Long-Term Plan 2024-34

Adopted 27 June 2024

chatham islands council

Our people, our Islands, our future

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What is a Long-Term Plan?

Our Long-Term Plan is our commitment to our community.

It forms a plan for the next ten years, a budget, the work we will do, the outcomes that Council aims to deliver, and what it will cost.

A Long-Term Plan is a document required under the Local Government Act, and though it spans ten years, a new Long-Term Plan is updated every three years to reflect changes in Council priorities as a result of external requirements such as Government policy, changes in expectations of the community, or changes to organisational requirements. In intervening years, a smaller Annual Plan is developed to mark any changes or revised priorities.

Introduction

Welcome to our Long-Term Plan, covering 2024-2034.

This document outlines our vision, goals, and strategies to create a resilient and sustainable community—one that celebrates diversity and fosters growth for our people and our islands.

In recent years, we've achieved significant milestones together as a community, but we've also faced unexpected challenges like shipping disruptions, cyclones and a world-wide pandemic. Our dedicated staff and contractors have persevered, ensuring essential services continue to reach our community. Notably, approximately 88% of our funding comes from Central Government agencies, supporting on-island projects and fulfilling our statutory obligations.

Over the next decade, Council will need more funding than ever before to meet your expectations and Central Government requirements.

Our rating base is too small to cover all the work that is required to meet legislative requirements. As such, Council relies significantly on funding provided by Central Government to operate sustainably. Such reliance is full of uncertainties and requires us to operate within externally determined funding parameters rather than providing services that reflect what you want. We have no certainty of future support which does limit our ability to invest in our infrastructural assets.

We understand that particularly with a cost-of-living crisis and high levels of inflation, any rates rise will be tough on our ratepayers who are already feeling the stretch. Like many other councils in New Zealand, we're facing challenging times. While we will strive to make our rates affordable, and consider the impact on the community, we are introducing a rates rise in this Long-Term Plan. The option Council adopted after consultation was to lift the rate slowly using a higher percentage increase to be more in line with what other councils are charging over time, increasing rates by 6.65% in Year 1, 6.35% in Year 2 and 6.35% in Year 3. The average additional increase in Year 1 equates to $116.53 (excluding inflationary adjustments).

With this in mind, our 10-year plan looks at how we prioritise our work to support our Islanders' social, cultural, environmental, and economic wellbeing. That means ensuring our services – such as our roading, water and wastewater networks and other facilities – are fit for purpose, and that we can afford to pay for them.

We will continue to ask Central Government for additional funding, which will allow us to invest in our core infrastructure for the Islands. We have identified several critical asset renewals, which will not be fixed over the life of the Long-Term Plan unless additional funding is provided. This means these assets are likely to deteriorate faster over time and the risk of these assets failing is high. If assets like our water or wastewater infrastructure fail, we will also face negative health outcomes – both for our people and for the environment.

We will face these challenges head on together, like we always do.

Me rongo, ngā mihi mahana, and warm regards,

Monique Croon, Mayor

Paul Eagle, Chief Executive

Located

800km

east of New Zealand's South Island

New Zealand's commercial fishing industry benefits substantially from the thousands of kilometres the Islands add to its exclusive economic zone

The Chatham Islands are home to several of the world's most threatened bird and plant species

Te Whanga lagoon covers

20,000ha

or about one fifth of Chatham Island

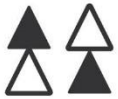
The highest elevation on the Island is **188m**

Mangere and Rangatira Islands are nature reserves managed with access authorised by permit only

Pitt Island
is the second largest inhabited island and the first to see the sun

The Islands rely heavily on the Government to supply essential infrastructure and services

Chatham Islands Council
is New Zealand's smallest council by population and size



Chatham Island
is the largest Island and has an area of

90,000ha

The Council is a unitary authority, having the functions, responsibilities and powers of both a territorial authority and a regional council

About the Chatham Islands

The Chatham Islands are an archipelago located 800km east of New Zealand's South Island. They consist of two main inhabited islands, and a number of smaller islands within a radius of approximately 50km. The largest Island, Chatham, has an area of 90,000ha. Pitt Island has an area of 6,300ha, and lies 23km south-east of Chatham Island.

The Islands sit on the Chatham Rise, a submerged peninsula which stretches approximately 1,000km east from the Canterbury coastline. Formed by a volcanic up-thrust, the Islands' land surface is predominantly flat with a number of peaks, the highest elevation being 188m. The north-eastern part of Chatham Island is dominated by Te Whanga, a large lagoon that covers 20,000ha, or about one- fifth of the Island.

The Chatham Islands are home to several of the world's most threatened bird and plant species. Mangere and Rangatira Islands are nature reserves managed by the Department of Conservation, with access authorised by permit only. They are managed to protect threatened endemic fauna and flora and to restore the indigenous habitats for those animals and plants. Other distinctive environmental elements are also present on the Islands, presenting potential economic benefits to the community from tourism.

Chatham Islands Council is New Zealand's smallest council by population and size. It is also the country's most isolated region. The Council is a unitary authority, having the functions, responsibilities and powers of both a territorial authority and a regional council.

The Chatham Islands face a number of challenges in relation to sustaining their economy, providing an acceptable level of business and population services, and empowering the community to grasp opportunities and determine their future.

New Zealand's commercial fishing industry benefits substantially from the thousands of kilometres the Islands add to its exclusive economic zone, but Chatham Islanders themselves share in just a small fraction of this wealth. The Islands rely heavily on the Government to supply essential infrastructure and services, much of which is provided at a minimum level, yet at a high cost per capita. The cost of living and doing business on the Islands is high, constraining the development of local industries and contributing to a declining population.

The next 10 years

Our reliance on external support

There are strong links between the Chatham Islands and New Zealand. The Chatham Islands have some strategic and economic advantages to New Zealand, in terms of expanding the coastal waterways, improving fishery income and therefore tax.

However, the Chatham Islands are small and are unable to fund Council's activities without support from the New Zealand Government.

The Government has agreed to provide ongoing operational support to the Chatham Islands Council, though there is no agreement on what this covers, and currently the level of funding is below levels to meet current legislative requirements.

The options for Council are to either advocate for additional funds from Government (which is not guaranteed) to achieve levels of service comparable to that of mainland New Zealand, or advocate for limitations in scope for the work performed by Chatham Islands Council, as part of the Chatham Islands Council Act 1995. This would mean levels of service may deteriorate over time compared to mainland New Zealand. The latter approach may also relate to unintended consequences.

Will Council be able to meet its statutory obligations?

Chatham Islands Council are not currently compliant with a number of key areas of legislation, and the current level of funding is unlikely to change this position. Further any new standards of legislation CIC will be unable to meet without additional funding to do so.

Our infrastructure

Local Water Done Well

We have a number of assumptions, in this space including:

- Chatham Islands Council are included in the scope of any new legislation implemented as part of Local Water Done Well
- Chatham Islands Council will own all three water assets and be responsible for all aspects of three water service delivery, including compliance and running costs
- Chatham Islands Council will need to demonstrate it can effectively deliver financially sustainable water services that meets current and future regulations. Future service delivery arrangements, regulations and associate costs are unclear. Current estimates are operational costs will treble and about $50 million of capital investment is needed over ten years, which is currently unfunded
- At this stage, it is unclear where the additional funding will come from. Previously, funding has come from central government as part of the annual appropriation or as one-off grant. Future funding has not been confirmed, and therefore required capital projects, whilst identified, have been separately disclosed as unfunded projects.

There is a significant risk that funding will not be secured for this additional work and ongoing operational costs and therefore, the 'workable' options for Council are to either to not complete this work and therefore not comply with the new Water Services Act 2021 or advocate for limitations in scope for the work performed by Chatham Islands Council - as part of the Chatham Islands Council Act 1995, meaning levels of service may further

deteriorate over time compared to mainland New Zealand, such an approach may also create unintended consequences., including the likely risk of asset failure/contaminated water supply.

Freshwater

Current practices on the Chatham Islands in relation to farm and freshwater management are behind practices on current mainland New Zealand.

To meet current best practice standards will require a large community engagement project from Council to educate and connect residents with the idea of joining Council in the 'freshwater journey' and applying better farm management practices.

Chatham Islands Council does not have sufficient funds or staff to prioritise this work. Therefore, Council is unlikely to be able to achieve compliance with the freshwater policy within the required timeframes.

The workable options for Council are to identify areas of the freshwater policy Council believes they are unable to comply with and seek approval from the government to limit the application of the freshwater policy or not comply with the freshwater policy.

Non-investment in critical infrastructure

Historically, capital expenditure has only occurred where Central Government support has been provided (either fully or substantially). Doing this has meant our infrastructural assets have deteriorated, particularly our three waters assets.

Council invests in critical infrastructure based on what is affordable, rather than based on best practices, community need to ensure infrastructural resilience.

A significant portion of our three waters assets are approaching the later years of their life and are in very poor condition, which poses a high risk of asset failure and an increased likelihood of adverse public health and environmental outcomes. Furthermore, expected levels of compliance in relation to the current levels provided by our infrastructure will likely increase, meaning the cost to replace our three waters assets will be higher.

Recently, we have been unsuccessful in securing funding for necessary upgrades to our three waters infrastructure. This means our three water assets have deteriorated further.

We have identified the following critical investments required over the next 10 years, which have been excluded from our financial forecast as we have been unable to secure funding to support the work.

Water infrastructure

Council has a large number of desired projects that require funding. Our pressing priorities include:

Waitangi and Te One wastewater upgrade, $9.7 – 18.8 million

The current system is at the end of its useful life and the land application system (where we put the treated wastewater) requires extension. Without adequate treatment, there is a high risk of adverse public health and environmental outcomes. The lower cost value of the upgrade is estimated, assuming the currently serviced population, whereas the upper value assumes increased connections arising from increased demand from existing and future residential housing in Waitangi as well as an extension to Te One.

Sludge receival and disposal facility $3.0 million

This will create a facility for the community that collects, treats, and disposes of septic waste. Removing the current practice of burial in pits and providing an engineered, environmentally sustainable process. This is urgently required.

Kaingaroa water renewals (network and treatment plant), $2.9 million

The reticulation network at Kaingaroa is now at the end of its useful life, resulting in frequent pipe breakages and leakages. Council plans to replace the reticulation to minimise the risk of leaks and ingress of contaminants and conserve the freshwater resource. Upgrades and repairs are also planned to enable compliance with current legislation and best practice.

Waitangi and Te One water upgrade, $10.5 – 13.3 million

Waitangi water supply reservoirs have been drained to low levels due to leaks and high demand in summer, which have required water conservation notices to be issued. Therefore, it is critical that issues of supply are addressed for Waitangi. This project will see a new water source, new treatment plant, and additional storage. It will also include an extension of the network to Te One, which includes the Islands' main school and other key community facilities, who are currently not connected to a water scheme.

Alternative water source investigation, design and planning for Waitangi, Kaingaroa and Te One, $1 million

Waitangi water supply reservoirs have been drained to low levels due to leaks and high demand in summer, which have required water conservation notices to be issued. Therefore, it is critical that issues of supply are addressed for Waitangi. This project will see a new water source, new treatment plant, and additional storage. It will also include an extension of the network to Te One, which includes the Islands' main school and other key community facilities, who are currently not connected to a water scheme. The lower cost estimation assumes upgrade allowing for a similar capacity, the higher cost estimation allows for increased connections arising from increase demand from existing and future residential housing in Waitangi.

Alternative water source investigation, design and planning for Waitangi, Kaingaroa and Te One, $1.5 million (assuming no additional construction) – $5.2 million

There is increased demand on freshwater resources, arising from increased tourism and transient workers. In addition, Council desires increased resilience in the face of climate change and drought. Some of our current water sources are not replenishing at sufficient levels to meet future demand and therefore, we need to understand our alternative drinking water sources options available to Council, to increase resilience for our schemes and water resources for the wider island.

Works Yard new facility $1.3 million

The current works yard is no longer fit for purpose and is located in a low-lying coastal area, meaning it is more susceptible to weather events and sea level rise. The Council propose to construct a new purpose-built facility at a more suitable location in Waitangi.

Waste management and minimisation

Several significant waste management facilities, including the Owenga landfill, Mitre 12 reuse facility and the Te One weighbridge, were commissioned in 2022 and 2023. Although the facilities are new, there are significant risks related to assets deterioration and failure, with Council unable to commit to future capital works.

We have identified the following critical investments required for our waste management infrastructure, over the next 10 years, which have been excluded from our financial forecast as we have been unable to secure funding to support the project:

New landfill space, $925,000

Landfills are built in a series of stages. It is anticipated that another stage will be required in 2030/31.

Roading

Kaingaroa wharf, $4 million

Kaingaroa Wharf was acquired by Council in 2021. The structure had fallen into a state of disrepair with the previous owners having failed to secure funding to make repairs, and it was considered Council would be better placed to secure funding for repair or replacement.

Council has secured some funding to make urgent safety repairs to the wharf, but the structure remains formally closed and is at risk of complete structural failure at any time. The cost to replace the failed structure has been estimated at $4 million, but this funding has not been found. Council intends to approach the Government and wharf users for additional support to assist with stabilising the wharf.

Climate change

Our climate is changing, and together with rising temperatures and sea level, we can expect more frequent events including droughts and floods, possible wildfires, threats to biodiversity and biosecurity, alongside a range of social, cultural and economic impacts. We recognise the need to act with urgency to plan for and adapt to climate change and drought risks whilst continuing to undertake mitigation actions, as well as harness opportunities that our changing climate may bring. To some extent, our actions to address the impacts of climate change and drought are incorporated throughout this supporting information and 10-year budget and integrated throughout our work programmes. As always, we need to balance what is affordable and the work we want to do in this space.

See more on this on page 61-62.

Our vision

Our people, our Islands, our future

Our values

- We will lead with integrity and respect
- We will work collectively for the greater good of the community to achieve community aspirations
- We will strive towards a sustainable future and actively pursue opportunities that can enhance the wellbeing and prosperity of our community
- We will be accountable to our community and transparent in our decision making.

Community outcomes and Council priorities

The following community outcomes summarise what Council believes we need to prioritise to grow and succeed:

Social: resilient community

- Ensure everyone has a sense of belonging and can access information to participate in decision making to help shape the future of the Chatham Islands
- We will build and maintain relationships to strengthen active participation in the best interests of the community
- Communities are prepared and can recover from the changes in the environment, including natural disasters.

Cultural: embracing diversity

- We celebrate our unique identity through arts, culture, heritage, sport and recreation. We will work with imi and iwi to ensure that appropriate regard is made to miheke/taonga and culturally significant matters
- We recognise and value the voices of all cultures and ages within the communities we serve.

Environmental: sustainable action

- Unique ecosystems, landscapes and indigenous biodiversity are valued and stewardship/t'chiekitanga/kaitiakitanga exercised to safeguard our environment for future generations
- The quality of freshwater and coastal water is protected and improved for community wellbeing and ecosystem health
- Living and working environments are sustainable, contribute to healthy communities and minimise waste.

Economic: building growth

- People and goods can move safely and efficiently while reducing impact on the environment
- The economy is supported by appropriate infrastructure that protects people and assets
- We will support growth of a skilled workforce, increased employment, and opportunities for everyone to contribute to and benefit from a vibrant and prosperous economy.

Working with others

We work closely with the other three entities on the Island - Ngāti Mutunga o Wharekauri Iwi Trust, Hokotehi Moriori Trust and Chatham Islands Enterprise Trust.

We also have strong connections to New Zealand, and our service providers including Environment Canterbury, Fulton Hogan, Stantec and Beca.

Key considerations and assumptions in developing this Long-Term Plan

Key considerations as we developed the Long-Term Plan 2024-34 included:

- **Relationship with the other three entities on the Island:**
  Council works with Ngāti Mutunga o Wharekauri Iwi Trust, Hokotehi Moriori Trust and Chatham Islands Enterprise Trust with a focus on our ability to meet Te Tiriti o Waitangi obligations and expectations.
- **Economic uncertainty for the community and cost pressures on the organisation:**
  Inflation has surged globally and locally, resulting in high interest rates to reduce inflationary pressure and increases in cost of living. Outbreaks of war and geopolitical tensions have also led to uncertainties in the global economy.
  Cost pressures for the organisation from inflationary pressures, changing requirements and expectations from Central Government and the need to invest to address climate change, drought and other environmental challenges continue to put pressure on rates. These cost pressures initially placed us at an average cash loss of $500,000 for each year of the Long-Term Plan, which Council considers to be financially unsustainable.
  After hearing from our community, Council considered the best method to address these cost pressures was both increasing our income and decreasing our expenditure.
  Council has increased rates by an additional 3.5% above expected inflationary adjustments for the island. The rates increase proposed for 2024/25 of 6.65% is one of the lowest increases nationally and allows Council to ensure rate consistency with other New Zealand councils over time.
  Council have also reduced proposed expenditure by $265,000 for the first year of the Long-Term Plan, with additional cost efficiencies to be found for the following years.
  Council will also likely be required to use an overdraft facility on a temporary basis to cover any cash shortfall, including timing differences between receipts and payments.
- **Climate change:**
  We are already feeling the impact of climate change and drought events, with wild weather and water restrictions a common occurrence on the Chathams. We expect events to continue with increasing frequency and severity, which will have ongoing impacts on the Island and our community.
- **State of the environment:**
  Pressures of land use change and intensification, pollution, invasive species, climate change and drought negatively impact on the environment resulting in declining water quality trends and loss of indigenous biodiversity and significant ecosystems.
- **Changing Central Government requirements:**
  A significant legislative reform programme with implications for regional and local government roles and responsibilities preceded the development of the Long-Term Plan. A new Government will

bring changing expectations from Central Government for regional and local government.

- **Financial key assumptions:**
  These are detailed further in this document, but include the assumption that we will continue to receive substantial funding from the Department of Internal Affairs and NZ Transport Authority (NZTA), which allow us to continue to operate.
- **Crown appropriation:**
  Assumes inflation from 2025/26, which Council expects to be a new negotiated adjustment. If inflation isn't included, we can expect an impact on finances.
- **External impacts:**
  There are factors outside Chatham Islands Council's area of responsibility, which has a direct impact on the work we can deliver. For example, the reliability of the shipping service to the Island.

Our work

We group our work into the below categories. Each have their own levels of service and targets:

- Leadership and community partnerships
- Transportation, roading and coastal networks
- Three waters supply and treatment
- Waste management and minimisation
- Community services and emergency management
- Environmental management, protection and monitoring

Our work

Leadership and community partnerships

The elected representatives of our community form our leadership and partnerships function, which involves engaging with our community to understand their needs and building relationships built with other organisations to support development and utilising resources efficiently.

Council's priority activities and our rationale for providing these services

Our priorities for this activity include:

- Advocating to Central Government for additional funding to benefit the Chatham Islands.
- Managing partnerships with t'chakat henu, tangata whenua, Chatham Islands enterprise Trust and other island-based organisations to build and maintain strong relationships and identity opportunities and efficiencies benefiting our Island communities
- Increased Councilor visibility by engaging with residents on issues or challenges and listening to feedback.
- Increasing the confidence our community has in the Council's decision-making processes by increasing accessibility.

This activity enables the interests of our Islanders to be represented in a fair and equitable manner and provides opportunities for the community to partner in our decision-making processes.

Contribution to community outcomes

Leadership and community partnerships contribute to the resilient community and embracing diversity community outcomes by ensuring the principles of the Te Tiriti o Waitangi/Treaty of Waitangi are recognised, and that relationships with Moriori and Maori are strengthened and maintained.

We are committed to ensuring the diverse voices of our community are heard.

These areas also contribute to the building growth community outcome by advocating for funding or other contributions from the Government to benefit the Island and fostering strong relationships with the Chatham Islands Enterprise Trust and other organisations to provide development opportunities on-Island. Council believes this is the most effective method to ensure future funding needs are met. Council also advocates for additional funding to benefit the island, which if successful provides employment and other growth opportunities for the island, potentially including improved infrastructure. More broadly, we will work with imi and iwi to ensure that appropriate regard is made to miheke/taonga and other culturally significant matters.

Providing the opportunity and appropriate information for the community to participate in the Council's major decisions is of primary importance to the Council. We ensure democratic processes are undertaken appropriately and support the work of our elected members.

Negative effects

No significant negative effects have been identified for the leadership and community partnerships activity.

Levels of service: Ensure Council decision-making is informed by community participation

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
Number of occasions Council formally communicates with Government to advocate for additional funding to benefit the Chatham Islands	**New measure**	At least annually	At least annually	At least annually	At least annually
Frequency of engagement with Government and Island partners *Island partners include Chatham Islands Enterprise Trust, Imi, Iwi and Central Government organisations operating on the Chatham Islands – for example the Department of Conservation.*	**Achieved**	At least twice each year	At least twice each year	At least twice each year	At least twice each year
Frequency of opportunities for Imi and Iwi to: • Contribute to the decision-making processes of the Council • Identify potential joint projects with shared efficiencies for discussion with island partner groups • Engage with a designated staff member	**New measure**	At least annually	At least annually	At least annually	At least annually
Frequency of community meetings hosted by the Chief Executive and Council to provide opportunities for community voices to be heard	**New measure**	At least quarterly	At least quarterly	At least quarterly	At least quarterly
Percentage of the community that are satisfied with the level of Council engagement. *Measured by annual survey of residents.*	**Achieved** (76%)	70%	73%	76%	76%

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Satisfaction is defined as whether residents consider information supplied by Council was sufficient to provide rationale behind Council's decisions.					
Percentage of the community that are confident Council decisions are well-informed and made in the best interests of the community. *Measured by annual survey of residents. Confidence is defined as whether residents consider a sufficient opportunity has been allowed for participation in decision making providing appropriate opportunities for community voices to be heard*.	**Achieved** (68%)	66% confident or very confident	67% confident or very confident	68% confident or very confident	68% confident or very confident

Funding impact statement

Leadership & community partnerships	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Source of operating funding											
General rates, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	877	877	902	927	953	978	1,004	1,030	1,056	1,083	1,109
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Local Authorities fuel tax, fines, infringement fees, and other receipts	121	121	128	128	131	138	139	142	150	150	154
Total operating funding	**998**	**998**	**1,029**	**1,055**	**1,084**	**1,116**	**1,143**	**1,172**	**1,206**	**1,233**	**1,263**
Applications of operating funding											
Payments to staff and suppliers	320	281	289	297	305	314	322	330	338	347	356
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	698	685	704	759	745	766	820	807	828	883	871
Total application of operating funding	**1,018**	**966**	**993**	**1,056**	**1,050**	**1,080**	**1,142**	**1,137**	**1,166**	**1,230**	**1,227**
Surplus / (deficit) of operating funding	**(20)**	**32**	**36**	**(0)**	**34**	**37**	**0**	**35**	**39**	**3**	**36**
Source of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Total source of capital funding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
-- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in reserves	(20)	32	36	(0)	34	37	0	35	39	3	36
Total applications of capital funding	**(20)**	**32**	**36**	**(0)**	**34**	**37**	**0**	**35**	**39**	**3**	**36**
Surplus / (deficit) of capital funding	**20**	**(32)**	**(36)**	**0**	**(34)**	**(37)**	**(0)**	**(35)**	**(39)**	**(3)**	**(36)**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Excludes depreciation	15	5	4	4	4	3	3	3	3	2	2

There are no additional unfunded operational or capital expenditure items for this group of activities.

Transportation, roading and coastal networks

The aim of the transportation, roading and coastal networks group of activities is to link our populated communities and Islands, keep our people connected, safe and active, and contribute to the sustainability and growth of our local economy.

Harbour control is undertaken primarily to ensure safety in our waterways. The Chatham Islands have approximately 360km of coastline that is used extensively for commercial fishing, along with some recreational and aquaculture industries.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Ensure an overall 'good' driving experience in terms of quality and safety, by appropriately managing the local roading network
- Establishing safe travel routes for high foot travel areas, including schools
- Continue to work with landowners to address feral cattle and other roadside risks, construction of boundary fences to address safety concerns raised by Council and community
- Working together with imi and iwi
- New premises for Council works facilities (Fulton Hogan workshop). This has been paused due to lack of funding availability.

Contribution to community outcomes

The transportation, roading and coastal networks activity provides a safe and resilient transport network, which is safe to use and accessible to all. A reliable transport network also allows for emergency services to safely get to people in need.

In creating our roading works programme, Council consults with NZ Transport Agency Waka Kotahi, along with imi and iwi to ensure that appropriate regard is made to miheke/taonga and other culturally significant matters.

Our transport system is operated in an effective and efficient way to meet the needs of residents and businesses. The road network is critical to the movement of goods which enables our economy to thrive and grow. Council considers land use sustainability and minimising the impact of climate change on our environment in transport planning.

Our coastal and navigational work provides recreational opportunities to our community and improves health and social wellbeing.

Council can respond and recover from the impact of all marine hazards, ensuring maritime management protects and reduces the impact of harm to the environment and supporting the economic development and sustainability of the fishing industry.

Our coastal and navigational work provides recreational opportunities to our community and improves health and social wellbeing.

Council can respond and recover from the impact of all marine hazards, ensuring maritime management protects and reduces the impact of harm to the environment and supporting the economic development and sustainability of the fishing industry.

Fishing and tourism contribute a large amount to our Islands' economic prosperity. Access to water and recreational/commercial activities will be key to our Islands' continued growth.

Negative effects

Roading and transportation activities may contribute to several negative environmental effects including local air pollution, road run-off (rainwater

that becomes polluted on the road surface) to adjacent land and waterways, traffic noise and vibration, visual impacts, traffic accidents, loss and damage of land and natural environments, separation of neighbors, and emission of greenhouse gases. Activities are undertaken in accordance with environmental standards and, where appropriate, resource consent conditions to ensure that negative impacts on the environment are avoided, remedied, or appropriately mitigated.

Levels of service: Operate and maintain a safe and reliable roading network that is in good condition and fit for purpose

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result** **(2022/23)**	**2024/25 target** **(Year 1)**	**2025/26 target** **(Year 2)**	**2026/27 target** **(Year 3)**	**2027/28-2033/34 target** **(Years 4-10)**
Percentage of sealed or unsealed network strengthened	**New measure** (Unaudited result - 11.7% of the sealed network was strengthened)	6% of the unsealed network strengthened	2% of the sealed network strengthened	6% of the unsealed network strengthened	Alternate between: 2% of the sealed network strengthened And 6% of the unsealed network strengthened
Length of unsealed roading network resurfaced	**New measure** (Unaudited result - 9.7%)	9.5% of the unsealed network	9.5% of the unsealed network	9.5% of the unsealed network	9.5% of the unsealed network
Percentage of planned footpath maintenance completed (aligning with the roading asset management plan)	**Achieved** (100%)	>95% footpaths maintained to the expected level of service	>95% footpaths maintained to the expected level of service	>95% footpaths maintained to the expected level of service	>95% footpaths maintained to the expected level of service

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Average quality of ride on the sealed and unsealed network measured by the National Association of Australia State Road Authorities (NAASRA)	**Achieved** (68 for sealed roads and 108 for unsealed roads)	At or below 70 (sealed) and 120 (unsealed)	At or below 70 (sealed) and 120 (unsealed)	At or below 70 (sealed) and 120 (unsealed)	At or below 70 (sealed) and 120 (unsealed)
Number of fatal or serious injury crashes on the road network	**Achieved** (one)	No more than two per year	No more than two per year	No more than two per year	No more than two per year
Percentage of residents very satisfied or satisfied with the quality and safety of the sealed road network. *Measured by annual survey of residents. Satisfaction is defined as whether residents consider the quality and safety of our sealed roads is appropriate for funding allocated*	**Achieved** (81%)	45%	60%	45%	Alternate between: 45% and 65% depending on whether it is a sealing year.
Percentage of residents very satisfied or satisfied with the quality and safety of the unsealed road network. *Measured by annual survey of residents. Satisfaction is defined as whether residents consider the quality and safety of our unsealed roads is appropriate for funding allocated*	**Not achieved** (32%)	50%	50%	50%	50%
Percentage of customer service requests relating to roadside hazards on the road or footpath network that Council staff respond to within five working days and forward to the	**Achieved**	100%	100%	100%	100%

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
relevant contractor					
Number of times Council encourages resident to report poor road conditions, road accidents for rectification and communicates planned maintenance schedules to residents for awareness.	**New measure**	At least twice each year	At least twice each year	At least twice each year	At least twice each year
Identification and mapping of roadside boundary fences that pose a risk of allowing stock to access roads Communication with landowners, where problem areas identified, to encourage remedial action	**New measure**	Annually At least annually	Annually At least annually	Annually At least annually	Annually At least annually

Funding impact statement

Transportation, roading & coastal networks	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Source of operating funding											
General rates, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	81	133	141	150	159	169	180	190	202	214	227
Subsidies and grants for operating purposes	2,164	2,212	2,366	2,382	2,411	2,580	2,596	2,625	2,806	2,822	2,853
Fees and charges	11	20	21	21	22	22	23	24	24	25	25
Local Authorities fuel tax, fines, infringement fees, and other receipts	43	93	95	97	100	103	106	109	111	114	117
Total operating funding	**2,299**	**2,458**	**2,623**	**2,650**	**2,692**	**2,874**	**2,905**	**2,948**	**3,143**	**3,175**	**3,222**
Applications of operating funding											
Payments to staff and suppliers	1,646	1,873	2,030	2,029	2,043	2,216	2,215	2,229	2,417	2,415	2,431
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	183	179	184	198	195	200	215	211	217	231	228
Total application of operating funding	**1,829**	**2,052**	**2,214**	**2,227**	**2,238**	**2,416**	**2,430**	**2,440**	**2,634**	**2,646**	**2,659**
Surplus / (deficit) of operating funding	**470**	**406**	**409**	**423**	**454**	**458**	**475**	**508**	**510**	**529**	**563**
Source of capital funding											
Subsidies and grants for capital expenditure	2,182	3,298	3,586	2,847	2,684	3,864	3,654	2,921	4,188	3,927	3,179
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Total source of capital funding	**2,182**	**3,298**	**3,586**	**2,847**	**2,684**	**3,864**	**3,654**	**2,921**	**4,188**	**3,927**	**3,179**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	257	1,045	350	93	101	326	724	101	326	724	101
-- to replace existing assets	2,222	2,703	3,725	3,142	2,949	4,065	3,428	3,218	4,433	3,739	3,512
Increase / (decrease) in reserves	173	(44)	(80)	35	88	(69)	(23)	110	(61)	(6)	130
Total applications of capital funding	**2,652**	**3,704**	**3,995**	**3,270**	**3,138**	**4,322**	**4,129**	**3,429**	**4,698**	**4,457**	**3,743**
Surplus / (deficit) of capital funding	**(470)**	**(406)**	**(409)**	**(423)**	**(454)**	**(458)**	**(475)**	**(508)**	**(510)**	**(529)**	**(563)**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Excludes depreciation	1,761	1,793	1,914	1,970	2,128	2,234	2,346	2,426	2,418	2,748	2,834

There is one additional capital expenditure project for this activity that has been excluded from the budget, due to the project not securing funding. This relates to a safety upgrade to Kaingaroa wharf.

Kaingaroa Wharf was acquired by Council in 2021. The structure had fallen into a state of disrepair with the previous owners having failed to secure funding to make repairs, and it was considered Council would be better placed to secure funding for repair or replacement.

Council has secured some funding to make urgent safety repairs to the wharf, but the structure remains formally closed and is at risk of complete structural failure at any time. The expected capital expenditure associated with the Kaingaroa wharf project is detailed below, cost estimates are included in year one, reflecting the urgent nature of the repair works. Council intends to approach the Government and wharf users for additional support to assist with stabilising the wharf.

Unfunded costs	LTP 2024/25 $000	LTP 2025/26 $000	LTP 2026/27 $000	LTP 2027/28 $000	LTP 2028/29 $000	LTP 2029/30 $000	LTP 2030/31 $000	LTP 2031/32 $000	LTP 2032/33 $000	LTP 2033/34 $000
Capital expenditure - to replace existing assets	4,000									

Estimates exclude ongoing consequential operational expenditure and depreciation adjustments.

Three waters supply and treatment

Safe drinking water and appropriate collection, treatment and disposal of wastewater are essential to the health and wellbeing of our people and our environment.

The Government has launched its Local Water Done Well plan, which is expected to address how local government delivers its water services. The future rules and infrastructure investment requirements under this plan is unclear. For the purposes of this Long-Term Plan, it is assumed that the responsibility for managing our water programmes (including providing levels of service, collection of rates, and payment of operating and capital expenditure), will rest with the Council. Any increased compliance costs resulting from these reforms is expected to be met through funding increases from the annual appropriation or the Crown.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Water and wastewater reticulation schemes that meets public health standards (while Council aims to achieve full compliance with current drinking water legislation, it is non-compliant due to funding and logistical challenges)
- Water and wastewater reticulation schemes are sufficient for public demand
- Water drinking fountain/water station, this priority has been paused due to lack of funding availability.

Contribution to community outcomes

The three waters supply and treatment activity contributes to the resilient community and sustainable action community outcomes as these services and assets enhance community wellbeing.

Acknowledging our funding constraints, we aim to provide water supplies that are safe to drink, with supply continuity appropriate for firefighting purposes. Council considers water supply an essential service to our community and recognises the need for resilient infrastructure.

Our water schemes take water from our environment and require a resource consent. We aim to manage water takes so the impact is not detrimental to our surrounding environment and the impact of climate change and drought on our environment is minimised.

Acknowledging our funding constraints, we aim to provide quality wastewater treatment that minimises overflows. We aim to ensure wastewater is collected and treated without causing a hazard to public health or unpleasant odours. Council considers wastewater supply an essential service to our community and recognises the need for resilient infrastructure.

Our wastewater is treated and discharged into our environment. We aim to sustainably manage this, so the impact of the discharges does not adversely affect the health and cleanliness of the receiving environment and the impact of climate change on our environment is minimised.

Council aims to safely transfer stormwater runoff to minimise harm and property damage and so people can move safely during wet weather.

We manage stormwater so that the impact of any discharge minimises the impact of climate change and drought on our environment and does not adversely affect the health and quality of the natural environment.

Minimal expenditure is expected on stormwater and flood protection activities over the 10-year period. Council also has minimal assets related to these activities. Consequently, Council has set no performance measures related flood protection works as it has not such assets to maintain. Furthermore, any transactions related to stormwater or flood protection are included within the wastewater funding impact statement.

Negative effects

High levels of demand for drinking water supply could potentially cause a reduction in the availability of water levels for consumers and emergency services, thereby increasing the risk to health and safety.

Council has historically delayed investing in water infrastructure as such investments were considered unaffordable because of a lack of Government financial support. Such investing delays have also accelerated wear and tear on our existing infrastructure, impacting our ability to improve the reliability of our drinking water supply in terms of quantity and quality within our community.

Many residents have expressed concern about these water shortages. Current trends indicate for the January to March period, dry weather conditions result in critical water shortages that require water conservation measures to be imposed.

Council is unable to guarantee continuity of water supply and the level of service experienced by our residents is unlikely to improve. The trend of increasing tourist numbers during summer will further exacerbate and put pressure on the current water supply. Given Council's funding constraints, there are unlikely to be many effective mitigating actions, except for seeking funding to improve the reliability of drinking water supply in terms of quantity and quality.

Ineffective wastewater infrastructure could result in unplanned sewage discharges, which may affect the environment, public health, public access for swimming and shellfish collection, and tourism. Our wastewater programme is focused on reducing or eliminating these negative effects.

Ineffective storm water infrastructure has the potential to cause damage to property, incurring costs and potentially elevating insurance premiums. The insufficient treatment of storm water may also adversely affect our environment by overloading the wastewater reticulation and treatment system, causing untreated wastewater to overflow.

Levels of service: Provide drinking water supply that meets the needs of our community now and into the future

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
The extent to which the Council's drinking water supplies comply with the Drinking Water Quality Assurance rules, for: a) Bacterial compliance b) Protozoal compliance	**Not achieved**	Full compliance*	Full compliance*	Full compliance*	Full compliance*
** Chatham Islands Council are not currently compliant with the Drinking Water Quality Assurance rules and will be unable to meet full compliance without additional funding.*					

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Number of temporary advisory notices to boil water (as determined in consultation with Taumata Arowai), indicating that water supplied by Council water schemes is drinking i.e. safe to drink	**Not achieved** (A precautionary boil water notice was put in place in December 2022 – January 2023 for Kaingaroa, due to detection of *E.coli* in water samples)	Zero	Zero	Zero	Zero
Percentage of real water loss from Council's networked reticulation system is managed at an acceptable level	**Not measured**	Does not exceed 20%	Does not exceed 20%	Does not exceed 20%	Does not exceed 20%
Percentage of residents connected to a Council water scheme who are very satisfied or satisfied with the service. *Measured by annual survey of residents. Satisfaction is defined as whether residents consider the quality and quantity of our drinking water supply is appropriate for funding allocated*	**Not achieved** (16%)	50%	50%	50%	50%
Percentage of responses to reports of faults that meet the agreed median response times when attending a call-out in response to a fault or unplanned interruption to the networked reticulation system: • Attendance for urgent call-outs: the time from when the Council receives notification to when service personnel reach the site does not exceed two hours	**Achieved**	100%	100%	100%	100%

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
• Resolution of urgent call-outs: the time from when the Council receives notification to when service personnel confirm resolution of the fault or interruption does not exceed eight hours • Attendance of non-urgent call-outs: the time from when the Council receives notification to when service personnel reach the site does not exceed two hours • Resolution of non-urgent call-outs: the time from when Council receives notification to when service personnel confirm resolution of the fault or interruption does not exceed eight hours					
Percentage of residents dissatisfied with drinking water quality and supply, measured by the total number of complaints received about any of the following: • Drinking water clarity • Drinking water taste • Drinking water odour • Drinking water pressure or flow • Continuity of supply Council's response to any of these issues *A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure*	**Achieved** (Two complaints were received)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Average consumption of drinking water per day per resident, within the territorial authority district, as a measure of demand management	**Achieved** (280L/person/day in Waitangi; 220L/person/day in Kaingaroa)	Less than 500L/person/day	Less than 500L/person/day	Less than 500L/person/day	Less than 500L/person/day

Funding impact statement

Three waters supply & treatment - drinking water	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Source of operating funding											
General rates, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	76	96	102	108	115	122	130	137	146	155	164
Subsidies and grants for operating purposes	207	207	213	219	225	231	238	244	250	256	262
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Local Authorities fuel tax, fines, infringement fees, and other receipts	9	9	9	9	10	10	10	10	11	11	11
Total operating funding	**292**	**312**	**324**	**337**	**350**	**363**	**378**	**391**	**406**	**422**	**438**
Applications of operating funding											
Payments to staff and suppliers	236	344	356	369	382	395	407	420	433	446	459
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	51	50	51	55	54	56	60	59	60	64	63
Total application of operating funding	**287**	**394**	**407**	**424**	**436**	**451**	**467**	**479**	**493**	**510**	**522**
Surplus / (deficit) of operating funding	**5**	**(82)**	**(83)**	**(87)**	**(86)**	**(87)**	**(89)**	**(88)**	**(87)**	**(88)**	**(85)**
Source of capital funding	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Total source of capital funding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
-- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in reserves	5	(82)	(83)	(87)	(86)	(87)	(89)	(88)	(87)	(88)	(85)
Total applications of capital funding	**5**	**(82)**	**(83)**	**(87)**	**(86)**	**(87)**	**(89)**	**(88)**	**(87)**	**(88)**	**(85)**
Surplus / (deficit) of capital funding	**(5)**	**82**	**83**	**87**	**86**	**87**	**89**	**88**	**87**	**88**	**85**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Excludes depreciation	48	64	54	54	68	67	67	66	66	73	73

There are four additional capital expenditure projects for this activity that have been excluded from the budget, due to the projects not securing funding. This relates to upgrades at both Kaingaroa and Waitangi to meet regulatory requirements and identification of future alternative water sources.

Waitangi water supply reservoirs have been drained to low levels due to leaks and high demand in summer, which have required water conservation notices to be issued. Therefore, it is critical that issues of supply are addressed for Waitangi. This project, which is expected to cost $13.3 million (allowing for additional connections) will see a new water source, new treatment plant, and additional storage. It will also include an extension of the network to Te One, which includes the Islands' main school and other key community facilities, who are currently not connected to a water scheme.

The reticulation network at Kaingaroa is now at the end of its useful life, resulting in frequent pipe breakages and leakages. Council plans to replace the reticulation to minimise the risk of leaks and ingress of contaminants and conserve the freshwater resource. Upgrades and repairs are also planned to enable compliance with current legislation and best practice, the project is estimated to cost $2.9 million.

There is increased demand on our freshwater resources, arising from increased tourism and transient workers. In addition, Council desires increased resilience in the face of climate change. Some of our current water sources are not replenishing at sufficient levels to meet future demand and therefore, we need to understand our alternative drinking water sources options available to Council, to increase resilience for our schemes and water resources for the wider island, this project is expected to cost $5.2 million.

The current works yard is no longer fit for purpose and is located in a low-lying coastal area, meaning it is more susceptible to weather events and sea level rise. The Council propose to construct a new purpose-built facility at a more suitable location in Waitangi, expected to cost $1.3 million.

The expected capital expenditure associated with these projects are detailed below, cost estimates are allocated based on priority level. Council intends to approach the Government for additional support to assist with meeting our obligations with complying with current water regulation requirements.

Unfunded capital costs	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Capital expenditure - to improve the level of service	1,298	59	354	1,003	-	354	2,596	1,180	1,180	1,180
Capital expenditure - to replace existing assets	2,732	2,490	3,021	2,224	2,525	1,363	3,328	106	47	1,322
Total unfunded capital expenditure	**4,030**	**2,549**	**3,375**	**3,227**	**2,525**	**1,717**	**5,924**	**1,286**	**1,227**	**2,502**

Estimates exclude ongoing consequential operational expenditure and depreciation adjustments.

In addition to our unfunded capital expenditure, the Chatham Islands Council has also identified additional operational expenditure required to allow for proactive maintenance and technical support of our three water assets, along with support to transition to and comply with the Local Water Done Well plan. These estimated costs have been excluded from the budget, due to the lack of confirmation that additional funding will be made available as part of the annual crown appropriation. These additional operational costs over the next ten years, are estimated below.

Unfunded operational costs	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Payments to staff and suppliers	921	878	917	958	1,001	996	1,043	1,093	1,095	1,150

Levels of service: Provide a well-managed wastewater system to protect public health and the physical environment

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result** **(2022/23)**	**2024/25 target** **(Year 1)**	**2025/26 target** **(Year 2)**	**2026/27 target** **(Year 3)**	**2027/28-2033/34 target** **(Years 4-10)**
Percentage of residents who are very satisfied or satisfied with the wastewater system *Measured by annual survey of residents. Satisfaction is defined as whether residents consider the wastewater system is appropriate for funding allocated*	**Not achieved** (32% of those that expressed an opinion)	50%	50%	50%	50%
Percentage of resident dissatisfied with wastewater services, measured by the total number of complaints received about any of the following: • Sewage odour • Wastewater system faults • Wastewater system blockages • Council's response to any of these issues as a measure of the wastewater system meeting community requirements *A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure*	**Achieved** (No complaints received)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)	Does not exceed 2% of properties connected (or approximately two complaints for all connected properties)

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Percentage of connections that experience dry-weather sewage overflows from the wastewater system, as a measure of the wastewater system meeting community requirements *A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure*	**Achieved** (No overflows or complaints)	Does not exceed 2% of properties connected	Does not exceed 2% of properties connected	Does not exceed 2% of properties connected	Does not exceed 2% of properties connected
Number of reports of non-compliance with resource consent conditions, annually, for discharge from Council's wastewater system: • Abatement notices • Infringement notices • Enforcement orders • Convictions	**Achieved** (No notices or orders issued)	No more than two	No more than two	No more than two	No more than two
Percentage of reports of sewage overflows resulting from a blockage or other fault in the Council's wastewater system responded to in agreed timeframes. *Attendance time: the time from when the Council receives notification to when the service personnel reach the site does not exceed 12 hours* *Resolution time: the time from when the Council receives notification to when the service personnel confirms resolution of the blockage or other fault does not exceed 24 hours*	**Achieved** (No incidents occurred)	100%	100%	100%	100%

Funding Impact statement

Three waters supply & treatment - wastewater	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Source of operating funding											
General rates, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	71	109	116	123	131	139	147	156	166	176	186
Subsidies and grants for operating purposes	116	116	120	123	126	130	133	137	140	144	147
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Local Authorities fuel tax, fines, infringement fees, and other receipts	11	11	12	12	12	13	13	13	14	14	14
Total operating funding	**199**	**237**	**247**	**258**	**270**	**281**	**293**	**306**	**320**	**334**	**348**
Applications of operating funding											
Payments to staff and suppliers	130	197	204	212	219	226	234	241	248	255	263
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	65	64	65	71	69	71	76	75	77	82	81
Total application of operating funding	**195**	**261**	**269**	**283**	**288**	**297**	**310**	**316**	**325**	**337**	**344**
Surplus / (deficit) of operating funding	**4**	**(24)**	**(22)**	**(25)**	**(19)**	**(16)**	**(17)**	**(10)**	**(5)**	**(3)**	**3**
Source of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Total source of capital funding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
-- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in reserves	4	(24)	(22)	(25)	(19)	(16)	(17)	(10)	(5)	(3)	3
Total applications of capital funding	**4**	**(24)**	**(22)**	**(25)**	**(19)**	**(16)**	**(17)**	**(10)**	**(5)**	**(3)**	**3**
Surplus / (deficit) of capital funding	**(4)**	**24**	**22**	**25**	**19**	**16**	**17**	**10**	**5**	**3**	**(3)**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Excludes depreciation	62	82	82	81	96	96	96	96	96	102	102

There are two additional capital expenditure projects for this activity that have been excluded from the budget, due to the project not securing funding. This relates to an upgrade of the Waitangi wastewater system and construction of a sludge receival and disposal facility to appropriately dispose of waste.

The Waitangi wastewater system is at the end of its useful life and the land application system (where we put the treated wastewater) requires extension. Without adequate treatment, there is a high risk of adverse public health and environmental outcomes. Council has a range of cost estimates for the upgrade, with the upper value of $18.8 million assuming an increase in connections arising from increased demand from existing and future residential housing in Waitangi and Te One.

A sludge receival and disposal facility, with costs estimated at $3.0 million, will create a facility for the community that collects, treats, and disposes of septic waste. Removing the current practice of burial in pits and providing an engineered, environmentally sustainable process. This is urgently required.

The expected capital expenditure associated with these projects are detailed below, cost estimates are allocated based on priority level. Council intends to approach the Government for additional support to assist with meeting our obligations with complying with current water regulation requirements.

Unfunded capital costs	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Capital expenditure - to improve the level of service	118	177	1,534	708	71	2,431	71	71	71	71
Capital expenditure - to replace existing assets	1,487	2,803	2,667	5,109	1,770	850	1,788	490	118	18
Total unfunded capital expenditure	**1,605**	**2,980**	**4,201**	**5,817**	**1,841**	**3,280**	**1,859**	**561**	**189**	**89**

Estimates exclude ongoing consequential operational expenditure and depreciation adjustments.

Levels of service: Manage stormwater to minimise and manage flood events

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
The median response time to flooding events, measured from the time that Council receives notification to the time that the service personnel reach the site	**Achieved** (No discharge notices were issued, or other noncompliance events)	No more than two hours	No more than two hours	No more than two hours	No more than two hours
Number of reports of non-compliance with resource consent conditions, annually, for discharge from Council's storm water system measured by the number of:	**Achieved**	Three or fewer reports of non-compliance	Three or fewer reports of non-compliance	Three or fewer reports of non-compliance	Three or fewer reports of non-compliance

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
• Abatement notices • Infringement notices • Enforcement orders • Convictions					
Percentage of properties connected from which complaints received about the performance of storm water management, indicating residents' satisfaction *A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure*	**Achieved** (No complaints received)	Not exceeding 2% of properties connected	Not exceeding 2% of properties connected	Not exceeding 2% of properties connected	Not exceeding 2% of properties connected
Number of flooding events	**Achieved** (No flooding events occurred)	Not exceeding two per year	Not exceeding two per year	Not exceeding two per year	Not exceeding two per year
Percentage of habitable properties affected by each flooding *A percentage has been used as the Council coverage (the number of connections) is below the per 1,000 mandatory measure*	**Achieved** (No flooding events)	Not exceeding 2% of properties connected	Not exceeding 2% of properties connected	Not exceeding 2% of properties connected	Not exceeding 2% of properties connected

Waste management and minimisation

Waste management facilities provide refuse and recycling services to protect the health of our communities and our environment.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Provide a good waste management service, that meets community expectations
- Reduced environmental impacts (such as lowering greenhouse gas emissions) through improved waste management strategies and processes
- Minimising waste going to landfill and increase the amount that is recycled.

Contribution to community outcomes

Rubbish and recycling collection services ensure our environment is functional, pleasant and safe. We promote the sustainable use of resources and provide sustainable alternatives to landfill disposal.

We protect our natural environment by providing waste disposal services for our communities and minimising the impact of climate change on our environment. We reduce the impact of landfill disposal by providing other services to divert waste from landfill and reduce waste production.

Our facilities comply with resource consents, and we ensure that we have operational plans for our services and site management plans for the facilities we operate.

Negative effects

Leachate from old and operational landfills could have a significantly negative impact on our land and water. Such effects include polluting the natural environment and entering natural watercourses.

Odour, dust and windblown litter from operational landfills can cause problems with smell, vermin and birds if the landfill is inadequately managed.

Historically, waste has been disposed at non-landfill sites, but that practice is changing as the new waste infrastructure becomes commissioned.

Mitigation is primarily through monitoring of conditions relating to the operation of our transfer station, landfill and recycling network.

Levels of service: Provide efficient and effective waste minimisation activities and services

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
Amount of waste going to landfill *Benchmark volume of 300 tonne established in 2022/23*	**Achieved** (299 tonnes)	Less than 300 tonnes	Less than 300 tonnes	Less than 300 tonnes	Less than 300 tonnes
Percentage of total waste diverted from landfills through recycling collection.	**New target**	Establish baseline	Increase of 1% on baseline annually	Increase of 1% on baseline annually	Increase of 1% on baseline annually
Frequency of information about waste management and minimisation activities and projects circulated in our monthly Council e-newsletter, the Chatham Islands	**Achieved**	Monthly	Monthly	Monthly	Monthly
Availability of staff at the Te One transfer station to help residents unload rubbish and educate them on the significance of separating recyclables during opening hours	**New measure**	100%	100%	100%	100%
Percentage of landfill activities, facilities and services managed to comply with resource consent conditions, landfill management plans (developed in partnership with Imi and Iwi), and appropriate legislative requirements	**Achieved**	100%	100%	100%	100%

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Percentage of potential or actual waste-related non-compliance issues responded to within five working days	**Achieved** (No issues noted)	100%	100%	100%	100%
Percentage of times Council staff provide response to written requests or complaints regarding waste management within five working days of receipt	**Achieved** (Three requests or complaints received)	95%	95%	95%	95%
Percentage of residents very satisfied or satisfied with the landfill and recycling service and ease of use *Measured by annual survey of residents. Satisfaction is defined as whether residents consider the landfill and recycling service is appropriate for funding allocated*	**Not achieved** (56%)	60%	60%	60%	60%

Funding impact statement

Waste management & minimisation	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Source of operating funding											
General rates, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	100	99	105	112	119	126	134	142	150	160	169
Subsidies and grants for operating purposes	643	643	661	680	699	717	736	755	774	794	814
Fees and charges	2	-	-	-	-	-	-	-	-	-	-
Local Authorities fuel tax, fines, infringement fees, and other receipts	13	12	13	13	13	13	14	14	15	15	15
Total operating funding	**758**	**754**	**779**	**805**	**831**	**856**	**885**	**912**	**939**	**969**	**998**
Applications of operating funding											
Payments to staff and suppliers	727	754	780	810	839	868	896	925	954	983	1,013
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	37	36	37	40	39	40	43	42	43	46	46
Total application of operating funding	**764**	**790**	**817**	**850**	**878**	**908**	**939**	**967**	**997**	**1,029**	**1,059**
Surplus / (deficit) of operating funding	**(5)**	**(35)**	**(38)**	**(45)**	**(47)**	**(52)**	**(54)**	**(56)**	**(58)**	**(60)**	**(61)**
Source of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Total source of capital funding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
-- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in reserves	(5)	(35)	(38)	(45)	(47)	(52)	(54)	(56)	(58)	(60)	(61)
Total applications of capital funding	**(5)**	**(35)**	**(38)**	**(45)**	**(47)**	**(52)**	**(54)**	**(56)**	**(58)**	**(60)**	**(61)**
Surplus / (deficit) of capital funding	**5**	**35**	**38**	**45**	**47**	**52**	**54**	**56**	**58**	**60**	**61**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Excludes depreciation	120	175	175	167	171	159	159	156	156	162	161

There is one additional capital expenditure project for this activity that has been excluded from the budget, due to the project not securing funding. This relates to the construction of a new landfill space. Landfills are built in a series of stages. It is anticipated that another stage will be required in 2030/31.

Unfunded costs	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Capital expenditure - to replace existing assets							925			

Estimates exclude ongoing consequential operational expenditure and depreciation adjustments.

Community services and emergency management

Council provides facilities for the enjoyment and use of our community, including community housing, parks and reserves, sports fields and emergency management services. These contribute to the development of a healthy, active, functioning community.

Council also seeks to provide an efficient and effective system of emergency management response and planning that minimises the potential effect of all hazards on the community and the environment.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Providing good community facilities, that meets community needs and expectations
- Promotion of community development through recreation, the arts, and encouraging the sharing of our heritage
- Staff and volunteers are trained and feel ready to respond to an emergency event
- More emergency management communication
- Emergency response facility – no targets set, paused pending funding becoming available.

Contribution to community outcomes

Community services contribute to the resilient community and embracing diversity community outcomes by providing material and experiences to increase local historical/cultural information and connection.

We provide community open spaces and facilities enabling our community to participate in recreational and cultural opportunities. The library provides resources that support educational, creative, cultural and business activities.

We provide financial assistance to community groups to support cultural, heritage and other benefits within our community.

Areas of cultural significance are managed and protected. Our community is aware and involved in conservation and restoration work.

We provide facilities that enable communities to celebrate their heritage and creativity. Cemeteries provide a location for remembrance.

Emergency management services also contribute to the resilient community, sustainable action and building growth community outcomes by promoting readiness and preparedness through community education and providing suitable response training for staff and volunteers.

Our Civil Defence and Emergency Management system promotes safety of people and a resilient community.

Council can respond and recover from the impact of emergency events. Ensuring appropriate strategies are in place to manage and reduce the impact of harm to the environment when an emergency event occurs.

Fishing and tourism contribute a large amount to our Islands' economic prosperity. Supporting the economic development, sustainability and resilience of these activities will be key to our Islands' growth and recovery after any emergency event.

Negative effects

Council housing and community buildings require ongoing maintenance, which, if not performed, could result in significant degradation of the assets.

Many activities are highly dependent upon the contributions made by volunteers. Council will seek to assist organisations to recruit and retain volunteers, to provide appropriate training, and to ensure that the volunteer experience is a positive and rewarding one.

Levels of service: Provide services to the communities we serve, including library and dog and animal control services

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
Percentage of residents very satisfied or satisfied with community services, including library and dog and animal control services *Measured by annual survey of residents. Satisfaction is defined as whether residents consider the community services are appropriate for funding allocated*	**Not achieved** (58%)	70%	70%	70%	70%
Percentage of complaints about operations and facilities investigated within one working day, with major faults remedied within 24 hours of notification	**Measure amended** (Previous measure related to all complaints and was not achieved) (37%)	100%	100%	100%	100%
Percentage of residents able to identify at least three key services provided by Council, e.g. dog/animal control, library and recreational services *Measured by annual survey of residents*	**Achieved** (75%)	75%	75%	75%	75%

Levels of service: Provide information and advisory services to enable people to understand risks and make informed decisions, and enable emergency management as required

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
Frequency of information about emergency management circulated in our monthly Council e-newsletter, the Chatham Islands	**Achieved**	At least quarterly	At least quarterly	At least quarterly	At least quarterly
Percentage of residents who feel prepared or well prepared and know what to do in an emergency *Measured by annual survey of residents*	**Not achieved** (74%) Note: target was 75% in 2022/23)	70%	70%	70%	70%
Percentage of staff and volunteers who feel confident in relation to readiness to respond to an emergency event *Measured by annual staff and emergency response volunteers survey*	**New target**	70%	70%	70%	70%

Funding impact statement

Community development & emergency response	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Source of operating funding											
General rates, rates penalties	334	381	406	431	458	487	516	548	581	616	653
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	683	595	611	629	647	663	681	698	716	735	752
Fees and charges	53	-	-	-	-	-	-	-	-	-	-
Local Authorities fuel tax, fines, infringement fees, and other receipts	277	315	325	334	343	442	361	371	380	390	400
Total operating funding	**1,347**	**1,291**	**1,342**	**1,394**	**1,448**	**1,592**	**1,559**	**1,617**	**1,677**	**1,741**	**1,805**
Applications of operating funding											
Payments to staff and suppliers	643	870	894	920	945	970	996	1,022	1,048	1,075	1,101
Finance costs	3	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	676	663	681	734	722	741	794	781	802	855	843
Total application of operating funding	**1,322**	**1,533**	**1,575**	**1,654**	**1,667**	**1,711**	**1,790**	**1,803**	**1,850**	**1,930**	**1,944**
Surplus / (deficit) of operating funding	**25**	**(242)**	**(233)**	**(260)**	**(219)**	**(119)**	**(232)**	**(186)**	**(173)**	**(189)**	**(139)**
Source of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	(19)	(22)	(5)	-	-	-	-	-	-	-	-
Total source of capital funding	**(19)**	**(22)**	**(5)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
-- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in reserves	6	(264)	(239)	(260)	(219)	(119)	(232)	(186)	(173)	(189)	(139)
Total applications of capital funding	**6**	**(264)**	**(239)**	**(260)**	**(219)**	**(119)**	**(232)**	**(186)**	**(173)**	**(189)**	**(139)**
Surplus / (deficit) of capital funding	**(25)**	**242**	**233**	**260**	**219**	**119**	**232**	**186**	**173**	**189**	**139**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Excludes depreciation	44	87	84	84	83	80	78	77	76	70	70

There are no additional unfunded operational or capital expenditure items for this group of activities.

Environmental management, protection and monitoring

Council has responsibilities under legislation to safeguard public health, safety, and welfare.

Biodiversity, biosecurity and regulatory activities, such as the identification and management of pests, issue of consents, the enforcement of bylaws, and the provision of liquor licenses are undertaken for the benefit of our communities and to ensure that everyone enjoys our Islands.

The Chatham Islands' isolation has meant that many of the animal and plant pests common in New Zealand are not present on the Islands. We are also fortunate to have many indigenous plants and native animals on the Islands. Many of our flora and fauna species and ecosystems are endemic to the Chatham Islands and if adversely affected by pests, could disappear from their natural habitats.

Council's priority activities and our rationale for providing these services

Our priority activities include:

- Effective pest management control of identified pest species including Swan, Canada geese and feral cattle
- Aim to implement government direction in relation to essential freshwater
- To maintain an adequate monitoring network for water quantity and quantity
- For water quantity and quantity information to be easily accessible.

Contribution to community outcomes

This work contributes to our sustainable action and embracing diversity community outcomes by planning, promoting, regulating and monitoring the use and development of our natural and physical resources, considering the impacts of climate change and drought and aiming to retain our unique island culture, heritage and biodiversity. We work with imi and iwi to ensure that appropriate regard is made to miheke/taonga and to retain our unique island biodiversity.

These activities also contribute to our building growth community outcome. We work with landowners to enhance the prosperity and security of their land by developing plans to managing pests that threaten our environment. By protecting our unique environment, we will provide future opportunities for growth within our community, particularly related to tourism.

Our unique ecosystems, landscapes and indigenous biodiversity are valued and stewardship/t'chiekitanga/kaitiakitanga exercised to safeguard our environment for future generations.

We monitor and investigate the state of our environment and identify trends, risks, and pressures our environment faces. Particularly in relation to land, soils and water. We use this information to make better decisions in our planning. We work to educate people and provide information to enable more sustainable and resilient living.

Our planning framework ensures that identified sites of importance including imi and iwi sites of cultural significance, are considered when planning decisions are made. We work with landowners to enhance biodiversity, helping to protect our natural heritage values.

Effective resource planning processes help ensure appropriate and efficient infrastructure and resources are available to meet the demands of our communities, both now and for future generations.

Compliance monitoring can ensure fair and equal opportunities for all. We actively encourage people to adopt best practice in relation to their use of land and water resources.

We develop policies and plans that promote sustainable management of our natural and physical resources and minimise the impact of climate change and drought on our environment.

We monitor and regulate activities that could, over time, put pressure on our environment and resources, and take preventative action through education and enforcement.

We provide licenses to ensure alcohol sales and consumption are safe, and control dogs and stock, so as not to adversely affect our community's quality of life.

Areas of cultural significance are managed and protected through our regulatory practices.

Our regulatory practices are managed in a manner that contributes to the economic well-being in our community.

We have a dog and stock control officer, who assists with educating owners on appropriate housing of animals, limiting negative effects on native fauna.

Negative effects

The control of pest animals and plants requires a range of methods including pesticides. Some people object to any form of animal control especially for game animals. There may also be some objections to the use of chemicals to control pest plants and animals.

Furthermore, if not contained, the introduction and spread of new plant or animal pests pose significant risks for the Chatham Islands.

Environmental protection

Levels of service: Work in partnership with the community to protect the Islands from environmental and economic damage from pest species

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
Review and update Pest Management strategy and Predator Free 2050 Strategy to identify location sites of interest and species for pest management work *To be undertaken in partnership with Imi, Iwi and the Department of Conservation*	**New measure**	By 30 June 2025	N/A	N/A	Review and update as necessary, expected every three years

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Frequency of environmental awareness programmes, community engagement events or community messages on our website or Facebook page to educate and involve the community in environmental protection efforts, including the importance of not bringing pests to the Island	**Achieved**	At least quarterly	At least quarterly	At least quarterly	At least quarterly

Levels of service: Partner with imi, iwi and engage with the community to implement the government direction in relation to essential freshwater

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	Previous result (2022/23)	2024/25 target (Year 1)	2025/26 target (Year 2)	2026/27 target (Year 3)	2027/28-2033/34 target (Years 4-10)
Establish priorities for changes to the regulatory framework. To be established in partnership with imi and iwi.	**New measure**	By 30 June 2025	N/A	N/A	Review and update as necessary
Present priorities for changes to the regulatory framework (identified above) to Government for approval	**New measure**	N/A	To be set once the priorities for the regulatory framework have been established. Expected by 30 June 2026.	N/A	Review and update as necessary

Levels of service: Monitor and provide accurate and timely water quality and quantity data, for use by the community and decision-makers

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
Review and confirm priority sites for river flow, lagoon levels and climate rainfall measurements and water quality site network, install monitoring equipment if required	**Achieved** - in relation to previously identified sites	By 30 June 2025	N/A	N/A	Review as necessary
Maintain water quantity (river flow, lagoon levels and climate rainfall) telemetered sites and quality sites	**Achieved**	N/A - existing sites will continue to be maintained while the review is being undertaken and as the transition to a new set of sites occurs.	At least twice a year	At least twice a year	At least twice a year
Report sampled water quantity (river flow, lagoon levels and climate rainfall) and quality information from priority sites (identified above) on: • The Chatham Islands Council website and • National LAWA (Land, Air, Water Aotearoa) website – once reporting ability is available.	**Refocused target** Water quality and quantity monitoring and reporting achieved in relation to set measures and targets.	Annually	Annually	Annually	Annually

Levels of service: Ensure the efficient and effective delivery of consenting and compliance services to achieve the sustainable management of natural resources and provision of compliant community services

Council has reviewed its performance framework with a focus on setting strategic targets. Previously, our performance measures and targets were more operational. These operational targets are expected to be incorporated into work programme targets. Council considers there will be no change in the levels of service performed, rather there has been a change in focus of the performance targets and measures to better reflect Council's priorities for each group of activities.

Measure	**Previous result (2022/23)**	**2024/25 target (Year 1)**	**2025/26 target (Year 2)**	**2026/27 target (Year 3)**	**2027/28-2033/34 target (Years 4-10)**
Applications for resource consents are processed within statutory timeframes.	**Achieved**	80%	80%	80%	80%
Percentage of significant non-compliance incidents where action is taken	**Not measured**	75%	75%	75%	75%

Funding impact statement

Environmental protection, compliance & planning	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Source of operating funding											
General rates, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	1,216	1,265	1,301	1,338	1,375	1,411	1,449	1,486	1,523	1,562	1,601
Fees and charges	41	45	46	48	49	50	52	53	54	56	57
Local Authorities fuel tax, fines, infringement fees, and other receipts	72	98	102	106	108	113	113	117	122	123	128
Total operating funding	**1,328**	**1,408**	**1,449**	**1,492**	**1,532**	**1,574**	**1,613**	**1,656**	**1,699**	**1,741**	**1,786**
Applications of operating funding											
Payments to staff and suppliers	1,023	1,084	892	850	874	897	920	944	967	994	1,019
Finance costs	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	321	314	323	348	342	352	377	371	380	406	400
Total application of operating funding	**1,344**	**1,398**	**1,215**	**1,198**	**1,216**	**1,249**	**1,297**	**1,315**	**1,347**	**1,400**	**1,419**
Surplus / (deficit) of operating funding	**(15)**	**10**	**234**	**293**	**316**	**326**	**317**	**341**	**352**	**341**	**367**
Source of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Total source of capital funding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
-- to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase / (decrease) in reserves	(15)	10	234	293	316	326	317	341	352	341	367
Total applications of capital funding	**(15)**	**10**	**234**	**293**	**316**	**326**	**317**	**341**	**352**	**341**	**367**
Surplus / (deficit) of capital funding	**15**	**(10)**	**(234)**	**(293)**	**(316)**	**(326)**	**(317)**	**(341)**	**(352)**	**(341)**	**(367)**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Excludes depreciation	7	2	2	2	2	1	1	1	1	1	1

The Chatham Islands Council has also identified the need to make reductions in expenditure, to manage the Council's finances prudently. For a positive impact on our average annual cash movement, Council estimates a reduction in expenditure of at least $269,000 will be required for the first year of the Long-Term Plan, with additional cost efficiencies to be found in the following years. Our contract with our Regional Council partners is currently being reviewed, and it is believed we can reduce the scope of some pest management services while also utilising other partnerships to achieve a manageable reduction in service, that will not significantly impact the service Council provides to the Community. The total reduction in expenditure over the next ten year, is estimated below.

Unfunded operational costs	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Payments to staff and suppliers	269	502	582	598	614	631	647	663	680	697

Council funding impact statement

The Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 require the Council to adopt a funding impact statement for both the Council and each group of activities. The funding impact statement must identify: the sources of funding to be used; the amount of funds expected to be produced from each source; and how the funds are to be applied.

The timing of the recognition of income and expenditure in the funding impact statements is consistent with the forecast financial statements. However, transactions with no funding impact, such as depreciation, have been removed. The regulations also require each funding impact statement for a group of activities to disclose internal charges and cost allocation and not eliminate these as required by NZ GAAP. Funding impact statements for each group of activities are disclosed as part of the activity statement.

Details on how activities are funded and the rationale for each funding source selected are given in the revenue and financing policy. Examples of the impact of the rating proposals for the first year covered by the Long-Term Plan on the rates assessed on different categories of rateable land are also included.

	Annual Plan 2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Source of operating funding											
General rates, rates penalties	358	381	406	431	458	487	516	548	581	616	653
Targeted rates	400	436	463	493	524	556	590	626	664	704	746
Subsidies and grants for operating purposes	6,520	5,916	6,175	6,299	6,436	6,711	6,836	6,974	7,266	7,396	7,540
Fees and charges	43	65	67	69	71	72	75	77	78	81	82
Interest and dividends from investments	16	42	44	45	46	48	49	51	52	54	55
Local Authorities fuel tax, fines, infringement fees, and other receipts	568	618	639	654	672	784	708	726	750	764	784
Total operating funding	**7,905**	**7,458**	**7,794**	**7,991**	**8,207**	**8,658**	**8,774**	**9,002**	**9,391**	**9,615**	**9,860**
Applications of operating funding											
Payments to staff and suppliers	7,543	7,393	7,491	7,692	7,775	8,112	8,375	8,457	8,814	9,082	9,173
Finance costs	3	1	-	-	-	-	-	-	-	-	-
Total application of operating funding	**7,546**	**7,394**	**7,491**	**7,692**	**7,775**	**8,112**	**8,375**	**8,457**	**8,814**	**9,082**	**9,173**
Surplus / (deficit) of operating funding	**359**	**64**	**303**	**299**	**432**	**546**	**399**	**545**	**577**	**533**	**687**
Source of capital funding											
Subsidies and grants for capital expenditure	3,314	3,298	3,586	2,847	2,684	3,864	3,654	2,921	4,188	3,927	3,179
Increase / (decrease) in debt	(19)	(22)	(5)	-	-	-	-	-	-	-	-
Total source of capital funding	**3,295**	**3,276**	**3,581**	**2,847**	**2,684**	**3,864**	**3,654**	**2,921**	**4,188**	**3,927**	**3,179**
Application of capital funding											
Capital expenditure											
-- to improve the level of service	1,420	1,045	350	93	101	326	724	101	326	724	101
-- to replace existing assets	2,822	2,703	3,725	3,142	2,949	4,065	3,428	3,218	4,433	3,739	3,512
Increase / (decrease) in reserves	(588)	(408)	(191)	(89)	66	19	(99)	147	6	(3)	253
Total applications of capital funding	**3,654**	**3,340**	**3,884**	**3,146**	**3,116**	**4,410**	**4,053**	**3,466**	**4,765**	**4,460**	**3,866**
Surplus / (deficit) of capital funding	**(359)**	**(64)**	**(303)**	**(299)**	**(432)**	**(546)**	**(399)**	**(545)**	**(577)**	**(533)**	**(687)**
Funding balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

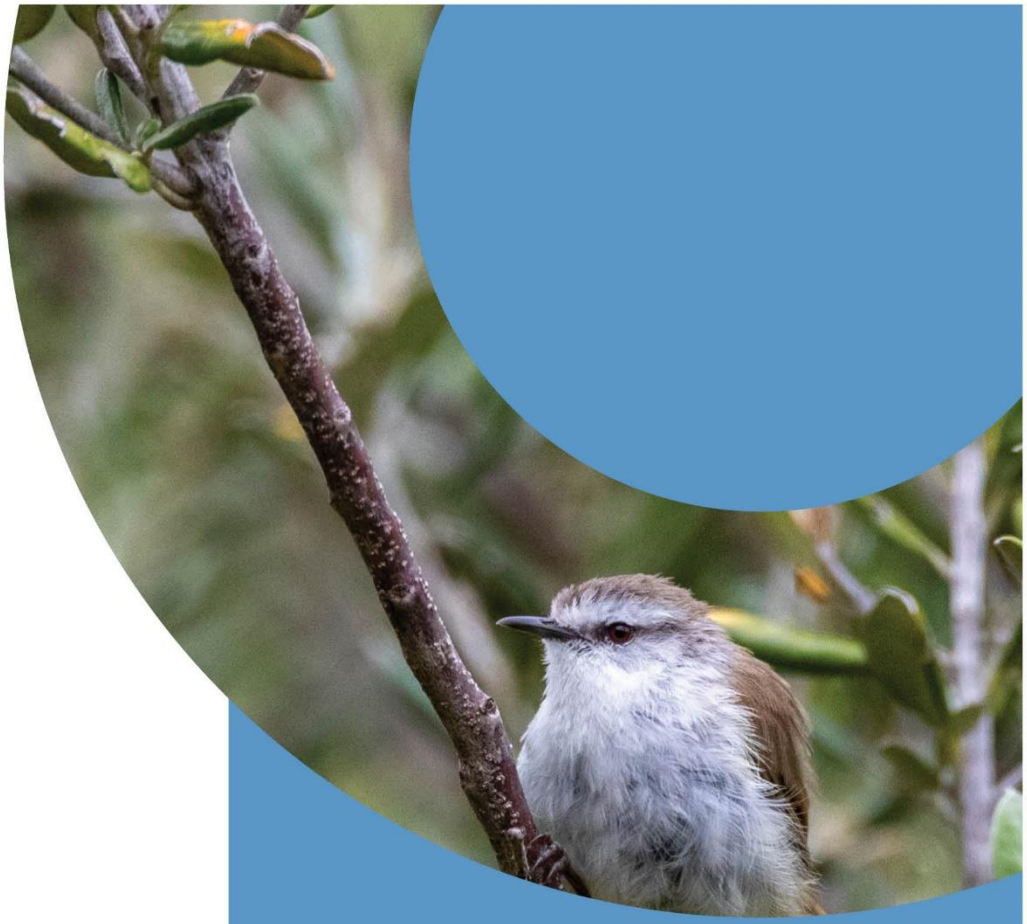
Reconciliation of operating funding to statement of comprehensive revenue and expense											
Surplus / (deficit) of operating funding	359	64	303	299	432	546	399	545	577	533	687
Subsidies and grants for capital expenditure	3,314	3,298	3,586	2,847	2,684	3,864	3,654	2,921	4,188	3,927	3,179
Depreciation	(2,484)	(2,210)	(2,317)	(2,364)	(2,555)	(2,641)	(2,750)	(2,825)	(2,815)	(3,158)	(3,243)
Surplus/(deficit) before taxation per statement of comprehensive revenue an	**1,189**	**1,152**	**1,572**	**782**	**561**	**1,769**	**1,303**	**641**	**1,950**	**1,302**	**623**

There are several capital expenditure projects that have been excluded from the budget, due to the project not securing funding. This relates to three water infrastructure upgrades, expansion of our waste management facilities and structural repairs to the Kaingaroa wharf.

In addition to our unfunded capital expenditure, the Chatham Islands Council has also identified additional operational expenditure required to allow for proactive maintenance and technical support of our three water assets, along with support to transition to and comply with the Local Water Done Well plan and further cost savings required to manage our budget prudently. These estimated costs have been excluded from the budget, but will advocate for additional funding to be made available as part of the annual crown appropriation.

These additional capital and operational costs over the next ten years, are estimated and separately disclosed at an individual activity level with each activity Funding Impact Statement, and collectively after the financial statements.

Our finances



Our financial information

Responsibility for financial statements
Councilors and management of Chatham Islands Council accept responsibility for the preparation of the prospective financial statements, the statement of service performance and the judgements and assumptions used in this Long-Term Plan.

They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and service performance reporting data.

In the opinion of the Councilors and management of Chatham Islands Council, appropriate assumptions have been used to produce these prospective financial and service statements and all disclosure requirements have been met.

The forecast Financial Statements of this Long-Term Plan provide information on the budgets for all of Council and are comprised of:

Our significant forecasting assumptions
The key assumptions made in compiling our financial information are detailed here, including price level adjusters and assumptions with high volatility and an assessment of how the instability will impact on the financial information.

Our prospective financial statements
These statements include the Prospective Statement of Comprehensive Revenue and Expense, Prospective Statement of Financial Position, Prospective Statement of Changes in Equity and Prospective Statement of Cash Flows for Council, which are in all annual plans and reports.

The purpose of these prospective Financial Statements is:

- To provide integrated decision-making and coordination of the resources of the local authority
- Contribute to the accountability of the local authority to the community and to provide a long-term focus for the activities of the Council. The information in these statements may not be appropriate for purposes other than those described.

Actual financial results are likely to vary from that forecast within this Plan. These Prospective Financial Statements are a forecast for 10 years, based on the latest information and knowledge at hand, and in conjunction with assumptions considered appropriate at that time.

A new Long-Term Plan will be produced in three years' time. Annual Plans will be produced for the intervening financial years.

Accounting policies
Accounting policies are compliant with International Public Sector Accounting Standards for Public Benefit Entities (PBE IPSAS) and provide details on how Council applies the standards to the Prospective Financial Statements.

Reserve funds
Reserve Funds detail the funds the Council holds for specific purposes and how the balances of the funds are expected to move between years one and ten of this Plan.

Long-Term Plan disclosure statement
A disclosure statement is required that identifies Council's planned financial performance in relation to various benchmarks, enabling an assessment of whether Council is prudently managing its revenues, expenses, assets and liabilities.

Statement concerning balancing the budget

Assuming Council is able to both reduce expenditure through cost savings and increase income through rating increases, Council will be able to achieve a balanced budget for all years of the Long-Term Plan, with an after-tax surplus forecast for each year.

Although not confirmed, Council assumes future Crown contributions will cover all operating requirements, with the next funding review expected in 2024/25. If funding is below expectation, expenditure will be reduced.

Financial assumptions

Revenue assumptions

Annual Crown contribution

The Council in recent years has received an annual appropriation of $4.2 million as a contribution to the cost of Council's statutory responsibilities.

The New Zealand Government receives substantial fiscal benefits from the inclusion of the Chatham Islands within New Zealand's exclusive economic zone. Therefore, there remains strategic advantages to providing ongoing financial support to the Chatham Islands Council, given the resident population base is insufficient to cover Council's expected operational costs.

The Crown has agreed to provide ongoing operational support to the Chatham Islands Council as part of a Deed of Funding. Currently, annual funding is confirmed in May each year as part of the annual appropriation process.

The Chatham Islands Council has indicated to Central Government that the historic annual appropriation is insufficient to meet our statutory obligations. While there is general support for increasing funding to our community, increased funding has not yet eventuated. The Council's approach to prudently managing finances is for expenditure to match expected funding allocations, meaning some areas will not comply with legislative requirements, as Council cannot afford to meet the additional costs of compliance.

To ensure an appropriate level of transparency, Council has therefore elected to estimate the additional costs of compliance as separate 'unbudgeted' line items in the financial and activity statements.

The annual appropriation for the 2024/25 financial year was confirmed at $4.2 million, which has been incorporated into the budget. However, to ensure ongoing financial viability for the Council, it is assumed the annual appropriation from 2025/26 onwards will include an additional inflationary adjustment, which has not been confirmed. The annual Crown contribution is not confirmed until May, and is subject to a high level of uncertainty.

The contribution provided by the Crown is reviewed for appropriateness every three years, with the next review expected in 2024/25. These reviews have traditionally highlighted the lack of investment in capital infrastructure and the Council's non-compliance with areas of legislation. Additional funding has previously been recommended, with unsuccessful results.

Over time, it is assumed the annual appropriation will be increased to support an asset replacement programme and any additional costs associated with meeting operational costs arising from either new projects being implemented, or new costs of compliance. If the additional level of funding is not received, all unfunded projects will be deferred.

NZ Transport Agency Waka Kotahi subsidy rates

The Funding Assistance Rate provided by the NZ Transport Agency (NZTA) is currently set at 88% of total roading expenditure. It is assumed this financial subsidy rate will remain constant over the 10-year period of the Long-Term Plan.

The difference between roading expenditure and the NZTA grant is expected to be funded from targeted rates and allocated general funds (which includes the annual Crown contribution).

A programme of work for the three-year period ending 2027 has been submitted to the NZTA for approval. This is expected to remain under consideration until August 2024. We have assumed the full programme of works will be approved with a consistent rate of assistance. Capital works that are to improve the level of service as opposed to replacing existing assets, are subject to a higher level of uncertainty associated with the NZTA grant being approved. An adjustment to reflect this uncertainty has not been factored into the financial forecast. Variations in the NZTA approved programme or level of subsidy may require Council to review and amend its roading programme.

The approved NZTA programme will cover a three-year period cycle, any approved funds unspent at the end of a year, will be carried across to the next year.

Rating base and remissions

The number of rateable properties is not expected to change significantly over the 10-year period.

Council assumes any ratepayer financial hardships will be managed through the rates remission and postponement policy.

Expected interest rates on investments

Interest received is based on average cashflows over the 10-year period, applied to the expected Business and Economic Research Limited (BERL) 90-day interest rates. It is assumed the Crown contribution will be paid annually in advance allowing a small interest amount to be received.

Economic uncertainty for the community and cost pressures on the organisation

Cost pressures for the Council from inflationary pressures, changing legislative requirements and expectations from Central Government and the need to invest to address climate change, drought and other environmental challenges continue to put pressure on Council.

These cost pressures initially placed us at an average cash loss of $500,000 for each year of the Long-Term Plan, which Council considers to be financially unsustainable.

After hearing from our community, Council considered the best method to address these cost pressures was both increasing our income and decreasing our expenditure.

Council has increased rates by an additional 3.5% above expected inflationary adjustments for the island. The rates increase for 2024/25 of 6.65% is one of the lowest increases nationally and allows Council to ensure rate consistency with other New Zealand councils over time.

Council has also reduced proposed expenditure by $265,000 for the first year of the Long-Term Plan, with additional cost efficiencies to be found for the following years.

Council will also likely be required to use an overdraft facility on a temporary basis to cover any cash shortfall, including timing differences between receipts and payments.

Expenditure assumptions

Future price changes

Except for roading operating and capital expenditure inflation rates, future price level adjustments are based on those recommended to Local Government by BERL.

In addition to the BERL adjustments, to incorporate the higher costs of living and transportation impacts, including transportation certainty, an additional adjustment of 0.75% to inflationary movements has been made. The Chatham Islands' isolation and small population result in a higher cost of living overall compared with the rest of New Zealand. Freight and Council dues inflate the cost of all goods imported from the mainland, and the small, remote consumer base drives up the cost of utilities and other services like air transport.

The roading operating and capital expenditure inflation rates are based on drivers used as part of the NZTA roading submission process. No further adjustment are made, as the majority of materials are sourced on the island.

Expected interest rates on borrowing

Council does not have the financial capacity to enter into borrowing arrangements, without securing funding to allow repayment. Consequently, over the period of the Long-Term Plan, Council does not expect to enter into any new borrowing arrangements.

However, given the scarcity of funding and the impacts on Council's cash flows, it is probable that debt will be required in short intervals as a bank overdraft, with estimated interest and bank charges based on historic fees charged.

Contracts with external service providers

The council has engaged the services of several organisations to fulfil its statutory responsibilities. This includes: regional council support, infrastructural engineering services, and road, water, and wastewater maintenance.

These contracts will be up for renewal over the period of the Long-Term Plan. It is assumed when the contracts are tendered there will be no significant change in the cost of these services or the financial support for them, except as adjusted for inflation and the cost of meeting any revised compliance requirements.

Asset assumptions

Timing and level of capital expenditure

Council will not proceed with capital expenditure, until funding for the work is confirmed, and therefore a significant risk exists that capital projects will be delayed or may not occur when planned, resulting in further deterioration to existing assets. This may have an impact on the projected future costs of the project, creating a risk that costs may vary from those estimated. If a project is delayed, linked funding, including grants and borrowing may also be deferred.

Revaluation of non-current assets

Revaluations of non-current assets are assumed to occur at five-yearly intervals for roading and other infrastructural assets. Revaluation increases are based on cumulative estimated movements recommended by Business and Economic Research Limited (BERL) for Local Government capital expenditure since the last valuation date.

Depreciation rate, useful lives and frequency of asset replacement assumptions

Depreciation rates for each asset group are set in our accounting policies. Depreciation rates are based on the expected useful life analysis performed by registered valuers in line with the requirements of Accounting Standards.

Estimated asset replacement frequency is based on useful life indicators provided in our latest infrastructural valuations or other strategic documents. Historically, projects are often delayed due to funding or capacity constraints, meaning our assets often continue to be used beyond their estimated useful life.

The Council does not currently fund depreciation to replace infrastructural assets, rather replacement is expected to be funded by way of a capital grant.

Liability assumptions

Borrowing

Council does not have the financial capacity to borrow, without securing funding to allow repayment. Consequently, over the period of the Long-Term Plan, Council does not expect to have any new borrowing arrangements.

Other assumptions

Population changes

It has been assumed that the population base will remain stable for the foreseeable future and the cost of living relative to household income will not influence families to migrate elsewhere. Census data indicates the Islands' population has remained stagnant, albeit slightly declining over time. Similar trends are reflected in the number of occupied dwellings on the island.

With a population base that is assumed to remain relatively static or slightly declining over time, Council is not anticipating any additional or increased demand on the infrastructural assets to that currently in existence and therefore expects no significant change to operating or capital expenditure due to population movements. Any growth in population will impact on the level of demand on our infrastructure and may increase the risk of asset failure. Additional funding will be required to meet any increased demand.

Changes in land use

Council has assumed that land use will remain relatively static over the next ten years because of limited on-island development opportunities.

The Chatham Islands Resource Management Document provides mechanisms that allows for development within existing zones. Any development occurring over the course of the next ten years in not expected to have a significant impact on any potential changes to land use or zoning requirements.

Levels of service

The council places reliance on sufficient funding being available from external sources to maintain its level of service. The service levels Council provides may require adjustment in response to issues identified by the community, changes to legislation, or other external factors.

Levels of service, especially those pertaining to infrastructure, will remain static unless increased through a specific capital works programme, supported by external grant, or assistance with debt repayment. Where development occurs, the increased application will be limited to that area or township.

Opportunities for shared services

We assume we will continue to build effective relationships with our regional partners including the Chatham Islands Enterprise Trust, Ngati Mutunga o Wharekauri Iwi Trust, Hokotehi Moriori Trust and other island-based Government agencies. Council needs to ensure that there is sufficient capability and capacity available to meet the current and future level of works. This may include working with other on-island agencies to develop efficiencies.

Legislative change

Government legislation and regulations and Council documents such as the Resource Management Document shape the Council's operational and capital expenditure. Council's approach to providing services on-island is to maintain existing levels of service.

No provision has been made for the impact of legislative or other changes in the Long-Term Plan. Council does not have the ability to fund higher levels of expenditure driven by legislative change unless additional funding support is provided from Central Government. If such funding is not provided, the Council will be unable to comply with the legislation.

Climate change

Except for planned service improvements in our roading infrastructure to mitigate risks associated with increased rainfall. No other adjustments have been made to the financial forecast over the next 10-years related to climate change impacts, primarily due to Council lacking the financial capacity to do so. It is acknowledged that planning is required.

Temperature and level of rainfall are expected to rise over time, resulting in the following potential impacts for our Islands:

- ***Flooding*** - More heavy rainfall will increase the risk of flooding on the islands. For instance, higher water levels in Te Whanga lagoon after heavy rainfall could increase the risk of surface flooding of nearby roads.
- ***Coastal hazards*** - Coastal roads and infrastructure may face increased risk from coastal erosion and inundation, increased storminess and sea-level rise.
- ***Biosecurity*** - Warmer, wetter conditions could increase the spread of pests and weeds.
- ***Drought*** – higher temperatures heighten evaporation, which reduces surface water, increasing the risk of water restrictions or other water-related hazards.

As a group of islands, we are increasingly vulnerable to the impacts of climate change and drought. Any change to the land or water level poses a threat to our way of life for current and future generations. Council is committed to taking a collaborative approach to addressing any identified local causes and impacts of climate change, which includes strategically varying our core Council infrastructure and internal policies to reduce or mitigate any greenhouse gas emissions. Any costs of meeting our climate change obligations are expected to be absorbed into our current financial projections.

Resilience of infrastructure related to natural hazards

Financial estimates exclude the financial implications of a natural disaster as it is not possible to quantify any impact on Council. Although Council is insured, not all costs would be covered.

As is common for remote islands, most of the important infrastructure is located very near to the coastline, leaving it susceptible to natural disasters caused by the ocean.

The natural disasters the Chatham Islands are most likely to be exposed to include: cyclones, tsunamis, and localised flooding. Given the roading structure radiates outward to the various townships, it is possible that some

areas may be cut-off due to such events as the roads being impassable. It is therefore essential that our residents are suitably provisioned for such events, which is promoted through our community development and emergency response activities.

Key infrastructural assets may be potentially damaged from such events where the infrastructure is located on the coast such as wharves, bridges, seawalls, roads, pipelines, and pump stations.

If infrastructure is damaged, roading repair work will fall under the NZ Transport Agency programme, and water and wastewater repairs will fall under the operations and maintenance contract, with any additional repair cost being funded through the Chatham Islands Mayoral Relief Fund. The council also has additional funds set aside to respond to an emergency event. However, any repairs would require substantial support from the Central Government.

Privately owned assets, such as wharves, will be repaired at the owner's expense.

The Local Water Done Well plan:

Changes giving effect to the Government's reform of New Zealand's drinking water, wastewater and stormwater services are underway. There exists significant uncertainties in relation to the final application of legislation on Councils. While the exact funding mechanisms and legislative obligations are currently unclear, the Council has assumed any additional funding will be provided through the annual appropriation. The additional estimated compliance costs have been separately disclosed in the financial forecasts as unbudgeted items.

Our financial forecasts

Statement of comprehensive revenue and expense

	Actual 2022/23 $000	Annual Plan 2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Revenue												
General Rates	367	358	381	406	431	458	487	516	548	581	616	653
Targeted Rates	337	400	436	463	493	524	556	590	626	664	704	746
Grants & Subsidies	10,616	9,834	9,214	9,761	9,146	9,120	10,575	10,490	9,895	11,454	11,323	10,719
Council Dues	316	281	309	318	327	336	345	354	363	373	382	392
Interest	41	16	42	44	45	46	48	49	51	52	54	55
User Pays, Fees & Charges and Other Income	925	330	374	388	396	407	511	429	440	455	463	474
Total Revenue	**12,602**	**11,219**	**10,756**	**11,380**	**10,838**	**10,891**	**12,522**	**12,428**	**11,923**	**13,579**	**13,542**	**13,039**
Expenditure												
Depreciation and Amortisation	2,385	2,484	2,210	2,317	2,364	2,555	2,641	2,750	2,825	2,815	3,158	3,243
Employment Benefits	1,016	990	1,060	1,091	1,122	1,154	1,186	1,217	1,250	1,283	1,315	1,349
Financial Costs	-	3	1	-	-	-	-	-	-	-	-	-
Other Expenditure	7,654	6,553	6,333	6,400	6,570	6,621	6,926	7,158	7,207	7,531	7,767	7,824
Total Expenditure	**11,055**	**10,030**	**9,604**	**9,808**	**10,056**	**10,330**	**10,753**	**11,125**	**11,282**	**11,629**	**12,240**	**12,416**
Total Surplus/Deficit	**1,547**	**1,189**	**1,152**	**1,572**	**782**	**561**	**1,769**	**1,303**	**641**	**1,950**	**1,302**	**623**
Other Comprehensive Income												
Share of surplus of associate	62	150	109	112	116	103	106	109	113	116	119	123
Increase/decrease in Revaluation Reserve	-	-	-	-	21,086	-	-	-	-	18,713	-	-
Total Other Comprehensive Income	**62**	**150**	**109**	**112**	**21,202**	**103**	**106**	**109**	**113**	**18,829**	**119**	**123**
Total Comprehensive Income	**1,609**	**1,339**	**1,261**	**1,684**	**21,984**	**664**	**1,875**	**1,412**	**754**	**20,779**	**1,421**	**746**

Statement of changes in net assets/equity

	Actual 2022/23 $000	Annual Plan 2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Equity at the start of the year	**96,886**	**99,115**	**100,941**	**102,202**	**103,886**	**125,870**	**126,534**	**128,409**	**129,821**	**130,575**	**151,353**	**152,774**
Total comprehensive income	1,609	1,339	1,261	1,684	21,984	664	1,875	1,412	754	20,779	1,421	746
Equity at the end of the year	**98,495**	**100,454**	**102,202**	**103,886**	**125,870**	**126,534**	**128,409**	**129,821**	**130,575**	**151,353**	**152,774**	**153,520**

Statement of financial position

	Actual 2022/23 $000	Annual Plan 2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Current Assets												
Cash & cash equivalents	29	189	-	-	-	-	-	-	-	-	-	-
Cash investments	182	0	187	193	199	205	211	217	224	231	237	245
Receivables and other financial assets	857	719	731	774	737	741	852	845	811	923	921	887
Total Current Assets	**1,068**	**908**	**919**	**967**	**936**	**945**	**1,063**	**1,062**	**1,035**	**1,154**	**1,158**	**1,131**
Non-Current Assets												
Investment in associate	242	500	351	463	579	682	788	897	1,010	1,126	1,245	1,368
Property, equipment & intangible assets	98,858	100,827	102,509	104,267	126,222	126,717	128,468	129,869	130,363	151,017	152,322	152,692
Total Non-Current Assets	**99,100**	**101,327**	**102,860**	**104,730**	**126,801**	**127,399**	**129,256**	**130,766**	**131,373**	**152,143**	**153,567**	**154,060**
Total Assets	**100,168**	**102,235**	**103,779**	**105,697**	**127,737**	**128,345**	**130,318**	**131,829**	**132,408**	**153,297**	**154,725**	**155,191**
Current Liabilities												
Bank Overdraft	80	-	189	402	425	331	463	512	315	380	305	1
Payables and other financial liabilities	1,487	1,686	1,297	1,319	1,353	1,479	1,446	1,496	1,518	1,564	1,646	1,670
Total Current Liabilities	**1,567**	**1,686**	**1,487**	**1,721**	**1,777**	**1,811**	**1,909**	**2,008**	**1,833**	**1,944**	**1,951**	**1,671**
Non-Current Liabilities												
Other non-current financial liabilities	106	95	90	90	90	-	-	-	-	-	-	-
Total Non-Current Liabilities	**106**	**95**	**90**	**90**	**90**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**1,673**	**1,781**	**1,577**	**1,811**	**1,867**	**1,811**	**1,909**	**2,008**	**1,833**	**1,944**	**1,951**	**1,671**
Net Assets	**98,495**	**100,454**	**102,202**	**103,886**	**125,870**	**126,534**	**128,409**	**129,821**	**130,575**	**151,353**	**152,774**	**153,520**
Public Equity												
Accumulated Funds & Reserves	98,495	100,454	102,202	103,886	125,870	126,534	128,409	129,821	130,575	151,353	152,774	153,520
Total Public Equity	**98,495**	**100,454**	**102,202**	**103,886**	**125,870**	**126,534**	**128,409**	**129,821**	**130,575**	**151,353**	**152,774**	**153,520**

There are several capital expenditure projects that have been excluded from the budget, due to the project not securing funding. This relates to three water infrastructure upgrades, expansion of our waste management facilities and structural repairs to the Kaingaroa wharf.

The expected capital expenditure associated with these projects are detailed below, cost estimates are allocated based on priority level. Council intends to approach the Government for additional support to assist with meeting our obligations with complying with current water regulation requirements.

Unfunded capital costs	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Capital expenditure - to improve the level of service	1,416	236	1,888	1,711	71	2,785	2,667	1,251	1,251	1,251
Capital expenditure - to replace existing assets	8,219	5,292	5,688	7,334	4,295	2,213	6,040	596	165	1,339
Total unfunded capital expenditure	**9,635**	**5,528**	**7,576**	**9,045**	**4,366**	**4,997**	**8,707**	**1,847**	**1,416**	**2,590**

Statement of cash flows

	Actual 2022/23 $000	Annual Plan 2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Cash Flow from Operating Activities												
Receipts from rates revenue	737	811	816	865	927	982	1,033	1,107	1,177	1,234	1,320	1,402
Receipts from grants and subsidies	10,008	10,295	9,204	9,726	9,176	9,117	10,484	10,495	9,923	11,362	11,325	10,747
Receipts from Council Dues	318	301	309	316	328	336	341	354	364	369	382	393
Interest received	41	16	42	44	45	46	48	49	51	52	54	55
Receipts from other revenue	1,084	431	372	380	403	406	401	430	446	435	463	480
Cash provided from Operating Activities	**12,188**	**11,854**	**10,742**	**11,332**	**10,880**	**10,887**	**12,307**	**12,435**	**11,962**	**13,452**	**13,545**	**13,078**
Payments made to employees	(1,004)	(982)	(1,060)	(1,091)	(1,122)	(1,154)	(1,186)	(1,217)	(1,250)	(1,283)	(1,315)	(1,349)
Interest paid	-	(3)	(1)	-	-	-	-	-	-	-	-	-
Other payments to suppliers	(7,755)	(6,808)	(5,944)	(6,367)	(6,540)	(6,584)	(6,855)	(7,108)	(7,191)	(7,467)	(7,685)	(7,805)
Cash required for operating activities	**(8,759)**	**(7,793)**	**(7,005)**	**(7,458)**	**(7,662)**	**(7,738)**	**(8,041)**	**(8,325)**	**(8,441)**	**(8,750)**	**(9,000)**	**(9,154)**
Net Cash Flow from Operating Activates	**3,429**	**4,061**	**3,737**	**3,874**	**3,218**	**3,149**	**4,266**	**4,110**	**3,521**	**4,702**	**4,545**	**3,924**
Cash Flow from Investing Activities												
Purchase of Fixed Assets	(3,483)	(4,242)	(3,748)	(4,075)	(3,235)	(3,050)	(4,391)	(4,152)	(3,319)	(4,759)	(4,463)	(3,613)
Sale (Purchase) of Other Assets	(182)	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow from Investing Activities	**(3,666)**	**(4,242)**	**(3,748)**	**(4,075)**	**(3,235)**	**(3,050)**	**(4,391)**	**(4,152)**	**(3,319)**	**(4,759)**	**(4,463)**	**(3,613)**
Cash Flow from Financial Activities												
Loans Raised	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Loans	(27)	(22)	(22)	(5)	-	-	-	-	-	-	-	-
Net Cash Flow from Financial Activities	**(27)**	**(22)**	**(22)**	**(5)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/(Decrease) in Cash Held	**(263)**	**(203)**	**(33)**	**(206)**	**(17)**	**99**	**(125)**	**(42)**	**202**	**(57)**	**82**	**311**
Opening Cash Balance	212	392	31	(2)	(208)	(226)	(127)	(252)	(294)	(92)	(149)	(67)
Closing Cash Balance	**(51)**	**189**	**(2)**	**(208)**	**(226)**	**(127)**	**(252)**	**(294)**	**(92)**	**(149)**	**(67)**	**244**

Estimates exclude ongoing consequential operational expenditure and depreciation adjustments.

In addition to our unfunded capital expenditure, the Chatham Islands Council has also identified additional operational expenditure required to allow for proactive maintenance and technical support of our three water assets, along with support to transition to and comply with the Local Water Done Well plan and further cost savings required to manage our budget prudently. These estimated costs have been excluded from the budget but Council will advocate for additional funding to be made available as part of the annual crown appropriation.

Unfunded operational costs	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2031/32 $000	2032/33 $000	2033/34 $000
Three waters - payments to suppliers	921	878	917	958	1,001	996	1,043	1,093	1,095	1,150
Enviornmental protection - payments to suppliers	269	502	582	598	614	631	647	663	680	697
Total unfunded operational expenditure	**1,190**	**1,380**	**1,499**	**1,556**	**1,615**	**1,626**	**1,690**	**1,756**	**1,775**	**1,846**

Statement of accounting policies

Reporting entity

Chatham Islands Council is a Unitary Local Authority under the Chatham Islands Council Act 1995 and the Local Government Act 2002 and is domiciled and operates in New Zealand.

Chatham Islands Council has designated itself as a public benefit entity for financial reporting purposes. The primary objective of the Council is to provide goods and services for community or social benefit rather than to make a financial return. As a defined public entity under the Public Audit Act 2001, the Council is audited by the Office of the Auditor General and is classed as a Public Sector Public Benefit Entity for financial reporting purposes.

The prospective financial statements of Chatham Islands Council are for the period 1 July 2024 to 30 June 2034.

They were authorised for issue by Chatham Islands Council on 27 June 2024. The prospective financial information will next be reviewed as part of the 2025/26 Annual Plan process.

The accounting policies have been applied consistently to all periods presented in these prospective financial statements.

Chatham Islands Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Basis of preparation

The financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which requires information to be prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). This includes preparing the accounts on a going concern basis.

Chatham Islands Council has elected to prepare the financial statements in accordance with Tier 2 PBE accounting standards as it is not publicly accountable or large and therefore reduced disclosure requirements will apply.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain infrastructural assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($000). The functional currency of Chatham Islands Council is New Zealand dollars.

Critical financial assumptions, judgements and estimations

These prospective financial statements have been prepared in compliance with PBE IPSAS, specifically PBE FRS 42 Prospective Financial Statements.

In preparing the statement of service performance and financial statements, Chatham Islands Council has made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets.

The main judgements, estimates and assumptions are discussed below:

Measure selection and level of aggregation

The service performance measures in this Long-Term Plan are intended to set measures and targets which will provide quantitative measurement of progress when compared to the actual results of activities delivered by Chatham Islands Council.

The measures included in this Long-Term Plan are broken down into the six groups of activities, providing a holistic set that give a rounded picture of the non-financial performance of Chatham Islands Council.

Each activity's metrics were agreed with Council and management. This process ensured the selected measures best reflect Chatham Islands Council's performance and are available in a timely and accurate manner. Included within the performance measures are the mandatory performance measures set under section 261B of the Local Government Act 2002, the Secretary for Local Government made the Non-Financial Performance Measures Rules 2013. This was to ensure the public were able to assess a reasonable comparison across all the councils.

The service performance measure results are reported to Council through the Performance, Audit and Risk Committee annually. Actual results are expected to be reported in the Annual Report for each year.

Surveys

In preparing the statement of service performance, the Council has made judgements on the application of reporting standards and has made estimates and assumptions concerning the measurement of certain service performance targets.

This includes the use of survey results to gauge service performance, which is inherently at risk of low response rates, unintentionally unrepresentative sampling, or inadequate question setting.

We apply the following judgements:
Surveys used in the statement of service performance are based on questions set in the Long-Term Plan, and the responses received are used to improve Council's processes and service delivery.

To encourage a wide response rate, a wide variety of platforms were utilised to provide a copy of the survey link. Including the Chatham Islands Council e-newsletter mailing list, emails the Council held on their Rating Information Database (RID) and other social media channels. The survey was also promoted to residents by advertising the survey on our website and social media channels, as well as having paper copies available at the Council office.

Any measure reporting on a survey result, utilises data from the residents satisfaction survey.

Customer service requests

Customer Service Requests referred to in a range of measures means requests received by email, telephone or verbally by Council staff during normal working hours. All customer service requests are entered into the Council's financial management system and updated as completed.

The assumption is that all requests are managed through this process as opposed to staff receiving and responding to requests independently.

Where material, financial information on the main assumptions is provided in the critical assumptions section. The estimates and assumptions are based on historical experience as well as other factors that are believed to

be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in the critical assumptions section. Significant judgements and estimations include asset revaluations, impairments and provisions.

Significant standards, amendments and interpretations issued but not yet effective and not early adopted

The Council is not aware of any substantive changes proposed to significant standards, amendments and interpretations issued but not yet effective, nor have the Council elected to early adopt any accounting standards. Accounting policies have been applied consistently across the ten-year period.

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

Revenue recognition

- **Rates** are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full as at the date when rate assessment notices is sent to the ratepayers. Rates are a tax as they are payable under the Local Government Ratings Act 2002 and therefore meet the definition of a non-exchange transaction.
- **Grants** are recognised when any conditions relating to expenditure or other eligibility criteria have been fulfilled or when control over the asset is obtained. Grants are a non-exchange transaction.
- **Other revenue** from operating activities are generally measured at the fair value of consideration received or receivable. The Council undertakes various activities as part of its normal operations which generates revenue. Other revenue items are a non-exchange transaction.

Expenditure recognition

Expenses are recognised in the period to which they relate.

Taxation

Chatham Islands Council is a public authority and consequently is exempt from the payment of income tax, except for income derived from Council Controlled Organisations.

All items in the financial statements are exclusive of GST, except for receivables and payables, which are stated as GST inclusive. The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

Cash and cash equivalents

Our cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are disclosed in the current liabilities section in the statement of financial position. Our cash and cash equivalents balances are subject to expected credit losses, however no loss allowance has been recognised because the estimated amount is trivial.

Cash investments with maturities exceeding three months are recognised as cash investments. They are initially measured at the amount invested, adjusted for interest received.

Receivables and other financial assets

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses. The Council apply the simplified expected credit losses model of recognising lifetime expected credit losses for short-term receivables.

In measuring expected credit losses, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are "written-off" where rates cannot be reasonable recovered and when remitted in accordance with the Council's rates remission policy.

Other receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Council has recognised no expected credit losses as part of the 2024-34 Long-Term Plan. Other financial assets are initially recognised at fair value.

All Council transactions are considered non-exchange transactions. Non-exchange receivables arise when the Council is owed value from another party without giving approximately equal value directly in exchange for the value received. Most of the goods or services that the Council provides are funded from our general funds and therefore the exchange is unequal.

Examples of non-exchange transactions include rates, grants, infringements and fees and charges.

Non-exchange transactions are comprised of either taxes or transfers. Transfers also include grants that do not have specific conditions attached which require return of the grant for non-performance. Exchange receivables arise when the Council is owed by another entity or individual for goods or services provided directly by the Council and will receive approximately equal value in a willing arm's length transaction (primarily in the form of cash in exchange). Examples of exchange transactions include amounts for commercial sales fees and charges that have not been subsidies by our general funds.

Investment in an associate

Associates are entities over which the Council has significant influence but not control. Investments in associates are accounted for using the equity method. The Council has an interest in the Chatham Islands Housing Partnership Trustee Limited (trustee company). The trustee company comprises four shareholders, each with the right to appoint one director. The Council has recognised the significant influence over the trustee company and accounts for a 25% share in the trustee company as an associate.

The trustee company holds no assets or liabilities, and its purpose is to act as a sole trustee of the Chatham Islands Housing Partnership (housing trust). The Council has recognised that the housing trust forms part of the trustee company's group and therefore recognised a 25% share in the trustee company group.

The purpose of the housing trust is to relieve hardship caused through isolation and reduced access to housing. The reporting date of the housing trust is 31 March. There are no significant restrictions on the ability of the associate group to transfer funds to the Council in the form of cash dividend

or similar distributions, or to repay loans or advances. As at 31 June 2023, the housing trust has $2 million for the construction of five houses. The Council's share of an associate's profits or losses is recognised in the surplus or deficit.

Council Controlled Organisations

The Council has one Council Controlled Organisation, the Chatham Islands Mayoral Disaster Relief Fund Trust. Its purpose is as a body to receive grants to respond to emergency events on the Chatham Islands. For the year ended 30 June 2023, and for the period of the Long-Term Plan, Council expects the entity to be dormant, with no assets or liabilities or any other transactions for the period. Therefore, the parent and group accounts are the same.

The Council has exempted this organisation from reporting under Section 7 of the Local Government Act 2002.

Property, equipment and intangible assets

Expenditure is recognised as a property, equipment and intangible asset when it creates a new asset or increases the economic benefits of an existing asset. Costs that do not meet the criteria for capitalisation are expensed. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially recognised at fair value at the date of transfer. Work in progress is recognised at cost less impairment and is not depreciated.

Our property, equipment and intangible assets consists of operational assets, infrastructure assets and intangible assets.

Operational assets include land, buildings and non-revalued equipment items. Our land and buildings were valued at deemed cost by way of Government Valuation, as at 1 July 1989. Subsequent additions are valued at cost. All other operational assets are valued at cost less accumulated depreciation.

Infrastructure assets include the roading network, drainage, reticulation systems for drinking water and wastewater and waste management assets. The most recent infrastructural assets revaluation was independently completed by Stantec NZ as at 30 June 2022, using the depreciated replacement cost method. Subsequent additions are included at costs.

Intangible assets are primarily costs associated with acquiring computer software, which is valued at cost less accumulated amortisation.

After initial recognition, certain asset classes are revalued to fair value. Where there is no active market for an asset, fair value is determined by optimised depreciated replacement cost. Optimised depreciated replacement cost is a valuation methodology where the value of an asset is based on the cost of replacement. The remaining life is of the asset is estimated and straight-line depreciation applied to bring the replacement cost to a fair value. Our infrastructure asset classes that are revalued, are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. The valuation cycle for revalued asset classes is normally five years. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation, this balance is expensed in the statement of comprehensive revenue and expense.

There are several estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method.

These include:

- Unit costs are sourced from engineering staff, previous valuations and contract rates. Where applicable Chatham Island specific rates are not available, mainland NZ rates are used as a proxy with an additional

mark-up to account for the remote nature of the islands and the logistical challenges for completing works, these are confirmed as suitable by engineering staff.

- Remaining useful lives have been determined by calculating the difference between the respective asset's expected Total Useful Life (TUL) and the age of the asset. Note that where an asset's age is unknown, both engineering judgement and local knowledge have been used to assign a suitable remaining life.

Valuations of assets exclude land assets, including land under roads.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive revenue and expense.

Depreciation and amortisation

Depreciation and amortization is provided on a straight-line basis on all assets. Rates are calculated to allocate the asset's cost or valuation less estimated residual value over their estimated useful life, as follows:

Asset	Years
Operational assets	
Buildings	10-50 years
Office equipment	1-15 years
Vehicles	5-10 years
Parks and reserves	20-25 years
Infrastructure assets	
Sealed pavement surface	5-10 years
Sealed pavement layers (first coat seals, basecourse, subbase)	45-60 years or not depreciated
Unsealed pavement layers (wearing course, subbase)	5 years, or not depreciated for subbase
Drainage	45-55 years
Footpaths	20-25 years
Minor structures (including signs, railings and streetlights)	2-35 years

Asset	Years
Retaining walls	25-30 years
Bridges, bridge culverts and wharves	30-45 years
Drainage, reticulation systems for drinking water and wastewater	
Treatment plant and pump stations	1-26 years
Reservoirs	1-25-35 years
Pumps, valve, hydrants and other reticulation assets	15-55 years
Waste management	
Landfill, transfer stations and other assets	5-45 years
Intangible assets	
Computer software	5 years

Payable and other financial liabilities

Short-term creditors and other payables are measured at the amount payable. The carrying value of payables approximates their fair value.

Payables under exchange transactions, transfers and taxes payable are non-interest bearing and are normally settled on 30-day terms. All Council's payables are recognised as exchange transactions as they are directly with another party on an arm's length basis and are of approximately equal value. Non-exchange payables are classified as either transfers payable (for example, Council grants) or taxes (for example, PAYE).

A provision for employee benefit liabilities (holiday leave and outstanding remuneration) is recognised as a liability when benefits are earned but not paid. This has been calculated on an actual entitlement basis. Council does not provide any retirement or long service leave benefits to staff. Council does not recognise a liability for sick leave.

Other provisions are recognised for future liabilities of uncertain timing or amount when there is a present obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are measured at the expenditure expected to be required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

A provision in the 2021/22 financial year was made for the estimated refund of three years of outstanding Council Dues to the Pitt Island Barge Society. Council Dues are repayable on the production of audited accounts by the Pitt Island Barge Society on an annual basis.

The Council has a 20-year suspensory loan of $90,000 from Housing New Zealand that must be repaid if the Council does not meet the conditions of the loan prior to 2029. Due to the uncertain nature of this suspensory loan, the Council will not recognise the loan as revenue until it is certain the funding conditions will be met. The carrying amount of term liabilities repayable within one year approximates their fair value, as the effect of discounting is not significant.

Borrowings

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.
The Council maintains a prudent borrowings position in relation to our equity and annual revenue. Council will only enter into borrowing arrangements where there is sufficient assurance that additional funding assistance can be obtained to repay borrowings. Borrowings are primarily used to fund the purchase of new assets or upgrades to existing assets. Interest costs associated with the Council's borrowings is disclosed in the Statement of Comprehensive Revenue and Expense.

Public equity

Equity is the community's interest in Chatham Islands Council and is measured as the difference between total assets and total liabilities. Equity is classified into a number of separate components.
The components of equity are:

- Retained earnings: General Funds – Revenue appropriation account to fund future development.
- Restricted reserves: These are reserves that are subject to specific conditions of use, whether under statute or accepted as binding by the Council. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met. Our restricted reserves are restricted by Council decision rather than being legally

binding. Therefore, Council may alter these reserves without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council and include:

- Emergency Services Reserve - Funds are set aside for emergency events such as natural disasters.
- Mayoral Relief Reserve – Funds are set aside for emergency relief.
- Asset Revaluation Reserve: Reserves generated by revaluations in property, plant and equipment and other assets.

Capital management

The Local Government Act 2002 requires the Council to manage its finances prudently and in a manner that promotes the current and future interests of the community. Our general funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings. The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Local Government Act 2002 and applied by the Council.

Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has asset management plans in place for major classes of assets, detailing renewal and programmed maintenance.

These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Local Government Act 2002 requires the Council to make adequate and effective provision in its Long-Term Plan to meet the expenditure needs identified in those plans. The Local Government Act 2002 sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-Term Plan.

Movement in equity reserves

Reserve	1 July 2024 (000)	Increases (000)	Decreases (000)	30 June 2034 (000)
General Funds Income appropriation account to fund future development	58,335	11,655	-	69,990
Emergency Services Reserve Funds are set aside for emergency events such as natural disasters	250	-	-	250
Mayoral Relief Reserve Funds are set aside for emergency relief	25	-	-	25
Asset Revaluation Reserve Reserves generated by revaluations in property, plant and equipment and other assets	42,331	39,798	-	82,130
Total Equity	**100,941**	**51,453**	**-**	**152,394**

Prudence graphs

Long-Term Plan disclosure statement for the period commencing 1 July 2024

Purpose

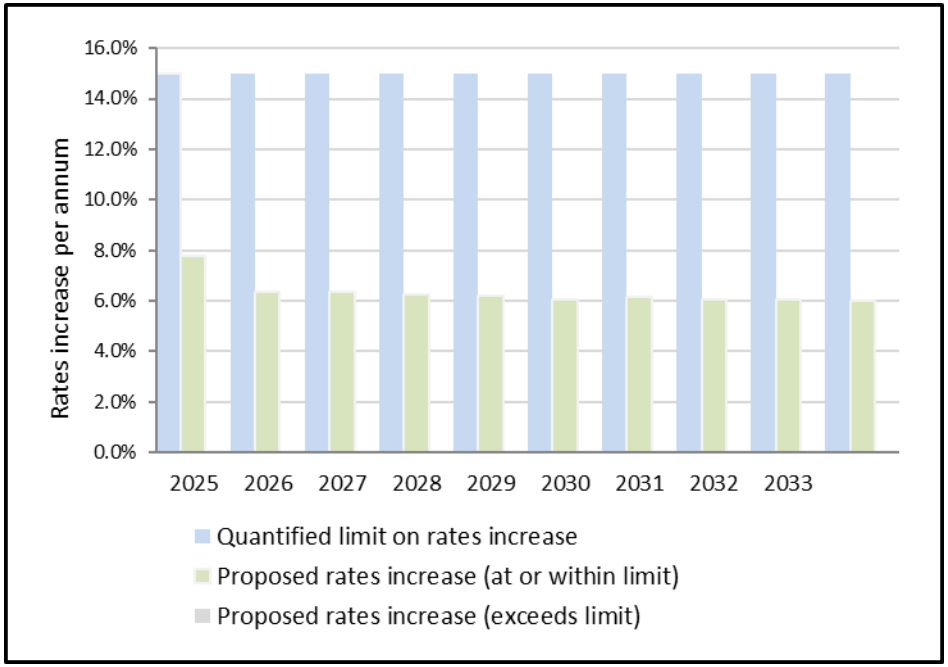
The purpose of these statements is to disclose the Council's planned financial performance in relation to various benchmarks, enabling assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

The Council is required to include this statement in its Long-Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of the terms used in this statement

Rates affordability benchmark

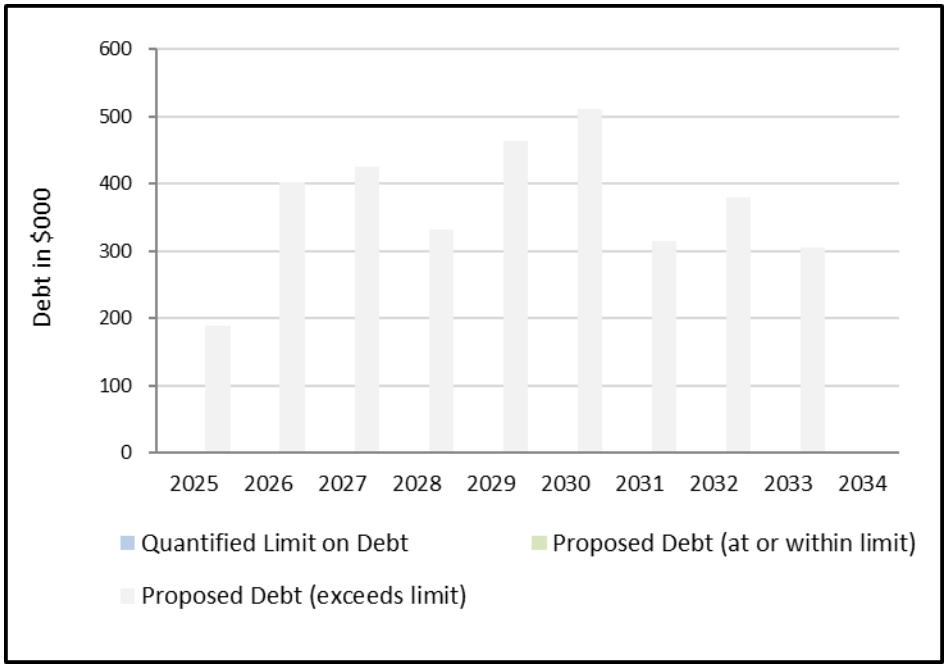
The graph compares the Council's actual rates increases with a quantified limit on rates increases contained in the Financial Strategy included in the Council's Long-Term Plan. An annual rate increase limit of 15% has been set by Council, to be used at Council's discretion in cases where an adjustment is necessary to reflect movements with other comparable councils.

Council as part of the rating assessment process, recognised 12 more properties connected to the Waitangi water scheme from that in the 2024 financial year. These additional connections increased the expected rate take in 2025 by over $11,000; which has impacted on the rating change calculation percentage. At an individual rate level, each rate has increased by 6.65% for the 2025 financial year, compared with the previous year.



Debt affordability benchmark

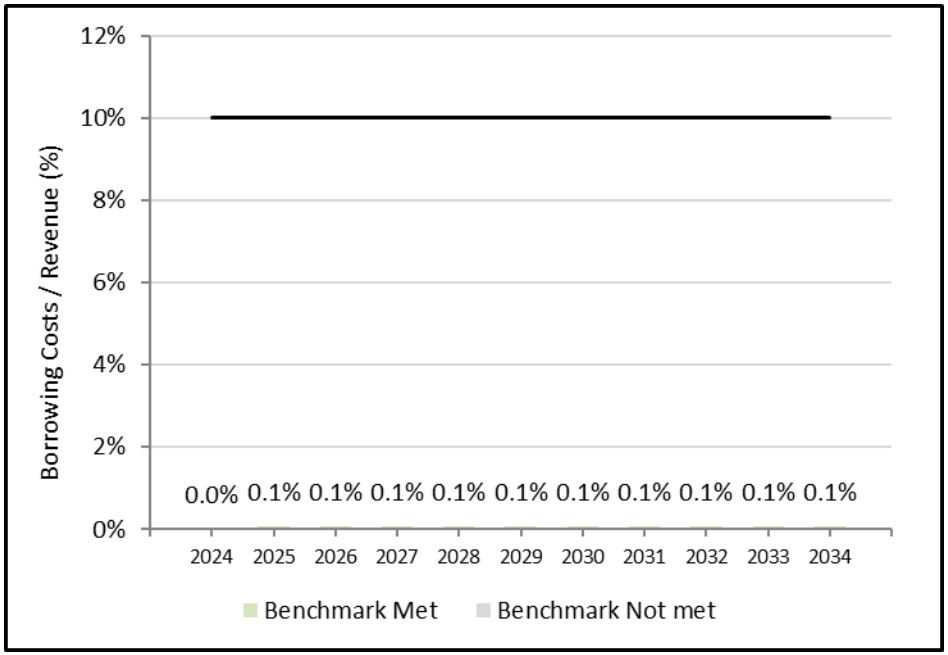
The graph compares the councils actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-Term Plan. The Council's long-term borrowing limits are set at 0%, unless there is a funding arrangement in place to support the repayment. Council's cash balance may fluctuate between a positive and overdraft balance during a year; particularly at the end of the financial year where payments to suppliers may be delayed and interest charges incurred on the overdraft facility, the graph below includes the year end cash overdraft. As the nature of the overdraft is temporary and Council expects an influx of cash in July, Council considers the borrowing limit is complied with.



Debt servicing benchmark

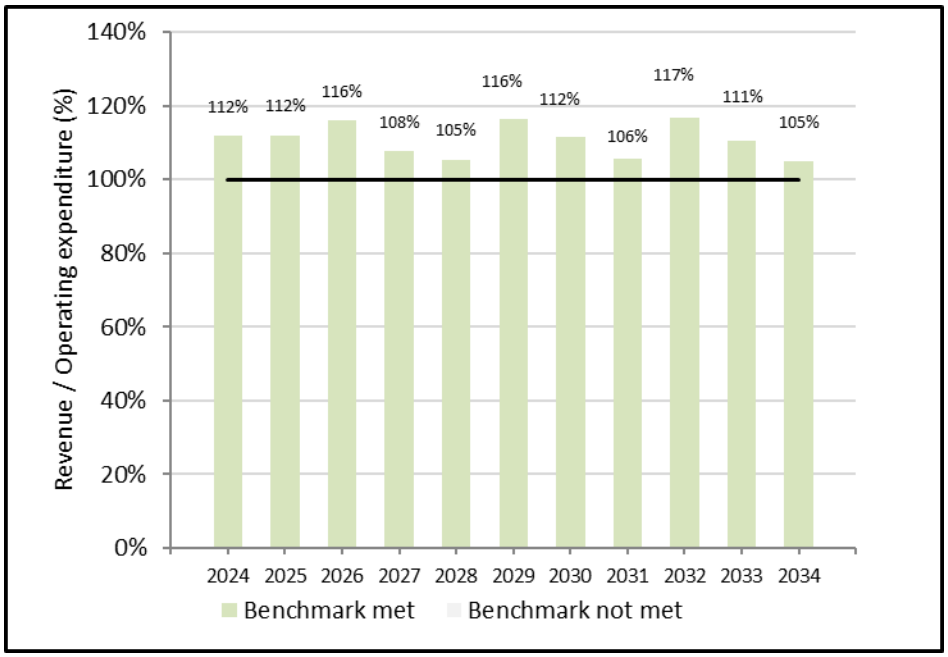
The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment).

A local authority meets the debt servicing benchmark for a year if its borrowing costs for the year equal or are less than 10% of its revenue defined as above. Council does not enter into debt, unless a funding arrangement is in place to enable Council to make repayments; however, interest on the Council's bank overdraft may occur.



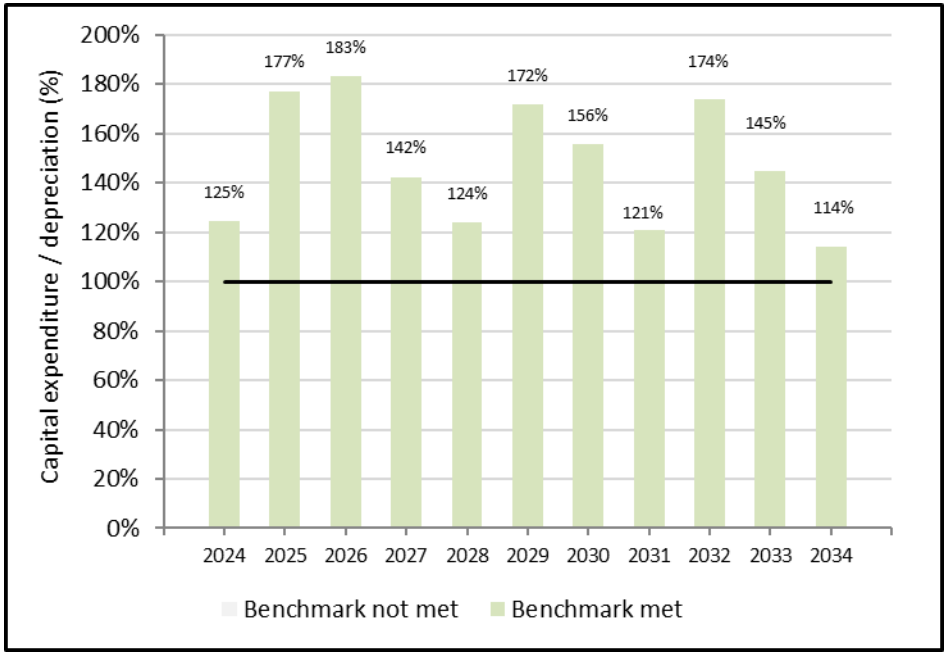
Balanced budget benchmark

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Combined Financial and Infrastructure Strategy

Council is committed to ensuring the continued provision of effective services now and into the future. It achieves this by:

- Managing funds in a financially prudent manner with the aim of achieving a balanced budget each year, and ensuring projected operating revenues are set at a level sufficient to meet that year's projected operating expenses
- Focusing on maintaining core services and infrastructure as cost-effectively and efficiently as possible, ensuring that funding efficiencies remain of paramount importance
- Developing Council's capacity and capability to build, maintain and renew assets by limiting expenditure to where it is reasonable and economic to do so. Council interprets this as only progressing projects which are fully funded either by way of capital grant or where Council has an ability to borrow and repay debt. Such an approach may defer projects, which may result in a higher risk of asset failure and the asset deteriorating at a faster rate over time
- Maintaining current levels of service provided, with an expectation that service levels will only increase where external support is provided
- Advocating for sustainable and committed funding from the Government and to fully utilise available subsidies and, where possible, searching for alternative sources of funding through user pays or other partnerships

Our infrastructure environment

A large portion of the Islands' community needs to be self-sufficient, similar to most rural communities. With the low population base and wide geographic spread of residents, providing large-scale infrastructure to serve the majority of the community is generally not feasible. This makes the roading network extremely important to provide connectivity between settlements and to achieve desired community outcomes.

Only Chatham and Pitt Islands are populated. There are five main settlement areas on Chatham Island: Waitangi, Te One, Owenga, Kaingaroa and Port Hutt. The settlements are located where the main roads radiate out from Waitangi to end at each settlement. None of these roads connect as a loop road with another main road. Therefore, a substantial roading network is necessary to connect each of these sparsely populated settlements.

Council provides a reticulated drinking water supply to households in Waitangi and Kaingaroa to ensure an adequate supply of safe drinking water. In addition, Council is completing the construction of community rainwater collection tank systems to provide non-drinking water to our community, reducing demand on our freshwater resources (e.g. for craypot wash down), with the site at Kaingaroa now completed.

A reticulated wastewater scheme is also provided in Waitangi, to minimise public health risks and adverse environmental effects associated with clusters of onsite wastewater treatment and disposal systems. A reticulated storm water system is not provided in Waitangi or Kaingaroa, except for a small portion of Waitangi. All other residents on Chatham Island operate on rainwater collection and/or private bores for drinking water supply, onsite wastewater treatment and disposal systems (typically a septic tank with land disposal) and onsite storm water disposal (to nearby land, watercourse or roadside water table).

Public drop-off facilities for recyclables and residual solid waste are provided near the townships of Te One and Kaingaroa to protect public health and minimize adverse environmental effects associated with waste and its disposal. Recyclables are processed at the reuse facility near Te One. Residual solid waste is transferred to Council’s sanitary landfill near Owenga.

Impact of the Local Water Done Well plan on our financial forecast

The Local Water Done Well plan, indicates councils will need to demonstrate they have a financially sustainable model for the delivery of water services that meets both water quality and water infrastructure rules. In practice, this means councils will need to show how their model will fund the necessary infrastructure investments needed to comply with these rules. The government has indicated that additional one-off funding may be available to support Council's in their transition to the new model.

The outcome of the Local Water Done Well plan is unknown and so Council has assumed a business-as-usual approach for this Long-Term Plan, with Council providing Chatham's three water infrastructure. We assume additional funding support will be provided through the Department of Internal Affairs as part of the annual appropriation and the crown for one-off capital support. This funding has not been confirmed and therefore has been excluded from our financial forecasts.

Our maintenance and renewal works

Capital expenditure is used to build, acquire, and renew our assets, including our infrastructural assets, which include roading, drinking water supply, wastewater, storm water and solid waste management.

An Activity Management Plan (AMP) has been created for our roading assets, funded by the Crown. The AMP is reviewed and updated every three years to meet the identified needs of our community. Our focus remains on maintaining, and where necessary, replacing infrastructural assets. Due to lack of funding availability, no other AMPs are prepared for the other infrastructure assets.

Council's capital expenditure is mainly renewal works (replacing existing assets). These are primarily funded from external assistance grants. Capital expenditure, classified as an increase in levels of service, is generally funded by debt and/ or capital subsidies. Council does not expect any capital expenditure related to population growth as Council has assumed the number of island residents will remain stable. To enable further economic growth, additional capital expenditure is required, which is contingent on external funding being secured; Council would recognise this expenditure as an increase in levels of service.

As at 30 June 2023, Council had total property, plant and equipment assets of $99 million. Over the life of the Long-Term Plan, Council is intending to undertake additional capital expenditure of approximately $38.8 million. This estimate excludes necessary but unfunded projects, particularly related to our three water and solid waste infrastructure.

Council has contracted out its engineering and physical works services for all infrastructural work. Stantec provides engineering services and Fulton Hogan provides operation and maintenance services. A partnership arrangement exists between Council and its service providers whereby all parties work together to achieve the best result for Council at the most cost-effective arrangement.

Identification of renewal and level of service work requirements

Roading

Council's roading infrastructure as at 30 June 2023 was valued at $91 million.

Stantec conducts quarterly visits to the Islands to inspect the roading network and identify any renewal or improvement work required. These inspections guide the recommendations for programming the renewal work conducted by Fulton Hogan. As Fulton Hogan is the only service provider based on the Islands, they are also actively involved in identifying renewal work for the forward work programme.

Stantec also undertakes biennial structural inspections of the bridges, bridge culverts, and timber wharves, to monitor the condition of these assets and identify any defects to be remediated. Network Safety Inspections are also undertaken at a similar frequency, to ensure that the

network is still performing adequately under changing safety guidance, and to identify areas where improvements could be made.

Stantec has identified the roading needs of the Islands and in conjunction with Council, created the Activity Management Plan (AMP) for the Islands. The AMP outlines the problems the Island is experiencing and how these can be addressed in the long term. It also outlines the renewal strategy for asset categories and provides an indicative forward work plan to improve the level of service to road users. The AMP is expected to be finalised in April 2024 in support of the 2024-27 National Land Transport Programme (NLTP) funding application to the NZTA.

Since a relatively small amount of renewal work is conducted each year, the forward work plan is subject to change within the investment period, particularly when assets fail earlier than expected. Furthermore, the increasingly unreliable nature of the single shipping connection to the island makes it challenging to run a maintenance programme exactly at the scheduled timing. A change in shipping arrangements can (and does) change the timing of work, sometimes by up to a year. The NLTP funding application remains under consideration until May 2024. For the purposes of estimating our programme of works, we have assumed the full programme applied for will be successful.

In February 2020, a network-wide field validation of roading assets was undertaken, confirming the location and condition of many of the roading assets across the network. This provided Council with a better understanding of the quality of the asset categories validated and provided an accurate base of knowledge to make programming decisions from. The asset data continues to be maintained at a higher level of accuracy based on this updated validation survey.

Waste management

Council's waste management infrastructure as at 30 June 2023 was valued at $2.6 million.

Council's solid waste management and minimisation assets are (in some cases) so recent that responses to asset failures are still to be identified through the compilation of asset management plans, which include details of emergency responses.

Based on the site visits and Stantec's understanding of the Islands' infrastructure, Stantec has identified the water, wastewater, and solid waste minimisation and management needs of the Islands in consultation with the operations and maintenance contractor and the Council. Collectively, they have created a plan for renewals and new capital, dependent on available funding.

Drinking water and wastewater

Council's drinking water and wastewater infrastructure as at 30 June 2023 was valued at $3.6 million.

Stantec site visits for the drinking water and wastewater schemes are typically conducted three times a year. In addition, Stantec roading staff can carry out inspections (under direction of a Water Engineer) if required during their quarterly visits.

Stantec is in regular contact with the Council and on-Island operations and maintenance contractor, with monthly operations meetings and other dialogue as required to discuss scheme performance, and any other issues that have arisen and practical solutions to resolve these.

Routine monitoring is carried out at each plant, with the results uploaded to a database to enable Stantec to remotely troubleshoot problems with Fulton Hogan. Monthly compliance sampling is carried out at the plants and analysed at a laboratory on mainland New Zealand. Laboratory results are issued directly to Stantec, Fulton Hogan and Taumata Arowai to ensure a

prompt response in the case of abnormal results. For drinking water, the appropriate response is outlined in the relevant Water Safety Plan.

Frequency of asset replacement strategy

Council has developed this strategy on the assumption that projects will be completed in accordance with the capital expenditure programme as outlined in our roading AMP and other strategic documents. However, experience suggests that projects are often delayed due to funding constraints; that is, capital expenditure will only occur if funding arrangements to support the work are confirmed. Council does not have the resources to fund renewals from depreciation.

Capital projects, therefore, may be transferred between years to ensure that scheduled capital expenditure is completed over the life of this 10-year plan. Deferral of programmed works until funding assistance is agreed could potentially mean there is further deterioration of existing assets and a higher risk of asset failure, non-compliance with regulatory requirements, adverse public and environmental health outcomes, and inability to accommodate economic growth.

Council has assumed minimal changes in population and the use of land on the Islands and therefore, does not propose to increase operating or capital expenditure related to population growth. Further details on our financial assumptions are provided in our financial information section.

Asset replacement

Asset renewal strategy	Funding strategy	Service strategy
Transportation, roading and coastal networks:		
Bridges: Currently Council operates on an approximately three-yearly cycle of replacing older bridges with new structures of large culverts as appropriate. The most recent bridge replacement was the Whangamoe Bridge in 2023. The preference for installing large culverts is to lower the long term maintenance requirements, reducing the future cost burden on Council. There are settings where the installation of a culvert is unable to adequately function as a replacement for the existing bridge, due to the distance from the waterway to the existing road and surrounding landform, and occasionally a like for like structural replacement will be required. Investigations were completed for the requirements for temporary water crossings in case key lifeline bridges fail in the event of a natural disaster. This provided Council with a first response resilience plan to maintain levels of service and community connectivity in an emergency event. There are two lifeline bridges which remain under consideration for replacement due to their condition, age and criticality to the network, but the remaining bridges	Roading expenditure is assisted by an 88% funding subsidy from Waka Kotahi, with the remainder funded from targeted rates and an allocation of Council's general funds, which includes the annual Crown contribution. Any adjustment in the total subsidy level could impact on the programmed work, potentially resulting in works being reduced or deferred to maintain affordable levels of expenditure. If significant, this would impact on the levels of service Council can offer to the	The current level of service provided by the Chatham Islands bridges is high, with only two structures remaining on Chatham Island and a further three on Pitt Island that have posted weight restrictions. This comes via the long-term programme of bridge replacements that continues for Council during this Long-Term Plan period. One further bridge replacement and a significant headwall improvement at a large culvert are planned, which will remove the last of the bridge postings on Chatham Island, leaving only structures on Pitt Island bearing restrictions.

Asset renewal strategy	Funding strategy	Service strategy
are in relatively good condition. Bridge condition will continue to be monitored and updated by the biennial bridge inspections conducted by Stantec.	community. A higher risk of asset failure would also occur.	
Sealed road pavements: Under the current maintenance strategy sealed pavement rehabilitations are conducted once over the course of a three-year National Land Transport Programme investment period. This reduces the cost of mobilising plant and resources annually to undertake the work and has helped reduce scheduled rates under the contract. There have been three cycles using this approach, in which 8.3km of sealed pavement has been rehabilitated, since 2017. The next year of scheduled sealed pavement rehabilitations is 2025/26. This approach has reduced the costs of ongoing pavement maintenance and significantly improved the condition and level of service of the sealed pavement network.	Council does not have the ratepayer base to fund the difference from an increase in rates, nor capability to borrow without financial assistance with debt repayments. **Further information:** Our funding mechanisms are detailed in our revenue and financing policy as part of our funding and other financial management policies information. Our NZTA subsidy assumptions are detailed in the above financial information.	The current level of service of the sealed pavement network is above average. This is the result of a change in programming which is better value for money and allows more of the sealed network to be maintained to a higher standard. This change was recent and there remain some pavements that are at the end of their life in need of repair. Retaining the current strategy of holding sealed pavement rehabilitation and re-seal works to every third year, the community can expect to see more of the sealed network renewed which will improve the ride quality and reliability of those sections of the network. This will also see a continuation of the trend of improving the level of service, and an ongoing improvement in resident perception and survey results.

Asset renewal strategy	Funding strategy	Service strategy
Unsealed road network: In each three-year National Land Transport Programme investment period, there will be two years of unsealed rehabilitations, one each side of the sealed rehabilitation year. At present, Council is targeting to strengthen the most-trafficked roads on the unsealed network on a 25-30 year cycle. Maintenance metal is applied as necessary to replace metal loss of the running course over the time between renewals, and potholes and other pavement damage is repaired to ensure the ride quality is adequate. To achieve the 25-30 year renewal timeframe, Council targets 3.8km of unsealed pavement rehabilitation each year that unsealed pavement renewals are undertaken. Adjustments are made to this as funding levels change.	Roading expenditure is assisted by an 88% funding subsidy from Waka Kotahi, with the remainder funded from targeted rates and an allocation of Council's general funds, which includes the annual Crown contribution. Any adjustment in the total subsidy level could impact on the programmed work, potentially resulting in works being reduced or deferred to maintain affordable levels of expenditure. If significant, this would impact on the levels of service Council can offer to the community. A higher risk of asset failure would also occur. Council does not have the ratepayer base to fund the difference from an increase in rates, nor capability to borrow without financial assistance with debt repayments.	We currently aim to renew unsealed pavements on a 25-30 year cycle for the main roads on the island. A continual programme of quality unsealed rehabilitations will improve the quality and lifespan of the pavement on the unsealed network. Renewed pavements have a higher resilience to potholing through the consolidation of the pavement material, and shape correction which ensures adequate surface drainage. This improves the smoothness of the pavements in the long-term, providing better amenity value for users, reducing the maintenance burden on vehicles, and improving safety.

Asset renewal strategy	Funding strategy	Service strategy
Drainage: Council's roading network is served by a significant drainage system of roadside swales and minor culverts which help to reduce the amount of rainwater on the pavements during poor weather. Council has a large number of culvert assets of varying sizes that form much of the drainage network, and many of these culverts are nearing the end of their useful life. Some culverts are renewed when they are visibility near failure, and some culverts are renewed in conjunction with pavement renewals occuring, so to not disturb the integrity of the new pavement by replacing the culvert shortly after. Culverts have only limited value in isolation, and the creation and maintenance of roadside swales is also important in ensuring the drainage networks functions adequately. The purpose of roadside swales is to appropriately capture and direct runoff from the pavement surface, contributing to improved road surfaces for residents to travel along. The 2024-27 maintenance period will continue to focus on the renewal of roadside swales around the network and the replacement of culverts as they reach the end of their life.	**Further information:** Our funding mechanisms are detailed in our revenue and financing policy as part of our funding and other financial management policies information. Our NZTA subsidy assumptions are detailed in the above financial information.	The drainage system that services the roading network is currently working adequately, with few instances ongoing of drainage problems across the network. The community will continue to see the renewal of roadside swales on the unsealed network, both in conjunction with pavement renewals, and in areas with identified drainage issues. This should contribute to a better driving surface through directing runoff away from pavements and preventing the formation of potholes and material loss form the pavement. Some culvert assets are at the end of their lives and planning for their renewal or replacement is ongoing.
Three Waters supply and treatment:		
Waitangi water upgrade: Waitangi water supply reservoirs have been drained to low levels due to leaks and high demand in summer, which have required water conservation notices to be issued. Therefore, it is critical that issues of supply are addressed for Waitangi. This project will see a new water source, new treatment plant, and additional storage. It will also include an extension of the network to Te One, which includes the Islands' main school and other key community facilities, who are currently not connected to a water scheme. Timing of this project is uncertain and urgent maintenance and minor improvements are required on the existing system to protect public health and minimise wastage of potable water.	Funding has not been secured for these projects, nor any other critical projects and therefore, these works have been deferred until a grant or loan is secured. Council acknowledges this approach is not always successful, with projects often waiting years before assistance is agreed. In the intervening period, standards will	Due to funding constraints, Council is unable to comply with all drinking water legislation and wastewater resource consent conditions. This means Council is unable to achieve some mandatory level of service targets.

Asset renewal strategy	Funding strategy	Service strategy
Kaingaroa water renewals (network and treatment plant): The reticulation network at Kaingaroa is now at the end of its useful life, resulting in frequent pipe breakages and leakages. Council plans to replace the reticulation to minimise the risk of leaks and ingress of contaminants and conserve the freshwater resource. Upgrades and repairs are also planned to enable compliance with current legislation and best practice. Urgent maintenance and minor improvements are required on the existing treatment and storage system to improve reliability of supply, protect public health and minimise wastage of potable water.	fall below that experienced by mainland New Zealand and in some cases, we are unable to comply with legislation. ***Further information:*** Our annual Crown contribution assumptions are detailed in our financial assumptions as part of our financial information. Our funding mechanisms, including our annual Crown contribution is detailed in our revenue and financing policy as part of our funding and other financial management policies information.	
Alternative water source investigation, design and planning for Waitangi, Kaingaroa and Te One: There is increased demand on freshwater resources, arising from increased tourism and transient workers; in addition, Council desires increased resilience in the face of climate change and drought. Some of our current water sources are not replenishing at sufficient levels to meet future demand and therefore, we need to understand our alternative drinking water sources options available to Council, to increase resilience for our schemes and water resources for the wider island.		
Waitangi wastewater upgrade: The current system is at the end of its useful life and the land application system (where we put the treated wastewater) requires extension. Without adequate treatment, there is a high risk of adverse public health and environmental outcomes. The lower ($5 million) cost value of the upgrade is estimated, assuming the currently serviced population, whereas the upper value ($7 million) assumes increased connections arising from increased demand from existing and future residential housing in Waitangi.		
Sludge receival and disposal facility: This will create a facility for the community that collects, treats, and disposes of septic waste. Removing the current practice of burial in pits and providing an engineered, environmentally sustainable process. This is urgently required.		

Asset renewal strategy	Funding strategy	Service strategy
Waitangi storm water system: Stormwater from most households is managed onsite, except for a small portion of Waitangi, where stormwater is collected from household roofs. Due to budget constraints, the common pipes, storage tanks and discharge structure, have not been actively maintained by Council, with the concrete and timber tanks in a state of disrepair. Urgent maintenance is required on the existing system to address this.		
Waste management and minimisation:		
Waste minimisation/waste management: Renewal and level of service work in relation to solid waste management and minimisation work is often determined by legislative directive, in particular the Waste Minimisation Act 2008, which requires councils to both manage and minimise waste, which includes waste avoidance and resource recovery. Council has reviewed its waste management and minimisation plan (WMMP) in 2022/23, which included preparing a waste assessment (WA). The WMMP provides guidance for improving the management and minimisation of solid waste on the Chatham Islands. There have been significant improvements made to Council's solid waste management assets and infrastructure over the past few years, and new facilities have been commissioned, including the Owenga Landfill, the Reuse Facility and a weighbridge at Te One. Additionally, an operational contract has been procured. Some of the improvements made are so recent that responses to events of assets failures are still to be identified through the compilation of management plans, which include details of emergency responses, such as the non-availability of assets. Council has adopted a Waste Management and Minimisation Bylaw, which will allow for the introduction of solid waste charges.	Council plans to continue to implement the waste minimisation and waste management capital works in accordance with Council's strategy, as grant funding allows. Council was successful in seeking funding in 2021 for additional waste minimisation infrastructure through the Ministry for the Environment Sustainable Management Fund, and a similar approach will be adopted for new initiatives. ***Further information:*** Level of service targets have been revised to reflect current practices and known levels of achievement. Refer to information in our groups of activities.	Council has focused on setting up its waste diversion infrastructure to maximise diversion from landfill before commencing with landfill operations in July 2022. This approach will prolong the life of the landfill asset. The waste management facilities are currently in their infancy on the Island. Consequently, most levels of service require benchmarking to identify whether improvements have occurred over time. Several targets also relate to residents' satisfaction with facilities provided and community interaction. Future investment in our infrastructure is currently unsupported and therefore will be deferred until funding can be secured. To ensure existing levels of service are maintained, it is important that future investment occurs when planned. Otherwise, both the infrastructure and service experience are likely to deteriorate over time. Council has a focus on improving the waste minimisation initiatives by enhancing recycling logistics, obtaining a solution for scrap metal and by considering organic collections and processing.

Alternative funding strategies

Government and other grants

New Zealand's commercial fishing industry and therefore the Government benefits substantially from the thousands of kilometers the Islands add to New Zealand's exclusive economic zone.

Due to the size and rating base of the Council, the Islands rely heavily on the Government to supply essential infrastructure. Given the benefits arising from the exclusive economic zone, the government has agreed to fund ongoing operational support to the Chatham Islands Council, services, much of which is provided at a minimum level, yet at a high cost per capita.

The council's external amounts to approximately 88% of our operating and capital funding sources provided from grants.

Funding assumptions and uncertainties associated with Government grants are outlined in our financial assumptions as part of our financial information.

Our primary financial strategy is to advocate for additional funding where needed from the crown, and to cover the shortfall of all expected operational and capital costs, be these arising from a change in legislative standard or arising from an identified community need.

Borrowing

Borrowing will not generally be used to fund Council activities. This is because levels of funding from the Crown are confirmed annually and therefore due to the lack of certainty, Council are unable to enter any debt repayment arrangements.

Borrowing must ensure intergenerational equity by smoothing funding demands. Council believe it is only reasonable to enter into a new borrowing agreement, where a funding arrangement is in place to support future repayments. As no future funding arrangements are in place and Council does not plan to enter into any borrowing arrangements over the next ten years, the borrowing limit is therefore 0% - this limit excludes any cash overdraft or other temporary borrowings.

Information on our funding mechanisms and our limits on borrowing are outlined in our revenue and financing policy and our liability and investment management policy included as part of our funding and other financial management policies information.

Council's current funding arrangements provide for the annual appropriation to be received in July of each year, allowing the Council to portion the fund into term investments, which will become available during the year. However, this will periodically mean the Council will utilise an overdraft facility to fund operational expenditure, particularly at the end of the financial year where payments to suppliers may be delayed and interest charges incurred on the overdraft facility. Council expects to utilise the bank overdraft for each year of the 2024-34 Long-Term Plan, with the annual appropriation receipt moving the cash balance into a positive position.

Rates

Our rates income is nominal in nature and equates to between 5-10% of Council's total funding.

The low level of rates is unusual for a council and arises because Chatham Islands Council has the lowest number of rateable units of any council in New Zealand; meaning Council does not have the population base to sustain its operating requirements. The majority of Council's income is from the Government.

As an increase in rate is considered to have a minimal impact on our overall funding and will not significantly influence project costs. However, it is desirable for contributions from our ratepayers at a rating unit level to be similar to that of similar rural Councils with a small population.

Council will review every three years the rating and estimated council dues

amounts expected to be set and compare these with other benchmarked councils, ensuring our rates charged remain reasonable for the service provided. If Council considers these to be appropriate, it will increase rate levels by a consistent inflationary adjustment as applied to expenditure until the next review. At Council's discretion an annual rate increase of up to 15% on the prior year may occur, to bring the rating payments at a unit level to be comparable to other small, rural Councils.

Information on our funding mechanisms are included in our Revenue and Financing Policy.

Renewals and depreciation

Council does not recover the cost of future renewals work through depreciation. It is common practice among other Councils to plan and fund future renewal work through rates. However, we do not have the rating base to support such activity, nor does the annual Crown contribution cover the cost of depreciation. Future renewals require funding support from the Government or Council is unable to fund the renewal. Council has insufficient reserves to cover our infrastructural renewals programme.

Investments

Council generally holds investments for strategic reasons, including the retention of a local banking facility on-island. Generating a commercial return on strategic investments is considered a secondary objective.

Whilst acknowledging the financial constraints Council operates under, it is desirable to build financial resilience by directing excess cash funds into an investment account. Therefore, in years where the operating cash balance exceeds $200 thousand, any unearmarked funds are to be transferred to an investment account, with funds to be held in an ANZ bank account, with the best available negotiated rate.

Council has no other financial investments or equity securities.

Our level of service strategies

Council's focus is to invest in infrastructure to meet community outcomes and maintain these assets accordingly. Council does not have the resources to increase rates or sustain significant debt levels without assistance and therefore is reliant on external support to meet any revised legislated or service standards.

The current financial assistance package does not provide cover for the use of our assets over time (depreciation) and therefore, where an improvement or replacement of our infrastructure is required, we have no available funds set aside for such work, requiring a separate approach to the Government to support the development. The exception is our roading programme, funded by Waka Kotahi NZ Transport Agency.

In recent times, where development is required to increase levels of service such as legislation setting higher standards of service, Council has been able to source funds to meet the revised requirements, albeit with a transitional period of non-compliance. Assuming appropriate funding is provided, it is considered that Council has the ability to maintain existing levels of service and meet any additional standards. If funding cannot be sourced, projects will be deferred until appropriate funding can be found. This may mean minimal best practice standards may not be met within the prescribed timeframes with a higher risk of asset failure.

The limits set on rates and borrowing levels are unlikely to have an impact on Council's ability to meet existing levels of service or any additional demands, as reliance is placed on other funding, such as Government support to meet service demands.

Council has identified the following significant infrastructural issues facing the community over the next 30 years.

AGEING INFRASTRUCTURE	
Roading: More than half of Council's aging or end-of-life bridges have been replaced with large culverts over the past 30 years, but several of the remaining bridges have challenges that make a direct culvert replacement less straight forward i.e. topography, length of span, land acquisition issues and remoteness of those located on Pitt Island. Council have two bridges that are of immediate concern, Maipito (the next planned bridge replacement during 2024-27) and the Lower Nairn Bridge (which forms the critical lifeline network link in Waitangi). Many of the original culverts installed across the network were made from corrugated steel, which deteriorates rapidly in the coastal and peaty Chatham Islands environment. Additionally, the age of a number of culverts is unknown but steel culverts that are starting to fail indicate that many are at the end of their useful life. This has led to an increasing requirement for unscheduled culvert replacements. This bow wave in demand for replacements is beginning to abate and it is becoming easier to forecast and programme culvert replacements again. ***Drinking water:*** Following Council taking over management of the Kaingaroa scheme in 2009, a significant upgrade was completed in 2014. The intake structure urgently requires lengthening due the low lake level in summer months. There is limited information about the Kaingaroa reticulation, however based on frequent pipe breakages and leakage it is now at the end of its useful life. The Waitangi scheme was installed in 2004, some remedial work has been undertaken, but further is required to further meet current legislation and best practice. ***Wastewater:*** Components of the wastewater treatment plant at Waitangi are at or near the end of their useful life and now require significant repair or replacement. The land application system also needs replacement as well as extension to minimize the risk of localized ponding and run-off. The wastewater reticulation is expected to have a remaining useful life exceeding 30 years. ***Solid waste:*** While not ageing per se, the sanitary landfill will require ongoing capital expenditure as the capacity of a particular landfill cell is reached, requiring new landfill cells to be constructed and old cells to be capped off.	
Principal responses	**Do nothing**
Roading: Council to monitor all bridges with an estimated 10-20 years life remaining. This is performed during the biennial bridge inspections, which also identifies key maintenance interventions required to extend the life of the structures. Continue replacing end of life steel culverts with modern HDPE pipes with much better corrosion resistance and far longer service lives. ***Drinking water:*** Urgent remedial works will continue to be carried out as funding allows to protect public health and aim to meet regulatory requirements as possible. ***Wastewater:*** Urgent remedial works will continue to be carried out as funding allows to protect public health and minimise adverse environmental effects associated with the treated wastewater discharge.	***Roading:*** Failing to perform renewal or replacement work on older bridge structures could lead to structural failure of the bridge. This may pose a safety risk to road users, and incur a significant sudden costs to Council in requiring an unscheduled emergency replacement. If failed culverts are not replaced, they may become blocked or collapse entirely. Blocked culverts do not drain, and can lead to pavement damage from excess surface water. Collapsed culverts create a depression in the road, which requires expensive pavement repairs, and poses a safety hazard and may cause accidents or vehicle damage. ***Drinking water:*** The existing networks at Waitangi and Kaingaroa pose public health risks associated with loss of water supply (due to excessive leakage and unsustainable abstraction of water) and potential ingress of harmful contaminants (due to breaks or backflow). ***Wastewater:*** Failure of the existing wastewater treatment system poses the risk of failing to meet resource consent and associated risks of inadequately treated wastewater being discharged to land, localised ponding, and runoff.

MAINTAINING EXISTING LEVELS OF SERVICE AND INCREASING DISPARITY OF SERVICE TO MAINLAND NEW ZEALAND	
Drinking water: Council is required to provide a sustainable drinking water supply that meets current drinking water standards. Demand from Waitangi is at or near the sustainable yield of the Tikitiki bore and the existing Waitangi treatment plant does not meet the current drinking water standards. For Kaingaroa, the low water level in Lake Rangitai in recent summers due to limited rainfall has reduced water availability and the existing treatment plant does not meet the current standards. All other residents on the Island operate on rainwater collection and/or private bores and, if this is not sufficient (e.g. during extended dry periods), residents may top up their supply from Council's public water tank in Waitangi. In recent years, Chatham Island has experienced much longer dry periods and demand for water from Council's public water tank has increased. ***Wastewater:*** The treated wastewater discharge from Waitangi wastewater plant is required to comply with the resource consent (Council's Resource Management Document). Remedial work is required for the existing plant to continue to achieve the required discharge limits. ***Solid waste:*** Because of the small size of the settlements on-Island, there is no formal waste collection service. Residents are required to take their waste to a transfer station or materials processing facility at Te One. This means, there have been several 'unofficial' waste sites created on-Island, which are unlikely to meet waste management standards. Creating transfer stations that are easy to use, will hopefully encourage patronage. In addition, the types of waste that needs to be dealt with on-Island are somewhat unique, which presents challenges. For instance, the amount of cardboard that needs to be disposed of is high because many goods are brought to the Islands in cardboard boxes. The quantities of waste are low compared to other local authorities, which means that there are very minor quantities of some wastes that need disposal, such as hazardous wastes, which need to be transported to mainland New Zealand. The cost of doing so is much higher than elsewhere in mainland New Zealand. Other differences in the Chatham Islands compared to mainland New Zealand solid waste management and minimisation services include: • Potential issues with storing quantities of recovered resources and hazardous wastes because of the unavailability of shipping • The high cost of transporting such wastes and diverted materials to disposal outlets/markets • The dependence on support from mainland New Zealand to process recyclables received from the Chatham Islands • Lack of options for disposal or re-use of some diverted materials such as glass.	
Principal responses	**Do nothing**
Drinking water: A significant upgrade to Waitangi water supply and an extension to Te One has been allowed for as funding support allows, which will address future security of supply and compliance. Ongoing urgent remedial works will occur at Kaingaroa and Waitangi as funding allows to improve water supply safety and resilience. A scheme is also proposed to enable ratepayers to install approved water tanks to reduce the demand on Council's drinking water supply, and then repay the costs via a targeted rate on the property over 10 years. ***Wastewater:*** Urgent remedial works are planned as funding allows. Significant renewals at the wastewater treatment plant site have been allowed to protect public health and minimise adverse environmental effects associated with the treated wastewater discharge. ***Solid waste:*** Future work programmes are dependent on funding being made available to implement subsequent developmental stages. If funding is not made available, works are delayed, increasing the disparity in services offered on-Island and focusing on stop-gap solutions. A creative approach, including developing waste management and minimisation solutions with other councils, is required to address a number of these issues.	***Drinking water:*** Failure to upgrade the water supplies poses the risks of insufficient quantity of raw water and microbiological contaminants being present within the water supplied. ***Wastewater:*** The existing wastewater treatment plant poses risks associated with inadequately treated wastewater being discharged to land, localised ponding, and runoff. ***Solid waste:*** Over time the discrepancy in services between the Chatham Islands and mainland New Zealand will increase, likely increasing the number of 'unofficial' disposal sites on-Island. Such waste management approaches may result in unintended environmental consequences.

IDENTIFYING FUTURE NEEDS OF SOLID WASTE MANAGEMENT AND MINIMISATION ASSETS	
The solid waste management and minimisation work undertaken recently involved the commission of a new landfill, new weighbridge at Te One, and a new Reuse Facility. Consideration for deterioration of these and other existing assets over time will need to be assessed given the environment of the Islands.	
Principal responses	**Do nothing**
Future planning will be based on identified need based on waste management and minimisation activities. The sanitary landfill is designed to consist of a number of stages, with the commencement of each stage based on the available capacity within the landfill which is affected by the amount of waste being disposed of into the landfill each year; the density at which the waste is compacted when placed into the landfill; and the amount of soil material used to cover the waste to mitigate against nuisances. When each stage has an assessed capacity of less than two years remaining, the next stage will be constructed, subject to funding availability. When each stage has been filled, it will be capped off to help control storm water runoff and reduce leaching. A conservative estimate for the Owenga landfill will require construction to begin on a new stage in 2026; this will require a separate approach to the Ministry for the Environment to assist with funding requirements.	If no further work occurred, Council waste management and minimisation facilities on-the Island would cease, creating a need to ship all waste products off-Island, at high cost to the Council. This may require specialist shipping suppliers and contracts with other councils to deal with the Islands' waste. The cost of freight may also be an issue.
SUPPLY OF SUITABLE PAVEMENT MATERIALS AND OTHER LOCALLY SOURCED MATERIALS	
Roading: At some point in the future, the existing basalt rock quarries will either be exhausted of good rock seams or accessing those seams may become uneconomical. Therefore, planning to identify possible future quarry locations and entering into negotiations with landowners will need to occur. However, it is difficult to secure good sources of suitable rock as some landowners are hesitant to allow quarry development on their land, outside of the existing quarries. The increased depletion of Waitaha Basalt material during the Longer and Stronger runway extension works has brought this supply risk forward. The quarry locations serve the North of the Island well, but the south and east of the Island are poorly served. Hauling quarry material over Target Hill to supply Waitangi Wharf – Owenga Road overloads sections of the older sealed pavement on the hill and increases the rate of deterioration in the pavement. The hauls distances from the Waitaha quarries to sites on Tuku Road are long and increase the cost and time of works in the southern end of the Island.	
Principal responses	**Do nothing**
Roading: The maintenance contractor is responsible for negotiating existing and future quarry agreements to secure pavement material supply. Early investigations have been undertaken to try and identify other suitable quarry sources, Identifying quarry sources between Target Hill and Owenga, and towards the Tuku Gully would improve efficiency of supply.	***Roading:*** The maintenance contractor is responsible for negotiating existing and future quarry agreements to secure pavement material supply. Early investigations have been undertaken to try and identify other suitable quarry sources. Identifying quarry sources between Target Hill and Owenga, and towards the Tuku Gully would improve efficiency of supply.

MAINTAINING EXISTING LEVELS OF ROAD SAFETY	
Roading: Road crashes are always a concern for community safety and wellbeing. Over recent years the number of serious injury crashes has been relatively low. With the planned improvements to drainage and pavements during this Long-Term Plan, the level of service experienced by motorists is likely to improve. This could lead to higher vehicle speeds and the existing road alignments may not be suited to such speeds, increasing the risk of a serious injury crash occurring.	
Principal responses	**Principal responses**
Roading: In an effort to try and maintain the low frequency of serious injury crashes, Council will continue to conduct the biennial road safety inspections to identify safety deficiencies that need to be addressed to improve safety for road users. The safety inspections provide a clear focus on safety issues, that include items which could otherwise be missed i.e. missing edge marker posts, dirty signs etc. Road safety promotion on the Island occurs via a local Council coordinator. This has been very successful, with the Weka themed campaign striking a chord with local residents, and particularly with school-aged children, who will hopefully carry good road safety knowledge with them as they grow older.	***Roading:*** Failure to conduct the biennial road safety inspection may lead to necessary safety hazards not being identified if it was left solely to Stantec identifying items during their quarterly visits. The intention of the quarterly visits is typically wide-ranging over numerous pieces of work. Missed safety issues could result in a serious injury crash if not identified in a timely manner. Without a road safety programme, there would be no community activities that would help promote road safety. This function would be left predominantly to television and radio advertising.
COST OF FREIGHTING MATERIALS TO/FROM THE ISLANDS, SHIPPING CERTAINTY	
Currently only one shipping company operates between mainland New Zealand and the Chatham Islands resulting in a lack of competition on freight charges. With the new Waitangi wharf completed, it is possible that other companies may be encouraged to include the Chatham Islands in their shipping network. The cost of freighting materials to the Islands has increased since the new Waitangi wharf was completed, instead of the anticipated reduction in costs that was expected to arise from the greater resilience provided to the loading/unloading of berthed ships. The more freight increases, it incrementally reduces the value of work constructed on the network.	
Principal responses	**Do nothing**
Council will continue to work alongside the other three entities on the island for a review into freight pathways on for the island. Council to factor the higher costs of shipping into cost estimates for larger capital works, so that the appropriate levels of funding are secured from partners.	No change in the status quo.
PREDICTED EFFECTS OF CLIMATE CHANGE	
Roading: The threat that climate change poses to infrastructure cannot be ignored. Council has a minimal number of roads situated at or just above sea level along coastlines, which would be a concern with rising sea levels. The main area of concern is Waitangi, where the combination of higher sea levels and a severe storm could adversely affect the road connecting Waitangi wharf. Most other roads on the Island are well above sea level or are inland. Climate change is likely to mean that an increasing number of severe storms will occur, which would put more pressure on drainage and bridge assets to cater for the larger volumes of water passing through them. For bridges and large culverts, this could amount to large debris such as trees being carried downstream and hitting the structure, potentially causing significant damage.	

Drinking water and wastewater: Climate change may result in change in rainfall patterns with extended periods of little or no recharge of water aquifers/lakes (i.e. drought) and more frequent storms with increased peak flows to the wastewater system, disruption to power supply, and damage to low-lying water and wastewater assets. Chatham Island has experienced much longer dry periods in recent years. For Kaingaroa, the low water level in Lake Rangitai in recent summers due to limited rainfall has reduced water availability; this has been somewhat mitigated by recent installition of a community rain water tank for non-potable water use e.g. crayfish pot washing. For Waitangi, demand for water from Council's public water tank has increased from residents on island that operate on rainwater collection and/or private bores. As a wider issue, the Islands' drinking water resources (surface water and ground water), their sustainable yield, and their susceptibility to drought stress from climate change is not fully understood.

Whilst climate change is incorporated into asset design planning, changes cannot be made to current infrastructure designs without additional financial support from central government. Consequently, necessary upgrades to infrastructure to mitigate the effects of climate change may be delayed, creating a risk that our assets may not be able to withstand a climate event. If a climate change event occurred on the Chatham Islands, Council would require support from Central Government to address areas requiring repair.

Principal responses	**Do nothing**
Roading: Monitor the long-term integrity of the sea walls in Waitangi, to ensure that no degradation is occurring and to intervene with maintenance as required. Larger climate change factors may need to be applied to culvert sizing calculations than are already adopted. Key structures may need to have their upstream channels reviewed for large trees that might be susceptible to falling into the watercourse in a significant weather event. ***Drinking water:*** The Waitangi upgrade (depending on levels of funding) will provide greater resilience in the water supply with more storage, less reliance on power, and ability to use the Tikitiki bore in an emergency. A scheme is proposed to enable ratepayers to install approved water tanks to reduce the demand on Council's potable water supply, and then repay the costs via a targeted rate on the property over 10 years.	***Roading:*** If the sea walls supporting the road towards Waitangi wharf were to fail and cut off access, it would have major implications for the Island. The delivery and export of goods would be put at risk, which would have significant financial implications for the community. Failure to properly manage tree growth in waterways may lead to debris washing out culverts in the event of a storm, creating pavement failures and cutting of parts of the roading network. ***Drinking water:*** If Waitangi or Kaingaroa schemes were to run out of a reliable source of drinking water, it would have devastating effects on all residents and the local economy of the Island. The community and local industry would be reliant on rainwater and bottled water imported from mainland New Zealand until an alternative supply was established. This situation would be further worsened because most properties on the reticulated schemes no longer have an onsite tank for rainwater collection.

LIMITED POPULATION GROWTH AND AGEING POPULATION

Currently there is limited population growth, which means the rating base to fund capital upgrades will remain static, unless further financial support is provided to enable economic growth to occur. In addition, the population is ageing, which will provide challenges and opportunities for infrastructure networks, particularly for roading and footpaths.

Principal responses	**Do nothing**
Seek external funding from Government to fund all or the majority of capital renewals and upgrades.	No change in the status quo.

30-year projections for infrastructure work

Financial estimates of the projected capital and operating expenditure for the next 30 years are disclosed in the following tables only where funding has been secured for the activity. For capital work, only works related to transportation, roading and coastal networks has been secured, other areas requiring critical investment to our three waters, waste management and wharf infrastructure have been disclosed separately as unfunded transaction in the groups of activities and financial information sections.

Transportation, roading & coastal networks	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034-39**	**2039-44**	**2044-49**	**2049-54**
To improve the level of service	1,045	350	93	101	326	724	101	326	724	101	2,319	2,721	3,193	3,746
To replace existing assets	2,703	3,725	3,142	2,949	4,065	3,428	3,218	4,433	3,739	3,512	21,509	25,238	29,615	34,751
Total	**3,748**	**4,075**	**3,235**	**3,050**	**4,391**	**4,152**	**3,319**	**4,759**	**4,463**	**3,613**	**23,827**	**27,959**	**32,808**	**38,497**

Operational expenditure	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034-39**	**2039-44**	**2044-49**	**2049-54**
Transportation, roading & coastal networks	1,873	2,030	2,029	2,043	2,216	2,215	2,229	2,417	2,415	2,431	13,737	16,119	18,915	22,195
Three waters supply & treatment - drinking water	344	356	369	382	395	407	420	433	446	459	2,540	2,981	3,498	4,104
Three waters supply & treatment - wastewater	197	204	212	219	226	234	241	248	255	263	1,456	1,709	2,005	2,353
Waste management & minimisation	727	754	780	810	839	868	896	925	954	983	5,428	6,370	7,474	8,770
Total	**3,141**	**3,344**	**3,390**	**3,454**	**3,676**	**3,724**	**3,786**	**4,023**	**4,070**	**4,136**	**23,162**	**27,179**	**31,892**	**37,422**

Funding, and other financial management policies

Revenue and Financing Policy

What's changed to the policy in the last Long-Term Plan?

The revenue and financing policy has been updated to give consideration to the Local Government (Rating of Whenua Māori) Amendment Act 2021 and the Te Ture Whenua Māori Act 1993.

Guiding principles

To ensure Council manages its finances prudently, the following guiding principles have been applied when considering our funding sources as part of the revenue and financing policy:

- Funding sources will be at a level to cover our net funding requirements. If funding is insufficient, planned expenditure will be reduced.
- The primary revenue source will be government grants, but affordability of rates and council dues will be considered.
- Targeted rates are collected from properties that are the direct beneficiaries of services where these can be identified with the incidence of rates to be fairly spread where possible.
- The number and costs of projects instigated are acceptable to the community, substantially funded by Government grant.
- The needs of current and future ratepayers are considered, including adhering to limits and ratios set in our financial strategy and other policies.

The Council acknowledges and affirms the special relationship between the Māori and Moriori people and the Crown agreed in the Treaty of Waitangi. The Council recognises that land is a taonga tuku iho of special significance to Māori and Moriori people and, for that reason, promotes the retention of that land in the hands of its owners, their whanau, and their hapu, and to protect wahi tapu: and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whanau, and their hapu.

Funding mechanisms

Council has identified available funding sources for both operating and capital expenditure. For the most part, funding sources for both operating and capital expenditure are similar, where the rationales differ, these are separately identified.

Government and other grants

With the small size of our ratepayer base, Council is unable to operate sustainably from rates alone. Consequently, approximately 88% of our operating and capital funding sources are provided from grants. We rely heavily on Government to support us in supplying essential infrastructure and services to the Islands, in the form of full grant or increased assistance to repay debt. If funding for a capital project cannot be confirmed, works will be delayed until funding is assured. This may result in existing assets deteriorating, due to lack of maintenance and investment and levels of service Council is able to provide may reduce. This is a risk Council has agreed to undertake to ensure intergenerational equity.

The Crown provides Council with an annual contribution to meet our statutory obligations as a council with both regional and district functions. Levels of assistance are currently confirmed annually in May as part of the

budget announcement. The approach to funding Council creates a lack of funding certainty for Council. Council budgets for either future indicative amounts, or if unknown, prior status quo funding levels. Operational and capital expenditure budgets are adjusted once support is confirmed.

Financial support is also provided by the Waka Kotahi NZ Transport Agency for road works, currently negotiated support is at 88% of total operational and capital expenditure, we expect this level of support to continue.

The Council may receive additional one-off grants to support operational or capital projects, these are generally not budgeted due to the uncertain nature of the funding.

Rates

Most of our funding sources are provided from grants, leaving between 5-10% of funding to be provided from general and targeted rates.

Historically, the amount raised from ratepayers was more nominal in nature, reflecting a level Council felt was a reasonable contribution (including council dues) when compared with what a mainland ratepayer would contribute for a similar level of service. Council aims to charge rates at a level comparable to other small, rural Councils.

Given our council is the most remote in location and smallest in size of all New Zealand councils, a meaningful comparison is difficult, especially considering the level of service we can provide to our ratepayers.

To determine whether our rating amount remains reasonable, compared to similar councils of a small or isolated nature, Council will review every three years the rating and estimated council dues amounts expected to be set and compare these with other benchmarked councils, ensuring our rates charged remain reasonable for the service provided. If Council considers these to be appropriate, it will remain reasonable to increase levels by a consistent inflationary adjustment as applied to expenditure until the next review, unless determined otherwise by Council.

Our approach to setting, assessing and assigning rates is further detailed in our rating policy and Council funding impact statement and rating information.

Council dues

A unique aspect of Council is that the Chatham Islands Council Act 1995 allows the Council to charge Council dues. These take the form of a tax on the import and export of goods for transport of goods by sea or air and are payable by the carrier of the goods. The rates of tax vary by commodity, charges are detailed as part of our fees and charges policy.

Council dues are expected to form approximately 2% of Council's funding sources. Council dues are a mechanism for Council to receive a contribution from people or entities working on the island, who benefit from Council services, but do not necessarily contribute financially to Council, as they are not ratepayers. All Council dues are classed as general funds, and allocated across the organisation, to fund all of Council's activities.

Loans and asset sales

Borrowing will not generally be used to fund operating expenditure. Council may borrow funds to finance specific capital projects, where it is in line with the Council's liability and investment management policy and Council are able to afford the cost of the debt repayment. Council may consider selling assets no longer required for Council purposes.

Fees, charges and other income

Fees, charges and other income consists of approximately 4% of Council's expected funding. Fees and charges can be applied where the users of a service can be identified and charged according to their use of the service. Fees and charges for a statutory service are set on a cost recovery basis, which incorporates overhead charges. Refer to our statement of fees and charges for a summary of these fees.

Other revenue sources may be used where appropriate to support operational or capital expenditure projects and to reduce the reliance on other funding. The aim is to maximise the return to Council and to use funds to reduce the amount of revenue required to be raised elsewhere.

Where fees, charges and other income can be directed to a particular activity, the revenue will be matched with the corresponding expenditure for the Council activity. Otherwise, other income will be classed as general funds, and allocated across the organisation, to fund all of Council's activities.

Development, financial and other lump sum contributions are not normally used as a funding source for Council.

Application of funding principles to the funding of operating and capital expenditure for each activity

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Leadership & Community partnerships:			
Resilient community Providing the opportunity and appropriate information for the community to participate in the Council's major decisions is of primary importance to the Council. The activity ensures democratic processes are undertaken appropriately and supports the work of our elected members. **Embracing diversity** Council is committed to ensuring the diverse voices of our community are heard. We will work with imi and iwi to ensure that appropriate regard is made to miheke/taonga and other culturally significant matters.	The community benefits from and contribute to the Council's decision making process, this includes an open and transparent decision-making process. The benefits occur predominately within the year in which the expenditure is incurred.	Legislative requirements mandate engagement with the community including involving Moriori and Māori in decision-making. The community directs Council through the consultative and election process.	Appropriate engagement with the community ensures a greater awareness and understanding of Island issues, where the Council can make informed decisions. Community representation and engagement is considered a public good. This is because the benefit accrues to individuals equally. All operational and capital costs are funded from the annual Crown contribution and allocated general funds. The contribution of the public to the decision making process is valuable as it ensures public expectations are known and considered whilst promoting public accountability of Council. This funding source is deemed to be the most efficient and equitable. Funding sources: Grant and other income directly associated with the activity: 100% General funds: 34.4% Annual Crown contribution: adjusted to balance activity funding differences

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Council recognises the importance of the Te Tiriti o Waitangi/Treaty of Waitangi. **Building growth** A significant portion of Council's resources are directed towards building and strengthening relationships, particularly with central government agencies. Council believes this is the most effective method to ensure future funding needs are met. Council also advocates for additional funding to benefit the island, which if successful provides employment and other growth opportunities for the island, potentially including improved infrastructure.			
Transportation, roading & coastal networks:			
Roading networks:			
Resilient community We provide a safe and resilient transport network, which is safe to use and accessible to all. A reliable transport network also allows for emergency services to safely get to people in need.	The community benefits from increased transportation links, including moving goods to reach markets and people to work, providing vital connections for economic growth, and	Need is created from the public and road users.	Provision of a roading service is considered a public good. Funding will be principally from Waka Kotahi NZ Transport Agency grants. Any shortfall is expected to come from targeted roading rates set as a fixed sum per rating unit, and the remainder from the annual Crown contribution and allocated general funds. Funding sources: Roading targeted rate 100% Waka Kotahi NZ Transportation Agency grant 100%

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Embracing diversity In creating our roading works programme, Council consults with Waka Kotahi NZ Transport Agency, along with imi and iwi to ensure that appropriate regard is made to miheke/taonga and other culturally significant matters. **Building growth** Our transport system is operated in an effective and efficient way to meet the needs of residents and businesses. The road network is critical to the movement of goods which enables our economy to thrive and grow. **Sustainable action** Council considers land use sustainability and minimising the impact of climate change on our environment in transport planning	greater access and mobility. The benefits accrue immediately and into the future.		Grant and other income directly associated with the activity: 100% General funds 9.0% Annual Crown contribution: adjusted to balance activity funding differences

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Coastal transportation networks & navigational safety:			
Resilient community Our coastal and navigational work provides recreational opportunities to our community and improves health and social well-being. Council can respond and recover from the impact of all marine hazards, ensuring maritime management protects and reduces the impact of harm to the environment and supporting the economic development and sustainability of the fishing industry. **Building growth** Fishing and tourism contribute a large amount to our Islands' economic prosperity. Access to water and recreational/commercial activities will be key to our Islands' continued growth.	The community benefits from safer coastal areas for recreation. Commercial and recreational users benefit from safe water transport. The benefits accrue immediately and into the future.	Need is created by recreational and commercial coastal water users.	The provisions of harbour safety and navigation services provide both public and private benefits. The public, including small vessel recreational users benefit from the provisions of these services. User charges are levied on larger vessels, who are direct beneficiaries of the services. Remaining operating and capital costs are funded from a mix of Crown contribution and allocated general funds. Funding sources: as above

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Three Waters supply & treatment:			
Drinking water:			
Resilient community Acknowledging our funding constraints, we aim to provide water supplies that are safe to drink, with supply continuity appropriate for firefighting purposes. Council considers water supply an essential service to our community and recognises the need for resilient infrastructure. **Sustainable action** Our water schemes take water from our environment and require a resource consent. We aim to manage water takes so the impact is not detrimental to our surrounding environment and the impact of climate change on our environment is minimised.	The community benefits from the drinking water supply activity being managed so the impact of the water take does not prove detrimental to the surrounding environment, nor community health. The benefits accrue immediately and into the future.	Need is created from residents connected to the Waitangi and Kaingaroa drinking water schemes.	This activity is largely a private service to those connected to the drinking water supply scheme. However, there remains public good in that the environment and drinking water supply is managed and protected by the scheme. Capital expenditure is to be funded by Government grant or debt. Operating expenditure is funded by a fixed targeted rate on all rating units with a connection to the drinking water supply scheme, the annual Crown contribution and allocated general funds. Funding sources: Water targeted rate 100% Grant and other income directly associated with the activity: 100% General funds 2.5% Annual Crown contribution: adjusted to balance activity funding differences

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Wastewater:			
Resilient community Acknowledging our funding constraints, we aim to provide quality wastewater treatment that minimises overflows. We aim to ensure wastewater is collected and treated without causing a hazard to public health or unpleasant odours. Council considers wastewater supply an essential service to our community and recognises the need for resilient infrastructure. **Sustainable action** Our wastewater is treated and discharged into our environment. We aim to sustainably manage this, so the impact of the discharges does not adversely affect the health and cleanliness of the receiving environment and the impact of climate change on our environment is minimised.	The community benefits from waste material being processed or disposed of in an appropriate and sustainable manner. These activities will be managed to minimise the impact on the environment. The benefits accrue immediately and into the future.	Need is created from residents and tourists inhabiting the Islands who are connected to the wastewater scheme.	This activity is largely a private service to those connected to the Waitangi wastewater scheme. However, there are public good demands in that the environment is protected by the scheme. Capital expenditure is funded from Government grants. Operating expenditure is funded by a mix of a fixed targeted rate on all rating units with a connection to the wastewater scheme, the annual Crown contribution and allocated general funds. Funding sources: Wastewater targeted rate 100% Grant and other income directly associated with the activity: 100% General funds 3.2% Annual Crown contribution: adjusted to balance activity funding differences

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Flood protection and stormwater drainage:			
Resilient community Council aims to safely transfer stormwater runoff to minimise harm and property damage and so people can move safely during wet weather. **Sustainable action** We manage stormwater so that the impact of any discharge minimises the impact of climate change on our environment and does not adversely affect the health and quality of the natural environment.	The community benefits from effective drainage on-island and controlling the level of Te Whanga lagoon to prevent flooding. The benefits accrue immediately and into the future.	Need is created from residents.	This activity involves drainage from the public roading network and is largely categorised as a public good. Capital and operating costs are funded from a mix of annual Crown contribution and allocated general funds. Funding sources: as above

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Waste management & minimisation:			
Resilient community Rubbish and recycling collection services ensure our environments are functional, pleasant and safe. We promote the sustainable use of resources and provide sustainable alternatives to landfill disposal. **Sustainable action** We protect our natural environment by providing waste disposal services for our communities and minimising the impact of climate change on our environment. We reduce the impact of landfill disposal by providing other services to divert waste from landfill and reduce waste production. Our facilities comply with resource consents, and we ensure that we have operational plans for our services and site management plans for the facilities we operate.	The community benefits from waste material being processed or disposed of in an appropriate and sustainable manner. These activities will be managed to minimise the impact on the environment. The benefits accrue immediately and into the future.	Need is created from residents.	This activity is about effectively managing levels of waste on the island, ensuring waste is disposed of appropriately and in an environmentally conscious manner. A facility that addresses waste effectively provides an indirect benefit to the public, as residents are less likely to store waste on individual properties, creating a risk of unwanted substances entering the environment. Therefore a portion of the costs will be funded from targeted rates and user pays. Capital expenditure is funded from Government grants. Operating expenditure is funded by a mix of a fixed targeted rate on all rating units, user charges, the annual Crown contribution and allocated general funds. Funding sources: Waste management and minimisation targeted rate 100% User charges 100% Grant and other income directly associated with the activity: 100% General funds 1.8% Annual Crown contribution: adjusted to balance activity funding differences

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Community development & emergency management:			
Community services:			
Resilient community We provide community open spaces and facilities enabling our community to participate in recreational and cultural opportunities. The library provides resources that support educational, creative, cultural and business activities. We provide financial assistance to community groups to support cultural, heritage and other benefits within our community. **Embracing diversity** Areas of cultural significance are managed and protected. Our community is aware and involved in conservation and restoration work. We provide facilities that enable communities to celebrate their heritage and creativity. Cemeteries provide a location for remembrance.	The community benefits from on-island collaboration opportunities. Benefits accrue both in the immediate and long-term.	Need is created from residents.	The community benefits from Council creating the environment in which communities can enjoy parks and reserves, enhancing health and wellbeing. Capital and operating costs are funded from a mix of Crown contribution, general rates and allocated general funds. Funding sources: General rate 100% Grant and other income directly associated with the activity: 100% General funds 33.3% Annual Crown contribution: adjusted to balance activity funding differences

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Emergency Management:			
Resilient community Our civil defence and emergency management system promotes safety of people and a resilient community. **Sustainable action** Council can respond and recover from the impact of emergency events. Ensuring appropriate strategies are in place to manage and reduce the impact of harm to the environment when an emergency event occurs. **Building growth** Fishing and tourism contribute a large amount to our Islands' economic prosperity. Supporting the economic development, sustainability and resilience of these activities will be key to our Islands' growth and recovery after any emergency event.	The community benefit from maintaining an emergency response capability. Benefits occur mostly in the year the emergency event occurs. However, there is residual benefit from growing knowledge and experience.	Need is created to provide advance warning systems to detect emergency events and providing a response.	A coordinated emergency management system is a public good in respect of reduction, readiness, response, and recovery across the region. Oil spill response is for the public good, but the shipping industry can be identified as an exacerbating factor. Capital and operating costs are funded from a mix of Crown contribution and allocated general funds. Funding sources: as above

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Environmental protection, compliance & planning:			
Biosecurity:			
Embracing diversity We work with imi and iwi to ensure that appropriate regard is made to miheke/taonga and to retain our unique island biodiversity. **Building growth** We work with landowners to enhance the prosperity and security of their land by developing plans to managing pests that threaten our environment. By protecting our unique environment, we will provide future opportunities for growth within our community, particularly related to tourism. **Sustainable action** Our unique ecosystems, landscapes and indigenous biodiversity are valued and stewardship/t'chiekitanga/kaitiakitanga exercised to safeguard our environment for future generations.	Individuals and the community benefit from improved image and retention of productive values of land, reducing adverse effects of natural resources. Furthermore, the community benefits from protecting biodiversity by the containment of plant and animal pests. Benefits accrue both in the immediate and long-term.	Individuals and the community who undertake practises which are detrimental to the environment or who wish to foster and enhance the environment are influencing factors. In addition, the community who benefit from the active control of animal and plant pests and the protection of our unique ecosystems.	The provision of biodiversity and biosecurity activities is considered a public good. However, there can be a private element of benefit, with plant and animal pest monitoring and inspection. Therefore, such monitoring and inspection costs will be funded equally from a mix of the Crown contribution, allocated general funds and landowner contributions. All other operating activities to be funded from the Crown contribution. Capital and operating costs are funded from a mix of Crown contribution and allocated general funds. Funding sources: Grant and other income directly associated with the activity: 100% General funds 15.8% Annual Crown contribution: adjusted to balance activity funding differences

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Resource management:			
Resilient community We monitor and investigate the state of our environment and identify trends, risks, and pressures our environment faces. Particularly in relation to land, soils and water. We use this information to make better decisions in our planning. We work to educate people and provide information to enable more sustainable and resilient living. **Embracing diversity** Our planning framework ensures that identified sites of important sites to imi and iwi, are considered when planning decisions are made. We work with landowners to enhance biodiversity, helping to protect our natural heritage values. **Building growth** Effective resource planning processes help ensure appropriate and efficient infrastructure and resources are available to meet the demands of our communities, both now and for future generations.	The community benefits from the environmental protection that comes from our activities that follow the Resource Management Act 1991. Benefits accrue both in the immediate and long-term.	Need is created by applicants seeking consent under the Resource Management Act 1991.	Planning, consenting and compliance monitoring is required as a result of the actions or inactions of individuals. Compliance provides an indirect benefit to the public. The allocation of costs to those who cause such costs, through fees and charges, ensures our environment is maintained in accordance with consent conditions, encouraging sustainable use of resources. Other capital and operating costs are funded from a mix of fees and charges, Crown contribution and allocated general funds. Funding sources: as above plus user charges 100%

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Compliance monitoring can ensure fair and equal opportunities for all. We actively encourage people to adopt best practice in relation to their use of land and water resources. **Sustainable action** We develop policies and plans that promote sustainable management of our natural and physical resources and minimise the impact of climate change on our environment. We monitor and regulate activities that could, over time, put pressure on our environment and resources, and take preventative action through education and enforcement.			

Community outcomes activity contributes and impact on well-beings	Distribution and period of benefits	External factors influencing activity	Rationale of the costs and benefits of distinct funding for the activity
Licensing and building:			
Resilient community We respond and enforce alcohol sale and consumption, and control dogs and stock, so as not to adversely affect our community's quality of life. **Embracing diversity** Areas of cultural significance are managed and protected through our regulatory practices. **Building growth** Our regulatory practices are managed in a manner that contributes to the economic well-being in our community. **Sustainable action** We have a dog and stock officer, who assists with educating owners on appropriate housing of animals, limiting negative effects on native fauna.	Consent holders benefit directly from gaining compliance and holding a consent. All benefits accrue immediately once the consent is issued. Although, there are future benefits throughout the life of the consent.	Need is created by applicants seeking consent under the Building Act 2004 or Sale and supply of Alcohol Act 2012.	Consent and licensing applications are considered a largely private good; therefore, the associated processing costs are to be fully funded by the applicant. Capital and operating costs are funded from a mix of Crown contribution and allocated general funds. Funding sources: as above plus user charges 100%

Council is required to make adequate provision in the Long-Term Plan to meet our identified expenditure needs. Council believes the outlined approach to funding and the consequential impacts on our operating budgets, debt and levels of service is prudent, reasonable, and appropriate having had regard to our funding principles, legislation and other relevant matters, including achieving a balanced budget.

Rating Policy

What's changed to the policy in the last Long-Term Plan?

No significant updates or changes have been made to that in the last Long-Term Plan.

This policy should be read in conjunction with the Council's Revenue and Financing Policy.

General rates

Council uses capital value to set and assess rates. Capital value is defined as the market value of land, plus the improvements as per the valuation roll.

Council considers general rates are an appropriate basis for funding activities where it is not practicable or cost-effective to identify the individual or group of beneficiaries of the service and charge them for the benefits received or costs imposed. The rationale being that those with more capital are better able to bear the costs. Furthermore, those with more capital are likely to consume more resources and have a greater interest vested in the management of those resources.

Council will set general rates differentially, based on the use to which the land on each rating unit is put. Given the size of the Council and the distribution of wealth, this is considered the most equitable approach to fairly distributing rates within our community.

General rates will be fully assigned to the community development and emergency management group of activities. The rationale being that funds raised on the island, by way of general rates should be attributed towards the community and focus on enhancing local services, amenities and initiatives for our residents. Council considers this an appropriate model for the allocation of rates.

Council has defined the differential factors below:

General rate category	Description
Infrastructure	Land where the primary use is for public utilities, including telecommunications, drinking water, wastewater and energy industries.
Industrial	Land where the primary use is for manufacturing or distributing goods, as defined in our Resource Management Document.
Commercial	Land where the primary use is for retail or wholesale sale of goods or services.
Rural & Residential	Land where the current or intended use includes, but is not limited to, housing (single and multiple dwellings) or rural land resources, which facilitate farming, forestry, quarrying and areas of significant natural, spiritual and cultural value.

Targeted rates

Council will apply a targeted rate to those properties which use the service provided. This includes: roading, drinking water, wastewater and waste management services provided by the Council.

Rates based on location

The Council deems the Islands as one location, for reasons of rating efficiency and due to the size of the Council, will not apply different rating amounts based on the location of a rating unit.

Separately used and inhabited parts

Council has elected to rate all fixed rates based on the separately used or inhabited parts of a rating unit.

Divisions

A division is the separation of a property record in the District Valuation Roll (DVR) into two or more parts in the Rating Information Database (RID). The purpose of a division is to charge the correct rates liability according to the property's use.

Council has elected to not undertake the division of properties, where there are two or more uses (being the rating categories, or as non-rateable or 50% non-rateable properties). The size of the Council and the additional administrative burden required to collect the additional revenue, means division of properties is not efficient. Rates shall be calculated on a property's primary use.

Where there are contiguous rating units, owned by the same ratepayer, the ratepayer may apply for a remission on additional uniform solid waste and roading charges, applied on a per rating unit basis. Decisions on approving remissions are delegated to the Operations Manager.

Rates payable by instalments

Council provides for rates to be paid in four equal instalments. A ratepayer may elect to pay weekly, fortnightly, monthly by automatic payment through the banking system or by direct debit (weekly fortnightly or monthly). Council also accepts over the counter payments.

Any payments received for rates are applied to the oldest debt first.

Minimum economic rate

Council will not collect the rates payable on a rating unit if the sum of those rates is so small as to be uneconomic to collect. Council has determined that it is uneconomic to collect rates owing on any rating unit of less than $20.00 (including GST) per annum.

Rates penalties

Council applies the following penalties:

a. A 10% penalty is added on the next day to any balance of any instalment not paid by the due date.
b. A 10% penalty will be added to any balance that remains unpaid from previous years. This will be added on 6 July of each year, or five working days after Council has passed the rates resolution (whichever is the later).

Three-yearly property re-valuations

Council has chosen to reassess rateable values of properties every three years, the maximum timeframe allowed by the Rating Valuations Act 1998. The next re-valuation is as of 1 September 2024, to be applied to the 2025/26 rating year.

The re-valuation may affect the amounts assessed against individual rating units within each differential rating category relative to other rating units.

Public availability of information

The Rating Information Database is available on the Council website and the Council office. Council may charge a fee for supplying any person with a copy of this information.

Objections and disputes

The Local Government (Rating) Act 2002 provides for the right of objection to Council's implementation of their rating policies. Any objections to the allocation of property use to the council differential rating categories needs to be in writing to the Operations Manager for consideration.

Rates Remission and Postponement Policy

What's changed to the policy in the last Long-Term Plan?

The revenue and financing policy has been updated to give consideration to the Local Government (Rating of Whenua Māori) Amendment Act 2021 and the Te Ture Whenua Māori Act 1993.

Council has removed remissions for late payments and postponement of rates due to financial hardship, electing for approval to be at the discretion of the Operations Manager.

A rate remission allows Council, at its discretion and where relevant qualifying criteria are met, to modify the rates liability on applicable rating units in order to ensure an appropriate rate liability.

Postponements allow for the delay in payment of rates in certain circumstances.

Specific areas where rates exemptions or postponements apply include:

- Moriori and Māori freehold land
- Not-for profit community organisations
- Property affected by natural calamity or disaster.

Remissions policy guidelines - general

All rates remissions are deducted from the rates assessment when the rates are assessed at the start of each rating year.

All applications (except for penalty remissions) must be received one month prior to the rates being assessed. Remissions received after this date will be applied to the following financial year. Rates remissions are not made retrospectively.

Moriori and Māori freehold land remission and postponement policy

Some Moriori or Māori freehold land on the Chatham & Pitt Islands is unoccupied and unproductive. This land creates a significant rating burden on the Moriori or Māori owners who often do not have the ability or desire to make economic use of the land. Often this is due to the nature of the ownership, or it is isolated and marginal in quality.

The objective of this policy is to remove or reduce any financial burden on Moriori and Māori-owned lands (or portion of lands) that have no occupier, or no economic or financial benefit derived from the land, granting a remission for the portion of land unoccupied and unproductive. This approach may encourage owners or trustees to use or develop the land.

Moriori and Māori freehold land is defined as land where beneficial ownership has been determined by an order issued by the Māori Land Court, irrespective of whether the owners identify as tchakat henu Moriori or Māori. Only land that is the subject of such an order, or any other matters referred to in schedule 11 of the Local Government Act 2002 (Matters relating to rates relief on Māori freehold land) may qualify for a remission or postponement of rates under this policy.

Whether rates are remitted or postponed in any individual case will depend on the individual circumstances of each application.

Conditions and criteria

The land must either be Moriori or Māori freehold land (as defined in the Local Government (Rating) Act 2002) or the land is general land that ceased to be Māori land under Part 1 of the Māori Affairs Amendment Act 1967 which does not produce any income.

The land or portion of the land must not be “used”. This includes leasing the land, residing on the land, maintaining livestock on the land, growing exotic forest for future harvesting, using the land for storage or in any other way. Land that is maintained to reduce fire risk, or land that is unfenced and grazed by wandering stock for no income by the owners is not “used”.

To encourage the development of the land, the rating unit may be apportioned into used and non-used portions and the rates will be remitted on the percentage of non-used land.

Any occupied dwellings, or activities using the land for commercial or agricultural purposes, will be rated the general and targeted rates per separately used or inhabited parts of a rating unit.

To be considered for rates remission under this policy, the owner or ratepayer must provide:

- Details of the property, including documentation that proves the land, which is the subject of the application, is Moriori or Māori freehold land and
- An explanation on how the relevant criteria and conditions are satisfied, including the objectives that will be achieved by providing a remission or postponement; and
- Complete any other relevant statutory declarations as may be required by Council.

However, if the owners of an unoccupied block cannot be found, the Council may apply a remission without the need for a request. If the circumstances of a ratepayer who has been granted a remission under this policy changes, the ratepayer must inform Council within 30-days. The

change in circumstances may mean that the rating unit or part of the rating unit, are no longer eligible for a remission under this policy in future rating years.

All land that is approved for remission under this policy, will be reviewed on a yearly basis to decide if the remission is still relevant for the following rating year.

The Council has a discretion to apply a remission or postponement on rates either fully or partially, based on the following criteria:

- The land is fully or partially unoccupied and no income is derived from the use or occupation of the land; or
- The land is inaccessible and is unoccupied; or
- The land is better set aside for non-use (whenua rāhui) because of its natural features, or
- The property carries a best potential use value that exceeds the economic value arising from its actual use.

Not-for-profit community organisations

Council extends the status of non-rateable properties to not-for-profit community organisations, the objective to provide additional support to these organisations and reduce financial commitments. These organisations must deliver social benefits to the community where neither government nor business is best or appropriately placed to do so.

Where a property is used for multiple purposes, the primary use of the property will be used to determine its use (no rating unit division will be undertaken).

The policy is that these rating units will have all general rates remitted.

Conditions and criteria

A qualifying not-for profit community organisation is defined as:

- The organisation must be either a registered Charitable Trust or an IRD approved donee organisation.
- The organisation and anyone using the organisations property must not be operating any activity for private profit.
- The organisation must deliver social benefits as a substantial part of its activities.
- The organisation must complete and provide all information requested on the application form and respond to any further enquiry for information to support the application.

An annual declaration form is required to be completed confirming that the organisation still occupies the property and meets the purpose of this policy. This form can be obtained from the Council's office.

Decisions on remission for not-for-profit organisations are delegated to the Operations Manager.

Rates set and assessed on rateable units for schools can apply for a remission of wastewater charges, subject to approval from the Operations Manager.

Property affected by natural calamity or disaster

The objective of this policy is to for rate relief to be provided to assist ratepayers experiencing extreme financial hardship due to a calamity or natural disaster that affects their ability to pay rates.

Conditions and criteria

Remissions approved under this policy do not set a precedent and will be applied only for each specific event and only to properties affected by the event.

Council may remit all or part of any rate on any rating unit where the application meets the following criteria:

- Where erosion, subsidence, submersion or other natural calamity or disaster has affected the use or occupation of any rating unit.
- It is applicable for each single event and does not apply to erosion, subsidence or other incidences that may have occurred without a recognised major natural calamity or disaster.
- Council can set additional criteria for each event where it considers it to be fair and reasonable to do so. This is because the criteria may change depending on the nature and severity of the event and available funding at the time. Council may require financial or other records to be provided as part of the remission approval process.
- The extent of any remission shall be determined by Council on a case-by-case basis.

Decisions on remission of Property affected by Natural Calamity or Disaster are delegated to the Operations Manager.

Any other remissions related to the removal of late payment penalties or other rate postponement due to financial hardship are delegated to the Operations Manager to approve at their discretion.

Council funding impact statement and rating information

What's changed to the policy in the last Long-Term Plan?

Targeted rates have been updated to remove the targeted fish rate, which is no longer applied.

Reference to loans expected to be repaid through targeted rates, have been removed either due to the scheme ceasing (warm home loans) or no longer expected to progress due to alternate funding arrangements being secured (water tank loans).

The Council has is completing a feasibility investigation into varying the water targeted rate from being fully funded by way of a connection charge to being split between a connection charge and a usage charge, based on the amount per unit of water (cubic metre) consumed or supplied as measured or controlled by a meter, any changes will likely be incorporated into the next Long-Term Plan 2027-37.

The funding impact statement consists of two parts:

- Rating information for 2024/25,
- Rating samples for 2024/25

The funding impact statement should be read in conjunction with our Revenue and Financing Policy and Rating Policy.

Rating information for 2024/25

Council sets and assess the following rates under the Local Government (Rating) Act 2002:

- General rates
- Targeted rates, including:
    - Service use – roading
    - Service use – drinking water
    - Service use – wastewater
    - Service use – solid waste

Details of the rates revenue to be collected and the rating categories that will pay these rates are detailed in this funding impact statement.

General rates

A general rate is set and assessed on the capital value of all rateable land on the islands.

General rates are set on a differential basis on the category of land identified below. The differential basis is driven by the primary use of the land.

The objective of including differentials in the general rate is to achieve a fair distribution of the general rate, ensuring our rates are affordable among other considerations by Council.

This funding mechanism is used to fund all the services we provide.

The general rate is set and assessed on a differential basis as follows for 2024/25:

Source	Differential categories	Percentage of total general rates	Rate in the dollar of capital value	Expected general rates revenue
General rate	Infrastructure	5.0%	0.00348234	$21,932
	Industrial	14.5%	0.00719888	$63,602
	Commercial	11.0%	0.00293686	$48,250
	Rural & Residential	69.5%	0.00196193	$304,851
	Total revenue sought			**$438,634**

All quoted figures include GST

For the purposes of classification, the differential categories are defined in our rating policy.

Council does not require a uniform annual general charge (UAGC) to be set on any property, due to the minimal number of rateable units in the area and therefore no revenue is sought from this funding category.

Targeted rates

Targeted rates are applied to the properties which use the service provided. Council applies the waste management targeted rate on a differential basis, separating between rural and residential ratepayers and other ratepayers. With this exception, no other targeted rates are set on a differential basis.

Targeted rates are set based on a rating unit basis for funding roading and waste management (including fish waste discharge) activities and connections for drinking water supply activities and pans for wastewater activities will be used.

Lump sum contributions in respect of targeted rates will not be sought.

The targeted rates are set and assessed as follows for 2024/25:

Source	Activity for setting a targeted rate	Category for setting targeted rate	Calculation factor	Factor used		Expected targeted rates revenue
Targeted rate	Roading	The provision or availability of a roading service.	A per rating unit charge for roading activities.	$284.99	Fixed amount per unit	$152,470
	Potable water supply	The provision or availability of a public water supply service.	The number of connections for potable water supply activities – for both Kaingaroa and Waitangi connections.	$924.90	Fixed amount per connection	$110,063
	Wastewater	The provision or availability of a sewage disposal service.	A per pan rate for wastewater activities.	$961.40	Fixed amount per pan	$124,982
	Waste management	The provision or availability of a waste management service.	All rating units on Chatham Islands with improvements are charged for waste management activities.	$297.70	Fixed amount per rural or residential unit	$93,776
				$374.80	Fixed amount per Infrastructure, Industrial or Commercial unit	$19,864
	Total revenue sought					**$501,155**

All quoted figures include GST

Water tank scheme

Council have obtained a grant for the purchase and installation of water tanks on resident properties who meet certain criteria, increasing our resilience. However, Council acknowledges that not all residents who wanted a water tank were able to have one installed. To respond to the demand, upon completion of the initial water tank instalment project, Council plans to investigate the provision of a low interest loan to ratepayers who install approved water tanks, which aims to reduce the demand on Council's potable water supply. The project would only be viable, if Council could successfully secure a loan to support the project. Based on similar historic projects, a loan to a ratepayer would be repaid over 10 years through a targeted rate on the property and the loan would be registered on each property's Land Information Memorandum. The costs of supplying the water tanks to the community are expected to be offset by way of the targeted rate loan.

The water tank scheme is in the early stages and therefore no firm agreements relating to the costs or funding of the project have been settled, including the expected level of support required from central government to enable the scheme to proceed.

Whilst the level of ratepayer participation is unclear, there is high public support for this programme, and it is expected the project will address some water supply issues. Council is planning on sourcing the funds through a loan from an external entity, with additional support to secure the borrowing potentially being required from central government. As yet, there is no set date for the commencement of the water tank loan scheme and therefore, the project has not been recognised in the budget, it is expected the project will be completed subsequent to the current water tank project, which will incorporate any learnings from the project.

Future rate increases

Council is committed to keeping rates affordable while ensuring rates (including council dues contributions) are comparable with similar councils of a small or isolated nature. We therefore propose to increase rates in a consistent inflationary adjustment to align with expected expenditure movements, unless Council determines a different adjustment is necessary to reflect movements with other comparable Councils. Council expects any annual increase will not exceed 15%. The total annual increase for each year is estimated as:

Year	Increase	Year	Increase
2024/25	6.65%	2030/31	6.05%
2025/26	6.35%	2031/32	6.05%
2026/27	6.35%	2032/33	6.05%
2027/28	6.25%	2033/34	5.95%
2028/29	6.15%	2034/35	6.05%
2029/30	6.15%		

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Rates instalment and penalty dates

The following instalment and penalty dates apply for the 2024/25 set rates:

Instalment	Due date	Penalty date
1	14 September 2024	15 September 2024
2	14 November 2024	15 November 2024
3	14 February 2025	15 February 2025
4	14 May 2025	15 May 2025

A penalty of 10% is added to each instalment or part thereof that is unpaid after the last date for payment. Previous year's rates that remain unpaid will have a further 10% penalty added on 6 July.

Rating base

For the 2024/25 financial year, it is projected Council will have 680 rating units within the region. Council assumes minimal growth and expects the number of rating units to remain stable over the ten-year period.

The total capital value estimated for 2024/25 is $218,205,100. Projections are based on the latest QV valuation data as disclosed in the 2022/23 Annual Report.

Inspection of the rating information database

In accordance with the Local Government (Rating) Act 2002, the District Valuation Roll and Rates Records are available for public inspection at the Council Offices, 9 Tuku Road, Waitangi, Chatham Islands, between the hours of 8:30am and 4:30pm on all business days of the week.

Rating samples table for 2024/25

The table below provides examples of the financial impact of rates on ratepayers in 2024/25 compared with 2024/25.

	Sample property	District Capital Value of property	General rate	Targeted rates	Total rates	Dollar movement between years
2024/25	Infrastructure	$1,470,000	$5,119.03	$659.79	$5,778.82	$360.33
	Industrial	$220,000	$1,583.75	$2,546.09	$4,129.84	$257.52
	Commercial	$140,000	$411.16	$659.79	$1,070.95	$66.78
	Rural Residential	$385,000	$755.34	$2,468.99	$3,224.33	$201.04
2023/24	Infrastructure	$1,470,000	$4,799.84	$618.65	$5,418.49	
	Industrial	$220,000	$1,485.00	$2,387.32	$3,872.32	
	Commercial	$140,000	$385.52	$618.65	$1,004.17	
	Rural Residential	$385,000	$708.25	$2,315.04	$3,023.29	

All quoted figures include GST

Liability and Investment Management Policy

What's changed to the policy in the last Long-Term Plan?

Borrowing limits have been changed, to restrict Council from entering any borrowing arrangements unless repayment funding is secured, previously the limits were based on ratios set as part of the Local Government Funding Agency.

Council has updated the investment policy to transfer excess funds at year end to an investment fund, with the aim of increasing Council's financial resilience.

Liability management

Council's liabilities comprise borrowings and various other liabilities. Council borrows in order to:

- Raise debt to fund specific new or improvements to capital projects
- Raise finance leases for fixed asset purchases
- Fund assets whose useful lives extend over several generations of ratepayers.

Borrowing limits

Council does not have the financial capacity to enter into long term debt borrowing arrangements. Therefore, the Council's long-term borrowing limits are set at 0%, unless there is a funding arrangement in place to support the repayment arrangements.

Note: borrowing limits relate to long term debt, which is defined as borrowing commitments of more than one year, it excludes short term overdraft facilities, which may occasionally be utilised to assist with short-term cashflow requirements.

Borrowing mechanisms

Council is responsible for the approval of any new borrowing. In approving new debt, council will consider the impact on its borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's Long-Term Plan.

Council can borrow through a variety of market mechanisms, although the preferred method is to directly borrow from ANZ, to retain our on-island banking service (ensuring continuation of our banking services, refer to our investment policy).

When evaluating new borrowing in relation to source, term, size and pricing of debt, Council must ensure any terms result in:

- Effective debt management
- The cost of borrowing being affordable to the Council ratepayers
- A prudent level of borrowings, in line with Council's borrowing limits

Borrowing to meet operating costs is not considered financially prudent. The exception to this would be the use of overdraft facilities or other short-term facilities to cover temporary fluctuations in cash flow. Any new debt agreement entered must be approved by the Council.

Security

Council's external borrowings and interest rate risk management instruments will generally be secured by way of a charge over its Council dues and/or rates and rates revenue offered through a deed of charge, debenture or debenture trust deed. Under a deed of charge, debenture or debenture trust deed, Council's borrowing is secured by a floating charge over all Council dues acquired under the Chatham Islands Act 1995 or for council rates, levied under the Local Government (Rating) Act 2002. The security offered by council ranks equally with other lenders.

From time to time, and with Council approval, security may be offered by mortgage over the property being purchased or upgraded.

Debt repayment

The funds from all asset sales and operating surpluses will be applied to the reduction of debt and/or a reduction in borrowing requirements, unless Council specifically directs that the funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or renegotiated as and when appropriate.

Loans and contingent liabilities

Loans and advances can be made to community organisations/individuals to facilitate the ongoing provision of community services or recreational opportunities. These are usually at a lower than commercial interest rate.

Council sets the criteria for applications for any other loans or advances as they are granted. Council as a rule is not a lender of money. Council must be satisfied that the potential for capital loss is minimal by applying the following:

- Where possible, securing a charge over collateral security realisable on default
- Ensuring the organisation/ratepayer is financially stable and the ongoing cashflow is sufficient to service the loan.

Council may act as guarantor to financial institutions or individuals on loans or enter into incidental arrangements for organisations, clubs or trusts, when the purposes of the loan are in line with Council's strategic objectives.

Investment policy

Council generally holds investments for strategic reasons, including retaining a local banking facility on-island or where there is some other community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective.

Whilst acknowledging the financial constraints Council operates under, it is desirable to build financial resilience by directed excess funds into an investment account. Therefore, in years where the operating cash balance exceeds $200 thousand, any unearmarked funds should be transferred to an investment account. The purpose of this investment account is to assist with enhancing Council's capability to be more financially resilient.

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.

In its financial investment activity, only approved creditworthy counterparties are acceptable. Council's primary objective when investing is to ensure the continuance of a trading bank on the Islands and therefore, surplus funds will be utilised to repay borrowings and any surplus cash will be invested with the ANZ Bank or other on-island agencies at the best available negotiated rate. Investments held with ANZ bank will mature in less than three months and are held for working capital purposes.

Council will act effectively and appropriately to:

- Protect council's investments by only transacting with counterparties and instruments that are detailed in this policy to ensure investments are risk averse and secure
- Ensure investments benefit council's ratepayers
- Maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements.

Acquisition of new investments

With the exception of approved financial investments, new investments are acquired if an opportunity arises and approval is given by the appropriate Council committee, based on advice and recommendations from Council

officers. Before approving any new investments, Council must give due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment. The authority to acquire financial investments is delegated to the Chief Executive.

Disposal of investments

Council may elect to dispose of investments or other financial assets that no longer meet our investment objectives. Proceeds from the sale of these investments will be utilised to repay borrowings in the first instance.

Investment mix

Council may maintain investments in the following assets from time to time:

- Equity investments, including investments held in Council controlled organisations and other shareholdings
- Property investments incorporating land, buildings, a portfolio of ground leases and land held for development
- Forestry investments
- Financial investments
- Other investments approved by Council.

Financial investments

Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due.

Council prudently manages liquid financial investments as follows:

- Any liquid investments must be restricted to a term of no more than 91 days and must be with an approved counterparty
- Interest income from financial investments is credited to general funds, except for income from investments for other funds where interest may be credited to the fund.

Monitoring and reporting

Investments and associated risks are monitored and managed, and regularly reported to Council by the chief executive, who is also responsible for recommending investment strategies to the Council. Council will receive a quarterly statement of investment balances and interest rates, and income received compared to budget.

Risk management

The definition and recognition of interest rate, liquidity, funding, investment, counterparty credit, market, operational and legal risk of council as detailed below applies to both the Liability Management Policy and Investment Policy.

Credit risk exposure

Dealing in interest rate products must be limited to financial instruments approved by Council. For cash management, investments and borrowing, approved instruments include: bank overdraft, cash advance (for short term and long-term loan facilities), call deposits, short-term bank deposits and borrowing through the Local Government Funding Agency.

Any other financial instrument must be specifically approved by Council on a case by case basis, and only be applied to the one single transaction being approved.

There is no minimum credit rating requirements imposed by the Council on its lenders, nor is there any limit on the level of borrowing to which the Council may commit from any one lender.

Liquidity risk management

Liquidity risk management focuses on the ability to access committed funding at a future time to fund gaps. Funding risk management centres on the ability to refinance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and maturity terms of

existing loans and facilities. The Council minimises its liquidity risk by timing expenditure payments to match expected cash inflows from its revenue sources or investments maturing, where there is an expected cash shortfall, Council will utilise an overdraft facility to manage the cashflow difference.

Interest rate risk management

Interest rate risk is the risk that funding costs or investment returns (due to adverse movements in market interest rates) will materially exceed or fall short of projections included in the Long-Term Plan or Annual Plan, so as to adversely impact revenue projections, cost control, and capital investment decisions/returns and feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements by fixing investment returns or funding costs. Certainty around funding costs is to be achieved through proactive management of underlying interest rate exposures.

To manage debt and borrowings, a fixed interest rate is preferred. However, floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months

Council manages short term cash investment risk ensuring availability and access to financial investments held. In order to manage short-term cash risk, financial investments are required to have a term to maturity of less than 91 days.

Foreign currency, forward rate agreements, future markets and options are not normally used, except with specific approval by the Council. Interest rate swaps are not to be used.

Development or Financial Contributions Policy

What's changed to the policy in the last Long-Term Plan?

No significant updates or changes have been made to that in the last Long-Term Plan.

Council does not expect to have any capital expenditure in this Long-Term Plan that will be funded by development contributions or financial contributions.

Council does have the power to collect financial contributions as per the Chatham Islands Resource Management Document, specifically a financial contribution, in the form of money, land, or any combination thereof, may be required as a condition of any resource consent granted.

A financial contribution shall be received for the purposes of:

- Restoring, at the same location or near any natural or physical resources which suffer damage or loss because of an activity; or
- Ensuring that there are positive effects on the environment, at the same or any other location in the region, to offset any adverse effects of an activity on natural or physical resources.

The financial contribution shall be determined as follows:

- Where the environment can be restored, the financial contribution shall be limited to the costs of measures of restoration undertaken or expected to be undertaken
- Where the environment cannot be restored, the financial contribution shall be limited to an amount calculated by the consent authority as if the environment could be restored to a pre-activity state. In this situation, the contribution shall be used for the purpose of environmental enhancement or maintenance on the Chatham Islands

A financial contribution shall not exceed the construction cost of the project for which the resource consent is granted.

Significance and Engagement Policy

What's changed to the policy in the last Long-Term Plan?

No significant changes have been made to the last Long-Term Plan.

Decisions made by Council affect the residents and ratepayers of the Chatham Islands. Therefore, for every decision Council makes, we need to determine how important, or significant, it is to our community. We consider several factors, including who is affected by or interested in the decision, how the decision may impact levels of service, and what the costs will be.

These factors help us to work out how to engage with our community, i.e., whether to involve the community in making the decision, ask for community feedback on the decision, or simply tell the community what is happening. The way we engage is often set by legislation, and there are many steps to follow. This policy guides how we determine the significance of a decision and how we engage the community based on that level of significance.

The objectives of this policy are to:

- Establish a general approach and process when making decisions, to ensure consistency when determining significance;
- Identify the extent and type of public engagement required before a decision is made;
- Build positive relationships with stakeholders and the wider community – including Moriori and Māori, encouraging co-operation, respect and mutual understanding of other points of view.

Determining significance

Criteria	Threshold	Considerations
Financial impacts	Incurs net debt as a percentage of equity of more than 10%.	The financial cost of the decision, in the short term, medium term and long term The extent of the impact on debt The impacts on Council's capacity/ capability to meet legislative requirements
Level of public interest	Generates considerable interest or community views are extremely divided	The potential for the issue to generate interest or controversy The extent to which community opinion is divided on the matter
Effect on the ratepayers	Ratepayers have a notable change in the value of rates set against properties	The extent of the financial impact on rates
Effect on individuals or communities	Specific demographics are drastically impacted.	The proportion of individuals or groups within the community that are affected and the extent they are impacted The level of impact on our community outcomes and strategic priorities
Levels of Service	The change in level of service will be major and long-term.	The long-term social, economic, environmental and cultural impacts of the proposal/decision on the needs of current and future generations The opportunity costs, assessed level of risk and ability to reverse any effects of the decision

Significance will be determined in the early stages of a proposal before decision making occurs. If it becomes necessary to do so, the significance of a proposal may be re-assessed.

In determining a proposal's degree of significance, Council will be guided by:

- Historic levels of community impact or interest in the proposal
- How much a decision or action promotes community outcomes or other Council priorities
- The likely impact on Moriori and Māori and their culture and traditions with their ancestral land, water, valued flora and fauna; and
- Whether the decision is consistent with previous Council decisions
- The extent and degree to which consequences of a decision are irreversible.

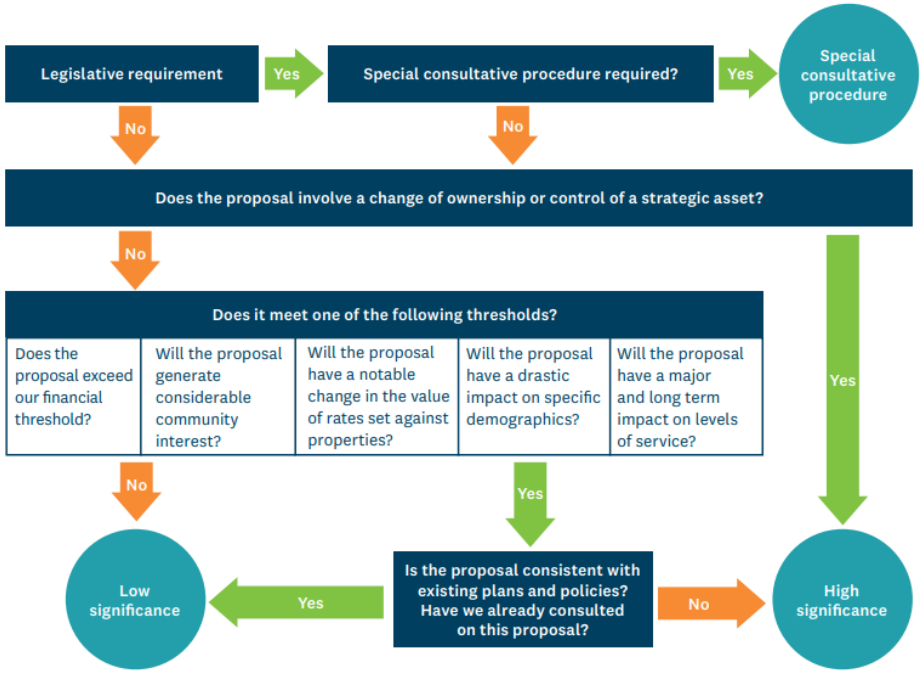
Matters of significance

A decision will be considered significant by Council if one of the following applies:

- It involves the transfer of the ownership or control of a strategic asset to or from Council; or
- It is a legislative requirement
- It is inconsistent with Council's plans or policies that have been previously consulted on and meets one of the following thresholds:

The higher the level of impact assessed as part of the considerations, the higher the need for greater engagement within our community.

Determining level of engagement



Once the level of significance has been assessed, the corresponding level of engagement will be used:

Level of significance	Level of engagement
High	Collaborative: Working together with key stakeholders (such as the Department of Internal Affairs, imi and iwi) to develop understanding of all issues and interests to work out alternatives and identify preferred solutions.
Medium	Consultative: Two-way communications designed to obtain public feedback about ideas on rationale, alternatives and proposals to inform decision-making.
Low	Informative: One-way communication providing balanced and objective information to assist understanding about something that is going to happen or has happened.

Strategic assets

Strategic assets are defined as 'an asset or group of assets that the local authority needs to retain to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future wellbeing of the community'.

Council considers the following to be strategic assets:

- Our infrastructural assets, including: the roading network, the drinking water supply network, the wastewater network, our landfills and transfer stations
- Our open space network, including parks, walkways and sports fields
- Our community buildings and housing and
- Kaingaroa and Owenga wharfs and our inner harbours

Principles for engagement

Council seeks to inform communities about decisions that affect them, provide an opportunity for meaningful community input into decisions, and promote a sense of ownership of its decisions. Council will do this by upholding the following principles:

1. We conduct our business in an open, transparent, democratically accountable manner
2. We maintain awareness of, and have regard to all community views
3. At the beginning of a decision-making process, we consider what matters are significant, and the level of engagement required.
4. We provide opportunities for Moriori and Māori to contribute to our decision-making processes.

Engaging with Moriori and Māori

When engaging with Moriori and Māori, Council will:

- Acknowledge the unique perspective of Moriori and Māori and recognise that Moriori and Māori are more than an interest group or stakeholder;
- Provide opportunities and capacity for Moriori and Māori to hui and contribute to its decision making processes;
- Ensure existing general and project-specific relationship processes between Council and Moriori and Māori will, where working well, remain as a starting point for engagement;
- Recognise and empower existing formal relationships (i.e. MOUs) with imi and iwi; and
- Fulfil our obligations under the Treaty settlement legislation and agreements.

When council may choose not to engage

There are times when Council may not consult the community including, but not limited to:

- Operational matters that do not reduce a level of service
- Emergency management activities
- Those decisions made by delegation to Council staff
- Commercially sensitive decisions (e.g. awarding contracts)
- Decisions made to manage an urgent issue
- Decisions where action is necessary, for example to comply with the law; protect life, health, or amenity and infrastructure; prevent serious damage to property or avoid, remedy, or mitigate an adverse effect on the environment.

Working in partnership with Moriori and Māori

What's changed to the policy in the last Long-Term Plan?

No significant changes have been made to the last Long-Term Plan.

The Council recognises the special position of t'chakat henu and tāngata whenua within our community and acknowledges the important role Moriori and Māori play in our decision-making processes. Council seeks to recognise the principles of Te Tiriti o Waitangi/Treaty of Waitangi within its decision-making processes.

Council is committed to take steps to strengthen the capacity of Moriori and Māori to contribute to the decision-making processes of the Council, with the following strategies:

- Establish and maintain processes to provide opportunities for Moriori and Māori to contribute to the decision-making processes of the local authority;
- Consider ways in which it may foster the development of Moriori and Māori capacity to contribute to the decision-making processes of the local authority; and
- Consult with Moriori and Māori where, in the course of the decision-making process a significant decision relates to land or a body of water, the Council must take into account the relationship of Moriori and Māori and their culture and traditions with their ancestral land, water, sites, sacred places/wāhi t'chap/wāhi tapu, valued flora and fauna, and other treasures/ miheke/taonga.

Recognition of tikane Moriori and tikanga Māori

Within the Chatham Islands territory, we acknowledge Moriori as t'chakat henu and Māori as tangata whenua, both identities representing and acknowledging the people of the land.

The Council acknowledges that differences may arise when engaging with tikane Moriori and tikanga Māori in their values, beliefs and traditions. Council will seek to resolve these differences by enabling participation that promotes:

- Greater understanding of expectations and aspirations
- Finding common outcomes
- Increased opportunities to establish shared projects and joint ventures, supporting Moriori and Māori expectations and aspirations to promote the well-being of Moriori, Māori and the wider community
- Ensuring more efficient and effective use of Council, Moriori and Māori resources,
- Improved processes based on an understanding of one another's priorities, expectations and available resources.

Council is committed to building relationships with Moriori and Māori. Effective and meaningful engagement will enable the Council to meet our responsibilities, recognise Te Tiriti o Waitangi/Treaty of Waitangi and result in more informed decision-making.

Resource management

For resource management matters, the Council is considering opportunities for imi, iwi and Council to work together under the Resource Management Act 1991.

Other processes or mechanisms that will contribute to Moriori and Māori input in resource management include:

- Providing opportunities for Moriori and Māori to hui and participate in the review of Council's Resource Management Document,
- Implementing statutory provisions prescribed within Treaty Claims Settlement Acts.

The relationship between Moriori, Māori and Council's regulatory functions relating to protecting the environment requires information-sharing and appropriate dissemination. The wider relationship building process will also seek to align Moriori and Māori social and development stewardship or t'chiekitanga /kaitiakitanga outcomes so there are clearer opportunities and efficiencies when providing for well-being/mouri ora of Moriori and Māori within our islands.

Council's Significance and Engagement Policy

This policy sets out what the community, including Moriori and Māori, can expect from Council regarding consultation and ways they can influence and participate in Council's decision-making processes.

Council acknowledges the unique perspective of Moriori and Māori. When Council are considering a significant decision, it will consider the likely impact on imi and iwi.

Building capacity

Chatham Islands Council will work with Moriori, Māori and others to investigate how the Council may foster development of Moriori and Māori capacity to contribute to the decision-making processes of Chatham Islands Council.

Related to this process is the need for the Council to gain a clear understanding, through hui and ongoing relationships, of Moriori and Māori expectations and to agree and commit to practicable steps to building Moriori and Māori capacity.

Chatham Islands Council recognises the need to invest in education programmes for elected members and staff to provide for the development of Moriori and Māori values and traditions and gain an appreciation of these needs and expectations in relation to the Local Government Act 2002 and Resource Management Act 1991.

Formalised arrangements, such as memoranda of understanding and agreed consultative processes under the Local Government Act 2002, will need to be agreed upon.

Memorandum of Understanding

Memoranda of Understanding are principle-based documents that seek to build and maintain relationships and enable input into Council processes where applicable. These documents are becoming increasingly important as Council seeks closer and more meaningful working relationships with Moriori and Māori, along with striving for effective consultation and engagement on a wide range of issues affecting Moriori and Māori areas of interest, and shared projects for shared outcomes.

The Council will seek to develop a formalised Memorandum of Understanding with imi and iwi along with other strategies considered relevant to building relationships.

The Council is committed to encouraging and developing further relationships at both the governance and operational levels. The Council will also participatin co-governance models where they arise under Treaty Settlement legislation.

Statement of fees and charges 2024/25

Activity	Fee Type	Description	2023/24	2024/25
Building Consents*	Building Consents Fees	External service provider, a deposit is required based on the estimated Building Consent application charges.	Costs outlined here.	
Resource Consents*	Land Information Memorandums (LIM's)		$265	$275
	Urgent LIM's		$381	$396
	Project Information Memorandum (PIM's)	Single residential	$455	$473
		All other buildings	$546	$567
Land Use Consents*	Notified Consent		$2,000 deposit	
	Charge out rates	Recovery of actual planner costs charged to Council	An administration fee charged at cost	
	Non Notified Consents		$544	$565
	Controlled Activity Consents		$817	$848
Subdivision Consents*	Non Notified – Boundary Adjustments		$696	$723
	Non Notified – 2 lots or less		$788	$818
	Non Notified – 3 to 5 lots		$1,816	$1,886
	S 223 Certificate		$363	$377
	S 224 Certificate		$363	$377
	S 226 Certificate		$484	$503
	S 139 Certificate of Compliance		$574	$596
** Further costs may be charged in recovery of actual consultancy costs incurred*				

Activity	Fee Type	Description	2023/24	2024/25
Liquor Licensing	Club License	To comply with the Sale and Supply of Alcohol Act 2012	https://www.justice.govt.nz/justice-sector-policy/key-initiatives/sale-and-supply-of-alcohol/licensing/	
	On Licence			
	Off Licence			
	Managers Certificate			
	Annual Fees			
	Special Licence			
Food licencing fees	New Registration		https://wellington.govt.nz/services/consents-and-licences/selling-food/food-safety-fees	
	Inspection Fee			
	Food control plan registration fee (annually)			
	National programme registration fee (biennial)			
Animal Control	Dog registration		$72	$75
	Dog registration – Early		$46	$48
	Replacement dog tag	To replace lost dog tag or as an administration fee for dog transfer from other Councils	$5	$5
	Fines under Dog Control Act 1996	Vary per offence, (Per Sch. 1 of the Dog Control Act)	From $100 up to $750	
	Impounding Fees		$122	$127
Cemetery	Sexton Fees		At cost plus 10%	At cost plus 10%
	Burial plot purchase		$644	$669
	Cremation plot purchase		$349	$362
Community Housing	Rentals – 3 Bedroom	Per week (effective from 1 January)	$150	$156
	Rentals – 2 Bedroom	Per week (effective from 1 January)	$120	$125
Staff Housing	Rental – 3 bedrooms	Per week (effective from 1 January)	$188	$195

Activity	Fee Type	Description	2023/24	2024/25
Coasts, Harbours & Navigation	Swing Mooring Fees – Registration and Transfer	Per year	$89	$92
	Waitangi	Per year	$3,630	$3,770
	Owenga	Per year	$3,025	$3,141
	Kaingaroa	Per year	$2,418	$2,511
	Port Hutt	Per year	$2,418	$2,511
	Flower Pot	Per year	$607	$630
	Permission of Harbourmaster – Oil Tanker		$122	$127
	Application for Exemption		$73	$76
	Application for Suspension		$303	$315
	Application for Reservation		$303	$315
	Cruise ship fee	Per visit	$44 per passenger	$44 per passenger
Administration Requests	Information Requests	Staff time	$44 per half hour or part thereof	$46 per half hour or part thereof
	Printed Council agenda		$5 per copy	
	Photocopying	With own paper	10 cents per copy	
		With CIC paper	20 cents per copy	
		With CIC coloured paper	50 cents per copy	
		With CIC card	50 cents per copy	
		Colour printing (with CIC paper)	From $2.50 per copy	
		Double sided photocopies	30 cents per copy	
	Laminating	Per page	$3	$3
	Stationery	A4 paper per ream (white)	$17	$18
		A4 paper per ream (coloured)	$20	$21
		Envelopes – plain	65 cents per envelope	
		Envelopes – plain with postage	$1.40 per envelope	
		Large envelopes	$1.70 per envelope	
Library	Book rentals	Per book	Free	

Council dues

No change to Council dues. The current Special Order for the adoption of rates for Council dues was ratified by the Council to take effect from 25 November 1991.

Carriage by sea	**Quantity**	**2024/25 Fee**
Rock Lobster, Paua, Scallops and Oysters	Tonne	$200
Other fish meat and fish bait	Tonne	$18
Cooler goods (fruit, vege, etc.)	m^3	$5
General Cargo	m^3/Tonne*	$18
Diesel, Oil in bulk	1,000 litres	$24
Petrol/Avgas in bulk tanks	1,000 litres	$25
Petrol/Avgas in 200 litre drums	Drum	$5
Hazardous Goods	m^3/Tonne*	$18
Small vehicles (including small trailers, motorbikes, etc.)	m^3	$5
Large vehicles (including cars, boats, trailers, etc.)	m^3	$50
Timber	m^3	$12
Dry Bulk (cement, fertiliser, coal, animal feed)	m^3/Tonne*	$12
Wool and Moss	Bale	$12
Animals, large (cattle/horses)	Each	$5
Animals, small (sheep, pigs, dogs, fowls, goats)	Each	$1
Minimum freight		$24.30
**m3/Tonne - whichever is the greatest*		
Carriage by air	**Quantity**	**2024/25 Fee**
Rock Lobster, Paua, Scallops and Oysters	Tonne	$200
Other fish meat and fish bait	Tonne	$18
General Cargo	kg	$3.04
Minimum Freight		$17.50

All quoted figures include GST

Audit opinion

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader:

Independent Auditor's Report on Chatham Islands Council's 2024-34 Long-Term Plan

I am the Auditor-General's appointed auditor for Chatham Islands 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 Audit New Zealand. We completed our report on 27 June 2024.

Adverse opinion

In our opinion, because of the significance of the matter described in the basis for adverse opinion section of our report, the plan does not provide an effective basis for long-term integrated decision-making, or co-ordination of the Council's resources and accountability of the Council to the community. This is because information and assumptions underlying the forecast information in the plan are not supportable.

Basis of adverse opinion – Assumptions over funding, cost savings, and excluding investment in critical infrastructure assets

As outlined on pages 7 to 10, the Council is significantly reliant on funding from the New Zealand Government to remain financially sustainable. Funding is needed for both operating and capital expenditure. Also, the Council does not comply with some legislation relating to three waters, and funding constraints mean that this position is unlikely to change.

The Council has assumed that the Government will provide inflation adjusted funding totalling $5.5 million during years 2 to 10 of the plan and that the Council will find cost savings of $5.9 million (see page 57 and 58). In addition, the Council has assumed the NZ Transport Agency Waka Kotahi (NZTA) will provide $0.5 million more funding over the next three years of the plan than the indicative funding advice it received.

The Council does not have adequate evidence to support the funding to be provided by the Government, nor the cost savings it expects to generate. Grants and subsidies, and other expenditure outlined on page 63 are therefore materially misstated, and this effects other forecast financial and performance information, levels of service, and financial sustainability.

Further, the Council has excluded investment in critical infrastructure assets of $34.8 million to $50.4 million from its financial forecast because it is unable to secure the necessary funding. These include three waters assets, the wharf, and waste management facilities (see pages 8 to 10). The Council also expects the costs of meeting climate change impacts to be absorbed within its current financial forecast (see pages 61 to 62). There is therefore a high risk of asset failure and adverse public health and environmental outcomes over the next 10 years.

The effects of these unsupportable assumptions, and the excluded investments are pervasive and therefore warrants an adverse opinion on the plan.

Opinion – Disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014

In our opinion, the disclosures on pages 74 to 76 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 on which we have given an adverse 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.

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.

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.

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 Chatham Islands Council.

Yvonne Yang
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand