



SECTION
3

*Tukanga Whakataunga
Wakaaro
Decision Making
Process*

Te Hihira me te Whakapanga Kaupapa Here | Significance and Engagement Policy

We want to:

**Have the right conversations - with the
right people - about the right issues**

Executive Summary

The Council is responsible for making decisions on behalf of its communities. We engage with our communities every day and in different ways. This can range from simple messages to keep an individual or group informed, or it can be a two-way process where we ask the community for their viewpoint. This information is used to inform the decisions the Council makes.

This policy provides guidance to the community about when they can expect to be informed about a proposal, or be asked for their view on an issue, to feed into the decision making process.

Purpose

This policy establishes an approach for determining the significance of Council decisions and sets out when and how we will engage with communities in our decision making, relative to the significance of the decision.

Objectives

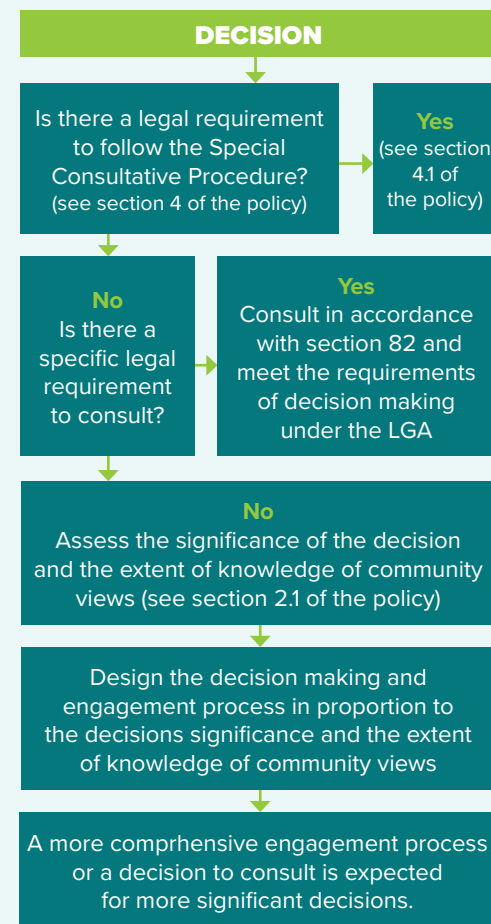
The objectives of this policy are:

- a. To enable the Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities.

- b. To let communities know how and when they can expect to be engaged in the Council's decision making processes.
- c. To inform the Council from the beginning of a decision making process about the extent, form and type of engagement required.
- d. To ensure that the Council meets all legislative requirements for consultation and community

Policy

1. Process overview diagram



Te Hihira me te Whakapanga Kaupapa Here | Significance and Engagement Policy

2. Determining Significance

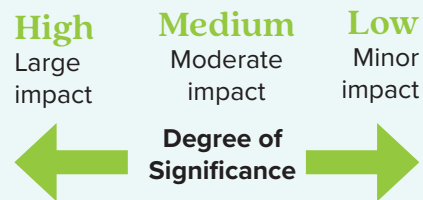
We first need to consider the level of significance in relation to the proposal, asset, decision or activity.

The following sections provide the step by step process for how we determine significance.

2.1 Assessment

For each decision an assessment will be undertaken by the report writer using the following thresholds and criteria, to determine significance:

2.1.1 Degree of significance



2.1.2 Criteria to determine significance

Council officers will need to think about the following six criteria and make a recommendation to the

elected members about the decision's significance. The final decision about the significance of any matter rests with elected members.

Criteria	Measure
Degree	The number of residents and ratepayers affected and the degree to which they would be affected by the decision or proposal.
Levels of service	The achievement of, or ability to achieve, the Council's stated levels of service as set out in the Long Term Plan.
Decision	Whether this type of decision, proposal or issue has a history of generating wide public interest in South Taranaki.
Financial	The impact of the decision or proposal on the overall budget or whether it is included in an approved Long Term Plan and the Council's ability to carry out its existing or proposed functions and activities now and in the future.
Reversible	The degree to which the decision or proposal is reversible.
Environment	The degree of impact the decision would have on the environment.

2.2 Strategic Assets

Under section 76AA (3) of the LGA

2002, the Council must list the assets it considers to be strategic assets. It has considered the previous list and re-confirmed that the following assets or groups of assets are strategically important to achieve and promote the current and future well-being of the South Taranaki community:

- All roading networks;
- All solid waste networks (excluding buildings);
- All water supply networks (excluding buildings);
- All wastewater networks (excluding buildings);
- All stormwater networks (excluding buildings); and
- Housing for the elderly.

Where a strategic asset is a network, or has many components, decisions can be made on individual components within the network without being regarded as significant, unless that component substantially affects the level of service provided to the community.

Decisions can be made to physically alter strategic assets to prevent an immediate hazardous situation arising or repair an asset due to damage from an emergency or unforeseen situation. Any decision relating to the sale or transfer, or sale of a shareholding of any of the above mentioned assets, is a significant matter and will trigger the Special Consultative Procedure (SCP). See also section 3.6 (Determining when not to engage).

2.3 Requirements for reports:

2.3.1 Every agenda item requiring a Council decision will require the report writer to consider significance and engagement, as defined within this policy.

2.3.2 Each decision will be considered case by case to determine significance.

2.3.3 The consideration, disclosure and engagement will be proportional to the significance of the decision.

Te Hihira me te Whakapanga Kaupapa Here | Significance and Engagement Policy

3. Engagement

After assessing the level of significance, we decide on the level of engagement required.

3.1 Principles of engagement

- **Genuine** – we will engage honestly, and will respect and listen to the community’s views with an open mind, and will give due consideration to them when making decisions.
- **Timely** – we will engage with the community as early as practicable. We will allow time for participants to contribute, and for them to be able to raise points on the issue.
- **Purposeful** – we will be clear about the purpose of the engagement and the ability and scope of the engagement to influence the decision.
- **Inclusive and accessible** – we will engage in a way that encourages participation by all who are likely to be affected by, or are interested in, a decision.
- **Recognition of diversity** – we will try to engage in ways that are

appropriate to the issue and those we are seeking to engage, having regard to their culture, age, and ability.

- **Informed** – we will provide clear, easy to understand and objective information relating to the engagement, and ensure it is readily available so participants can make informed contributions.

3.2 Determine level of engagement

We have identified four levels of engagement that we may use to convey information to the community on decisions we make.

Engagement assessment levels

Level	Goal
Inform	To provide the public with balanced and objective information to help them understand the problems, alternatives, opportunities and/or solutions.
Consult	To obtain public feedback on analysis, alternatives and/or decisions.

Involve	To work directly with the community throughout the process to ensure that public concerns and aspirations are consistently understood and considered.
Collaborate	To partner with the public in each aspect of the decision, including the development of alternatives and the identification of the preferred solution.

3.3 How we will engage

3.3.1 We will communicate across multiple channels to reach ratepayers and residents. This may include:

- Council’s website
- Sent with rates notices - Southlink Extra
- Local newspapers (Southlink and public notification)
- Email
- Social media
- Antenno
- Face to face meetings / events
- Online surveys
- Other means of communication on a case by case basis

3.3.2 For any engagement above the level “Inform”, an officer must complete a communications plan and or engagement plan. See link here.

3.4 Providing information

Depending on the level of engagement (when we will inform, consult, involve or collaborate), we will generally provide information on:

- What is proposed?
- Why?
- What options are available?
- Our preferred option, and why, when it’s appropriate to say so.
- Costs and rating impact, if applicable.
- How the community can have its say.
- The timeframe and the process.
- How we will communicate the outcome.

There will be times when engagement will mean that not all of the information listed above can be provided,

Te Hihira me te Whakapanga Kaupapa Here | Significance and Engagement Policy

depending on the level of engagement we have decided to use.

3.5 Engagement with Māori

The LGA 2002 provides principles and requirements to facilitate participation of Māori in local decision making processes.

Our goal is greater engagement with Māori, which includes strengthened and ongoing partnerships. We aim to receive advice, appropriate information and understanding from Iwi groups about the potential implications and/or effects of proposals on tangata whenua values.

Our engagement with Māori is outlined in He Pou Tikanga / Ngā Iwi-Council Partnerships Strategy

3.6 Determining when not to engage

There are times when the Council will not consult with the community, because the issue is routine or operational, we must meet certain standards, or because there is an emergency. We also want to strike the right balance, and not over-consult. 'Consultation fatigue' could result in the community tuning out

We want to:

**concentrate on having the right conversations -
on the issues that are genuinely significant
to the South Taranaki community.**

of conversations with us.

Here are some examples of things we won't be asking about:

- Organisational decisions such as staff changes and operational matters that do not reduce a level of service;
- Emergency management activities during a state of emergency – Civil Defence Emergency Management Act 2002;
- Decisions that are commercially sensitive (for example, awarding

contracts).

- Any decisions made by delegation/ sub delegation to officers.
- Entry or exit from a development agreement (private contract) as per section 207A LGA 2002.
- Decisions in relation to regulatory and enforcement activities.
- When we are not required to consult by law, we can consider making a decision without consultation on a case by case basis.

Decisions taken to manage an urgent

issue; or

- Decisions to act where it is necessary to:
 - o Comply with the law;
 - o Save or protect life, health or amenity;
 - o Prevent serious damage to property;
 - o Avoid, remedy or mitigate an adverse effect on the environment;
 - o Protect the integrity of existing and future infrastructure and amenity.

Te Hihira me te Whakapanga Kaupapa Here | Significance and Engagement Policy

4. Formal Consultation

4.1 Special Consultative Procedure

Some legislation specifically requires us to use the Special Consultative Procedure (SCP) to engage with the public. This is a very prescribed process set out in section 83 of the LGA 2002. The SCP is the most common type of formal consultation we undertake. This process is required for some plans and processes, including but not limited to, adopting or amending a Long Term Plan or bylaw.

The SCP process requires us to prepare a statement of proposal and make it publicly available. We are required to collect feedback from the public in the form of submissions for a minimum of one month, and allow each submitter the opportunity to present their views at a hearing.

If the SCP is required, we must use the process described in the LGA 2002, and we are not required to undertake an assessment using sections 2 and 3 of this policy.

4.2 Hearings and Feedback

- Hearings are held at the Council Chambers, Albion Street, Hāwera, unless otherwise designated.
- Submitters can give their feedback using audio link or audio-visual link. We provide free internet access and terminals at every LibraryPlus in the District.
- We can facilitate interpretation, including Te Reo Māori and New Zealand sign language.
- We will acknowledge the receipt of any submission.
- We notify the decision by email or letter and on the Council's website.

5. Definitions

The Council is the South Taranaki District Council (elected members and/or officers).

6. Review of Policy

The Significance and Engagement Policy will be reviewed every three years, as part of the Long Term Plan process, to ensure it reflects the way

in which the Council engages with its communities.

Person Responsible: Head of Strategy and Governance	Date Last Reviewed: November 2023
Dated Adopted: To be completed after adoption	Next Review Date: November 2026
Status: To be completed after adoption	Review Period: Three yearly

Te Hihira me te Whakapanga Kaupapa Here | Significance and Engagement Policy

	Criteria		Explanation		Assessment score (number)
	2.2	1. Strategic asset?	Yes	Is it a strategic asset where levels of service are impacted?	Yes
				No	0
		No			0
Determining Significance (section 2.1.2)	2. Number of people affected?		LOW - 100 or less		1
			MEDIUM - Less than 500 but more than 100		2
			HIGH - Greater than 500		3
	3. Degree of impact on people affected		Criteria 3-9 require qualitative assessment. Remember: • Front page newspaper test • Impact on individuals and groups • Potential benefit vs. risks • Financial cost of the outcome • Potential precedent set • Related to land or water? • Assessed against environmental sustainability and climate change criteria? • Of political interest N/A = 0 L = 1 M = 2 H = 3		
	4. Impact on levels of service				
	5. Level of potential community interest				
	6. Cost of proposal				
	7. Is the decision reversible? Yes = 0, No = 2				
8. Degree of impact on the environment					
9. Impact on Māori					
3.5					
TOTAL		Low / Medium / High (circle one)			
Level of Significance		LOW	Score of 10 or less		
		MEDIUM	Score of between 11 and 19		
		HIGH	Score of 20 or above		

Once the level of significance has been calculated from the matrix, this decides the engagement level to be used, as follows:

LOW	Consultation may not be required, or inform only (case-by-case basis)
MEDIUM	Must inform, consult or involve
HIGH	Must consult, involve or collaborate

Te Hihira me te Whakapanga Kaupapa Here | Significance and Engagement Policy

DETERMINING SIGNIFICANCE GUIDANCE

Criteria	Measure	High	Medium	Low
Degree	The number of residents and ratepayers affected and the degree to which they are affected by the decision or proposal.	Impacts a large proportion of the community. <i>(for example, change in rubbish collection)</i>	Impacts a subgroup or groups within the community <i>(for example, creation of neighbourhood playground)</i>	Impacts an individual person or household. <i>(for example, removal of one light on the roadside outside a house)</i>
Levels of Service	The achievement of, or ability to achieve, the Council's stated levels of service as set out in the Long-Term Plan 2024-2034.	Ceasing or commencing a service.	A more than nominal alteration of a service.	A nominal or no alteration of a service
Decision	Whether this type of decision, proposal or issue has a history of generating wide public interest in South Taranaki.	High degree <i>(for example, town centre redevelopment)</i>	Moderate degree <i>(for example, disposal of surplus land/building)</i>	Low degree <i>(for example, putting in a new bus stop)</i>
Financial	The impact of the decision or proposal on the overall budget or whether it is included in an approved Long Term Plan, and the Council's ability to carry out its existing or proposed functions and activities now and in the future.	Unbudgeted operating costs greater than 10% of total expenses in the financial year of the decision. And/or Unbudgeted capital costs greater than 1% of total assets in the financial year of the decision.	Unbudgeted operating costs greater than 5% (but less than 10%) of total expenses in the financial year of the decision. And/or Unbudgeted capital costs greater than 0.5% (but less than 1%) of total assets in the financial year of the decision.	Unbudgeted operating costs less than 5% of total expenses in the financial year of the decision. And/or Unbudgeted capital costs less than 0.5% of total assets in the financial year of the decision.
Reversible	The degree to which the decision or proposal is reversible.	Highly difficult <i>(for example, constructing a purpose built building)</i>	Moderately difficult <i>(for example, adoption of a bylaw)</i>	Low difficulty <i>(for example, minor amendment to a policy)</i>
Environment	The degree of impact the decision will have on the environment	Significant impact on the environment	Has some impacts on the environment.	Has little or no impact on the environment

Nga Whakapae me Ngā Raraunga Assumptions and Data

Te Taupori me te Ekenga / Population and Growth



POPULATION

Infometrics* revised their population projections in December 2023 and predict our population will grow by 2.9% (857 people) to 2037 and then decline by 3.0% from 2037 to 2054. This is because our birth rate is expected to decline while the death rate increases, with deaths exceeding births by the 2040s. A predicted steady in-migration of around 3,500 to 4,000 people per year will largely offset the population decline. Most of our modest growth is likely to occur in and around Hāwera, as that is where most of our residential and commercial development is taking place.

! Risk – Low

There is a risk that the population increases or declines more than projected, which means we would need to review our growth-related projects and work programmes.

Likelihood - Unlikely

We consider that either scenario is unlikely, based on Infometrics' projections for the District and the Region.

** Infometrics is an economics consultancy that specialises in economic analysis, econometric modelling and forecasting, demographic and population projections.*



CHANGE IN NUMBER OF RATING UNITS

The number of residential and commercial subdivisions planned and under way around the District, particularly in Hāwera, means we can expect a minor increase in the rating base.

! Risk – Low

If there is an increase in development ahead of the projections, we may not have infrastructure in place to meet this growth. We are addressing this by identifying areas of growth, such as the northern and western structure plans in Hāwera.

Likelihood – Likely

The rapid growth in subdivision development during the last three years is not expected to continue, although some further growth is likely.



ECONOMIC GROWTH – SOUTH TARANAKI

The New Zealand economy has cooled, but there's still a long descent to 2% inflation to navigate from this point. High interest rates are cooling demand and have caused GDP data to look recessionary. However, despite weakness, capacity pressures need to weaken further in order to get inflation sustainably back to 2%. Interest rates remain relatively high, exacerbated by the floods and Cyclone Gabrielle in the first quarter of 2023. While these events did not directly affect South Taranaki, the loss of production and scarcity of resources are just two inflationary factors that have impacts on the economic well-being of our communities. Employment growth is predicted to be minimal according to Infometrics, with just 0.4% growth between now and 2034 and even less than that further out. Some job reductions are expected in the agriculture sector as farmers reduce stocking rates to meet environmental requirements.

!! Risk - Medium

There is a risk that the economy will continue to perform poorly during the life of this plan, and this will create affordability issues for our residents.

Likelihood – Likely

We expect the economy to perform poorly for several years.

Nga Whakapae me Ngā Raraunga

Assumptions and Data



LAND USE AND DEVELOPMENT

Demand for residential, commercial and industrial sections is expected to continue to be mainly focused around Hāwera and Normanby, and to a lesser extent Ōpunakē in comparative terms. The current supply of consented subdivision lots is expected to meet demand for many years at current rates of development. An expected increase in demand for water and wastewater services in Hāwera's new residential areas has been planned for through our Infrastructure Strategy.

In-fill subdivisions are most popular in Hāwera and Ōpunakē residential areas and three waters capacity for these activities must be considered. Ōpunakē and the Taranaki Coastal Ward

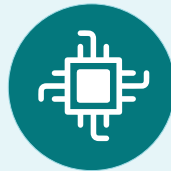
more generally have seen an increase in resource consent applications that relate to renewable energy generation. It is expected that these applications will continue as New Zealand transitions into a green energy economy.

! Risk – Low

If there is an increase beyond our projections, we may not have infrastructure in place to meet this growth or support new commercial or industrial facilities.

Likelihood – Unlikely

This is unlikely as work has commenced on supporting the area identified for the South Taranaki Business Park and the north and west Hāwera structure area.



TECHNOLOGICAL CHANGES – HOW WE WORK

We expect continued evolution of technology.

! Risk - Low

We are mindful that technology is evolving at rapid speed and could affect the way in which we operate. It is possible that there may be some technology advancements that we are unable to keep up with.

Cyberattacks are becoming more frequent and severe. The human and financial impact of attacks continues to rise in line with the increasing adoption of digital environment.

Likelihood – Possible

It is possible that there will be some technological

changes during the life of this Plan. Failure to keep up with the changing technology could result in increased cyber security risk.

Impact - Likely

There is always a possibility of us not keeping up with changing technology. This could result in additional costs, loss of productivity and negative publicity. However, we currently have a digital transformation strategy in place that reduces likelihood of this happening, as well as systems and processes to keep up with emerging technologies.



AFFORDABILITY

The ability of our community to continue to absorb ongoing increases in rates and fees and charges is of concern. Average household incomes in South Taranaki have been around 25% lower than nationally for some years, and there are several reasons for this. Large numbers of farm workers and others on lower incomes, relatively high numbers of beneficiaries, elderly and Māori households (with higher than average numbers of young people) are contributing factors. This means that rates comprise a higher proportion of expenditure for many of our households, compared to the national average. As we are expecting a small population increase to 2037 followed by a slow decline, it is unlikely that there will be significantly more households or rating units to share the rates burden.

! Risk – Low

There is a risk that our community will be unable to absorb high rate or fees and charges increases.

Likelihood – Possible

We are seeing an increasing trend of non-payment through the quarterly debtors report submitted to our Risk and Assurance Committee.

Nga Whakapae me Ngā Raraunga Assumptions and Data

Taiao me te Toitū / Environment and Sustainability



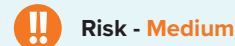
CLIMATE CHANGE

We anticipate that over the life of this plan, temperatures will continue to increase and so will the likelihood fast changing weather patterns, extreme rain and severe wind events. The Ministry for the Environment has predicted the potential for low to moderate changes to the Taranaki climate before 2090. The National Institute of Water and Atmospheric Research (NIWA) in the report 'Climate Change Projections and Impacts for Taranaki (2022)' predicts temperature increases of 0.5 to 1.0°C and an estimated increase of 5-15 hotter days by 2040.

Climate change is likely to affect most Council activities over the medium to long term. Our roading network will be the most affected by an increase of 10% in the frequency and intensity of rainfall, extreme winds and storminess (NIWA, 2022). Our asset management planning includes consideration of climate change impacts, and preparing for emergency works that may need to be completed quickly.

While we expect sea levels will continue to rise at a rate of around 3mm per year, South Taranaki is protected by high cliffs in most areas. Impacts will be localised, although coastline erosion is an issue that cannot be dismissed entirely.

These predictions are based on the 2040 RCP4.5 indicators.



Risk - Medium

There is a risk that there will be more frequent and severe weather events than anticipated, which will put extra pressure on our built and natural environments, assets and infrastructure. We maintain and update our Business Continuity Plans and we have performance measures to monitor our preparedness for a civil defence emergency event.

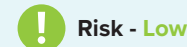
Likelihood – Likely

It is likely that the increasing numbers of severe weather events will be greater than predicted.



BIOLOGICAL DISASTERS/ PANDEMICS

The four Councils across Taranaki each contribute to the operational costs of the Taranaki Emergency Management Office (TEMO), which is responsible for managing emergency responses at a regional level. Plans to manage any potential biological disasters or pandemics are in place and the Council is prepared to establish a local Emergency Operations Centre in Hāwera and activate our Business Continuity Plans if required. We expect to be able to deliver essential services to the community if there is a biological or pandemic event.



Risk - Low

There is a possibility that a biological disaster or pandemic will prevent the Council from delivering essential services to the community.

Likelihood – Unlikely

We expect to be able to deliver essential services to the community by activating our Business Continuity Plans.



WASTE MINIMISATION LEVY

We anticipate that there will be substantial increases in waste minimisation levies in the next five to ten years to incentivise low waste alternatives.



Risk - Low

There is a possibility that waste minimisation levies will increase beyond anticipated levels and severely increase the costs associated with recycling.

Likelihood – Unlikely

It is unlikely that the levies will rise beyond the expected levels.

Nga Whakapae me Ngā Raraunga

Assumptions and Data




NATURAL DISASTERS / VOLCANIC ERUPTION

We are part of the TEMO and plans are in place to manage natural disasters at all scales. We are prepared to establish a local Emergency Operations Centre in Hāwera and activate our Business Continuity Plans in the event of a natural disaster including volcanic eruption. There are opportunities to trigger a regional response to a major event, which will include support from TEMO.

Storm events that result in localised flooding and land slips are happening more frequently, to the point where response operations are almost part of 'business as usual'. While not diminishing the impacts of these weather events, a major natural disaster in South Taranaki could include a volcanic eruption, an earthquake, tsunami, or a dam failure. Although these are unlikely to occur, the severity

of any of these events could be significant for life and property. It is not anticipated that any of these major natural disasters will take place during the life of this plan, however, local and regional responses are ready to respond.

The Council agreed to self-insure above-ground assets for material damage to the value of \$136 million in May 2023. It has agreed to 'ring fence' \$10 million from the Long Term Investment Fund as an internal loan to be used to self-insure a portion of a claim/s should a significant event occur, until the "Disaster Recovery Fund" reaches \$10m.

 **Risk - Medium**

There is a possibility that our ability to respond is severely disrupted during a disaster or an event.

Likelihood – Unlikely

We expect to be able to respond during a disaster unless it is a wide-spread event that creates an unprecedented demand for resources.

Impact

The Council needs to be prepared for any eventuality it may face in terms of natural disasters. A complete destruction scenario is unlikely but if it were to occur, the Council is able to rely on its strong balance sheet and capacity to borrow more money, as well as having the LTIF to cover some risk.

In a total destruction scenario, the Council may need to borrow up to \$136 million, which would result in a gross debt level increase from 150% to 300% of revenue, or a net debt level of 160% of revenue.




ENERGY

Energy costs have risen significantly over the 2021 - 2023 period due to taxes, levies and importing costs. We expect energy costs will increase in line with inflation and motivate households and organisations to transition to clean energy solutions. Prices have increased for all types of energy generation, including fossil fuel and renewable energy sources due to the cost of living increases.

South Taranaki has become an attractive District to companies who want to establish and manage renewable energy activities. It is too early to make a statement on whether local renewable energy sources will have a positive or negative financial impact on the District. The current global conflicts are causing delays in the delivery and availability of non-renewable energy resources,

which can contribute to the cost increases. The Government has also recently introduced road user charges for electric vehicles, which may act as a disincentive to the decarbonisation of the vehicle fleet in the District.

 **Risk - Low**

There is a risk that there will be unexpectedly large increases in energy costs, particularly transport-related, which could result in changes to living, working and recreation patterns. Climate change and conflicts (Middle East and Ukraine) have caused increased concern about the availability of energy resources.

Likelihood – Likely

It is likely that there will be continued increases in energy costs over the life of this Plan.

Nga Whakapae me Ngā Raraunga Assumptions and Data

Whaiture / Legislative Requirements



LEGISLATIVE CHANGES

Some of the legislative changes made in the last three years have been reversed and will be replaced with new legislation. Those relating to three waters and resource management are most likely to have impacts on the delivery of our core services and finances during the life of this Plan, including income and debt.

Risk - Medium

There is a risk that additional and unexpected changes to legislation will affect how we operate, what services we provide and who pays.

Likelihood - Possible

It is possible that there will be unexpected legislative changes during the life of this Plan.



RESOURCE CONSENTS HELD BY THE COUNCIL

The Taranaki Regional Council has indicated that there will be an increase in consent conditions with more stringent requirements around the discharge of treated wastewater and roading-related stormwater into the environment.

Risk – High

There is a risk that resource consent conditions may increase beyond initial expectations, potentially leading to higher costs and/or non-compliance with the conditions.

Likelihood – Likely

It is likely that resource consent conditions will become even more stringent.

Nga Whakapae me Ngā Raraunga

Assumptions and Data

Ahumoni / Financial



GLOBAL ECONOMY

Late in 2022, BERL forecast a gloomy global economic outlook. The continuing war in Ukraine and more recently the one in the Middle East, as well as changes to political alliances such as closer relations between India, Iran, Russia and China and on-going supply chain issues contributed to elevated levels of global inflation and there is varied success in controlling it. We do not expect the global economic climate to change greatly during the life of this Plan. We will continue to monitor international and national developments and can respond by changing priorities through the Annual Plan.

!! Risk - Medium

A risk remains for a global economic crisis to occur as a result of the current geo-political factors. BERL has predicted another economic crisis in the 2030s, but there is a possibility it could occur earlier. This could have a major impact on the people of South Taranaki.

Likelihood – Likely

At present, another global economic crisis during the life of this Plan seems fairly likely.



INFLATION

We have predicted inflation as per the latest BERL estimates, which are included further on page 171.

!! Risk - Medium

It is possible that inflation will not match our estimates, which could result in unbudgeted costs.

Likelihood – Unlikely

Based on advice from economists, we think it is unlikely that inflation will exceed our estimates unless inflation is impacted by unforeseen circumstances for example increased conflict in the Middle East.



INTEREST RATES ON LOANS (EXTERNAL BORROWINGS)

In the current financial climate, we expect interest rates on loans to be 5.06% to 6.41%. Rates are not predicted to decrease until later in 2024.

!! Risk - Medium

It is possible that interest rates on loans may increase more than forecast or budgeted. We currently have \$129m of external borrowing and we maintain our fixed and floating rate ratio as per the Liability Management Policy. Our external debt is projected to be \$225.3m. For every 0.25% increase in interest rate, total rates will have to increase by a maximum of 0.66% on \$129m debt and by 1.15% on \$225.3m debt. The impact may be reduced depending on the fixed and floating percentage of actual debt.

Likelihood – Unlikely

We manage our interest rate risk exposure through our “Liability Management Policy” compliance, which reduces the likelihood of this happening. We do not expect interest rates to increase more than forecast.



CREDIT RATING

We expect our credit rating to remain at AA. The loss of three waters activities would have drastically reduced our debt levels, but our income would also have reduced. Now that three waters services assets are being retained, our debt to income and debt to assets ratios will remain high, which may affect our future credit rating.

!! Risk - Medium

If our credit rating is downgraded, our borrowing costs will increase.

Likelihood – Unlikely

Although our debt ratios are high, our financial position is sound, especially due to our Long Term Investment Fund, which keeps our net debt to a minimum. Therefore, we think our credit rating is unlikely to be downgraded.

Nga Whakapae me Ngā Raraunga Assumptions and Data



INTEREST RATES ON INVESTMENTS

The increases in the official cash rate mean that forecast interest rates on investments are expected to be between 5.50% to 7%, based on current and projected interest rates.

!! Risk – Medium

It is possible that interest rates on investments are lower than forecast or budgeted. A 1% increase in interest rate on investments will result in about \$10,000 additional income for every \$1 million term deposit for the year.

Likelihood – Unlikely

As the Reserve Bank's official cash rate is not expected to move markedly for some time, interest rates higher or lower than anticipated are unlikely.



DEPRECIATION

The actual depreciation may differ from the forecast.

!! Risk - Medium

If depreciation calculations are significantly different from the amount budgeted, rates will need to be increased. A 5% increase in depreciation will have a maximum impact of approximately \$15 for targeted water rates and \$0.02-\$0.06 per cubic metre on water schemes. A 5% increase in depreciation will have a maximum impact of \$18 per year on wastewater. A 5% increase in depreciation for all other activities will have an impact of around 0.8% on total rates.

Likelihood – Unlikely

It is unlikely that our forecast depreciation is significantly different due to regular revaluations of our assets that include assessment of fair value and reviewing the condition of our assets.



CURRENCY MOVEMENTS AND ASSET VALUES

Some of our infrastructural capital projects have components sourced directly from overseas and currency movements could increase our costs and/or affect our ability to complete programmed works within budget. Our inflation adjustments cater for currency movements and the impact on related asset values will not be material.

! Risk - Low

There is a risk that the exchange rate will change adversely.

Likelihood – Possible

This risk has increased due to the uncertainty and impacts of recent and current global events. However, the impact will not be material.

Nga Whakapae me Ngā Raraunga

Assumptions and Data

Haumitanga Tūmau Roa/ Long Term Investment Fund



LONG TERM INVESTMENT FUND

The return on the Long Term Investment Fund is expected to be between \$10.4 million and \$12.7 million (average rate of return between 7.2% and 7.6% on external investments and between 5.7% and 7.1% on internal investments). This is based on our Statement of Investment Policy Objectives (SIPO), together with our Strategic Asset Allocation / Benchmark Portfolio. We need to achieve a minimum return of \$6.7m annually to meet our subsidy obligation, on average, over the ten-year period.

!! Risk – Medium

Lower than forecast returns would mean we receive less income than budgeted. A 1% reduction in return in Year 1 of the LTP would reduce income by \$1.3 million.

Likelihood – Unlikely

The LTIF can fluctuate from year to year, but the overall trend is positive and it is unlikely that we would receive less than the budgeted income in the longer term.



INSURANCE

The costs of insurance have increased considerably over the last couple of years and will continue to increase in the next years.

!! Risk – Medium

A \$100k increase in insurance premium will have result in 0.2% increase in overall rates.

Likelihood – Possible

The costs of reinsurance will continue to increase. We have allowed 10%-15% year on year increase in the LTP, which will reduce the impact on rates.

Impact

The Council agreed to self-insure above-ground assets for material damage to the value of \$136 million in May 2023. It has agreed to “ring fence” \$10 million from the Long Term Investment Fund as an internal loan to be used to self-insure a portion of a claim/s should a significant event occur, until the “Disaster Recovery Fund” reaches \$10m.

Nga Whakapae me Ngā Raraunga Assumptions and Data

Pūtea / Funding



WAKA KOTAHI / NZTA FUNDING ASSISTANCE RATE (FAR)

Waka Kotahi increased South Taranaki's FAR from 63% to 65% and our roading budget is based on the FAR rate remaining at 65% for the life of this plan.

Risk - Medium

There is some uncertainty around the new Government's priorities and there is a risk that it could decide to reduce the FAR rate or the amount of funding available to subsidise our roading costs.

Likelihood – Possible

There is a possibility that central Government will decrease our FAR rate and/or the funding available to subsidise our roading costs.

Impact

If the funding decreases this could significantly impact our ability to pay for the planned works. We would need to consider the levels of services we provide or pay for a percentage of the roading programme through a targeting roading rate. A 2% reduction in subsidy would mean the roading rate will need to be increased by \$581,000, resulting in an increase of 1.2% on total rates.



WAKA KOTAHI / NZTA CONFIRMATION OF ROADING PROGRAMME

Our planned roading programme for the first three years of this LTP has been submitted to Waka Kotahi to approve the projects and renewals we have proposed.

Risk - Medium

There is a risk that our planned roading programme is not fully approved by Waka Kotahi.

Likelihood – Possible

Because of the uncertain economic environment and the new Government's priorities, we believe our overall funding from Waka Kotahi could possibly decrease over the life of this Plan.

Impact

If Waka Kotahi does not approve the roading programme this could significantly impact our ability to pay for the planned works. We would need to consider our levels of services provided or pay for a percentage of the roading programme through a targeting roading rate.



PROJECT FUNDING FROM OTHER SOURCES

It is anticipated that external funding sources will remain available to us.

Risk – Medium

If there is less or no external funding available, our costs would increase and/or major projects may be put on hold or cancelled.

Likelihood – Likely

Given the current economic climate and the fact that the new Government's policy direction is still not clear, it is likely that external funding sources may be limited during the life of this Plan.



LOCAL GOVERNMENT FUNDING AGENCY (LGFA) GUARANTEE

We expect that the Local Government Funding Agency will continue to be a funding source and the Agency will remain solvent.

Risk - Low

There is a minor risk that the LGFA defaults and will be unable to support us.

Likelihood – Unlikely

We believe the LGFA is unlikely to default.

Nga Whakapae me Ngā Raraunga

Assumptions and Data

Hapori / Community



RELATIONSHIPS WITH EXTERNAL BODIES

We have good working relationships with external bodies including Iwi, the Regional Council and Government departments. This plan includes the newly adopted He Pou Tikanga, Ngā iwi o te Tai Whakarunga - Council Partnership Strategy which outlines the commitment from iwi and Council on how we will work together. We will continue to build on these relationships and identify areas where they can be developed further.

! Risk - Low

If there is a lack of desire for collaboration or co-operation, this may result in a loss of efficiency benefits and/or the loss of important partners.

Likelihood – Unlikely

It is unlikely that our relationships with external bodies will deteriorate.



COMMUNITY SUPPORT

We expect the community will continue to support the Council and the projects we have committed to through the LTP.

! Risk - Low

A loss of support from the community may mean the benefits created from the completion of projects will be minimal or projects may need to be cancelled.

Likelihood – Unlikely

The Council is generally aware of community feeling and we think loss of support is unlikely.



LEVELS OF SERVICE – COMMUNITY EXPECTATIONS

We carry out periodic service delivery reviews and acknowledge that the community may expect higher levels of service than we can meet within existing budgets.

! Risk - Low

There is a risk that the community will expect the Council will be able to maintain the same levels of service without any significant rate increase.

Likelihood – Likely

It is likely the community will not understand how local government costs increases have been much higher than CPI inflation. We tried to mitigate this through good communication in our consultation document.

Nga Whakapae me Ngā Raraunga Assumptions and Data

Ngā Kaupapa me ngā Atawhai o te Hanganga ā-Roto / Infrastructure Projects



THREE WATERS

The change in Government direction following the 2023 election means we have reinstated three waters for the full ten years of this Plan. Although we expect to retain ownership of the assets in the future, it is expected that the operational model is likely to change during the life of this Plan. The three Taranaki district councils are continuing to investigate how three waters services could be delivered more efficiently.

! Risk – Low

Another change in direction for three waters during the first three years of this Plan is not anticipated. New legislation currently under development will provide greater direction on how the National-led Government's Local Water Done Well will be delivered.

Likelihood – Likely

It is likely that there will be some change in the way three waters is delivered in Taranaki within the next three years.



MAJOR CAPITAL PROJECTS

We have experienced difficulty in completing projects because of issues with contractor and resource availability, feedback via community consultation and legal issues. In the last financial year we achieved \$34m of our capital works programme. On average, we have achieved \$29m per year over the last three years. Projects are identified and planned using the best information available, but unforeseen circumstances can affect the timing or costs associated with major capital projects.

!!! Risk - High

There is a risk that we will not be able to achieve our planned capital works programme. Delays in delivering projects are likely to result in higher costs, carryovers on the capital works programme and an increase in reactive maintenance and operating costs.

Likelihood – Possible

There are things we can't control, such as the availability of contractors, outcomes of consultation with the community and legal requirements that could impact our ability to complete the capital works programme.

Impact

The delayed capital expenditure has an impact on borrowing costs and the original costs of the project. Every \$1m delayed will mean a reduction of \$22k - \$45k in borrowings costs for the year. Capital expenditure may increase by the inflation index, resulting in increased borrowing costs, and every 1% increase in the cost of a \$1m project will have an impact of \$220 to \$450 per year on borrowing costs.



MAINTENANCE CONTRACTORS

We expect contractors will be available to continue to undertake maintenance for the Council at acceptable rates.

!! Risk - Medium

A shortage of contractors could affect our levels of service or increase our maintenance costs, or both.

Likelihood – Likely

Contractors have already indicated that substantial contract price increases can be expected.


Nga Whakapae me Ngā Raraunga

Assumptions and Data



USEFUL ASSET LIFE

The useful asset life reflects the best estimate available based on the forecast date and current asset information held. A revaluation was undertaken in June 2022, when our infrastructural assets were assessed and valued, and the results are reflected in this plan.

 **Risk - Medium**

If the useful asset life information is incomplete or inaccurate there would be an impact on our future depreciation calculations and renewals expenditure. As a result, rates may be set either too high or too low.

Likelihood – Possible


While our asset information, including remaining useful lives, is improving, there are still gaps that mean renewals expenditure and depreciation calculations may be inaccurate.

The impact of change in depreciation as a result of change in useful life is explained in detail under the forecasting assumption for depreciation.



FUNDING REPLACEMENT ASSETS

Funds need to be available for the replacement of strategic assets across the District. Asset replacements are funded through a variety of sources, as detailed in the Revenue and Financing Policy.

 **Risk - Low**

If we change our policy on how to fund assets, this will have an impact on rates. There is also a risk that funding for the replacement of strategic assets is not available.

Likelihood – Unlikely

We are unlikely to make major changes to our Revenue and Financing Policy.



REVALUATION OF NON-CURRENT (FIXED) ASSETS

Forecast valuations of fixed assets are based on BERL indicators and are considered to be correct.

 **Risk - Low**

If there is a large difference between how much we forecast the assets to be worth and the actual value of the assets, there will be an impact on our budgets and rates.

Likelihood – Likely

The 2022 asset revaluation illustrated how large, unexpected valuation increases affect budgets. We do not expect similar levels of increases in the medium term.

Nga Whakapae me Ngā Raraunga Assumptions and Data

Other relevant forecasting information

In addition to the significant forecasting assumptions outlined above, we make a number of other judgements and estimates in preparing the Long Term Plan. This section details other relevant forecasting information.

The below BERL adjustors have been used for revaluation projection

Year ending	Roading %	Water reticulation %	Water non-reticulation %
Jun-24	4.6	5.6	4.6
Jun-25	8.2	9.8	8.2
Jun-26	10.3	12.9	10.3
Jun-27	13.1	16.2	13.1
Jun-28	16.2	19.5	16.2
Jun-29	19.2	22.7	19.2
Jun-30	22.1	25.9	22.1
Jun-31	25.1	29.0	25.1
Jun-32	28.0	32.0	28.0
Jun-33	31.0	35.1	31.0
Jun-34	33.9	38.1	33.9

Inflation Factors

Source: BERL 2023

Reason: BERL adjustors are widely used in the Local Government sector as they are deemed to be more relevant and applicable.

Inflation Factors	Factor Years	Factor Years
Adjustor Class	Year 1	Years 2 - 10
Roading	Local Govt Cost Adjustors, Legacy Table - final version (with Waters)	Local Govt Cost Adjustors, New Table - final version (without Waters)
Water and Environment	Local Govt Cost Adjustors, Legacy Table - final version (with Waters)	Local Govt Cost Adjustors, Legacy Table - interim version (with Waters)
Community Activities	Local Govt Cost Adjustors, Legacy Table - final version (with Waters)	Local Govt Cost Adjustors, New Table - final version (without Waters)
Planning and Regulation	Local Govt Cost Adjustors, Legacy Table - final version (with Waters)	Local Govt Cost Adjustors, New Table - final version (without Waters)
Waste	Local Govt Cost Adjustors, New Table - final version (without Waters)	Local Govt Cost Adjustors, New Table - final version (without Waters)
Salaries	Local Govt Price Indices - final version (1/2 LG sector/1/2 private sector)	Local Govt Price Indices - final version (1/2 LG sector/1/2 private sector)

Nga Whakapae me Ngā Raraunga

Assumptions and Data

Year ending	Adjustor Class: Cumulative Change					
	Roading	Water and Environment	Community Activities	Planning and Regulation	Waste	Salaries
Jun-25	0.029	0.036	0.027	0.026	0.030	0.023
Jun-26	0.050	0.059	0.048	0.048	0.052	0.041
Jun-27	0.074	0.082	0.071	0.071	0.076	0.059
Jun-28	0.098	0.105	0.094	0.093	0.102	0.075
Jun-29	0.123	0.128	0.117	0.115	0.127	0.090
Jun-30	0.146	0.151	0.139	0.136	0.152	0.104
Jun-31	0.169	0.174	0.161	0.158	0.177	0.119
Jun-32	0.192	0.197	0.183	0.179	0.202	0.133
Jun-33	0.216	0.220	0.206	0.200	0.227	0.148
Jun-34	0.239	0.243	0.227	0.221	0.252	0.164

Balanced Budget Requirement

Section 100 of the Local Government Act 2002 (LGA) requires local authorities to set each year's operating revenue at a level sufficient to meet its operating expenditure for that year. This is known as the balanced budget requirement.

However, the LGA provides local authorities with discretion to vary its operating revenues where it resolves that it is financially prudent to do so. In

reaching this decision a local authority must have regard to:

- a. the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the Long Term Plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and
- b. the projected revenue available
- c. the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life; and
- d. the funding and financial policies adopted under Section 102.

to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and

The overarching principles for application of the balanced budget requirement are contained in the Council's Revenue and Financing Policy. The financial impact of these principles is detailed in both the Funding Impact Statement and the Significant Forecasting Assumptions. In accordance with Section 100 of the LGA the Council has resolved that it is financially prudent to depart from the balanced budget requirement in the

Nga Whakapae me Ngā Raraunga Assumptions and Data

following circumstances:

Non-funding of depreciation on Council assets

The Council is satisfied that it is not financially prudent to fund all/part of the depreciation expenditure on its non-strategic assets. It is funding part of the depreciation that will enable components of the assets to be replaced to ensure the useful life of the asset's structure can be achieved. A decision on the total replacement of the asset will be made at the time the asset's useful life expires.

All strategic assets will have depreciation fully funded with the exception of some assets associated with the Pope Water Supply (as it is planned to amalgamate the Scheme and these assets will not require replacement) and all the Council assets associated with the Nukumarū Water Supply (at the request of the Nukumarū Consumers Committee). While the Plan has assumed the following projects will result in capital assets: water quality

investigations, inflow and infiltration investigations, condition reviews, network modelling, it does not provide for the depreciation to be funded as it is not certain that an asset will be created, nor is there certainty about the life of the assets created. Once the assets are created from these projects, the depreciation will be addressed.

Asset sales

No asset sales are proposed in the Long Term Plan.

Drawdowns from LTIF earnings

The following drawdowns from the LTIF earnings are factored into each year of the ten year projections, and are reviewed every three years during the Long Term Plan review:

- Rates subsidy – \$4.22 million for the general and roading rates subsidy.
- Capital projects loan repayments – \$1.73 million to fund selected community projects (for example,

TSB Hub's loan repayments).

- Hāwera Town Centre Development (including Council's Earthquake Prone Buildings, Initial Seismic Assessments and Council's Assistance Package) – \$762k per annum on average to fund the above loan funded projects.
- Inflation Fluctuation Reserves (IFR) for Town Centre Development (including additional funding for the Hāwera Town Centre Project) – \$5.4 million to come from IFR and \$4 million to come from Waka Kotahi Subsidy.

Disclosures

Prospective financial information

The prospective financial information in this Long Term Plan is based on assumptions that the Council reasonably expects to occur. However, readers should be aware that actual results are likely to vary from the information presented and these variations may be material, especially for the years 2026/27 onwards.

Differences between prospective financial information explanations

Accounting standard FRS42 requires us to explain the relationship between the prospective financial statements and the additional information provided in the activity statements.

The revenue on the income statement represents the totals from the activity statements together with the subsidy from the Long Term Investment Fund and general rates allocated to and fees of the support centres. The income and expenditure of support centres (interest costs, depreciation and overheads not recovered) that have not been allocated to other activities are included directly in the financial statements. The total income for the Council reflects the impact of the rates subsidy, commissions from the Taranaki Regional Council, petrol tax, rates penalties and general interest, which are not reflected in any individual activity statement.

The cash flow statement indicates movements in expected debtor and creditor balances, that is, amounts

Nga Whakapae me Ngā Raraunga

Assumptions and Data

being paid/received from previous years and amounts that will be paid/received in future years, while the Income Statement shows income and expenditure on an accruals basis. The Funding Impact Statement reflects the impact of the subsidy and fees used to reduce the rating requirement. This is not split on the activity statements. The funding impact statement also incorporates the allocation of the rate subsidy and fees between UAGC, general and roading rate.

Effect of Council's Rate Remission Policy

The implementation of the Council's Rate Remission Policy is estimated at \$202,000 per year on average and is recovered from the general rate.

Nukumaru

The Nukumaru Water Supply is a non-potable supply managed by the consumers. In recent years they have constructed a bore and hold its resource consent, creating a

mixed ownership of the assets. The consumers arrange the maintenance and the charging of the water by meter rate. No renewals of the Council-assets are planned in this Long Term Plan, as requested by the Nukumaru consumers committee.

Asset information

Asset Management Plans (AMPs) have been developed for activities that use physical assets in the delivery of services. The AMPs, which are the focus for running these activities, have been used in the preparation of financial forecasts in this Plan. The AMPs contain improvement plans detailing how they will be developed further. They are dynamic documents and will be updated as required by the asset managers, with a formal review every three years.

Financial Reporting Standard 42: Prospective Financial Statements (FRS 42 Disclosures)

The Council has complied with FRS 42

in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided.

i. Description of the nature of the entity's current operation and its principal activities

The Council is a territorial local authority, as defined in the Local Government Act 2002. Its principal activities are outlined in this LTP.

ii. Purpose for which the Prospective Financial Statements are prepared

The Local Government Act 2002 requires us to present prospective financial statements that span ten years and include them within the LTP. This provides an opportunity for ratepayers and residents to review the Council's projected financial results and position. Prospective financial statements are revised annually to reflect updated assumptions and costs.

iii. Base for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as to future events that the Council expects to take place. We have considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined in the LTP.

iv. Cautionary Note

The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material. No actual events and transactions have been included in the prospective financial statements.

To the reader:

Independent Auditor's Report on South Taranaki District Council's 2024 - 2034 Long Term Plan

I am the Auditor-General's appointed auditor for South Taranaki District Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Deloitte Limited. We completed our report on 8 July 2024.

Opinion

In our opinion:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council's resources; and
 - accountability of the Council to

the community;

- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 244-247 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

In accordance with clause 45 of Schedule 1AA of the Local Government Act 2002, the consultation document on the Council's plan did not contain a report from the Auditor-General. The consultation document is therefore unaudited. Our opinion on the plan does not provide assurance on the consultation document or the information that supports it.

Our opinion on the plan also does not provide assurance that the forecasts

in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 The Examination of Prospective Financial Information that were consistent with those requirements.

We assessed the evidence the Council has to support the information

and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the

Pārongo Arotake Audit Report

- assets' condition and performance;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and

- performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

We are responsible for expressing an independent opinion on the plan

and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

Independence and quality management

We have complied with the Auditor-General's independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also complied with the Auditor-General's quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or

Other Assurance or Related Services Engagements (PES 3) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiary.

Bennie Greyling

Deloitte Limited

On behalf of the Auditor-General
Auckland, New Zealand