

Navigating a way forward

Consultation document for the proposed
Long-Term Plan 2024-34

Adopted for consultation 2 May 2024



chatham islands council

Our people, our Islands, our future



Feedback is open from 3 May 2024
This consultation document can be read alongside the supporting information. You can find this online at cic.govt.nz
Tell us what you think.

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About this consultation document

Every three years we turn to you, our residents and ratepayers, to give us your feedback on our proposed plan for the next ten years. Once approved, the proposals will make up our Long-Term Plan 2024-2034, which sets out our work and budget for the next decade.

We invite you to share your views by following the submission process outlined at the end of this document by 3 June 2024. Your feedback will help Council align our Long-Term Plan with what's important to you, our community.

The information in this consultation document is summarised from the supporting information. The supporting information is available online at cic.govt.nz

The Long-Term Plan 2024-2034 is expected to be adopted by Council, post-consultation in June 2024. It will then be available from the Council office and online at cic.govt.nz

Welcome from the Mayor and Chief Executive

Kioranga, kia ora, hello,

Thank you for taking the time to look at our consultation document for the proposed Long-Term Plan 2024-2034.

This consultation document provides a summary of the key issues affecting our community for the next 10 years. Councils need more funding than ever before to meet community 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 stretched. You will see on page 12 that Council's preferred option is to decrease expenditure on uncommitted projects, and increase rates over time.

We are proposing to increase rates by 6.65% in Year 1 (around \$116 extra on average), 6.35% in Year 2 and 6.35% in Year 3. We feel this will go some way to making an increase more affordable for our community.

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 will likely need to introduce a rates rise. Given the impact this will have, we need to hear from you before we confirm any future plans.

Our plan considers 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.

Our plan is to ask Central Government for additional funding, which would 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 have provided a summary of the issues in this document and describe the available options we must address, along with the implications of these choices. We invite you to read through the information provided and tell us what you think by 3 June 2024.

Me rongo, ngā mihi, 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

Chatham Island

is the largest Island and has an area of

90,000ha

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



Te Whanga lagoon covers

20,000ha

or about one fifth of Chatham Island

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

What we're asking you to consider

- How we manage our reliance on external funding
- How we meet future legislative requirements regarding three waters
- Our inability to invest in critical infrastructure
- A potential rates rise



How we manage our reliance on external funding

The Chatham Islands are small and unable to fund Council's activities without support from Central Government.

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

A comprehensive assessment has not been completed on the total additional costs required for Council to move towards being a compliant organisation over ten years.

However, as part of the transition to the Local Water Done Well plan, an assessment of additional capital investment costs and expected ongoing operational costs has been completed. Based on this assessment, Council would require an additional:

- \$19.3 million as a minimum investment to fund critical capital investment. This is detailed further on pages 10-11
- \$10.1 million at a minimum to support proactive maintenance expenditure and other technical support for our three water infrastructure and other additional support costs associated with the transition to the Local Water Done Well plan

- The cost estimates exclude any consequential operational expenditure associated with infrastructural asset additions, including depreciation and ongoing maintenance costs. The cost estimates also exclude any unanticipated future costs such as additional costs related to revised legislation and costs to repair infrastructure after asset failure
- Discussions have been held with various government organisations to investigate potential avenues of funding support available to Council to meet our compliance obligations, both in relation to the new three water regulation and other holistic levels of compliance, with no indication of success to date.

The options for Council are to:

Option 1

Council's preferred option

Advocate for additional funds from Central Government (which is not guaranteed). If extra funds were sourced, we would have a comparable level of service to that of mainland New Zealand.

or

Option 2

Advocate to reduce the work we need to do as part of the Chatham Islands Council Act 1995. This would mean levels of service will deteriorate over time compared to mainland New Zealand. Doing this could also have unintended consequences such as being unable to meet future legislative requirements, or a lack of resilience and ability to respond to climate change events.



Will Council be able to meet its statutory obligations?

Council is not currently compliant with a number of key areas of legislation, and the current level of funding is unlikely to change this position. Furthermore, without any additional funding, we will be unable to meet the requirements from any additional legislation that might be introduced.

How we meet future legislative requirements regarding water

Local Water Done Well

We have a number of assumptions in this space:

- 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.

There is a significant risk that funding will not be secured for this additional work and therefore, the options for Council are to:

Option 1

Council's preferred option

Not complete this work, and therefore not comply with current and future regulations.

or

Option 2

Advocate to reduce the work we need to do as part of the Chatham Islands Council Act 1995.

This would mean level of service will deteriorate over time and there is no ability to accommodate new development in Waitangi. Doing this could have unintended consequences such as asset failure, unsafe drinking water and adverse environmental outcomes.

Freshwater

- Current practices on the Chatham Islands in relation to farm and freshwater management are behind current practices on mainland New Zealand
- To meet current best practice standards, we will need to run a large community engagement project to educate and connect residents with applying better farm management practices
- Chatham Islands Council doesn't have sufficient funds or staff to prioritise this work. Therefore, we are unlikely to be able to achieve compliance with the freshwater policy within the required timeframes.

The options for Council are to:

Option 1

Council's preferred option

Identify areas of the freshwater policy we believe we are unable to comply with and seek approval from the Government to limit the application of the freshwater policy.

or

Option 2

Not comply with the freshwater policy.

Our inability to invest 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, or 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 to our infrastructure, over the next 10 years. We believe these are all necessary. However, they have been excluded from our financial forecast because we have been unable to secure funding to support the work.

Being able to do this work is important to us, and we will continue to advocate Central Government to secure funding.

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 deterioration and failure of assets, 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, \$0.9 million

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.

Three water infrastructure

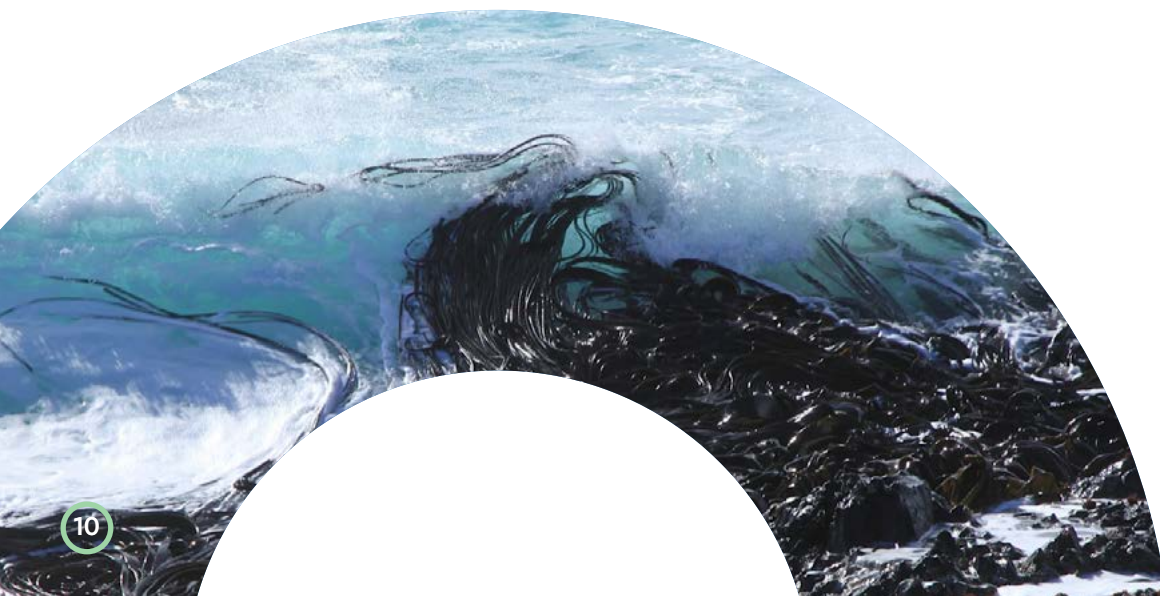
Council has a large number of desired projects that require funding. Our pressing priorities include:

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 receipt 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.



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

The reticulation network at Kaingaroo 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. 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, Kaingaroo 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. 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. Council proposes to construct a new purpose-built facility at a more suitable location in Waitangi.

Local Water Done Well

In December 2023, Central Government announced a new direction for water services – Local Water Done Well. The first step in February 2024 was to repeal the Three Waters legislation, which was set to transfer three water service delivery from councils to a small number of multi-regional entities. The next step is to provide a framework for councils to self-determine a financially sustainable service delivery arrangement for three waters. The outcome of this is unknown and so it has been assumed that the responsibility for managing three waters, including providing levels of service, collection of rates, and payment of operating and capital expenditure (including any associated debt repayment), will remain with Council.

A potential rates rise

Council has created a budget for the next 10 years. We've done this by adding inflation to our previous transactions and updated it to include committed work and grants income we expect to receive.

This places us at an average cash loss of \$500,000 each year of the Long-Term Plan, which is financially unsustainable. We need to do something about this.

The options for Council are to:

Option 1

Decrease our level of expenditure on uncommitted projects or identify areas of potential cost savings. We may not comply with important legislation and regulation. For a positive impact on our average annual cash movement, Council estimates a reduction in expenditure of at least \$200,000 will be required for the first year of the Long-Term Plan, with additional cost efficiencies to be found in the following years. Council will likely be required to use an overdraft facility on a temporary basis to cover any cash shortfall, including timing differences between receipts and payments.

or

Option 2

Increase our rates with no decrease in our level of expenditure. A 5% increase in rates will increase Council's total rate revenue by \$40,000.

or

Option 3

 Council's preferred option

Both decrease expenditure on uncommitted projects, and increase rates over time. This will go some way to making an increase more affordable for our community. How Council should increase rates is considered next.

Tell us what you think. Should we decrease our level of expenditure on uncommitted projects, increase our rates, or do a mixture of both?

See page 14 for sample properties that show this proposed increase.

As part of our rates review process, we compare what our community pays in rates on average with what other small councils in New Zealand pay on average. We do this so we can gauge whether our rates are reasonable and in line with what other councils are setting. Based on that review, it was considered that our rates were lower than other councils. In addition, given the cashflow challenges currently facing Council, a rates increase would be prudent.

While we always need to balance affordability with action, the options for Council are to:

Option 1

Lift the rate in one go to cover the funding shortfall increasing rates by 25.15% in Year 1 or \$732.51 extra on average to an inflationary increase, but making no further changes for Years 2 and 3.

or

Option 2

 Council's preferred option

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).

or

Option 3

Do not increase rates above levels of inflation. Inflationary movements are estimated as a 3.15% increase in Year 1, 2.85% in Year 2 and 2.85% in Year 3.

Tell us what you think. Should we lift the rates to cover the funding shortfall, lift the rates to be more in line with other councils over time or lift rates to cover inflation only?

We've heard from our community that the approach to setting our water targeted rates could be improved to more equitably allocate water rates to those who use the service. Further work will be required before a metered water rate could be applied in Waitangi, including confirming all connected properties have a water meter, identifying a practical billing mechanism, and considering charging for use of Waitangi community filling station. The network in Kaingaroa needs replacing (currently unfunded) before water meters could be installed.

The options for Council include:

Option 1

Council's preferred option

For Waitangi, move from a fixed charge based on number of connections to a fixed charge and metered charge model, so the charge is more equitably allocated to the users of these services. For Kaingaroa, move to the same model when water meters are installed.

or

Option 2

No change to the current approach.





Before we do more work, we want to know; should we introduce water metering in the future, or keep the status quo?





For all of these topics, Council will determine whether any increase is affordable to the community, but you can tell us too, as part of your feedback.



Sample properties

Our potential rate increases for a selection of our rating properties have been calculated using Council’s preferred rating increase of 6.65%. This provides for a greater rating increase over time, allowing Council to become more financially sustainable over time and provide greater comparability in rate contributions with other councils.

| SAMPLE PROPERTY 2024/25 | District Capital Value in Property | General rate | Targeted rate | Total rate | Movement in total |
|--|---|---------------------|----------------------|-------------------|--------------------------|
|  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 |

| SAMPLE PROPERTY 2023/24 | District Capital Value in Property | General rate | Targeted rate | Total rate |
|--|---|---------------------|----------------------|-------------------|
|  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 |

Our asset and finance strategies

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 by commencing projects only when they are fully funded. Such an approach may defer projects, which could result in a higher risk of asset failure
- Focusing on maintaining core services and infrastructure as cost-effectively and efficiently as possible
- 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.



Statement concerning the balanced budget

If Council's preferred option is progressed, Council is forecasting for total revenue to exceed total expenditure in all years of the Long-Term Plan.

A portion of the grant revenue recognised is used to fund capital roading works. As Council is unable to fund depreciation or otherwise independently fund capital works, the unfunded portion of these capital projects has had a deteriorating impact on our cash balance, which Council is proposing to address by both reducing expenditure and increasing rates. Timing of when grants are received mean Council's cash balance may fluctuate between a positive and overdraft balance during a year, but Council expects to be temporarily in overdraft at year end for most years of the Long-Term Plan.

As the nature of the overdraft is temporary and Council is expecting to achieve a surplus in each year of the Long-Term Plan, Council considers the balanced budget assumption has been met.

The Government has agreed to provide ongoing operational support to the Chatham Islands Council, with funding support levels considered periodically. The next funding review is expected to occur in the 2024/25 financial year, which will determine whether Council remains in its current financial situation.

Our revenue and financing

To ensure our finances are managed prudently, the following guiding principles have been applied:

- Funding sources will be at a level to cover our net funding requirements. If funding is insufficient, planned expenditure will be reduced
- Our primary revenue source will be from 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 is not proposing to significantly change the way operating and capital expenditure requirements are funded, with the exception of looking to include water metering charges in the future.

Government and other grants

Council is reliant on external funding from the Government to support our projects, with approximately 88% of operating and capital funding sources provided from grants.

The level of support provided through the Crown's appropriation is unconfirmed, and is currently determined annually in May. The projected level of support is based on the prior year's annual appropriation, with an inflationary adjustment applied. The annual appropriation for the 2024/25 financial year is estimated to be \$4.3 million and is subject to a high level of uncertainty. Council will update the financial forecast in May, including the consideration of any further financial implications.

Operating in an environment where key funding streams are unconfirmed remains challenging, especially given the current arrangements are insufficient to assist Council with debt repayment, limiting Council's ability to construct assets.

Council plan to work with the Government to advocate for additional funding to support development of infrastructure on the Island and to improve the level of service. Such an approach requires time to achieve and may result in desired improvements being delayed.

Rates and council dues

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.

Due to the small rating base, a movement in rate receipts will not significantly influence overall funding.

Our general approach to increasing rates is to increase prior years figures by the same average inflation rate applied to expenditure. However, Council may determine to apply a different adjustment factor if it considers that the average community rating contribution is below what other small councils pay on average. Council expects any average annual increase will not exceed 15%, and therefore is proposing to set this as the average annual rate increase limit. Council is proposing to increase rates by 6.65% in 2024/25 and therefore the rates increase will comply with this limit.

This rate limit is a change from the last Long-Term Plan, which limited rates increases for general rates to the inflationary movement plus 2%.

Rate penalty dates

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

| | 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.

Rate remissions

If you think you may have difficulty paying your rates, you might qualify for a rates remission or postponement.

A rates remission or postponement allows Council, at its discretion and in certain circumstances, to modify the rates liability on particular rating units. Specific areas where rates exemptions or postponements may apply include:

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

Borrowing

Borrowing is not generally used to fund operating or capital expenditure, because Council is unable to afford the cost of the debt repayment. Given Council's inability to enter into a long-term debt arrangement, the Council's long-term borrowing limits are set at 0%, unless there is a funding arrangement in place to support the repayment.

Council receives an operational support grant in July annually, allowing for proportioning of the grant into term investments, which will become available during the year. Timing fluctuations with income receipts and payments mean 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. As the nature of the overdraft is temporary and Council expects an influx of cash in July, the borrowing limit is not applied to any cash overdraft.

Council's borrowing limit is a change from the last Long-Term Plan, where borrowing limits were set at 10% of total equity.

Renewals and depreciation

Council does not recover the cost of future renewals work through depreciation. It is common practice to plan and fund future renewal work by rating to cover the cost of depreciation. Council does not have the rating base to support such activity, nor does the annual Crown contribution cover the cost of depreciation. Future renewals require separate funding support from the Government or Council is unable to fund the renewal.

We have insufficient reserves to cover our desired infrastructural renewals programme. Over the course of the ten-year period, we are investing a greater amount in our infrastructure than is recognised as its value is in use (depreciation).

Other considerations

Climate change

Council is committed to taking a collaborative approach to addressing any identified local causes and impacts of climate change. We hope that our community remains buoyant in response to any climate changes. Costs of meeting our climate change obligations are expected to be absorbed into our current financial projections.

Resilience of infrastructure related to natural hazards

Council has insurance cover for natural disasters, but not all costs would be covered. If infrastructure is damaged, roading repair work will fall under the NZTA Waka Kotahi road works 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 Mayors Relief Fund. If necessary, an application will be made for Government assistance. Privately owned assets, such as wharves, will be repaired at the owner's expense.

Funding uncertainties with capital works

Our roading assets are substantially co-funded by NZ Transport Agency Waka Kotahi (NZTA), at an assistance rate of 88% of total value of expenditure or \$14.66 million over three years. The agency sets guidance for work which is eligible for funding assistance, and this is set out in the National Land Transport Programme.

NZTA is currently evaluating our funding application for the 2024-27 National Land Transport Fund. The 2024-27 application is for \$15.15 million of maintenance, operations and renewals funding, \$21,900 of road safety promotion funding, and \$1.49 million of local road improvement funding. Funding certainty of the majority of the application is reasonably certain. However, the local roading improvement works (estimated at \$3.9 million over the next 10-years) are subject to a higher amount of uncertainty due to these being considered either additions or improvements to existing assets, such as a loading ramp at Owenga, or seal extensions.

The outcome of the initial maintenance, operation and renewals, and road safety promotion funding applications will be known in May 2024, and the local roading improvements outcome in June 2024.

Proposed capital work

Our financial forecast is based on best estimates of expenditure and funding. A decrease in funding from NZTA will result in a corresponding decrease in roading expenditure.

We are currently only able to commit to completing roading and transport renewal and maintenance work. This is largely subsidised by NZ Transport Agency Waka Kotahi.

Highlights over the next three years include:

Bridges

Currently Council operates on an approximately three-yearly cycle of replacing older bridges with new structures or large culverts, as appropriate.

The preference for installing large culverts is to lower the long-term maintenance requirements, which reduces the future cost burden on Council.

The current level of service provided by our bridges is high, with only two structures remaining on Chatham Island and a further three on Pitt Island that have posted weight restrictions.

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.

Sealed roads

Under the current maintenance strategy, sealed road strengthening and repairs are completed once over the course of a three-year National Land Transport Programme investment period. This strategy reduces the cost of sending equipment and resources to the Islands and has allowed an additional quantity of sealed road to be strengthened and repaired for a similar budget spend than in the past.

There have been three cycles using this approach, in which 8.3km of sealed road has been strengthened, since 2017. The next year of scheduled sealed road strengthening is in 2025/26.

This approach has reduced the annual ongoing maintenance costs and significantly improved the condition and level of service of the sealed portion of the roading network.

Unsealed road network

In each three-year National Land Transport Programme investment period, there will be two years of unsealed repairs, one each side of the sealed repair 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 road damage is repaired to ensure the driving quality is adequate.

To achieve the 25-30 year renewal timeframe, Council targets 3.8km of unsealed roading rehabilitation each year that unsealed road renewals are done. Adjustments are made to this as funding levels change.

A continual programme of quality unsealed repairs will improve the quality and lifespan of the road on the unsealed network. Renewed roads have a higher resilience to potholing through the consolidation of the roading material, and shape correction which ensures adequate surface drainage.

This improves the smoothness of the roads in the long-term, providing better value for users, reducing the maintenance burden on vehicles, and improving safety.

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 roads 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 visibly near failure, and some culverts are renewed in conjunction with roading renewals occurring, so they don't disturb the integrity of the new road 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 road surface, contributing to improved road surfaces for users 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.



Auditor's report

To the reader

Independent auditor's report on Chatham Islands Council's consultation document for its proposed 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 to prepare a consultation document when developing its long-term plan. Section 93C of the Act sets out the content requirements of the consultation document and requires an audit on the consultation document. I carried out this audit using the staff and resources of Audit New Zealand. We completed our audit on 2 May 2024.

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis of qualified opinion section of our report:

- the consultation document provides an effective basis for public participation in the council's decisions about the proposed content of its 2024-34 long-term plan, because it:
 - fairly represents the matters proposed for inclusion in the long-term plan; and
 - identifies and explains the main issues and choices facing the council, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

Basis of qualified opinion

Unreasonable assumptions over Government support and cost savings

In the financial forecast, the Council assumes that during the 10-year period of the Long-Term Plan:

- Government support will be based on the 2023/24 appropriation plus an annual inflationary adjustment totalling \$7.0 million; and
- it will find cost savings of \$1.8 million.

We do not consider these assumptions reasonable because:

- the amount of Government support has not yet been confirmed and there is no history of support being annually adjusted for inflation (see page 16); and
- the Council has not identified where additional cost savings can be made (see page 12).

To the extent that the Council does not get the assumed level of Government support or find cost savings, there could be an impact on future debt levels, service levels or rates rises.

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 Chatham Islands Council has to support the information and disclosures in the consultation document. To select appropriate procedures, we assessed the risk of material misstatement and Chatham Islands Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

Emphasis of Matter – Risks associated with funding constraints

Without further modifying our opinion, we draw attention to the risks that the Council faces, as a consequence of its funding constraints:

- Pages 6 to 8 outline that Council’s current levels of funding will not allow it to comply with water related legislative requirements. There is a risk that three waters assets will lack resilience, services will deteriorate, and farm and freshwater management will remain behind current best practice.
- Pages 9 to 11 outline that without additional Government funding the Council cannot invest in infrastructure assets, including three waters assets, the wharf, and waste management facilities. There is a high risk of asset failure and adverse public health and environmental outcomes over the next 10 years.
- Page 17 outlines that the Council expects the costs of meeting climate change impacts will be absorbed into its current financial forecast. There is a risk the Council will not be able to respond to climate change impacts and natural hazards.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan, whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the council needs to be able to prepare a consultation document and long-term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

We are responsible for reporting on the consultation document, as required by section 93C of the Act. We do not express an opinion on the merits of any policy content of the consultation document.

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; and
- 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

Make a submission

What is a Long-Term Plan?

Under the Local Government Act 2002, a council's Long-Term Plan is a required document that forms a key part of any council's commitment to its community. It details the outcomes that council aims to deliver, the activities, and costs over a ten-year period.

Long-Term Plans are 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. The activity is reviewed in intervening years through the Annual Plan process.

Anyone can make a submission – wherever you live, whatever your age, whether you pay rates or not. Make sure your voice is heard.

Long-Term Plan 2024-34 timeline

- Consultation opens Friday 3 May 2024
- Consultation closes Monday 3 June 2024
- Hearings and deliberations Tuesday 11 June 2024
- Adoption of final plan Wednesday 24 June 2024
- Long-Term Plan comes into effect 1 July 2024.

Following the close of consultation, if you have indicated in your submission that you would like to speak to Council about your views, you will be contacted to arrange a time to attend the hearing.

Format

You can submit your views in the following ways:

- **By email** to info@chathamislands.govt.nz – please ensure you use 'LTP SUBMISSION' as your email subject and that your name and address are included. If you wish to attend a hearing, please indicate this in your email.
- **Hard copy** – record your views and return by post, or in person, to an address below. Please ensure your letter includes your name and address.

Publishing of submissions

We are not able to accept your submission without a name and address.

You are, however, able to indicate in your submission if you do not wish your name to be made public. All submissions are public documents and copies and/or a summary will be published on our website and are subject to requests under the Local Government Official Information and Meetings Act 1987.

Address for hard copy submissions:

Chatham Islands Council
PO Box 24
Waitangi
Chatham Islands 8942

or

Chatham Islands Council
13 Waitangi Tuku Road
Waitangi

The organisation

Council

Mayor

Monique Croon

Deputy Mayor

Keri Day

Councillors

Greg Horler

Steve Joyce

Nigel Ryan

Graeme Hoare

Amanda Seymour

Celine Gregory-Hunt

Judy Kamo

Council Staff

Chief Executive

Paul Eagle

paul.eagle@chathamislands.govt.nz

Operations Manager

Colette Peni

Colette.peni@chathamislands.govt.nz

Engineers

Stantec Ltd (Christchurch) (formerly
Stantec New Zealand Ltd)

Nigel Lister, Rebecca Tinga, Bryan
Peters

Roads and bridges

Kristen Norquay, Andrew Wong

Water and wastewater

Phil Landmark

Waste management and minimisation

Contractors

Environment Canterbury

Fulton Hogan Ltd

Resource management

Beca Ltd

Solicitors

Wynn Williams

Bankers

ANZ (Waitangi – Chatham Islands)

Auditors

Audit New Zealand

(on behalf of the Auditor-General)



Contact us

P (03) 3050 033 | (03) 3050 034

E info@chathamislands.govt.nz

Chatham Islands Council

PO Box 24, Tuku Road, Waitangi, Chatham Islands 8942

cic.govt.nz

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chatham islands council