

MŌ TE  
ĀPŌPŌ  
VOTE  
22



# RĪPOATA I MUA I TE PŌTITANGA

## PRE-ELECTION REPORT

2022



## Ngā Kaupapa • Contents

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## He kōrero nā te kaiwhakahaere matua • Message from the Chief Executive Officer

### Kia ora koutou

This Pre-Election Report is to enable candidates in the local government elections in October to gain a common picture of the issues facing the Far North District Council in the next three years. The Local Government Act 2002 (LGA) requires the Chief Executive to prepare this report independently of the Mayor, Councillors and Community Boards.

Contents include a summary of our forecast financial position, forecast levels of rates, and what we intend to focus on for the next triennium in pursuit of a District that is resilient, attractive to live, work and play in, and viable for future generations.

Our 2022 elections have key changes including a new voting method and establishment of a Māori ward, Ngā Tai o Tokerau Ward, with four Māori councillors. This will give 10 Councillors with a new Mayor elected “at large”.

The key theme is delivery, regardless of central government reform that affects what Council may or may not be responsible for after July 2024. The three-waters activities, which have a combined cost more than roading, are proposed by Government to be absorbed into a new centralised entity including Auckland. Between now and that potential new entity starting, Council must progress renewal of discharge consents that comply with new standards, provide robust Asset Management Plans enabling growth and compliance, and ensure stringent drinking water requirements are met, keeping in mind growth pressures and limited ratepayers. Reform of the Resource Management Act, which manages and regulates land use, is also in legislative review; but we must update our District Plan at the same time. There is also a review of road funding by Waka Kotahi, of which any change to our three-year funding allocation will have a significant impact on rates and maintenance due to our roading network length.

While this reform continues to be driven by central government, my focus is on something we know we can achieve: enabling community wellbeing through improved core infrastructure and service delivery.

We have a backlog of roading, water and wastewater work that must be dealt with regardless of reform programmes. We are now in the second year of our 2021-31 Long Term Plan, and we are behind on delivery. This is partly due to global events, which have caused supply chain delays and increased costs.

Compliance, future capacity, and quality assets is the goal, but there is no doubt the price tag will be higher. Financial prudence is critical to our success. We are looking closely at funding arrangements to make best use of every dollar of revenue and show how our actions in service delivery are optimal in terms of time, cost and quality.

Providing resilience is also something I am prioritising. I want our community to be confident we are adapting to global issues such as Covid, extreme weather events, reducing carbon emissions and mitigating negative impacts on our land, water and people, by including these considerations within our project assessments.

Thank you for your interest in helping Far North District Council deliver services that have the appropriate balance between the four statutory economic, cultural, environmental and social outcomes. I encourage you to get more detail from our Long Term Plan, Annual Plan, and Annual Report, all available on our website: [www.fndc.govt.nz](http://www.fndc.govt.nz).

Ngā mihi.

**Blair King**  
Chief Executive Officer

## Mō tēnei rīpoata • About this report

The LGA requires the Chief Executive of each Council in New Zealand to prepare a PER in the lead up to local elections. The next election will conclude on 8 October this year.

***Pre-election reports make it easier for people to vote for candidates whose priorities align with their own.***

The PER helps us to demonstrate our performance over the last three years, share plans for the next three years and discuss issues facing our District. It is hoped that better engaged communities will impact on voter participation in local elections.

This Pre-Election Report provides candidates and voters with information about the opportunities and issues facing our District and Council and stimulate public discussion.

The report is required by the LGA. Much of the prescribed content is extracted from previously published information from Long Term Plans, Annual Plans and Annual Reports. This includes financial forecasts and results, key achievements, and major projects the District can expect to get underway. Supplementary discussion on the issues facing the District and strategic priorities for the coming triennium come from the leadership perspective of the organisation via Chief Executive. This report is therefore prepared independently of political input.

The PER itself is not audited, but much of the information included has been, either as part of previous Annual Reports or preparation of the Long Term Plan 2021-31. The only exception to this is financial performance for the financial year that has just concluded (2021/22). This information is still going through its audit process as this PER is being written; information for the 2021/22 year will therefore appear unaudited because the publication of this PER doesn't align with the conclusion of the annual audit process. The reader should also note that some information, including that of the current year, may have changed since it was audited in the Long Term Plan 2021-31 via the Annual Plan process.

Although this document discusses the plans of previous councils, it is possible that the incoming council may wish to take some activities, projects, and policies in a new direction.

### Where to find out more

Our website [www.fndc.govt.nz](http://www.fndc.govt.nz) contains a wealth of information about Council and its activities. You can

find these and other documents on our website: [www.fndc.govt.nz](http://www.fndc.govt.nz)

- Long Term Plan 2021-31
- 2021/22 Annual Plan
- Annual Reports

## Ngā kaupapa hiranga • Key dates



Candidate nominations open.



Candidate nominations close 12 noon.



Election date and candidates' names publicised by electoral officers.



Final electoral roll certified by Electoral Officer.



Voting papers delivered to households. Electors can post the documents back as soon as they have voted.



Voting opens.



Voting closes. The voting papers must be at the council before 12pm. Preliminary results will be available as soon as possible afterwards.



Official results (including all valid ordinary and special votes) declared as soon as practicable.

## Hononga Rautaki • Strategic linkages

### Ngā Wāhanga e Whā o te Hauora • The Four Aspects of Wellbeing



#### Our Vision

**HE WHENUA RANGATIRA**  
A DISTRICT OF SUSTAINABLE PROSPERITY & WELL-BEING

#### Our Mission

**HE ARA TĀMATA**  
**CREATING GREAT PLACES**  
*Supporting our people*

### He Putanga Hapori • Our Community Outcomes



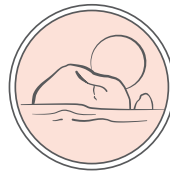
Proud, vibrant communities



Prosperous communities supported by a sustainable economy



Communities that are healthy, safe, connected and sustainable



Connected communities that are prepared for the unexpected



A wisely managed and treasured environment that recognises the role of tangata whenua as kaitiaki



We embrace and celebrate our unique culture and heritage and value it as a source of enduring pride

### He Rautaki Whakaarotau • Our Strategic Priorities



#### Financial prudence

- Review of funding mechanisms
- Affordability risk
- Development contributions
- Streamlining processes



#### Capacity management and future growth

- District plan
- Growth projections
- Infrastructure needs
- Next LTP, financial strategy and 30-50 year infrastructure strategy



#### Service delivery

- Delivering capital programme and right-sizing for growth
- Better and faster procurement
- Listening to communities
- Housing enabling infrastructure
- Unsealed roading network audit
- Drainage



#### Resilience

- CEDM arrangements at a local level
- Noting severe weather impacts on infrastructure and creating mitigations




#### Far North Waters

- A strengthened alliance for delivery of three waters
- Asset management planning
- Applying NPS freshwater and drinking water standards
- Consenting & compliance
- Security of water supply
- Exiting Kauri dam
- Sweetwater

Anei ngā āhua i wā koutou moni reiti • This is what your rates dollar contributes to

**19c**  
Transportation



**15c**  
Wastewater



**10c**  
Community Services




**10c**  
Customer Services

SO I CAN PAY THAT ONLINE? GREAT NGĀ MIHI



**9c**  
Regulatory Services



**8c**  
Future Planning



**7c**  
Recreation Facilities



**5c**  
Stormwater



**4c**  
Sustainable Environment




**4c**  
Refuse



**4c**  
Governance



**4c**  
Water

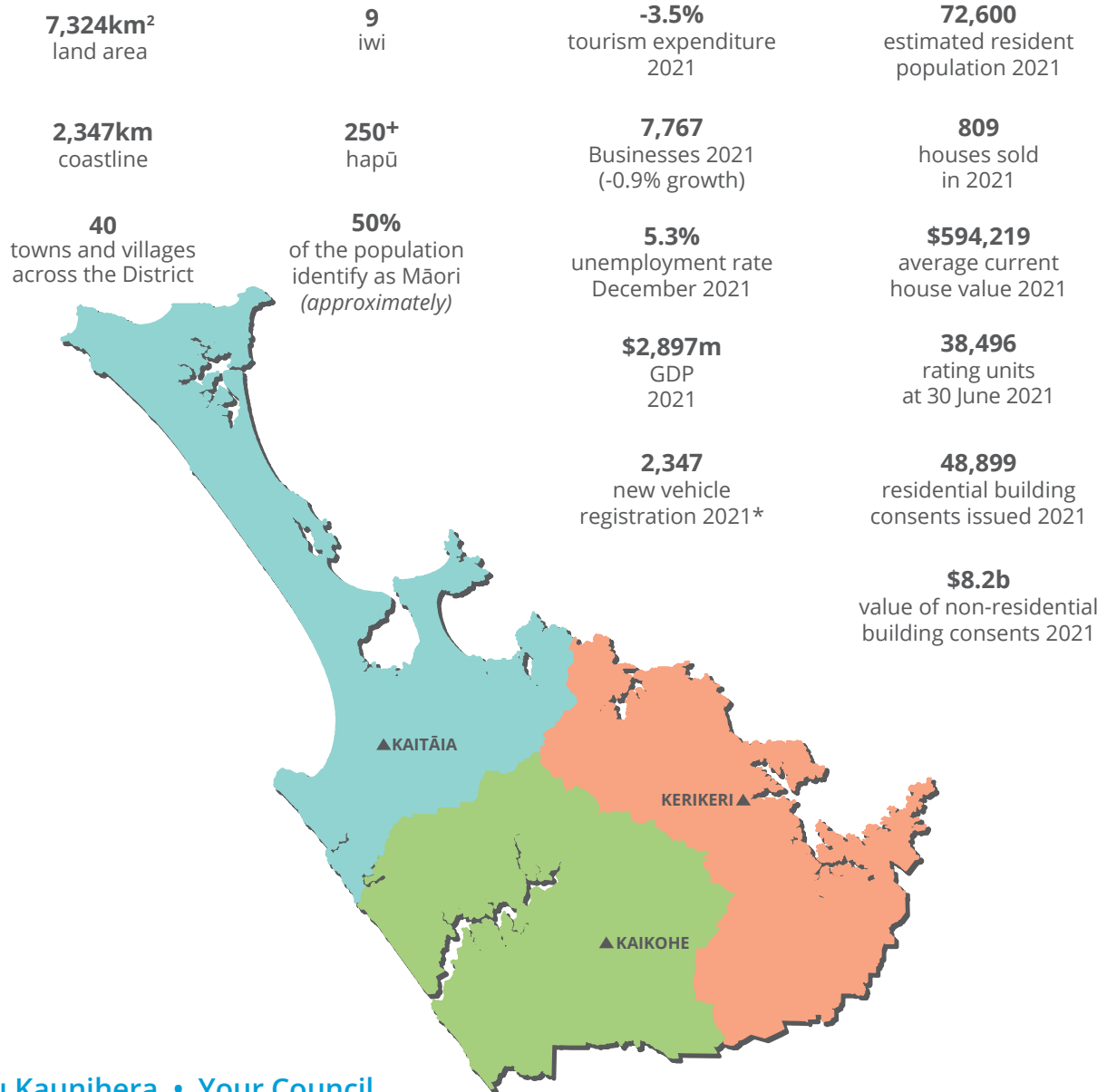


**1c**  
Civil Defence





## Ko tō tātou rohe • Our District



## Tōu Kaunihera • Your Council



\*New car and commercial vehicles registrations

Data sources: Infometrics quarterly economic monitor 2021 and economic profile 2022, FNDC Annual Report 2020/21

## Ko ā mātou tutukitanga rahinga i ngā tau e toru kua pahure • Our major achievements in the past three years

It's been almost three years since Covid-19 changed global and domestic economic conditions. Throughout this time, we've continued to deliver on a substantial work programme. We may not have delivered as much as we had hoped, but we made progress in key areas that are important contributors to our community outcomes.

### Future proofing for the District

**Growth forecast and strategy:** Understanding and planning for the District's growth has been a challenge. The 2018 census produced ambiguous results that needed more localised work to shape into something we could use as an effective input. The pandemic disrupted migration trends. Since 2020 we've seen people come home to the Far North to be with whanau, which has swelled population numbers and sharply increased the demand for housing and enabling infrastructure services. It's important we have a better handle on where growth pressures are expected to emerge and have flexible strategies in place to respond to that growth positively.

**Proposed District Plan:** The District Plan should mirror the growth needs of the District over a 10-year period to ensure we have infrastructure to support housing and business needs. We have recently concluded several years of work drafting a Proposed District Plan that the public will soon be able to provide feedback on. Land use rules are constricted by various factors to make best use of features and to avoid hazards such as excess flooding. For councils, the primary consideration is whether the land use, as it is zoned, is supported by the necessary infrastructure. Once the proposed plan is operative, we expect to have aligned our infrastructure planning so that land, as it is zoned in the new plan, is supported by the availability of infrastructure services.

**Local place-based planning:** Place-based planning has become more important to our communities over the past several years. This is particularly notable in the Kerikeri and Waipapa areas where population growth and property development have resulted in infrastructure that is reaching capacity. A Kerikeri-Waipapa spatial plan is underway, and we expect it to deliver a blueprint for the area that informs the 2024-34 Long-Term Plan. Smaller place planning projects are also underway in townships such as Russell and Moerewa.

**Climate change:** We are active members of the Climate Adaptation Te Tai Tokerau (CATT) Joint Committee, which recently adopted a regional climate

change adaptation strategy. The Far North adopted its own climate change adaptation roadmap in 2020. A climate assessment policy is underway, and we are developing the criteria and framework to take a collaborative approach to adaptation planning that balances the protection of the things we value - our whenua, our people and the District's built and natural assets - with the risks we are prepared to take, and costs to incur, to preserve these.

### Infrastructure

**Roading and footpaths:** Over the past triennium the Northland Transportation Alliance (NTA) have facilitated the successful delivery of over \$300m of maintenance and capital works investment on Northland's Local Council owned transportation infrastructure, funded through a combination of local Council, Waka Kotahi and Central Government funding, with over \$100m of this work completed the Far North District.

In addition to usual maintenance and improvement works, seal extensions were completed on over 40km's of Northland's significant unsealed network, with more than 22km of Far North District's previously unsealed network being sealed over the past three years. Other works undertaken included several safety infrastructure improvements, walking cycling and footpath extensions and street lighting upgrades, continued operation of the Hokianga Ferry and, as part of the Government's initial Covid recovery program, in 2020 the NTA also managed the delivery of the Te Tai Tokerau Worker redeployment programme, a \$10m Central Government funded project providing additional investment for footpaths, roadside vegetation clearance, roadside and waterway litter collection and providing new employment for over 100 Northland locals.

**Three waters:** Central Government, through the Department of Internal Affairs (DIA), intends reforming the delivery of Three Waters services (potable water, wastewater and stormwater) into new centralised entities, which are able borrow significantly more than Councils have collectively done, to meet upgraded standards. A new water regulator, Taumata Arowai, and a Three Waters National Transition Unit have already been established. The expectation is that services will transition to a new entity from July 2024. At this point we expect that the Far North will join with the other Northland councils and Auckland under a structure known as Entity A.



To make this transition seamless, ensure the new Entity A has agreed work priorities that align with our proposed District Plan (which balances growth aspirations against resource usage), and have robust Asset Management Plans by July 2023, we must “reset” our Far North Waters Alliance. This reset has commenced but will continue after the elections.

**District Facilities:** Much of our work in this area is the day-to-day provision and maintenance of social infrastructure that our communities value. The past three years has been a steady programme of maintaining and renewing our sizeable asset base including public toilets, carparks, sports fields, marine facilities, bins, bollards, and street furniture. The big win for social infrastructure over the past couple of years was the central government funding we received, much of which provided us with much-needed investment in these types of facilities. Read about these in the next section.

### Externally funded projects

Our District benefited hugely from government stimulus packages, with millions invested in the Northland region. The intent of the government funding was economic stimulus, with a requirement for us to procure heavily through local and Māori businesses. The following projects were delivered in partnership with those businesses, driving as much of the spend back into the local economy as possible. We've either delivered, or are almost finished delivering, several projects:

- Te Pūawaitanga sports hub in Waipapa. Funded mainly by central government, the project is now on its way to deliver stage one which includes several multi-use playing fields and cricket pitches, parking for 300 cars and six buses, plus an ablutions block. We expect the fields to be available for use by the coming summer sports season.
- Lindvart Park pavilion. This sports complex, funded mainly by central government, will deliver two sports courts, changing rooms, a meeting room, kitchen and 66 parks as part of its first stage. The project is being run by Kaikohe and Districts Sportsville and will be complete early in 2024.
- Kerikeri Domain refresh. The new-look Kerikeri Domain will be completed by the time this report is published. The \$3 million makeover includes a new skate bowl and basketball court that have been enjoyed by the public for a while now, along with a new playground, lighting, footpaths and other features being installed right now. The

Domain was co-designed with the community and local tamariki.

- Te Hiku o te Ika revitalisation. Another central government economic stimulus project that was a successful collaboration of Council, the Kaitiāia Business Association, and local iwi and hapū, this programme of 80 or so projects included multi-use spaces, bike pump tracks, artworks and murals, park amenities such as shade, picnic tables and barbecues, playgrounds, and shared paths. The project won the Most Beautiful Small Town award at the Keep New Zealand Beautiful Awards this year.
- The Te Hiku sports hub. Construction is over halfway complete, with some supply delays affecting interior fit-out. A mid 2023 opening is planned.
- Far North Holdings project delivery. Upgrades to maritime facilities include the completion of Pukenui and Unahi wharves and the Mangonui waterfront development project. The Ngāwhā Innovation & Enterprise Park project is the most significant development undertaken by Far North Holdings in recent years. The intention of the Park is to stimulate economic activity in the area. We have already seen the construction of 10ha of hydroponic berry tunnels that has generated employment, with education and training centres in the planning.

### Regulatory Services

Our regulatory function includes environmental health and safety, animal and noise control, public health inspections, and building and land-use control through the management of building and resource consents.

We acknowledge we are not processing resource consent applications within statutory timeframes due to a regional shortage of qualified staff. The local government and the private sectors across the country are working with a significant skills shortage in this area, so we continue to contract additional external resource where we can.





## Ko tō tātou arotahi mō ngā tau e toru kei te heke mai • Our focus for the next three years

### Catching up on core infrastructure

Throughout the country we are hearing about under-investment in local infrastructure and the resulting challenges. The bottom line is that investment in core infrastructure has not kept pace with growth. Existing assets are old and not always fit for purpose. The live-ability and economy of the Far North relies on our networks – water supply, wastewater, stormwater and roading – and ability to connect through parks and community facilities. If those networks and connecting spaces are compromised, the economy will not be sustainable, growth cannot occur, and community health and wellbeing is at risk.

A recent assessment reveals that the cost of improving this districts water, wastewater, stormwater and roading networks to support the zoning provisions in the Proposed District Plan as \$660 million. This includes unmet demand and future growth.

The constraints we face to address this need are substantial, so to be successful in ‘catching up’ we need to harness the same change in paradigm that will see our council bolster the Crown’s Public Housing Plan.

Legislatively, we must have complete asset management plans in place for three waters by July 2023. Those plans will reveal the deficits and what we are going to need for the future. Some might say, in the face of reform, ‘why bother?’ Because it is our responsibility. While the Water Services Entities Bill will come into force in 2024, until then we are required to continue to invest in our infrastructure so that we can provide the levels of service we have committed to.

### Navigating the changing role of councils

The traditional roles and functions of Local Government will change in the future. This change is partly due to central government reform that is already underway but is also the result of a country in flux due to global influences. Our population is growing and moving around, and changing technology is influencing the way we live, work and play. Our land is changing too, with the impacts of climate change becoming increasingly apparent. Meanwhile, Treaty partnerships will move into the foreground, with a focus on building enduring relationships. It is critical that your local council can be effective in navigating these new paths to ensure the wellbeing of everyone who lives in the Far North.

The following legislative changes will fundamentally impact the future of local government:

- The Review into the Future for Local Government will ‘reimagine the role and function of local government’. The Minister for Local Government is looking for a resilient and sustainable system that will rebuild public confidence in local authorities, leading to stronger leadership, better partnerships and a true reflection of the principles of Te Tiriti o Waitangi evident in processes and functions.
- The Ministry for the Environment will repeal the Resource Management Act (1991) and replace it with three proposed acts that will better manage the challenges New Zealand faces. These are Natural and Built Environments Act, the Spatial Planning Act, and the Climate Adaptation Act. This new planning framework will eventually see a shift from district plans to a regional Combined Plan developed by a representative Joint Committee. While national outcomes may be improved, this will pose challenges for our District in terms of identity and perceived loss of influence on local decision making.
- Like the RMA Reform, the Three Waters Reform Programme sees us head toward a more regional view of service delivery arrangements (in the form of four publicly-owned ‘entities’) to improve the safety, quality, and environmental performance of three waters services. The objective is that all New Zealanders have access to affordable three waters services, that are financially sustainable, with improved transparency and accountability. The Water Services Entities Bill is now in front of Parliament.

### Supply of infrastructure services to enable the Crown’s Public Housing Plans, and housing in general

The estimated cost to upgrade three waters and roading infrastructure to meet new central government environmental and health standards to enable housing where zoned is over \$660 million. Far North District Council has successfully applied to the Infrastructure Acceleration Fund to provide core infrastructure upgrades for 400 new homes in two

areas of high need – Kaikohe and Kawakawa - where \$48m was approved.

Across the District there are many other entities grappling with the challenge of developing housing for their communities. In some cases, funding is secure and discussion with the Crown underway. Often the missing ingredient is the ability to connect these proposed houses to the core infrastructure network, primarily wastewater. This is a challenge that council is facing square on. Our engineers and planners are modelling each network so we can provide pragmatic and innovative solutions to specific problems. This is the start of a change in paradigm, with a deliberately iterative approach in which lessons learned can be applied in other places.

So, where to from here? We have a good feel for the build opportunities in the Far North. We think our role is to consolidate the aspirations of those groups who are 'willing and able' and develop a strategic framework to prioritise how we best support those groups to create better housing outcomes for our District.

### **Community ability to pay for council infrastructure**

Having achieved capital funding from the Crown and discovered innovative ways to deliver solutions is just one part of the equation. Ongoing costs can hit ratepayers hard, giving us pause for thought. For example, a treatment plant might cost \$16 million to build. Once commissioned, it is depreciated, needs ongoing operational work, and – if it has been funded through debt – will have annual interest payments. The plant might have a life of 50 years. The cost of the plant is divided by its life to reach an annual value (in this case, \$320,000) that is divided among ratepayers, with the rates value held in reserve to make sure we can replace that asset when we need to. Depending on the rating model, the costs of an asset may be shouldered entirely by the direct users of that asset. This results in an affordability struggle – we need the assets but do not have the ability to pay for them. You can expect council to address this issue more directly and openly, with a conversation around district-wide rating for key assets and infrastructure to ensure the Far North can be an affordable place to live.



## Ngā kaupapa wāriu • Capital projects

The table below shows our capital works programme spend as per the Annual Plan 2022/23, highlighting the 'big spend projects'.

A full capital works programme for 10 years from 2021 is also available in our Long Term Plan 2021-31.

Activity	2022/23	2023/24	2024/25	2025/26
<b>Roading and Footpaths</b>				
New works	20,712	14,690	30,070	32,592
Renewals	17,193	17,297	18,441	19,366
<b>Roading and Footpaths total</b>	<b>37,905</b>	<b>31,987</b>	<b>48,511</b>	<b>51,958</b>
<b>Water Supply</b>				
Water treatment plant relocation and new source, Paihia	2,054	5,841	8,332	3,290
Water treatment plant upgrade, Kerikeri	400	-	2,737	3,243
Other new works	3,608	3,814	1,057	11,807
Renewals	2,019	4,156	4,348	6,101
<b>Water Supply total</b>	<b>8,080</b>	<b>13,810</b>	<b>16,473</b>	<b>24,442</b>
<b>Wastewater</b>				
Scheme improvements, Kaikohe	137	5,550	4,211	3,243
Scheme improvements, Kaitāia	-	-	151	6,313
Treatment plant upgrade, Taipā	465	-	526	6,487
Treatment plant upgrade, Kaitāia	-	2,052	2,105	2,162
Other new works	8,968	9,224	10,680	3,477
Renewals	4,811	2,611	7,059	7,401
<b>Wastewater total</b>	<b>14,381</b>	<b>19,437</b>	<b>24,733</b>	<b>29,083</b>
<b>Stormwater</b>				
New works	3,635	867	1,790	1,646
Renewals	1,544	1,808	1,311	2,822
<b>Stormwater total</b>	<b>5,179</b>	<b>2,675</b>	<b>3,100</b>	<b>4,468</b>
<b>Solid Waste Management</b>				
Recycling improvements and solutions	-	-	2,632	2,162
Other new works	29,550	5,351	30,933	8,935
Renewals	73	78	778	542
<b>Solid Waste Management total</b>	<b>1,133</b>	<b>179</b>	<b>3,552</b>	<b>2,827</b>
<b>District Facilities</b>				
BOI Sports hub development	7,847	-	-	-
Civic hub, Kaikohe	61	4,139	5,443	-
Housing for Elderly Healthy Homes upgrades	3,018	3,717	-	-
Kaitāia Airport - cross wind runway	60	1,295	-	-
Lindvart Park pavilion, Kaikohe	8,719	-	-	-
Mangonui boardwalk extension	4,067	-	-	-
Te Hiku o te Ika revitalisation	3,064	-	-	-
Other new works	18,826	3,764	1,805	1,537
Renewals	8,847	6,447	11,402	5,549
<b>District Facilities total</b>	<b>54,508</b>	<b>19,362</b>	<b>18,651</b>	<b>7,086</b>

Activity	2022/23	2023/24	2024/25	2025/26
<b>Environmental Services</b>				
Southern animal shelter	1,100	-	-	-
Renewals	-	-	12	-
<b>Environmental Services total</b>	<b>1,100</b>	<b>-</b>	<b>12</b>	<b>-</b>
<b>Customer Services</b>				
Libraries	2,508	1,991	83	94
Renewals	369	1,308	498	527
<b>Customer Services total</b>	<b>2,877</b>	<b>3,299</b>	<b>581</b>	<b>620</b>
<b>Strategic Planning and Policy</b>				
Digital strategy, Nothing but Net	124	123	-	-
<b>Strategic Planning and Policy total</b>	<b>124</b>	<b>123</b>	<b>-</b>	<b>-</b>
<b>Governance and Strategic Administration</b>				
Information technology	1,518	1,070	53	-
Renewals	3,151	1,025	2,026	3,401
<b>Governance and Strategic Administration total</b>	<b>4,668</b>	<b>2,095</b>	<b>2,079</b>	<b>3,401</b>
<b>Total capital works programme</b>	<b>129,953</b>	<b>92,968</b>	<b>117,692</b>	<b>123,885</b>





## Ko tā tātou rautaki pūtea • Our financial strategy

Our financial strategy supports our strategic direction and is a legislative requirement. Its intention is to confirm what Council believes to be appropriate levels of borrowing, rates and expenditure while raising sufficient revenue to meet requirements. We update our financial strategy every three years through the Long Term Plan process.

In our financial strategy we recognise the following important factors:

- running a balanced budget while responding to the community's desire to keep debt and rates at acceptable levels at the same time accommodating the increasing costs of delivering infrastructure and services
- keeping operational costs as low as possible so that all available funding can be put to areas where it is needed the most
- considering the interests of the community now and in the future
- managing the cost of adverse weather events that our District is susceptible to and that have in the past, cost significant sums to repair.

### Inflation adjustors

It is common practice across local government to adjust rates and user fees and charges annually in order to counteract inflation effects. Council uses Local Government Cost Index (LGCI) which measures the buying power of councils; e.g. oil prices and construction costs.

LGCI forecasts are provided to councils annually and we recognise an increase in costs and adjust our budgets in accordance with those forecasts.

### Balanced budget

Every year we aim to run a balanced budget where income is sufficient to cover expenditure. How we measure this is prescribed by legislation.

### Rates revenue

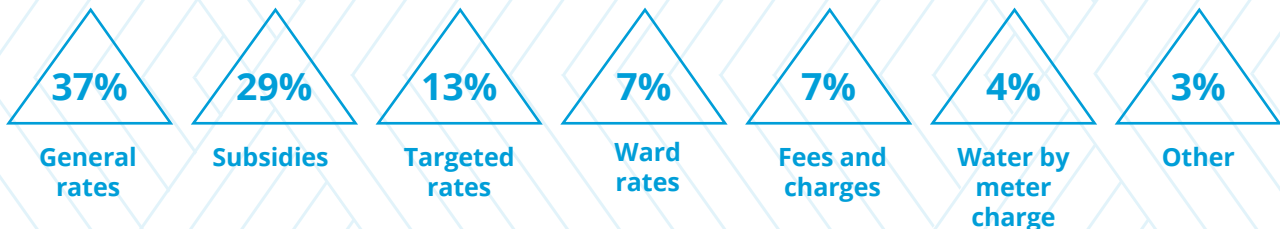
We aim to keep the level of total rates income below 90% of total revenue, and have maintained this at between 81% and 83% in the past three years. We expect this to remain fairly static across the next four years.

Because of the impact inflation has on Council's purchasing power, we factor inflation increases into our budgets so that we can continue to adequately fund our activities. We do, however, set a limit, aiming to increase rates no more than the Local Government Cost Index inflation rate plus 3.5%.

Council needs to provide enabling waters infrastructure until such time as a new water entity is stood up (programmed for 1 July 2024), and is facing some significant investment decisions that relate to water and wastewater assets. There is currently a scheme based targeted rate regime coupled with a district-wide operating rate. If the work required is to be delivered, Council will need to consider whether the financial impacts of this should be covered by those customers connected to that scheme or whether they are better managed, from an affordability prospective, by moving all rates to a district-wide model.

## Revenue

Where our revenue comes from



Our sources of revenue includes rates, government subsidies, fees and charges and other income, e.g. dividends from Far North Holdings Limited. The majority of revenue (62%) comes from rates (including water supply).

### Fees and charges revenue

Approximately 7% of our revenue comes from user fees and charges and as with rates, our current strategy is to increase these annually (with a few exceptions) by no more than the Local Government Cost Index inflation factor.



### Revenue from government subsidies

A portion of our revenue comes from government subsidies, mostly from the New Zealand Transport Agency for roading and from the Ministry of Health for project-specific water and wastewater projects. Maximising this income stream is a core focus for our infrastructure teams.

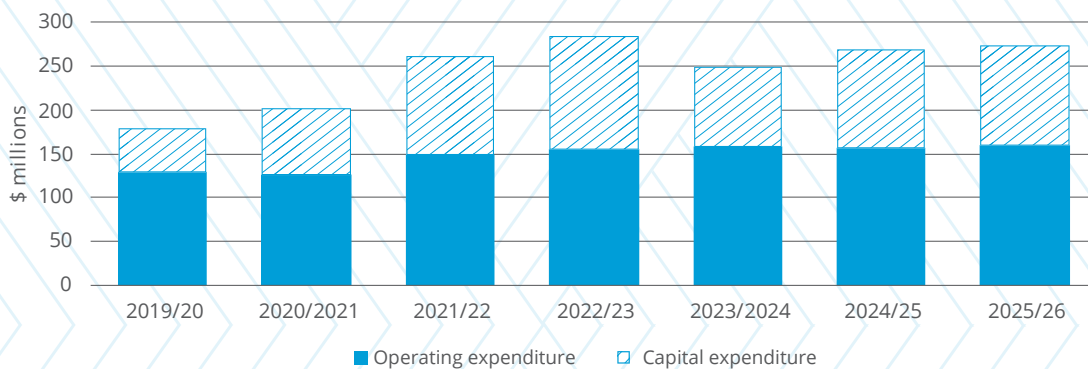
### Expenditure

Approximately 80% of our income is allocated to the provision of core and community infrastructure. Ten percent goes towards our regulatory work, e.g. building and resource consents and animal control. The remainder covers the costs of the governance, policy and planning functions.

### Operating expenditure

We aim to invest approximately 85% of rates income in operating expenditure, with the remainder funded through user fees and charges, and government subsidies. Efforts to keep operating costs as low as possible are constant and we have chosen to increase expenditure in order to lift our organisational capacity and capability. We are confident this will result in further cost savings from successes such as reduced reliance on contractors and consultants and improve procurement processes. Annual operating costs at present are sitting around \$154.4 million (Annual Plan 2022/23).

### Capital and operating expenditure



### Capital expenditure

We prioritise and optimise our capital works programme to ensure the efficient and effective use of internal and external resources. What is not spent one year is carried forward to the next year.

### Debt funding

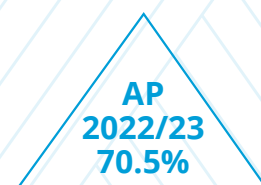
Debt is used to fund new capital projects. Estimated total borrowings for 2022/23 is \$171.3 million (\$22.5 million less than forecast in year two of the Long Term Plan). This is due to prudent financial management but mostly because we are behind on our capital programme and have not drawn down on available debt funding as a result.

Debt will rise as we improve our delivery but we will maintain net debt at no more than 175% of total revenue. We have stayed well within this limit in the past three years and expect to maintain this. Our self-imposed limit for the cost of debt (interest) is less than 10% of revenue. Interest rates for the past three years have been well under that threshold with our current interest rates sitting at 2.47%. We don't expect this to fluctuate much in the medium term and forecast to continue to come in under target on this limit.

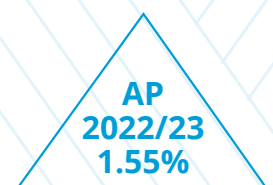
### Investments

Council's investment strategy is to maintain a low-risk approach, therefore accepting lower returns. Our largest investment is the Council Control Organisation – Far North Holdings Limited (FNHL), which was established to facilitate and create commercial and infrastructural assets in the District with the aim of maximising profits. As sole shareholder, Council gets its return on investment in the form of dividends.

**Net debt affordability as a percentage of revenue**



**Net debt servicing as a percentage of revenue**







## Statement of financial position

The statement of financial position of Council is the difference between assets (what Council owns) and liabilities (what it owes).

	Annual Report Actual 2019/20 \$000s	Annual Report Actual 2020/21 \$000s	Estimate Annual Report 2021/22 \$000s	Annual Plan 2022/23 \$000s	Long Term Plan 2023/24 \$000s	Long Term Plan 2024/25 \$000s	Long Term Plan 2025/26 \$000s
<b>Public equity</b>							
Other reserves	496,721	626,475	626,854	765,525	753,897	816,469	884,296
Restricted reserves	8,003	12,433	9,045	14,127	10,227	10,815	11,403
Retained earnings	1,430,299	1,462,263	1,507,028	1,543,263	1,514,417	1,523,933	1,540,112
<b>Public equity</b>	<b>1,935,023</b>	<b>2,101,170</b>	<b>2,142,927</b>	<b>2,322,915</b>	<b>2,278,541</b>	<b>2,351,217</b>	<b>2,435,811</b>
<b>Current assets</b>							
Cash and cash equivalents	10,673	5,442	36,801	44,082	38,077	23,506	9,906
Receivables	40,268	37,622	42,711	40,042	45,048	46,175	47,329
Other financial assets	-	160	-	-	-	-	-
Properties available for sale	31	-	-	-	-	-	-
Inventories	127	140	130	143	130	130	130
<b>Current assets</b>	<b>51,100</b>	<b>43,363</b>	<b>79,642</b>	<b>84,267</b>	<b>83,256</b>	<b>69,810</b>	<b>57,365</b>
<b>Non-current assets</b>							
Other financial assets	823	1,481	823	1,481	823	823	823
Forestry assets	701	555	715	566	729	737	744
Intangible assets	10,594	10,545	11,575	11,591	11,719	11,473	12,856
Investments in subsidiaries	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Derivative financial instruments	-	-	-	-	-	-	-
Property, plant and equipment	1,951,794	2,127,474	2,218,745	2,416,941	2,406,606	2,512,110	2,638,739
<b>Non-current assets</b>	<b>1,981,913</b>	<b>2,158,055</b>	<b>2,249,858</b>	<b>2,448,579</b>	<b>2,437,877</b>	<b>2,543,143</b>	<b>2,671,162</b>
<b>Current liabilities</b>							
Payables and deferred revenue	23,234	33,355	24,624	35,351	25,972	26,621	35,860
Borrowings and other financial liabilities	34,000	22,000	26,000	26,000	6,500	10,000	-
Provisions	207	11	11	11	11	39	9
Financial guarantee liabilities	-	-	-	-	-	-	-
Derivative financial instruments	47	130	-	-	-	-	-
Employee benefits	2,339	2,700	2,479	2,862	2,615	2,680	2,747
<b>Current liabilities</b>	<b>59,826</b>	<b>58,196</b>	<b>53,114</b>	<b>64,223</b>	<b>35,097</b>	<b>39,340</b>	<b>30,043</b>
<b>Working capital</b>	<b>(8,727)</b>	<b>(14,833)</b>	<b>26,528</b>	<b>20,044</b>	<b>48,159</b>	<b>30,470</b>	<b>27,322</b>
<b>Non-current liabilities</b>							
Borrowings and other financial liabilities	36,500	41,500	132,811	145,326	207,221	222,162	262,447
Payables and deferred revenue	981	160	-	-	-	-	-
Derivative financial instruments	322	-	322	-	-	-	-
Provisions	361	391	325	381	274	235	226
<b>Non-current liabilities</b>	<b>38,164</b>	<b>42,051</b>	<b>133,458</b>	<b>145,707</b>	<b>207,495</b>	<b>222,397</b>	<b>262,673</b>
<b>Net assets</b>	<b>1,935,023</b>	<b>2,101,170</b>	<b>2,142,928</b>	<b>2,322,915</b>	<b>2,278,541</b>	<b>2,351,218</b>	<b>2,435,812</b>

**WHAKAPĀ MAI  
CONTACT US**

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