	7 (less 3 becomes 4		

Fairton water supply development contribution calculation								
Period of CAPEX	**Project description**	**Year incurred / proposed**	**Amount ($)**	**Project growth factor**	**Applied growth factor**	**Funding from other sources ($)**	**Funding from development contributions ($)**	**Development contribution per HUE ($)**
Recent	Loans	2008/20	150,286	17.81%	5.53%	141,975	8,311	1,662.16
Current	No growth related expenditure		0.00					0.00
Future LTP- 2021-31	No growth related expenditure		0.00					0.00
Fairton water supply – development contribution (excl GST)								**1,662.16**
GST								**249.32**
Fairton water supply – development contribution (inc GST)								**1,911.49**

Development contribution - Ashburton wastewater (Includes Lake Hood)

HUE calculation	Maximum connections	9,534	**Scheme growth factor**	6.00%
	Current connections	8,962		
	Growth capacity (HUEs)	572 (less 270 becomes 302)		

Ashburton wastewater development contribution calculation

Period of CAPEX	Project description	Year incurred / proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from other council sources ($)	Funding from 3rd parties	Funding from development contributions ($)	Development contribution per HUE ($)
Recent	Loan	2005/20	16,980,000	22.22%	12.77%	0.00	14,811,654	2,168,346	2,296.98
							0		
Current	Ashburton relief sewer	2020/21	2,400,000	25.00%	9.02%	1,995,000	368,469	36,531	38.70
Future 2021/31 LTP	NW Ashburton wastewater servicing (Farm, Allen, Carters, Racecourse Roads)	2021/22	1,802,200	100%	9.02%	0.00	1,639,642	162,558	172.20
	Ashburton relief sewer	2021/22	7,200,000	25.00%	9.02%	5,985,000	1,105,407	109,593	116.09

	Sewer main renewal (Cameron St)	2021/22	277,100	5.00%	9.02%	0.00	252,106	24,994	26.48
	Sewer main renewal (Chalmers St)	2021/22	541,800	5.00%	9.02%	0.00	492,930	48,870	51.77
	Sewer main renewal (William St)	2021/23	1,274,800	5.00%	9.02%	0.00	1,159,813	114,987	121.81
	Grit Chamber	2021/23	2,986,000	5.00%	9.02%	0.00	2,716,663	269,337	285.31
	Sewer main renewal (Kermode St)	2025/26	270,000	5.00%	9.02%	0.00	245,646	24,354	25.80
	Sewer main renewal (West St)	2025/27	449,000	5.00%	9.02%	0.00	408,500	40,500	42.90
	Tuarangi Road servicing	2026-28	979,000	100%	9.02%	0.00	890,694	88,306	93.54
Ashburton Wastewater Scheme – development contribution (excl GST)									**3,271.59**
GST									**490.74**
Ashburton Wastewater Scheme – development contribution (inc GST)									**3,762.32**

Development contribution - Methven wastewater

HUE calculation	Maximum connections	1,454	**Scheme growth factor**	27.25%
	Current connections	1,058		
	Growth capacity (HUEs)	396 (less 25 becomes 371)		

Methven wastewater development contribution calculation								
Period of CAPEX	Project description	Year incurred / proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from other sources ($)	Funding from development contributions ($)	Development contribution per HUE ($)
Recent	Loans	2005/20	271,669	29.09%	27.25%	197,639	74,030	198.47
Current			0				0	0.00
	Mt Hutt College sewermain	2021/22	240,267	5.00%	5.00%	228,235	12,032	32.26
Future LTP- 2021-31	McDonald St Sewermain Renewal	2022/23	141,540	5.00%	5.00%	134,463	7,077	18.97
	Cameron Street Rear Sewermain Renewal	2023/24	106,509	5.00%	5.00%	101,183	5,325	14.28
	Methven Wastewater Scheme – development contribution (excl GST)							**263.98**
	GST							**39.60**
	Methven Wastewater Scheme – development contribution (inc GST)							**303.57**

Development contribution – Ashburton District community infrastructure

HUE calculation	Projected population	38,619[2]	Persons per household 2.5	Projected households	15,448
	Less current population	35,779[3]		Less current households	14,312
	Growth capacity (residents)	2,840		Growth capacity (HUEs)	1,136
				District growth factor	**7.35%**

Ashburton District community infrastructure development contribution calculation

Period of CAPEX	Project description	Years incurred / proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from third parties ($)	Funding from other ADC sources ($)	Funding from development contributions ($)	DC per HUE ($)
Recent	Loan - Ashburton Art Gallery and Heritage Centre	2005/20	2,473,795	11.50%	11.50%	0.00	2,189,309	284,486	250.43
	Loan - EA Networks Centre	2009/20	26,074,186	11.50%	11.50%	0.00	23,075,655	2,998,531	2,639.55
Current	Ashburton Library & Civic Centre	2019/20	873,000	14.16%	7.35%	362,976	472,537	37,487	33.00
		2020/21	6,097,000	14.16%	7.35%	2,535,011	3,300,183	261,806	230.46

[2] Source: Statistics New Zealand Population Projections for 2028 (2018 Census as a base – medium population projection)
[3] Source: Statistics New Zealand Population Estimates for 30 June 2020

Future LTP- 2021-31	Library & Civic Centre	2021/22	42,714,000	14.16%	7.35%	15,922,295	24,822,515	1,969,190	1,733.44
	Library & Civic Centre	2022/23	7,066,000	14,16%	7.35%	2,633,966	4,106,280	325,754	286.76
	Ashburton Library - Capital	2021/29	95,000	7.35%	7.35%	0	88,018	6,983	6.15
	Ashburton Museum - Capital	2021/31	201,300	7.35%	7.35%	0.00%	186,504	14,796	13.02
	EA Networks - Capital	2021/31	369,000	7.35%	7.35%	0.00%	341,879	27,122	23.87
Uncapped Ashburton community infrastructure – development contribution (excl GST)									**5,216.69**
GST									**782.50**
Uncapped Ashburton community infrastructure – development contribution (incl GST)									**5,999.19**
Capped Ashburton District community infrastructure - development contribution (excl GST)									**4,253.91**
GST									**638.09**
Capped Ashburton District community infrastructure – development contribution (incl GST)									**4,892.00**

Notes:

With a cap on the amount of development contributions able to be charged set at $4,892 (including GST) the amount of funding coming from development contributions for the projects captured is 81.54% of the full contribution, compared with 85% in the 2020 schedules..

Appendix 6 – Water consumption of non-residential properties by functional use

Property Use	Water Consumption (Litres / Person / Day)	Property Use	Water Consumption (Litres / Person / Day)
Household (per person)	220	**Offices, Shops or Dry Industries**	
Boarding Houses / Homestays		• Per staff member	40
• Per bed	220	**Public Toilets (incl. hand wash)**	
Camping Grounds (Per guest)		• Per person	20
• Fully serviced	130	**Restaurants/ Bars/ Cafes (per customer)**	
• Recreation areas	65	• Dinner	30
Community Halls (Per person)		• Lunch	25
• With banquet facilities	30	• Bar	20
• Meetings	15	**Rest Home (Per bed + per staff member)**	
Hospitals (Per bed + per staff member)		• Per bed	250
• Per bed	250	• Per staff member	60
• Per staff member	60	**Retirement Home (self-contained units)**	
Lunch Bars (Per customer + per staff member)		• Resident	220
• With restroom facilities	25	• Staff	50
• Without restroom facilities	15	**School (per pupil + per staff member)**	
• Per staff member	40	• No gym, showers or cafeteria	20
Motels / Hotels		• Gym, showers and cafeteria	100
• Guests, resident staff	220	• Boarding	250
• Reception rooms	30	**Shopping Centre**	
• Restaurant (per customer)	30	• Per customer	25
• Bar (per customer)	20		

Note: Typical water consumption figures based on examples contained in "On-site Wastewater Systems: Design and Management Manual", Auckland Regional Council technical publication No.58, third edition, August 2004.

11. Ashburton Car Club Street Sprints

Author	*Rhys Roberts; Technical Support Officer - Roading*
Activity Manager	*Brian Fauth; Roading Manager*
GM Responsible	*Neil McCann; Group Manager – Infrastructure Services*

Summary

- This report considers an application from the Ashburton Car Club for temporary road closures of sections of the Riverside Industrial Estate from 7 May 2021 to 9 May 2021 to hold the annual Ashburton Street Sprints.
- This report outlines the benefits and risks to be taken into consideration on whether to approve or decline the road closure.
- The Ashburton Car Club has run car racing events safely and successfully for over 17 years. Their events are well organised and every precaution is taken by the organisers to ensure that the highest levels of safety are maintained. Their events are highly supported by the local community and are a valued attraction to the District.
- Council is not obliged to approve any road closures. Our practice has been to approve such requests, subject to being confident that the event organisers can manage the event safely, and that the road will be restored to pre-race condition.
- Officers are satisfied that the Ashburton Car Club can meet these expectations, as they have repeatedly done so for many years. This event requires a minor detour and has received approval from NZTA. For these reasons, Officers recommend the request be approved.

Recommendation

That Council permits the following roads in the Riverside Industrial Park be closed from 7.30pm Friday 7 May 2021 until 8.00pm Sunday 9 May 2021 to allow the Street Sprints to be held:-

SMALLBONE DRIVE, from River Terrace to Robinson Street
ROBINSON STREET, from Smallbone Drive intersection to McNally Street
WATSON STREET, from Range Street to Robinson Street
MCNALLY STREET, from Range Street to end of the street
RANGE STREET, from Robinson Street to Watson Street

Background

1. The Ashburton Car Club have applied to Council for temporary road closure to allow them to hold the Street Sprints.

2. This event has been advertised with a period of time for objections to be submitted. The objections period closed on the 10 March 2021 and none were received.

3. Current insurance and approved Traffic Management Plans have been received.

4. This application must be considered by Council under Paragraph 11(e) of the Tenth Schedule of the Local Government Act 1974, because New Zealand Motorsport, of which the Ashburton Car Club is a member, requires roads to be closed for motor sport events under the Local Government Act, as event participants may be under 16 years of age.

Options analysis

Option 1 – Approve Road Closure

5. Our practice has been to approve such requests, subject to being confident that the event organisers can manage the event safely, and that the road will be restored to pre-race condition.

6. Ashburton Car Club has a strong record of safe and successful management of these events in the district for over 17 years.

7. The road closure incorporates a detour so users of the Ashburton Resource Recovery Park can still access the facilities.

8. The responsibility for risk free operation lie with the organisers and all contingencies are covered in the conditions of closure.

9. The road condition will be inspected by Roading staff before and after the event.

10. Emergency services are provided with copy of road closure information after approval has been given.

11. For these reasons, Officers **RECOMMEND** Option 1

Option 2 – Decline Road Closure

12. This is not preferred.

13. As mentioned in option1 this event has been held for a number of years without incident and is well supported by the local community. Many people look forward to this specific event and it provides a positive attraction to the District.

Legal/policy implications

14. Clause 11 of the Tenth Schedule of the Local Government Act 1974 provides – *"That Council may, subject to such conditions as it thinks fit… close any road or part of a road to all traffic (e)… for any exhibition, fair, market, concert, film making, race or other sporting event or public function."*

Financial implications

15. There are no financial implications.

Requirement	Explanation
What is the cost?	No costs incurred to Council
Is there budget available in LTP / AP?	N/A
Where is the funding coming from?	All costs associated to this event are being paid by the organiser (Ashburton Car Club)
Are there any future budget implications?	No
Finance review required?	No – This is not a Council organised event and the costs are for the organiser to bear.

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Medium
Level of *engagement* selected	Level 3 – Consult. Council must advertise the closure and consider objections.
Rationale for selecting level of engagement	This level of engagement is appropriate for the overall significance of this decision and the statutory requirements.
Reviewed by Strategy & Policy	Richard Mabon, Senior Policy Advisor

Significance and engagement assessment

16. Property/business owners in the affected areas have been approached and letters dropped off so they aware of the road closures and the event.
17. Other local organisations are actively involved with marshalling, security etc.

18. The event has also been publicly notified.

19. Emergency services are provided with copy of road closure information after approval has been given.

20. There will also be publicity around this road closure due to the normal media coverage of public meeting agenda items.

21. The advance communications and notifications are consistent with the overall significance of this decision and the legal requirements.

Next steps

Date	Action / milestone	Comments
17 March 2021	Council make a decision to approve or decline road closure	If approved the event will proceed as planned.

12. Flying Kiwi Motorcycles Ltd – NZ Land Speed Record

Author	*Rhys Roberts; Technical Support Officer- Roading*
Activity Manager	*Brian Fauth; Roading Manager*
GM Responsible	*Neil McCann; Group Manager – Infrastructure Services*

Summary

- This report considers an application from the Flying Kiwi Motorcycles for the temporary road closure of McCrorys Road from 9 April 2021 to 11 April 2021 to hold an event in an attempt to break the NZ Land Speed Record for a motorcycle.
- This report outlines the benefits and risks to be taken into consideration on whether to approve or decline the road closure.
- Flying Kiwi Motorcycles Limited has run this event safely and successfully in the past. The event is well organised and precaution is taken by the organisers to ensure that the highest levels of safety are maintained, with a highly detailed event management and safety plan
- Council is not obliged to approve any road closures. Our practice has been to approve such requests, subject to being confident that the event organisers can manage the event safely, and that the road will be restored to pre-race/event condition.
- Officers are satisfied that the Ashburton Car Club can meet these expectations, as they have repeatedly done so for many years. This event requires a minor detour and a compliant traffic management plan has been approved. For these reasons, Officers recommend the request be approved.

Recommendation

That Council permit the following road be closed from 8.00am Friday 9 April 2021 until 4.30pm Sunday 11 April 2021 to allow the NZ Land Speed Record attempt to be held:-

- **MCCRORYS ROAD**, from Awaroa School Road to Kyle Road intersection

Background

1. Flying Kiwi Motorcycles Limited have applied to Council for temporary road closure to allow them to hold the NZ Land Speed Record Attempt.

2. This event has been advertised with a period of time for objections to be submitted. The objections period closes on 10 March 2021.

3. Current insurance and approved Traffic Management Plans have been received.

4. This application must be considered by Council under Paragraph 11(e) of the Tenth Schedule of the Local Government Act 1974, because Motorcycling New Zealand, to which this activity is governed, requires roads to be closed for motor sport events under the Local Government Act.

Options analysis

Option 1 – Approve Road Closure

5. This event has been planned by the organisers for a number of years and has been held previously without incident in 2005 on Chertsey Kyle Road.

6. The road closure incorporates a local detour along sealed roads so only local restrictions will apply, and all nearby residents and business owners have been notified by Flying Kiwi Motorcycles Limited of the closure.

7. The responsibility for risk free operation lies with the organisers and all contingencies are covered in the conditions of closure.

8. The road condition will be inspected by Roading staff before and after the event.

9. There will be a representative from Motorsport NZ along with marshalls to officiate the event and confirm the results, and a paramedic in the safety car at all times.

10. Ambulance services are to be on site ensuring the safety of those involved and those attending.

Option 2 – Decline Road Closure

11. This is not preferred.

12. As mentioned in option 1 this event has been planned by the applicant for a number of years and has been held previously without incident. The event organisers wish to keep the numbers attending low as their primary focus is on breaking the previous record. Considering that this event is not held annually and the low levels of familiarity with the local community there is no specific reason to why this should not proceed.

Legal/policy implications

13. Clause 11 of the Tenth Schedule of the Local Government Act 1974 provides –

"That Council may, subject to such conditions as it thinks fit… close any road or part of a road to all traffic (e)… for any exhibition, fair, market, concert, film making, race or other sporting event or public function."

Financial implications

14. There are no financial implications for Council.

Requirement	Explanation
What is the cost?	No costs incurred to Council
Is there budget available in LTP / AP?	N/A
Where is the funding coming from?	All costs associated to this event are being paid by the organiser (Flying Kiwi Motorcycles Limited)
Are there any future budget implications?	No
Finance review required?	No – This is not a Council organised event and the costs are for the organiser to bear.

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Medium
Level of *engagement* selected	Level 3 – Consult. Council must advertise the closure and consider objections.
Rationale for selecting level of engagement	This level of engagement is appropriate for the overall significance of this decision and the statutory requirements.
Reviewed by Strategy & Policy	Richard Mabon, Senior Policy Advisor

Significance and engagement assessment

15. Flying Kiwi Motorcycles Limited have held this event before in 2005 without incident where they successfully broke the world motorcycle sidecar speed record.
16. Property owners in the affected areas have been approached and letters dropped off so they aware of the road closures and the event.

17. This event is not held annually and there is not as much familiarity with the local community when compared to other motor sporting events.

Next steps

Date	Action / milestone	Comments
17 March 2021	Council make a decision to approve or decline road closure	If approved the event will proceed as planned.

13. *Mayor's Report*

1. Climate Change

Deputy Mayor Liz McMillan and Cr Carolyn Cameron attended a regional Climate Change workshop on 10 February

Dr Rod Carr spoke on the Climate Changes Commission's recent draft advice to the Government. He spoke in particular about the implications of climate change for transport, energy production, agriculture and forestry. It was noted that there would be significant opportunities but also significant impacts which would not be felt evenly throughout the country and support would be needed.

Environment Canterbury staff led a presentation on the Regional Council's upcoming engagement programme, which was co-developed with Canterbury's Councils and Ngāi Tahu.

The workshop concluded with ideas on how the group could stay connected and the plan for further workshops.

2. River Rating Districts

- **Lower Rakaia River Rating** – 22 February (Mayor Neil Brown)

The meeting was held in the Rakaia Fire Station and attended by five committee members, four ECan staff members and a representative from the Selwyn District Council. Discussions were held on:

  - Pole planting
  - River bank protection
  - Fairway spraying
  - Previous years works
  - Budget and rate requirement

Overall this was a productive meeting with the desired outcomes met. Members extended thanks and appreciation to the ECan staff for their work over the past year.

- **Upper Hinds River** – 2 March (Cr Stuart Wilson)
- **Ashburton Hinds Drainage Rating** – 2 March (Cr Stuart Wilson)

Cr Wilson attended two ECan District Liaison Committee meetings both held 2 March, the Ashburton Hinds Drainage rating district and the Upper Hinds rating district. Both committees reviewed work completed in their respective areas and after much discussion approved finances for the next financial year, although with reduced budgets than what ECan staff were requesting. Both committees have reserves that can be used if necessary.

3. Reserve Bank Governor

Crs Falloon, McKay, Wilson and myself attended the Reserve Bank annual luncheon organised by the Christchurch Chamber of Commerce on 26 February

Key points of note were:

- Interest rates will be low for a prolonged time
- 2% inflation is the goal but there may be fluctuations with no concern
- If the economy needed stimulating the Reserve Bank can and would do it again
- Banks have taken up the direct funding of money to on-lend from the Reserve Bank at a rate of 0.25%.
- The option of negative interest rates is still available.

4. LGNZ Rural and Provincial - 5 March 2021

Due to Covid levels this meeting was held via Zoom and was attended by myself, Deputy Mayor Liz McMillan and CE Hamish Riach.

Further disruptions to the meeting were caused by the Tsunami warnings and evacuations that were taking place along the eastern coastline with a number of Mayors having to leave the meeting as their areas were being evacuated.

Alex Walker – Chair, Rural Sector / Gary Kircher – Chair, Provincial Sector

Introductions were undertaken by both Chairs with the main focus being on the upcoming three waters reform and a call for Rural and Provincial Councils to work together to lead the conversation.

Hon Nanaia Mahuta addressed the meeting:

- Expressed appreciation to Councils for all their efforts in regards to the 3Water Reform
- It is anticipated that should any changes be made in this space that they would be effective as of 1 July 2024 in order to coincide with LTP's
- Currently looking at practicalities of including stormwater and may reconsider
- Encouraged Councillors to attend the upcoming meetings as they will be the ones making the decision.

Brian Hanna – Independent Chair, Three Waters Steering Group

- Local government needs to lead the 3 waters reform.
- Each Council will get feedback with investment needs, drinking water standards, costs etc

LGNZ on Resource Management

- Explained the three acts that will replace the Resource Management Act, the need for more representation of Maori and the link to the Te Tiriti and Te Mana o te Taiao (Biodiversity Strategy)
- Nervous about the government pushing this through so quickly
- Key issues and concerns should go back to Minister Parker

5. LGNZ Zone 5 and 6

A Zone 5 and 6 meeting was held in Wanaka, 15/16 March and was attended by myself, Councillor Stuart Wilson and CE Hamish Riach. A report from the meeting will be provided at the 7 April 2021 Council meeting.

6. Regional Event Fund

Ashburton District Council have recently announced Mid Canterbury's share of the Regional Event Fund to support events that will drive inter and intra-regional visitors in the absence of international tourists. Our share of the funding is $233k over the next four years.

As we are now live with the funding applications, the final step in the process is the establishment of the Mid Canterbury Events Funding Panel. The terms of reference for the Regional Event Funding Panel membership includes an elected member of Council.

The role involves reviewing each application and determining the most appropriate outcome. The time commitment would be early to mid-April and October each year.

Recommendation

That Council appoints Liz McMillan as Council's representative on the Mid Canterbury Events Funding panel.

7. National Policy Statement Freshwater Policy

I, along with a group of Mid Canterbury representative travelled to Wellington on Monday 8 March to meet with Hon. Damien O'Conner and Hon. David Parker, as arranged by Jo Luxton, to discuss the proposed Freshwater policy and the impact it will have in, its current form, on the Ashburton District.

- Good robust discussion with good engagement from all parties
- A pathway forward has been suggested
- This involves discussions with the Regional Council
- I am confident there is a solution for our districts Freshwater concerns.

8. No. 24 Ashburton Squadron, Air Training Corps

Members of the No. 24 Ashburton squadron, Air Training Corps will join the meeting to be presented with the District of Ashburton Charter. The Charter, while mostly symbolic gives the squadron the right to parade the streets on occasions such as Anzac Day and Armistice Day.

9. Meetings

- **Mayoral calendar**

February 2021

- 27 February: Ashburton Trotting Club Race Meeting along with Crs Braam, McKay and Letham

March 2021

- 1 March: Jo Luxton – MP for Rangitata
- 2 March: Living with Water Presentation from Henk Ovink, Netherlands Water Envoy (via Zoom)
- 3 March: Council meeting
- 5 March: Rural and Provincial with Deputy Mayor Liz McMillan and CE Hamish Riach (via Zoom)
- 8 March: RDR
- 8 March: Essential Freshwater meeting with Ministers, Wellington
- 9 March: Library and Civic Centre Project Control Group
- 9 March: Georgina McLeod and Bill Eschenbach – Waitaha Health Board
- 9 March: Council Workshop
- 11 March: Dairy Women's Network meeting (via Zoom)
- 11 March: Hekeoa Hinds Water Enhancement Trust
- 12 March: CEO six month review (via Zoom)
- 13 March: Mayfield A&P Show
- 15/16 March: Zone 5 & 6, Wanaka with Cr Stuart Wilson and CE Hamish Riach
- 16 March: Ashburton Trust/Lion Foundation
- 17 March: Council Meeting

Recommendation

That Council receives the Mayor's report.

Neil Brown
Mayor