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Summary of Significance and Engagement Policy

Whakarāpopototanga i te Kaupapa Hiranga me te Whakaurunga

The Significance and Engagement Policy sets out for the community and Council the framework that Council uses to make decisions about significance (how important an issue is), and then whether to engage the community in the decision-making process.

Significance

The following criteria are considered in assessing significance:

1. How much does the matter promote Council's community outcomes for the New Plymouth District?
2. Does the matter impact the levels of service for any Council activity (as set out in the Long-Term Plan)?
3. Does the matter align with existing Council strategies, plans and policies and previous Council decisions?
4. How are people impacted by the matter? Are particular groups disproportionately impacted (such as Māori, socio-economic groups, town communities)?
5. How has the matter provided opportunities for the involvement of Māori in decision-making? How has any pre-engagement with iwi and hapū helped determine the significance to Māori and would further engagement provide for a more informed decision?
6. Does the matter mitigate or help the district adapt to climate change?
7. How big are the financial costs for the matter? Are they already budgeted for?
8. Is the matter reversible?
9. Are the public interested in the matter?

Having considered all these criteria, Council will make an overall judgement on the level of significance of the matter in each case.

The outcome of an assessment will be designating one of the following significance categories (which go from low to high significance) to the matter:

1. Some importance or administrative.
2. Moderate importance.
3. Significant.
4. Critical.

Engagement

Council will always engage when required to do so by law.

Council will also engage when it thinks the circumstances of the matter warrant it, based in part on the assessed significance of the matter. The significance and the likelihood of engagement is outlined in the following table.

Some importance or administrative	Moderate importance	Significant	Critical
Council will almost certainly not carry out any engagement.	Council may or may not carry out any engagement. Engagement may be targeted to directly affected individuals or groups, and there is unlikely to be wider community engagement.	Council will engage with directly affected individuals and groups and some form of wider community engagement is likely, unless there are good reasons not to do so (e.g. urgent timeframe, confidentiality obligations, nature of the decision makes it inappropriate).	Council will engage with directly affected individuals and groups and some form of wider community engagement is highly likely, unless there are good reasons not to do so (e.g. urgent timeframe, confidentiality obligations, nature of the decision makes it inappropriate).

Council will also consider other factors when considering whether engagement is worthwhile.

Where Council decides it will engage on a decision, it will then need to determine which form of engagement to use.

Council will use any form of engagement specified in law. Where there is no legislative direction, Council will determine the form of engagement on a case-by-case basis. In making its determination on the form of engagement, Council will consider which level of participation works best for the decision concerned, bearing in mind the significance and nature of the particular decision and the wider circumstances.

Council is committed to maintaining and improving opportunities for Māori to contribute to its decision-making processes. Council will engage with local iwi and hapū before making a significant decision in relation to land or a body of water. Council may also engage with local iwi and hapū on other matters as they arise. Council is more likely to engage where the significance assessment indicates that a decision impacts on the known issues of significance for the iwi and hapū.

Strategic assets

The following are Council's strategic assets:

- Govett-Brewster Art Gallery/Len Lye Centre.
- Housing for the elderly portfolio.
- The equity securities held in Papa Rererangi i Puketapu Limited (New Plymouth Airport).
- Pukekura Park.
- The Coastal Walkway.
- Parks and reserves network.
- Puke Ariki and community libraries (Inglewood, Urenui and Waitara, and leasehold interests in Bell Block and Oākura).
- TSB Stadium, TSB Bowl of Brooklands, TSB Showplace, Yarrow Stadium (the aspects of the Yarrow Stadium's operations under Council's control).

- Todd Energy Aquatic Centre and district summer pools (Waitara, Inglewood, Ōkato and Fitzroy).
- Network of formed roadways and paths for pedestrians and/or vehicles.
- The Resource Recovery Facility (the New Plymouth Transfer Station and the Materials Recovery Facility), Transfer Stations (Inglewood, Ōkato, Tongaporutu and Waitara), The Sorting Depot and The Junction.
- Stormwater network and drainage.
- Flood protection and control works.
- Water supply network and treatment plants.
- Wastewater network and treatment plant.

For network assets, it is the whole network that is the strategic asset.

A copy of the full policy is available on our website npdc.govt.nz

Significant forecasting assumptions

Ngā tino Matapae

New Plymouth District Council (NPDC) has adopted a range of forecasting assumptions. These assumptions represent a likely future scenario. However, as with any forecasting, how the future turns out is uncertain. Therefore, variations from these forecasting assumptions are likely. This, in turn, means that the prospective financial statements are likely to vary from the information presented and these variations may be material.

Our people

Population

The district's population will grow from 89,000 in 2024 to 98,800 in 2034 and to 110,400 by 2054. NPDC forecasts that the district's population will grow over the next 30 years as follows.

	2024	2029	2034	2039	2044	2049	2054
Population	89,000	93,500	98,800	102,400	106,400	108,500	110,400

NPDC obtained the projection from Infometrics population projection model from the online tool. The infometrics population projection model is economically driven, using regional employment forecasts to inform the net migration projection. The approach builds upon the established cohort component approach, meaning it considers how births, deaths, migration, household formation and labour force participation affect the population at each stage of life. This means the projection reflects both demographic processes and the economic prospects of New Plymouth.

Growth assumptions underpin NPDC's asset and activity management planning and planned capital expenditure budgets in the Long-Term Plan (LTP). Any increase in population is likely to result in a proportionate increase in demand on Council services. This is through additional growth infrastructure, as well as services to people where an increase in population is likely to lead to more use. If population growth exceeds these projections, NPDC may need to invest in additional urban growth infrastructure and this will impact capital budgets and revenue. There is also a risk that forecast population growth does not occur, or occurs at a slower rate. NPDC carries some risk of over investment in growth infrastructure. As the cost of growth assets are generally recovered through development contributions, NPDC would bear the debt for capital expenditure until those growth areas were utilised.

There is a medium level of uncertainty. Uncertainty arises from changes to births, deaths, inward migration and outward migration levels. If these factors change from the projection then the assumption will not be borne out.

Impact. Discussion on the impact of this uncertainty is discussed in association with the rate of residential dwelling growth.

Estimated population

89,000 *in 2024*

Increasing by

9,800 people

between *2024 and 2034*

Ethnicity

Overall, the population is expected to continue to predominately be European and Māori. The Māori community is expected to increase the most from around 20 to 24 per cent over the next 10 years.

	European and other	Māori	Asian	Pacific
2024	86%	20%	7%	3%
2034	85%	24%	9%	4%

There is a low level of uncertainty. Uncertainty arises from changes to births, deaths, inward migration and outward migration levels. If these factors change from the projection then the assumption will not be borne out. NPDC needs to consider the ethnic makeup of the district to ensure its services are accessible across the population, including different cultural views on certain services.

Impact. This will also have an impact on how NPDC engages effectively with the community.

Ethnic makeup

20% of people *in 2024* in New Plymouth said they identified as **Māori** growing to **24%** *in 2034*

Age

Overall, the population is expected to continue to age, with most growth occurring in the over 65 age groups. By 2034, over 65 year olds will be approximately 23 per cent of the total population, up from 20 per cent in 2024. There will be modest growth in other age brackets, but they will decline as a proportion of the total population.

	2024	2034	2054
0-14 years	19%	16%	15%
15-39 years	29%	31%	30%
40-64 years	31%	29%	30%
65+ years	20%	23%	25%

There is a low level of uncertainty. Uncertainty arises from changes to births, deaths, inward migration and outward migration levels. If these factors change from the projection then the assumption will not be borne out.

Impact. An ageing population may impact a range of Council services. These include accessibility issues (see the assumption on accessibility issues for more information), demand for back door kerbside collection services, changes to libraries, and housing for the elderly. There will also be an increase in the proportion of ratepayers on fixed incomes, which may increase rates affordability issues. A more rapidly ageing population will result in many of these issues needing to be considered earlier, either resulting in increased investment to make the district more aged friendly or increased dissatisfaction with services (which may impact on performance of level of service). A slower ageing population will provide more time to invest in making the district aged friendly and may mean some planned investment is earlier than necessary to maintain levels of service.

Ageing population

By 2034 it's estimated that around **23%** of our population will be over **65** *years*

Accessibility

New Plymouth District's current accessibility limitations will increase as a proportion of the district as the older generation increases. The table below shows the estimated 2024 data for those reporting one or more activity limitations, by age, for people in New Plymouth District and New Zealand.

	Under 15 years	15-29 years	30-64 years	65+ years
New Plymouth	3.1%	4.3%	5.0%	19.9%
New Zealand	2.8%	3.4%	4.7%	20.5%

If the proportion of people per age group with an activity limitation continues in line with the 2018 Census proportions, then the overall percentage of the population with an accessibility issue in New Plymouth District will increase from 7.5 per cent in 2024 to 8.5 per cent in 2034 and 9.2 per cent in 2054.

There is a low level of uncertainty. Uncertainty arises from the potential changes to the district's population and changes to the age profile. If these factors change from the projection then the assumption will not be borne outs.

Impact. Alongside an ageing population, this will impact accessibility limitations on a range of Council services. These include accessibility issues in urban design, parks and the transport network (e.g. footpaths), back door kerbside collection services, changes to libraries and housing for the elderly. NPDC aims to ensure all people can use services and facilities and to be able to get around our city easily. There may also need to be changes in housing typology and design to cater for accessibility needs, as well as changes to retail stores and commercial premises.

Accessibility

The proportion of people with accessibility issues will increase from

7.5% to

8.5% *by 2034*

Our dwellings

Residential dwellings

Using the population projection, dwelling projections are calculated using a cohort component approach, involving the analysis of living arrangements for each age and gender cohort, and converting these figures into household numbers. The National Policy Statement on Urban Development 2020 (NPS-UD) then requires NPDC to provide the necessary infrastructure for this level of demand plus an additional over-capacity buffer (termed as a competitiveness margin in clause 3.22 of the NPS-UD).

	2024-2029	2029-2034	2034-2039	2039-2044	2044-2049	2049-54
Houses required annually	275	383	341	318	319	252
NPS-UD capacity required	330	460	392	365	367	290
Difference	55	77	51	48	48	38
Average household size	2.50	2.52	2.51	2.50	2.47	2.43

A decline in average household size in New Plymouth is expected, driven by an ageing population, growing life expectancy, and societal trends. The average household size in New Plymouth is projected to decline from an estimated 2.5 individuals per household in 2024 to 2.43 individuals in 2054. This will also lead to a likely diversification of housing needs and therefore the types of houses being built.

There is a medium level of uncertainty. Uncertainty arises from whether population growth rates meet forecast levels (see assumption), the subdivision and house building markets, as well as from household formation and housing trends. If these factors change from the projection then the assumption will not be borne out.

Impact. The rate of new dwellings is a significant factor in ensuring the district has enough housing and sufficient housing options to meet demand. Residential development increases pressure on the capacity of NPDC's infrastructure (roads, sewers, stormwater, water and open space) and service delivery and can result in the need to upgrade existing and/or develop new infrastructure and services.

Overall growth is expected to focus in and around New Plymouth City (including Bell Block). Some growth is also expected to occur in small townships. The following table outlines the forecast growth in additional dwellings.

The location of growth affects the provision of infrastructure and services within the district. An area that develops slower or more quickly than expected will influence what new or upgraded infrastructure NPDC (and other infrastructure providers) have to deliver. NPDC plans for growth infrastructure relating to particular developments at a given time, and may have to either bring that infrastructure forward, or delay, it depending on actual development timeframes. The LTP forecasts that Kāinga Ora – Homes and Communities (Kāinga Ora) will not use its statutory powers for urban development and regeneration within the district to a scale that impacts on NPDC's revenue or expenditure. In particular, the LTP does not include any financial impacts of Kāinga Ora undertaking developments, such as reduced development contribution revenue for NPDC. Further, the LTP forecasts that a special purpose vehicle (SPV) under the Infrastructure Funding and Financing Act 2020 will not be established to deliver infrastructure in the district.

Estimated dwellings

Increase by 2034

3,953

395 houses annually

New Plymouth + 2,000
Bell Block + 830
Ōākura + 190
Inglewood + 140
Waitara + 310
Rural + 500

Household size

Average household size is expected to drop from

2.50 to 2.43

by 2054

Our economy

Gross Domestic Product (GDP)

NPDC anticipates that New Plymouth District's economy will grow at similar levels to the national average. Using the latest information from BERL, NPDC anticipates that national GDP is projected to increase in the short term and peak at three per cent in 2028. It will slowly decrease for the remainder of the plan at an average of 2.4 per cent out to 2034.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Forecast % growth	1.1%	1.6%	2.5%	2.8%	3.0%	2.8%	2.8%	2.5%	2.4%	2.4%

There is a medium level of uncertainty. Uncertainty arises as local economic growth and activity is driven by national and global economies and politics. Change and fluctuations in these larger economies and the political landscape have high likelihood of impacting our local economy.

Impact. Existing and planned NPDC infrastructure and services will be sufficient to meet growth in demand generated by the anticipated recovery growth in economic activity. If economic growth and activity were to increase significantly beyond the predictions of this assumption, there may be an increase in demand on NPDC infrastructure and services. If a lower rate of economic growth occurs then this will have implications for population growth and therefore the rate of residential development, these risks are outlined in the relevant forecasting assumptions.

Gross Domestic Product

Estimated to grow slowly over the next five years and peak at

3% *in 2028/29*

Employment and the labour force

The unemployment rate for the district, as measured by the percentage of working age population, was 3.5 per cent in New Plymouth similar to New Zealand at 3.4 per cent in 2022. This data is sourced from Statistics New Zealand's Household Labour Force Survey. BERL does not anticipate a further decrease in the unemployment rate, which is already at historically low level. Eventually unemployment will begin to rise. NPDC forecasts that the district's unemployment rate will track close to the national forecast unemployment rate. NPDC expect unemployment to rise over the life of the plan to 5.5 per cent in 2034. This will be a result of an increase in the supply of labour, as a result of migration, combined with lower demand from organisations due to declining activity.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Forecast % growth	5.0%	5.2%	5.2%	5.1%	5.0%	5.0%	5.2%	5.4%	5.5%	5.5%

There is a medium level of uncertainty. Uncertainty arises as local economic growth and activity is driven by national and global economies and politics. If these factors change from the projection then the assumption will not be borne out.

An increase in employment is likely to positively benefit the district's population and the local economy. High employment rates result in higher household income and an increase in discretionary income. If lower employment rates eventuated then they are likely to result in a number of **impacts** on Council services. There may be rates affordability issues, which may impact on levels of service if NPDC determines to lower its rates requirement as a result. There may also be increased use in some Council services, such as libraries and community facilities, and other services may have decreased use (or, at least, not forecast increases in use), such as in the commercial use of services.

Unemployment

3.4% *in 2022*

Estimated to increase to

5.5% *by 2034*

Our place

Tourism

NPDC assumes that tourism spend in New Plymouth will recover to pre Covid-19 forecast levels by 2024/25 similar to that of 2019/20 total tourism spend. NPDC has used historical growth tourism spend from between 2009-2019 (excluding border closures years due to covid) at a rate of around 3.7 per cent per annum. This is lower than previous forecasts estimating slower growth coming out of the pandemic. The following table provides the forecast tourism spend in New Plymouth across the LTP (rounded to the nearest million).

	2024/25 ($m)	2025/26 ($m)	2026/27 ($m)	2027/28 ($m)	2028/29 ($m)	2029/30 ($m)	2030/31 ($m)	2031/32 ($m)	2032/33 ($m)	2033/34 ($m)
New Plymouth	340	352	365	379	393	407	422	438	454	471

There is a medium level of uncertainty. Uncertainty arises from national and global economies and approaches to border controls following the Covid-19 pandemic. The tourism pattern seems to be encouraging going into the LTP with increasing international tourism numbers arriving into New Zealand estimated to be around 75 per cent of pre-pandemic in early 2023.

Tourism spend is in current prices and provides an idea of the total dollar amount of spending by domestic and international visitors to New Plymouth District, relative to the rest of the country. Data is sourced from the Ministry of Business, Innovation and Employment's regional tourism estimates.

Impact. Any changes to tourism within the district is likely to have some impact on NPDC and the community. Changes in tourism patterns will lead to changes in the use of some Council facilities such as Puke Ariki, Govett-Brewster Art Gallery/Len Lye Centre, Aquatic Centre, the Coastal Walkway, parks, public toilets and certain roads (particularly coastal roads and around Taranaki Mounga). This could mean some investment is underutilised (such as in public toilets), although the impact is likely to be less than at a rate exceeding the assumption. The effect of this uncertainty is not considered to be substantial across NPDC and depends on the nature of the divergence.

Tourism spending

$340m *in 2024/25*

Total spending in tourism in New Plymouth will grow closer to

$471m *in 2033/34*

Climate change

Climate change is widely recognised as one of the most significant and complex global issues we face. In coming years, the effects of a changing climate will continue to impact our environment. The LTP (and particularly the Infrastructure Strategy) and the Proposed District Plan lay the foundations to prepare for potential increased climate change impacts in the future.

The climate of Taranaki is changing, and these changes will continue for the foreseeable future. The rate of future climate change depends on how fast atmospheric greenhouse gas concentrations continue to increase. Taranaki Regional Council commissioned NIWA to undertake a review of climate change projections and impacts for the Taranaki region. The following bullet points outline some key findings of this report with all increases relative to a 1986-2005 baseline:

- The global climate system is warming and many of the recently observed climate changes are unprecedented. Climate change is already affecting New Zealand and the Taranaki region. In coming decades, climate change is highly likely to pose challenges to our way of life.
- In Taranaki, we can expect to see an increase in hot days and decrease in frost days, with annual average temperatures expected to increase by 0.5-1.5ºC by 2040 and 1.0-3.5ºC by 2090. (Medium greenhouse gas concentration path RCP4.5)
- Rainfall is projected to increase for most of the region, with increasing seasonal variation. Extreme rainfall events are projected to become more severe, while drought potential is expected to increase across Taranaki. For some parts, winter increases of 8-22% and spring decreases of up to 6% are projected. (High greenhouse gas concentration pathway RCP8.5)
- Annual average discharge from the region's rivers is projected to remain stable or slightly increase, while mean annual low flow (MALF) magnitudes are expected to decrease, with a potential 50 per cent reduction in MALF by the end of this century.
- Global mean sea level has risen over the past century at a rate of about 1.7mm/year and has very likely accelerated to 3.2 mm/year since 1993. Rising sea level is already observed in Taranaki, with an average increase of 4.0mm/year, just slightly below the national average of 4.4mm/year. By 2090, sea level rise of 0.5m (RCP4.5) or 0.7m (RCP8.5) is projected.

There is a medium level of uncertainty. Uncertainty increases over time and arises as overall climate change does not directly correlate to year-to-year climate conditions or particular weather events. If these factors change from the projection then the assumption will not be borne out.

While there is uncertainty in the short-term implications, there is significant uncertainty in the long-term implications of climate change. Investment within the LTP needs to carefully consider the life of the proposed asset or investment in relation to the current risk of the natural hazard(s) and the exacerbation(s) predicted within the climate change scenarios to weigh up and balance the risk and cost of early failure with the potential for over investment.

NIWA reports a range of ongoing and potential future impacts of a changing climate on different sectors and environments in Taranaki including:

- A warmer atmosphere in the future is expected to result in increases to rainfall intensity. Increased rainfall intensity can cause soil saturation issues for the agricultural sector. It also increases the risk of flooding events which have associated adverse impacts such as damage to infrastructure.

Average temperature
is forecast to be
0.5ºC to
1.5ºC
by 2040
warmer than in average

Rainfall
Winter increases of
8.22% ↑
and spring decreases of
6% ↓
are projected
by 2040

- Increased risk of land degradation resulting from landslides and soil erosion.
- Warmer winter and spring periods will allow increased seasonal pasture growth rates.
- Increased concentrations of atmospheric carbon dioxide should increase forest, pasture, crop, and horticulture productivity, if not limited by water availability.
- Climate change-induced hazards are likely to expose the people of Taranaki to a range of direct and indirect health impacts. Examples include an increasing prevalence of hot conditions and heatwaves, and through the impacts of flooding, fires and infrastructure damage. Direct impacts could include injury, impacts on mental health and wellbeing, disruption to healthcare and critical services, and damage to people's homes. Indirect impacts could include secondary health issues, microbial contamination of drinking water supply, food security, air quality and the introduction of new diseases.
- Ongoing sea-level rise is likely to increase exposure of infrastructure to extreme coastal flooding, as well as cause habitat loss at the coastal margins where ecosystems are not able to move further inland (coastal squeeze). Exposure is likely to increase over time in response to higher sea levels.

Implications for the community and NPDC

Climate change could impact on the social, economic, environmental and cultural well-being of the community.

- **Coastal hazards.** Most of the New Plymouth District has an erosion formed coastline. There is a mix of both Council (public) and private coastal erosion protection in the form of boulder rip rap seawalls. Recently the Onaero and Rohutu Block (Waitara East Beach) communities have been involved in discussions with Council regarding their vulnerability to coastal erosion. In 2023 Council completed the transfer of a coastal permit for a seawall adjacent to Motukari Place to the Onaero Foreshore Protection Society Incorporated allowing residents the ability to complete a private seawall. The LTP includes funding for adaptation planning and specifically an adaptive management plan for Urenui and Onaero to determine the best future approach to dealing with both the existing coastal hazard risk and the forecasts of climate change. NPDC will continue discussions with the Rohutu Block trustees regarding their vulnerability to coastal erosion. Most other urban communities with high erosion risk are already protected by seawalls. Adaptation planning may highlight other areas requiring specific planning.
- **Flooding**. The Proposed District Plan also outlines areas vulnerable to flooding taking into account forecasts of climate change. Flooding risk may increase from both upstream and local rainfall. Urban areas have a variety of flood control works and stormwater systems to manage these risks.
- **Drought**. If there are increasing droughts in the future then the farming community within the District may need to consider land use changes, and there could be issues with the viability of some farms. The Tapuae Roa Action Plan (part of our regional economic development strategy) outlines the need to consider new land uses to address climate change impacts for farms. The increased risk of droughts would also impact the Council's water supply service.

Rivers

50%

reduction in Mean Annual Low Flow by the end of this century

Sea level rising

0.5m to 0.7m

by 2090

compared to 1995

The impacts of climate change will impact on Council services to varying degrees.

- Coastal hazards. Coastal hazard risks impact on a number of Council services. NPDC has assets within potential coastal erosion and/or hazard areas, including coastal parks and open spaces (the Coastal Walkway, Todd Energy Aquatic Centre, New Plymouth Airport, stormwater pipes and outfalls, wastewater pipes and pump stations, and roads). The Council policy is to only consider coastal protection mechanisms for significant public assets. Some of these services and infrastructure may need to relocate in the future taking into account the forecasts of climate change.
- Flooding. A series of stormwater catchment management plans are being developed to analyse the district's stormwater catchments, taking into consideration the most up to date climate change data. NPDC's stormwater system and flood protection schemes would require upgrades in order to maintain effective service levels (as measured against AEP calculations) under the predictions of climate change. NPDC has infrastructure that may be impacted by increased flooding, including parks, wastewater pipes and pump stations, roads (including bridges over rivers and streams) and stormwater outfalls.
- Drought. With increasing water demand and the potential increasing likelihood of extended dry periods during summer months, the district is at risk of not meeting water supply levels of service at certain times of year. The planning of the Council's water supply services take into account the predicted implications of climate change. The Council is taking proactive steps to reduce the district's water use with a conservation strategy, education and water metering. Droughts also have impacts on the Council's parks and reserves, and could potentially require changed approaches to managing these during summer months.

NPDC adopted a Climate Action Framework in December 2019 to guide NPDC's climate change work programme. NPDC adopted a District-wide draft Emissions Reduction Plan in September 2023. Actions and projects from that Plan have been considered and prioritised within this LTP. This LTP includes operating expenditure to develop a Climate Adaptation Plan. The Climate Adaptation Plan may need to consider new legal obligations and considerations depending on whether the Government progresses with planned legislation around climate adaptation and managed retreat. NPDC has also committed to investigating a governance framework for assessing and reporting on climate risks and opportunities, such as Task Force on Climate-Related Financial Disclosures reporting (through the Aotearoa New Zealand Climate Standards).

Natural disasters

NPDC acknowledges that natural disasters do occur and that New Plymouth District is vulnerable to various types of natural disasters. Taranaki is susceptible to volcanic eruptions, earthquakes, tsunamis, floods, storms, tornadoes, drought, pandemics and other disasters. The LTP does not include any forecasting of a natural disaster occurring during the life of the LTP in its financial information and plans. However, NPDC acknowledges that there is a small likelihood of a substantial natural disaster occurring during the LTP. NPDC has civil defence responsibilities, including being a member of the Taranaki Emergency Management Group, to respond to any natural disaster. The Council has insurance arrangements for its assets and also has a Natural Disaster Recovery Fund to assist with both response and recovery and the LTP includes additional annual funding to increase that fund over time.

There is a medium level of uncertainty. Uncertainty arises through the natural events and disasters. If these factors change from the projection then the assumption will not be borne out.

Natural disasters

No natural disasters are forecast to occur over the life of this plan

Existing and future resource consents

NPDC is legislatively required to obtain resource consents for various activities that it undertakes in the district.

The following major consents require renewal that may impact on the LTP:

- Colson Road Landfill – discharges to land and air consents expire 2025/2026.
- Crematorium – discharge to air consent expires 2032, discharge to land consent expires 2046.
- Boat ramps (Tongaporutu River estuary, Urenui River estuary, Waitara River) – consents expiring 2027.
- Waitara River left bank wharf – Usage consent expires 2033.

NPDC holds a large number of smaller resource consents across the district relating to its infrastructure. Some new projects will also require resource consents. These are assessed as part of the planning and delivery of each project.

There is a low level of uncertainty. Uncertainty arises from the potential for changes to NPDC's District Plan, changes to Taranaki Regional Council's regional plans, changes to national policy directions issued under the Resource Management Act 1991 and changes to the Resource Management Act 1991. If these factors change from the projection then the assumption will not be borne out. NPDC's services, including current and future developments, would be affected by not obtaining any relevant resource consents. This could ultimately lead to discontinuance in service delivery until consent is obtained. NPDC will continue to work closely with the Taranaki Regional Council to ensure all existing and future resource consents are renewed or obtained without any effect on the delivery of NPDC's services. NPDC proactively assesses the requirements for a resource consent in determining projects for the LTP, including the likelihood of obtaining resource consents.

Resource consents

All resource consents required for the operations of Council services will be obtained or renewed when required

Legislation and Government Reforms

NPDC is subject to Government regulation and legislation. Parliament and the Government can change these laws throughout the life of the LTP.

- **Water Services Acts Repeal Act.** The Water Services Acts Repeal Act was passed under urgency on 13 February 2024 returning the three water services (Stormwater, Wastewater and Water Supply activities) back to NPDC with transitional provisions provided in relation to the LTP. The LTP therefore contains the three water services for all 10 years. However it was also indicated that future legislation will provide for the establishment of a new class of local government owned but financially separate Council Controlled Organisations as an option that councils may choose to pursue.
- **Resource Management Act Reform.** The Natural and Built Environment Act and the Spatial Planning Act that were to replace the Resource Management Act 1991 (along with a proposed Climate Adaptation Act), were repealed on 23 December 2023. The Government signalled that they would pursue a different form of replacement of the Resource Management Act with a greater focus on private property rights.
- **Future For Local Government Review.** This review has recommended a significant reform of the local government sector. There has been no Government response yet or legislation introduced to Parliament to implement these recommendations. The LTP assumes that the status quo arrangements continue in place. Any reform in response to the review is likely to be considered in a future LTP process.
- **Climate Change Reform.** Government's Emissions Reduction Plan and National Adaptation Plan identify a range of actions for local government to implement to varying degrees. Parliament's Environment Committee is inquiring into potential climate adaptation legislation to provide powers for relocating communities faced with significant climate change risks. This LTP includes resourcing towards developing a Climate Change Adaptation Plan that will need to factor in any legislation progressed.

NPDC has also assessed other recent legislation changes and proposed changes that impact on parts of Council. This includes the Emergency Management Bill, Local Government Electoral Legislation Bill, Land Transport Management (Regulation of Public Transport) Amendment Bill, Sale and Supply of Alcohol (Community Participation) Amendment Bill and the Local Government Official Information and Meetings Amendment Bill. These have been factored into the relevant budgets as necessary and relevant.

The LTP does not assume any further legislative changes.

There is a medium level of uncertainty for the Resource Management Act Reform. While a scoping study aimed at gauging Taranaki's ability to implement the now repealed RMA reform legislative requirements (including a Regional Spatial Plan) had been commissioned by the Ministry for the Environment and was due for completion April 2024, given the uncertainty of these reforms no additional budget has been proposed within the LTP.

T**There is a medium level of uncertainty** related to the Water Services Acts Repeal Act.

The LTP assumes that NPDC will continue to own and directly operate the three waters networks (Stormwater, Wastewater Treatment and Water Supply).

Legislation

NPDC has factored in new and proposed legislation that will change our services and budgets

There is a medium level of uncertainty. Uncertainty arises from Water Services Acts Repeal Act was passed under urgency on 13 February 2024 along with a signal that legislation will provide for the establishment of a new class of local government owned but financially separate Council Controlled Organisations (CCO) as an option that councils may choose to pursue. Some councils may be required to establish a CCO if they cannot demonstrate a financially viable approach to managing these services whilst meeting new regulatory requirements. Further, NPDC has signalled that it will look at investigating a three waters CCO.

Should NPDC determine to create a three waters CCO (subject to legislative requirements) then the financial management of the water services including capital expenditure, operating expenditure, revenue (including rates), debt and reserves relating to the three waters (as contained in the water, wastewater, stormwater management activities) would be undertaken by the new CCO. This could mean the entire activity no longer exists within NPDC's activities. This will have a corresponding impact on the overall position of NPDC as a whole. However, this may depend on the exact nature of the changes proposed by the Government and are uncertain at this time.

The table below outlines the total 10-year budget for each activity.

Activity	Overheads ($m)	10 year operating budget ($m)	10 year capital budget ($m)
Water Supply	49.75	137.58	179.26
Wastewater Treatment	67.52	132.77	284.54
Stormwater	13.68	65.05	190.97

From a community perspective, water services will continue to be provided. There may be a change in how the services are charged, i.e. instead of paying for the service by rates, customers may be charged by a utility bill method.

Any change may have widespread implications across the rest of NPDC's operations. For instance, overhead allocations from these services fund parts of back office services, but there may only be a small reduction in these services if these services are no longer part of NPDC. This would increase the overhead allocation for other parts of NPDC, and therefore increase the remaining Council activities service delivery costs. NPDC allocates overheads using a number of different methods, including internal service agreements, timesheeting, internal charging and proportional to operating costs. Any change may also require NPDC to alter its approach to rating to ensure it continues to comply with the Local Government (Rating) Act 2002, particularly the requirement in section 21 for uniform rates not to exceed 30 per cent of overall rates

There is a medium level of uncertainty for the remaining matters. Uncertainty arises from the potential for Government's to introduce legislation. New requirements from legislation may require additional funding for either operating or capital expenditure. Legislation can also alter Council's functions, including removing or transferring functions, which will require changed funding requirements as well.

The Future for Local Government Review includes significant reform of the local government sector, including proposing new models for how local authorities are distributed across New Zealand, and could result in fundamental change for local governance of the New Plymouth District. The Review also recommends new funding sources become available for local authorities, including new funding tools as well as Government contributing $1b per annum to local authorities. If additional funding tools or Government transfers become available then NPDC would need to consider how to use those at that time.

Our finances

The effect of inflation on NPDC's services

The Local Government Cost Index (LGCI) measures cost drivers specific to local government (e.g. concrete, reinforcing steel, bitumen, roading chip, building materials, energy and wages etc.) which differs significantly from the inflation pressures affecting households as measured by the CPI. BERL provide local authorities with their view of forecast inflation on key cost drivers. Their measure of inflation is forecast for 2025 at 3.4 per cent and from 2026 onwards at 1.9 per cent to 1.7 per cent. NPDC will need to ensure that the community is well informed about the cost drivers affecting service delivery.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
LGCI for operating expenditure	3.4	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7
LGCI for capital expenditure	3.5	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8
LGCI - overall	3.4	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7

NPDC has modified the BERL LGCI forecast for 2024/25. This is to recognise that management are undertaking an efficiency review (zero per cent in year one). NPDC has also made specific assumptions about inflation for total staff costs, gas and electricity increases (three per cent per year), the rates payable on NPDC property (between seven per cent and nine per cent per annum) and insurance (20 per cent per annum for the first three years and five per cent per annum for Years 4 to 10).

There is a medium level of uncertainty. Uncertainty arises from external price inflation. If these factors change from the projection then the assumption will not be borne out.

Forecast inflation will impact on the ability of NPDC to deliver on its service levels and impacts future budgets. NPDC will need to ensure that the community is well informed about the cost drivers affecting service delivery. A higher or lower LGCI than forecast is likely to have impacts on NPDC budgets. A higher rate of inflation will require either increased budgets (and therefore rates increases) or adjustments to levels of service. A lower rate of inflation will either reduce budgets (and therefore rates increases) or enable increased levels of service within existing budgets.

Inflation

The annual cost of Council services will continue to increase at an average of

2%

Revaluation of assets

The revaluation of assets will result in book values that rise in line with inflation. NPDC last revalued its land, building and infrastructure assets in 2022, revaluations are expected in 2025, 2028, 2031 and 2034 (every three years). Forestry assets are revalued annually.

NPDC's assets deliver services to the community and hold a 'value in use'. The Council's significant assets are long life assets. Any reassessment of current replacement costs are used to determine the cost of the asset renewal programme as outlined in the respective asset management plans. This in turn means NPDC will need to make an increased budgetary provision through general rates for renewal funding

There is a low level of uncertainty. Uncertainty arises from replacement costs. If these factors change from the projection then the assumption will not be borne out.

There is a risk that assets are revalued at a lower or higher amount than inflation. Any substantive change in asset revaluation may result in an increase or decrease in the cost of the asset renewal programme.

Revaluation of assets

The fair value of assets that are revalued will increase in line with inflation

Useful lives of significant assets

Assets are expected to have a lifespan as set in the depreciation policy in the Statement of Accounting Policies.

Asset class	Roading	Laboratory	Waste Management and Minimisation	Stormwater	Flood Protection	Water	Wastewater
Years	7 to 150	5 to 50	5 to 60	3 to 160	25 to 200	3 to 170	3 to 120

There is a low level of uncertainty. Uncertainty arises from asset condition and whether assets receive more or less use than anticipated. If these factors change from the projection then the assumption will not be borne out.

Where actual asset lives differ (favourably or unfavourably) from the expected live of the asset, there is a corresponding impact on the asset renewals and maintenance programme. Assets that have longer lives than assumed will either result in savings through later replacement or may still be replaced at the time set out (e.g. if it is difficult to determine the state of the asset until replacement, such as for underground assets). Assets that have shorter lives than assumed may either result in reduced levels of service or require replacement earlier than expected, potentially before the asset is fully depreciated. NPDC has, and continues to develop, appropriate asset management plans together with regular inspection, maintenance and management practices to manage these risks.

Significant assets

The actual lives of significant assets are in line with expected useful lives

Vesting of new assets in NPDC

NPDC receives vesting of assets as a result of subdivision activity. NPDC anticipates receiving approximately $5m of vested assets each year (this figure is for year one) and the Council assumes that this value will increase in line with inflation each year. This assumption is based a conservative long run average.

There is a low level of uncertainty. Uncertainty arises from variability in subdivision activity that results in asset vesting. If these factors change from the projection then the assumption will not be borne out.

Assets vested with NPDC increases the need for infrastructure renewal funding and also has additional funding implications for operating costs.

NPDC is aware of likely future levels of vested assets through the resource consent process. The standard of assets proposed to be vested must meet NPDC's requirements for materials, construction techniques and quality. Any assets vested as the result of development have a minimal impact on NPDC's overall asset base per capita as the district's rate base increases with population growth.

Any significant increase in vested assets will increase NPDC's asset base. However, it is unlikely to have any significant impact on NPDC's financial position or levels of service. This is because an increase in vested assets would likely reflect additional development and therefore an increased rate base.

A decrease in vested assets will mean NPDC's asset base will not grow as quickly. This will not be significant in terms of impacting on NPDC's debt to asset ratio so should not impact on the ability to borrow. It is, however, likely to reflect a downturn in development.

Vesting of new assets

Approximately

$5m

of assets will be vested in NPDC per annum

Source of funds for future replacement of significant assets

The Revenue and Financing Policy sets out how assets will be funded for different activities.

Funding for the renewal of short life infrastructural assets is calculated on a Long Range Average Renewals Approach. This is an approach whereby NPDC uses rates to maintain a reserve. The reserve is then used to fund the renewal of assets. The amount of rates added to the reserve each year is based on the 10 year forward horizon for renewal requirements.
Funding for the renewal of long life infrastructural assets is through renewal reserves but can also be met through borrowing, in accordance with the Revenue and Financing Policy.

There is a low level of uncertainty. Uncertainty arises from sources of funding not being available at the time of an assets replacement. If these factors change from the projection then the assumption will not be borne out.

There is a risk that a funding source is not available to fund the replacement of any given asset at the time of its replacement. Section 80 of the Local Government Act 2002 sets out the process for NPDC to make a decision that is significantly inconsistent with a policy. This process could be used at that time.

Replacement of significant assets

NPDC will fund the replacement of significant assets in line with the Revenue and Financing Policy and Financial Strategy

External funding support

External funders provide operational and capital funding support to enable NPDC to maintain and/or enhance the level of service delivery. Waka Kotahi (NZ Transport Agency) provides a significant level of subsidy for roading operations and maintenance as well as capital renewals and augmentation (51 per cent to 100 per cent of eligible works). The Waka Kotahi Financial Assistance Rate is currently set at 51 per cent. In addition, other government funding agencies provide funding support to enable NPDC to deliver on its service levels. These include funding sources such as the Department of Internal Affairs (soldiers' grave sites) and the Ministry for Culture and Heritage (arts grants). Details of this funding is set out in the relevant activity management plans. Further funding is provided by external parties for events, exhibitions and capital project.

There is a medium level of uncertainty. Uncertainty arises from changes to government and other external funders priorities changing. If these factors change from the projection then the assumption will not be borne out.

Any reduction in funding support will impact on service levels and the long-term custodianship of our roading assets in particular. Less funding from Waka Kotahi will have an impact on the district's roading work programme. Projects will either have to be deferred or NPDC will need to provide extra funding through rates to counter reduced support from Waki Kotahi. An increase in the range and type of subsidies and funding support may require increased funding input from NPDC.

External funding support

Waka Kotahi funding to maintain and renew roads and associated assets will remain at current levels

Government funding in other areas and other external funding will remain at current levels

Rates remissions

Rates remissions will continue to apply at the current level with an increase of seven per cent per annum.

There is a medium level of uncertainty. Uncertainty arises from potential changes to the remission policies and changes to who qualifies as a result of other changes. If these factors change from the projection then the assumption will not be borne out.

The Proposed District Plan includes further properties to provide regulatory controls for which NPDC currently provides a remission. The outcome of the Proposed District Plan is unknown as there are statutory processes (including public submissions and appeal processes). The remission estimate is based on the Proposed District Plan, and a review of the remission policy may be required when the Proposed District Plan becomes operative.

The Local Government (Rating of Whenua Māori) Amendment Act 2021 provided a significant change to the rating of Māori land, including increasing the non rateability of Māori land and a statutory rates remission scheme. The Council reviewed its policy on the remission and postponement of rates on Māori freehold land in 2022.

Any change in legislation or NPDC's remissions policy will have an impact on the level of rating remissions. A higher level of remission will be met through other ratepayers paying higher rates, or may cause a review of the remission policies. A lower remission level will provide a savings and reduce the rates required.

Rates remissions

are estimated at

$0.8m *in Year One*

and increase at

7% *per annum*

Forecast returns on investments

NPDC has significant external investments in NPDC's Perpetual Investment Fund (PIF). The PIF is managed by a Full Outsourced Agent (FOA), Mercer New Zealand Limited. The FOA is reviewed and monitored by the New Plymouth PIF Guardians Limited (NPG). Annual releases from the PIF contribute significantly to reducing the annual rates requirement.

The PIF release is required to fund management fees and costs, with an amount to offset rates based on 3.3 per cent of the value of the fund after inflation and including fees and costs (with a smoothing rule applied). The PIF will release 3.4 to 3.6 per cent per annum gross of management fees and costs. The PIF's rate of return is expected to be 5.7 per cent per annum. This assumption is based on advice from the NPG. It is based on a long-term view of returns so the 10 year return may differ from the average.

There is a medium level of uncertainty. Uncertainty arises from the rate of return in market investments. If these factors change from the projection then the assumption will not be borne out.

If the average annual earnings rate of the PIF is less than forecasted and the value of the PIF decreases, this will reduce the release and may impact on NPDC's current Financial Strategy. This could have an impact on the rates requirement or adjustments to the levels of service provided to the community..

Forecast returns on investments

The PIF will release

$3.3%

of its value per annum (after inflation and management fees and costs) with a rate of return of

5.7% *per annum*

Development contributions

Residential development growth is forecast at a 10 year average of 329 new dwellings each year. Non residential growth is forecast to grow at an average rate of 168 household unit equivalent (HUE) per annum. The LTP forecasts the following forecast development contribution revenue.

	2024/25 ($m)	2025/26 ($m)	2026/27 ($m)	2027/28 ($m)	2028/29 ($m)	2029/30 ($m)	2030/31 ($m)	2031/32 ($m)	2032/33 ($m)	2033/34 ($m)
Development contributions revenue	11.2	12.2	13.0	13.8	16.2	16.9	17.5	17.7	17.6	17.0

This is at the rate that development contributions are expected to be collected at. However, the timing of development contribution receipts is outside NPDC's control. Development contribution requirements are assessed according to the number of dwellings and HUE that the relevant capital project(s) cater for, and then applied to each dwelling and HUE as they are developed. NPDC records growth related capital expenditure as being fully funded by borrowings and applies development contributions when received.

There is a medium level of uncertainty. Uncertainty arises from the rate of residential and non residential development. If these factors change from the projection then the assumption will not be borne out.

As development contributions are received they are used to repay debt. A slower rate of development will result in a lower level of development contributions being received. This will result in increased rate funded contributions to debt repayment costs. A faster rate of development will result in a higher level of development contributions being received. This will reduce borrowings, which in turn may reduce costs of borrowing and provide greater capacity to borrow in the future.

Development contributions

NPDC will receive development contributions revenue in line with the Development and Environmental Contributions Policy and forecast development rates

Borrowing and interest rates

Interest rates are assumed at the following levels.

Item	Cash investment	Term deposit investment	Airport working capital loan	General borrowing	Voluntary targeted rate scheme
Interest rate	1% to 4%	2% to 5%	3.5% to 4.5%	4% to 5%	0%

Borrowings are repaid over a 20 to 30 year timeframe.

Overall interest rate and funding strategies are managed within the parameters of the Treasury Management Policy. Interest rate swaps are also used as per the policy. The Treasury Management Policy is reviewed as part of the LTP process every three years.

There is a low level of uncertainty. Uncertainty arises from obtaining lending from the market. If these factors change from the projection then the assumption will not be borne out.

NPDC actively seeks to receive more favourable interest rates, which then enables NPDC to lower its borrowing costs, and either pay off debt faster or to reduce debt repayment costs. There is unlikely to be any adverse implications in the plan resulting from funding or interest rate risk. However, if economic conditions result in increases in interest rates that are unable to be hedged, such cost increases may impact on NPDC's overall budget position and ability to maintain service levels without an increase in rates income. NPDC's shareholder and guarantor status for the Local Government Funding Authority minimises the risk of the Council not being able to borrow the funds it requires.

Borrowing and interest rates

Interest rates for cash investments will be

around **4%**

and borrowing interest rates will be around

4%

Lenders will continue to meet NPDC''s requirements for loan funding (redemption and new)

New Plymouth District Council (Waitara Lands) Act 2018

The New Plymouth District Council (Waitara Lands) Act 2018 provides the leaseholders of the remaining approximately 300 leasehold properties in Waitara with a right to freehold. These funds are then distributed into three different funding pools – the Hapū Land Fund (held by NPDC for Te Kōwhatu Tū Moana), the Waitara Perpetual Community Fund (held by NPDC for Te Tai Pari Trust), and the Waitara River funds (held by Taranaki Regional Council).

The LTP assumes that Waitara leaseholders will continue to freehold approximately one property per quarter, with around 300 leaseholders remaining by 30 June 2034. The LTP also assumes that the average unimproved land value will be $210,000 in year one and increasing by five per cent per annum. The rents and sales proceeds become the following annual allocations into the three funding pools.

	2024/25 ($m)	2025/26 ($m)	2026/27 ($m)	2027/28 ($m)	2028/29 ($m)	2029/30 ($m)	2030/31 ($m)	2031/32 ($m)	2032/33 ($m)	2033/34 ($m)
Waitara Perpetual Community Fund	0.70	0.73	0.76	0.74	0.75	0.77	0.65	0.66	0.67	0.69
Hapū Land Fund	0.70	0.73	0.76	0.74	0.75	0.77	0.65	0.66	0.67	0.69
Taranaki Regional Council	0.33	0.35	0.38	0.32	0.33	0.33	0.34	0.34	0.35	0.35

Waitara Perpetual Community Fund

The release rule aims towards a long-term release of three per cent of the Waitara Perpetual Community Fund's balance, however the release rule sets an 80 per cent weighting on the previous year's release to provide a smooth mechanism to ensure the release payment is relatively stable.

On that basis, the LTP assumes the following annual release from the Waitara Perpetual Community Fund.

	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)
Annual release	374	491	616	744	872	999	1,124	1,124	1,124	1,124

NPDC has no role in managing the Taranaki Regional Council's Waitara River funds, and the Hapū Land Fund balance is subject to the decisions of Te Kōwhatu Tū Moana.

There is a medium level of uncertainty. Uncertainty arises from leaseholders' individual decisions as to whether they will freehold, which in turn is influenced by personal income, land value, lease rental and other factors. Uncertainty also arises in the returns due to house price inflation that may impact on the unimproved land value as assessed in Waitara.

For the purposes of this LTP, NPDC assumes that 50 per cent of the Hapū Land Fund's income is distributed over the life of the LTP. However, NPDC has no direct control of the Hapū Land Fund as Te Kōwhatu Tū Moana makes decisions on the expenditure of the Fund.

The net impact of this uncertainty on NPDC is minimal on the Council and services provided. However, it is acknowledged that there may be a more significant impact on Te Kōwhatu Tū Moana, Te Tai Pari Trust and the Taranaki Regional Council.

NPDC (Waitara Lands) Act 2018

Waitara leaseholders will continue to freehold over the life of the LTP and the Waitara Perpetual Community Fund's annual release will grow to over

$1m *per annum*

by the end of the LTP

Achievement of capital works

The LTP includes $1,425m of capital expenditure over the 10 years. Projects are planned for particular years. The LTP budgets are forecast on the basis that projects and works are undertaken in the years specified, and that there are no variations to the capital works programme.

There is a medium level of uncertainty overall for this assumption, however there is a high level of uncertainty for the delivery of capital expenditure to meet additional demand (growth related infrastructure, with $206m in capital expenditure). Uncertainty arises from NPDC's planning processes, project management processes, the construction market, alignment with urban growth and development, and other factors. Capital work programmes may also be varied by annual plans and future LTPs. If these factors change from the projection then the assumption will not be borne out.

NPDC has historically been able to undertake a similar amount of capital works compared to that set in the relevant LTP and/or annual plan. However, there has been a 'bow wave' effect of carry forwards, whereby projects carried forward from one year to the next cause a displacement of planned projects in the next year. This means that, while the quantum of works undertaken has been similar to the relevant plan, the projects undertaken in any year have differed. In order to address this NPDC is implementing a stricter programme to prevent carry forwards from 2023/24 into year one of the LTP, including early reprioritisation of some projects that will not be achieved (in part or in full) in 2023/24 into the LTP capital projects (rather than addressing them as a carry forward later on). This enables better planning of the actual quantum of capital works to be undertaken in 2024/25.

NPDC has an increased capital works programme outlined in the LTP compared to previous plans and undertaken a number of improvements to ensure it can deliver. The stepping in of the programme over the first five years enables the Council to grow its capacity to undertake this work. Phasing of significant projects in the LTP budgets across multiple years provides time for planning, land acquisition and resource consents before the intended construction timing. NPDC also introduced a new Portfolio, Programme and Projects (P3M) Framework. This is now embedded with software and resource to support delivery of the works programme.

This new management system along with new procurement processes (use of panel contracts), and increased planning and project management resources has been introduced in order to undertake this works programme. Much of this increase is in the works programme for the renewal of existing assets, and therefore less subject to planning, resource consent, land acquisition or other delays.

Any delay in achieving the stated capital works programme may result in a carry forward, whereby some or all projects are delivered the following year. This can result in other projects being delayed as a result. Delays in service level projects may also result in reduced borrowing requirements that, in turn, reduce rates required to repay that borrowing. Delays in renewal projects may reduce the funding taken from the renewal reserve that, in turn, reduces rates required to top up that reserve. There may also be additional costs in deferred projects as result of delays. These additional costs include cost escalation from additional inflation and, for renewals, the existing asset may require additional maintenance before replacement. From a resident viewpoint, it may mean that the Council does not improve service level in the timeframe expected, or increases the risk of asset failure through delayed renewal.

Capital works

NPDC will achieve its stated capital works programme

Growth capital expenditure

Historically projects related to urban growth are subject to the highest degree of delay or underspend when compared to planned expenditure out of the three categories of capital expenditure. This is because some growth-related infrastructure is contingent on developers or other agencies undertaking works, or can be delayed due to shifts in market demands. There has been an underspend in land purchases for new reserves, public access and other NPDC infrastructure mainly due to the complexities in working with multiple landowners/parties over several years and land value and associated timing of development and opportunities for acquisition arising. These timing delays do not result in failure to meet a level of service as outlined in the LTP, and do not increase risk of existing assets failing. The delays of these projects are prudent in light of the situation when compared to undertaking works or land purchases not required at that time.

The Future Development Strategy and Proposed District Plan provide a strategic approach on how the district will develop in a cohesive, compact and structured way to achieve a well-functioning urban environment. These documents ensure that there is integration with LTP decisions relating to funding and infrastructure. . However, areas identified for growth purposes in Future Development Strategy and Proposed District Plan are still subject to change (draft Future Development Strategy and Proposed District Plan appeal processes), which may in turn result in changes to timing from that contained in this LTP.

Council has identified key growth areas that will rely on a fully council-led approach as opposed to developer-led in relation to infrastructure delivery (transport and three waters in particular) in order to facilitate development. Areas such as Puketapu and Patterson Road are current examples. The budgets contained within this LTP are based on these council-led approaches where appropriate depending on whether quality and cohesive development is able to realistically be achieved through a developer-led approach.

The financial forecasts contained within this LTP are based on the Council achieving the stated capital works programme for growth related infrastructure. NPDC is confident that the programme put in place will better enable the Council to do that programme. However, there is a risk that the capital works programme for growth related infrastructure is not met.

The delay of growth-related infrastructure results in delayed borrowing. This will generally not result in a reduced rates requirement because growth related infrastructure is repaid through development contributions rather than rates. However, some growth-related projects do have a component of funding for any renewal or service level impact, and so may have a small impact on rates required to repay that borrowing in the short-term. There may also be an impact on the level of service received by the community, or an increased risk of asset failure.

If the additional work to improve timing and delivery of growth-related infrastructure is partially successful, and NPDC achieves delivery of 75 per cent of the growth-related infrastructure over the life of the LTP, then across the 10 years there will be $14.7m reduction in debt and $5.5m reduction in interest and principal repayments. By the end of the LTP rates will be 0.6 per cent lower than forecast.

However, if NPDC achieved only half of its growth-related infrastructure over the life of the LTP (slightly below the recent average achievement of growth-related infrastructure) then across the 10 years there will $29.5m reduction in debt and $11m reduction in interest and principal repayments. By the end of the LTP rates will be 1.2 per cent lower than forecast.

These calculations are based on projects where the main driver is growth, so does not take into account renewal or service level projects with a growth-related element. The calculations also do not assume that delayed/underspent projects are undertaken at a later time within the 10 year period.

Section 210 of the Local Government Act 2002 provides that the Council must refund development contributions received for a specified reserve purpose if the money is not applied to that purpose within 10 years of receipt (or other period specified in the Development and Environmental Contributions Policy). Not achieving its growth-related capital works programme creates a potential for liability for NPDC. Development contributions collected for specified reserve purposes are a small proportion of development contributions levied. Specified reserve purposes constitute $84 of the overall charge (varies by area of development – see NPDC's Development and Environmental Contributions Policy for more information (figures are for year one) and inflation adjusted annually). These specified projects are less likely to be subject to considerable delay as they refer to the upgrade of an existing specified reserve rather than being for land purchase or development of future reserves that are not currently owned by NPDC. The maximum potential liability the Council faces to refund these development contributions is $55,000 per annum (year one figure, based on an estimated 659 HUEs, development contributions are inflation adjusted annually) and would start outside of the LTP's 10 year financial forecasting horizon.

Capital costs

Capital costs

The actual capital cost of a project is close to the forecast capital cost

The LTP includes a large number of capital projects with estimated costs. The financial information and statements are prepared on the basis of these estimated costs.

There is a medium level of uncertainty. Uncertainty arises from the scope of the business case, as well as the changing costs of materials and labour involved in undertaking capital projects. If these factors change from the projection then the assumption will not be borne out. One project, the Urenui and Onaero sewer system, is considered to have a high level of uncertainty as detailed below.

NPDC has developed a system to classify capital work budgets. Each class indicates a different stage of planning and estimating methodology. Therefore, each class has a different expected accuracy range. The table below summarises these classes and their accuracy.

Class	Estimating methodology	Expected accuracy range
5 Identify	Global rates	±100%
4 Assets	Global/unit rate	±50%
3 Select	Unit rate	±20%
2 Define	Unit rate/first principles	±15%
1 Execute	Unit rate/first principles	±5%

The intention of NPDC is to continually develop and refine the pipeline of capital projects so that cost estimates are continually refined in the lead up to the delivery of a project. Costs may increase or decrease during the development and refinement process as better information about the project is known.

NPDC introduced in September 2023 a cost estimating framework. The purpose of this is to provide a consistent approach within the organisation in producing cost estimates with the intention of more accurate estimates. The introduction of this framework is likely to late to make a significant impact on the LTP but will have a positive contribution to future LTP's.

The prioritisation process for the LTP has placed projects with higher accuracy of budgeting (i.e. Class 1-3) within the first three years of the plan. Projects with a less accurate budget (and higher range) have generally been placed into outer years. However, the prioritisation process is subject to other timing considerations as well.

Forestry harvest

NPDC manages forests across the district. Where NPDC is in joint venture with the land owner it is assumed NPDC will exit the joint venture. Where NPDC manages forestry on land it owns it is assumed NPDC will replant the forest within four years, i.e. before any Emissions Trading Scheme liability is triggered.

There is a medium level of uncertainty. Uncertainty arises from log prices affecting the timing of the harvest. If log prices are low it is likely the harvest will be delayed t.

If the net proceeds from a forest harvest result in a surplus the funds are transferred to the Forestry Reserve to fund future forestry operations.

Forestry harvest

NPDC will harvest and replant with surplus funds added to reserves

Asset sales

NPDC has not proposed any significant asset sales during the LTP. (This assumption excludes the Waitara leasehold properties, which are included in the New Plymouth District Council (Waitara Lands) Act 2018 assumption).

During the LTP there may be some minor surplus assets that are sold.

There is a medium level of uncertainty. Uncertainty arises from political decision-making. If these factors change from the projection then the assumption will not be borne out.

If NPDC determines to sell a significant asset then the net proceeds will be used to either pay for a new capital project or to pay down debt. There may also be a reduction in associated operating expenditure with operating the sold asset.

Asset sales

NPDC will not undertake significant asset sales during the life of the LTP

Significant contingencies and commitments not budgeted for

While there are always unexpected events that may have an impact on NPDC's operations, NPDC mitigates these through its risk mitigation strategies including indepth insurance cover, established bank credit lines, and business continuity plans.

Commitments and contingencies that NPDC is aware of include the following.

Local Government Funding Agency (LGFA)

NPDC is a guarantor of the LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a local currency rating from Fitch Ratings and Standard and Poor's of AA+.

NPDC is one of 31 local authority shareholders and 52 local authority guarantors of the LGFA. NPDC has a commitment to fund uncalled shareholder capital in the event an imminent default is identified. Together with the other shareholders and guarantors, NPDC is a guarantor of all of LGFA's borrowings. This is based on NPDC's rates as a proportion of the total rates for all guaranteeing local authorities. At 30 June 2023, LGFA had borrowings totalling $16.3b.

Contingencies and commitments

There will not be unforeseen events or circumstances that could impact NPDC's finances and/or levels of service

Financial reporting standards require NPDC to recognise the guarantee liability at fair value. However, NPDC has been unable to determine a sufficiently reliable fair value for the guarantee and therefore has not recognised a liability. NPDC considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- NPDC is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Local Authority Protection Programme (LAPP)

NPDC is a member of LAPP, which is designed to assist local authorities to fund the rebuild of mainly underground infrastructure assets after a natural disaster. The fund was depleted by the Christchurch earthquakes and again by the Kaikōura earthquake. Membership has also reduced in recent years to the extent that NPDC is now the largest member by asset value under LAPP. Member contributions are expected to continue increasing due to the increasing value of assets covered and the cost of insurance and reinsurance generally. Under the Affordable Waters reform, responsibility for insuring Waters assets was to transfer to a Water Services Entity, and LAPP was to enter a wind-up process. However, with a change of government there is uncertainty about whether any reform will proceed, and therefore the future of LAPP is unclear.

RiskPool

The Council was a member of RiskPool until it ceased offering cover. RiskPool provided public liability and professional indemnity insurance for its members. The Trust Deed of RiskPool provides that, if there is a shortfall (when claims exceed member contributions and reinsurance recoveries) in any fund year, then the board may make a call on members for that fund year. The Council has been asked to fund its share of calls in the past as a result of deficits incurred due to the leaky building issue. A call for $100k was made by the board of Civic Liability during the year to 30 June 2019. Another call was made in November 2023 for $207k, with further call(s) to be made before RiskPool is wound up, beyond 1 July 2024.

Other

NPDC is not aware of any other additional contingencies or commitments not already covered by the prospective financial statements and/ or asset management plans.

There is a low level of uncertainty. Uncertainty arises from these being externally driven events. If these factors change from the projection then the assumption will not be borne out.

NPDC has planned appropriately for known potential commitments and has the necessary risk mitigation strategies in place to ensure any impact from unknown events can be managed without any undue impacts.

Statement of Accounting Policies

Add Te Reo translation

1. Reporting Entity

New Plymouth District Council (the Council) is a territorial authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002 (LG(R)A).

The Group consists of the ultimate parent, New Plymouth District Council and its Council Controlled Entities (CCOs) and Joint Ventures:

- Papa Rererangi i Puketapu Limited (100% owned).
- New Plymouth PIF Guardians Limited (100% owned).
- Venture Taranaki Trust (100% owned).
- McKay Family Joint Venture (56.5% owned).
- Duthie Joint Venture (54.82% owned).

The Prospective Financial Statements of the Council are for the 10 years commencing 1 July 2024 and ending 30 June 2034 and where authorised for issue by Council on the date the Plan was adopted.

The main purpose of these statements is to provide users with information about the core services that the Council intends to provide to ratepayers, the expected cost of those services and the consequent requirement for rate funding.

The level of rate funding required is not affected by subsidiaries, except to the extent that the Council obtains distributions from, borrows money on behalf of, or further invests in those subsidiaries, in which case such effects are included in these parent prospective financial statements. Therefore, the Council is not presenting group prospective financial statements.

2. Basis of preparation

a) Statement of Compliance

The Prospective Financial Statements (financial statements) of the Council have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The Council's primary objective is to provide goods or services and benefit for the community, rather than making a financial return. Accordingly, the Council designates itself and the Group as public benefit entities (PBEs) and applies tier 1 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand Environment.

The prospective financial information comply with PBE FRS 42 Prospective Financial Statements. The information in these Prospective Financial Statements have been prepared using the best information available at the time they were prepared.

Events and circumstances may not occur as expected or may not have been predicted or Council may subsequently take actions that differ from the proposed courses of action on which the Prospective Financial Statements are based. Therefore, whilst there is no current intent to update these Prospective Financial Statements, the Council reserves the right to update this plan in the future. The information contained within these Prospective Financial Statements may not be suitable for use in another capacity.

The accounting policies set out below have been applied consistently to all periods presented in the Prospective Financial Statements.

b) Measurement base

The Prospective `Financial Statements have been prepared on a historical cost basis, modified by the revaluation of certain assets.

The Prospective Financial Statements are presented in New Zealand dollars (functional and reporting currency) and all values are rounded to the nearest thousand dollars ($000), unless otherwise stated.

c) Foreign currency transactions

Foreign currency transactions are translated into NZD (the functional currency) using the spot exchange rate at the dates of the transactions.

Foreign exchanges gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

d) Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except billed receivables and payables, which include GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

e) Cost allocation

The costs of providing support services for the Council are accumulated and are allocated to each Council activity using direct or indirect costs:

Direct costs are those costs directly attributable and charged to a significant activity.

Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity. Indirect costs are charged to the significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

f) Annual Plan figure

The comparative 2023/24 figures are for those approved by the Council on its Annual Plan 2023/24. The plan figures have been prepared in accordance with NZ GAAP, using accounting policies that are, or will be, consistent with those adopted by the Council for the preparation of the financial statements.

g) Critical accounting estimates and assumptions

Financial statement preparation requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

Estimates are continually evaluated and are based on historical experience and other factors including expectations or future events that are considered under the circumstances.

The significant estimates and assumptions that have the greatest risk of causing a material adjustment to the reported amounts are:

- Estimating the fair value of infrastructural assets.
- Estimating the fair value of buildings.
- Estimating the fair value of forestry assets.
- Estimating the landfill afercare provision.

The actual results achieved are likely to vary for the information presented and the variations may be material.

h) Changes in accounting policies

At the time of preparation of this Plan there were no expected significant changes in the accounting policies to these applied in the preparation of these Prospective Financial Statements.

3. Significant accounting policies

a) Revenue

Most of the Council's revenue is from non-exchange transactions accounted for under PBE IPSAS 23 (i.e. rates, subsidies and grants, provision of services partial cost recovery/subsidised, vested assets and financial/development contributions). Exchange transactions are recognised under PBE IPSAS 9 (i.e. targeted rates for water supply, provision of services full cost recovery, sale of goods, interest and dividends).

Professional judgement is exercised to determine whether the substance of a transaction is non-exchange or exchange. For non-exchange revenue there is recognition of a liability to the extent of unfulfilled conditions.

Revenue is measured at fair value which is usually the cash value of a transaction. For non-exchange revenue there is a recognition of a liability to the extent of unfulfilled conditions.

Revenue from non-exchange transactions

Rates

General rates and uniform annual general charges (UAC) are recognised at the amounts due at the start of the financial year to which the Council rates resolution relates. They are set annually, and all rate payers are invoiced within the financial year for which the rates have been set.

The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Revenue is measured at the fair value of consideration received or receivable. Rates revenue is recognised by Council as being revenue when the Council has set the rates and provided the rates assessment.

Revenue from late payment penalties is recognised when rates become overdue.

Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Rates collected on behalf of the Taranaki Regional Council (TRC) are not recognised in the financial statements as the Council is acting as an agent for TRC.

Subsidies and grants

The Council receives funding assistance from Waka Kotahi, which subsidises part of the maintenance costs and capital expenditure on the local roading infrastructure. The Waka Kotahi roading claim payments (reimbursements) are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other subsidies and grants are recognised as revenue when they become receivable. When there is an obligation in substance to return the funds if conditions of the grant are not met, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Development and environmental contributions

Development and environmental contributions are recognised as exchange revenue when received. If the service for which the contribution is charged is not undertaken in the same year it's received, the contribution is allocated to the appropriate reserve until such time that the Council provides, or is able to provide, the service.

Vested assets

Assets vested in Council, with or without conditions, are recognised as non-exchange revenue, at fair value, when control over the assets is obtained.

The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

Fines and levies

Fines and levies, which mostly relate to traffic and parking infringements, are recognised when the infringement notice is issued.

Revenue from exchange transactions

Water billing revenue

Revenue from water by meter rates is recognised on an accrual basis. Revenue is based on the actual usage as a result of meter reading. Unbilled usage as a result of unread meters at year end is accrued on an average usage basis.

Other revenue

User fees and charges are recognised on the basis of actual services provided. Any fees and charges received in advance are recognised as unearned income in advance.

Fees for disposing of waste at the Council's landfill are recognised as waste is disposed by users.

Interest and dividend revenue

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

b) Other expenses

Grant expenditure

The Council's grants awarded have no substantive conditions attached.

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has provided an invoice.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Interest rate swaps

Interest rate swaps are measured at fair value with gains or losses on remeasurement recognised in the surplus or deficit in the year of remeasurement.

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund and the State Sector Retirement Savings Scheme which are defined contribution superannuation schemes, are expensed as incurred.

c) Property, plant and equipment

Asset classes

The Council has the following classes of property, plant and equipment:

Operational assets: These are land, buildings (including any improvements), vehicles, furniture, fittings and equipment and library books. Land is measured at fair value and buildings and the Puke Ariki book collection are measured at fair value less accumulated depreciation. Vehicles and furniture, fittings and equipment are measured at cost less accumulated depreciation and impairment losses.

Restricted assets: These are land and buildings that are subject to restrictions on use, disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977) or other restrictions (such as bequest land or buildings or donation that restricts the purpose for which the assets can be used). These assets are measured at fair value.

Infrastructural assets: These are the fixed utility systems owned by the Council. They usually display some or all of the following characteristics: part of a system or network, specialised in nature and usually do not have alternative uses, immoveable and may be subject to constraints on disposal. Examples are road networks, sewer systems and water systems. These assets are measured at fair value less accumulated depreciation.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or a nominal cost (e.g. vested asset), it is recognised at fair value at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the cost will flow to the Council and the cost of the item can be measured reliably.

The costs of servicing property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit. When revalued assets are sold, any amounts included in asset revaluation reserves are transferred to accumulated funds.

Revaluation

All property, plant and equipment except for operational motor vehicles, furniture, fittings and equipment and work-in-progress are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value, at least every three years.

Fair value is determined by reference to the depreciated replacement cost or market value on an asset class basis.

The carrying values of revalued assets are assessed annually to ensure they do not differ materially from the assets' fair values. If there is a material difference then the off-cycle asset classes are revalued.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset.

Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and restricted assets, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use. Depreciation rates and useful lives are reviewed annually. Depreciation on assets is charged to the surplus and deficit.

The useful lives and associated depreciation rates of major classes of assets have been estimated based on the Annual Report 2022/23 rates and are as follows:

	Years	Depreciation
Infrastructural assets		
Roading - infrastructure/formation	7 to 150	0.7% to 14.3%
Roading - land under roads		Not depreciated
Laboratory	5 to 50	2% to 20%
Waste management and minimisation - plant and machinery/landfill	5 to 60	1.7% to 20%
Waste management and minimisation - earhtmoving/site works		Not depreciated
Stormwater	3 to 160	0.6% to 33.3%
Flood protection	25 to 200	0.5% to 4%
Water	3 to 170	0.6% to 33.3%
Wastewater	3 to 120	0.8% to 33.3%
New Plymouth Airport runway/services	1 to 70	1.4% to 100%
Work in progress		Not depreciated
Operational assets		
Land		Not depreciated
Buildings/improvements	2 to 200	0.5% to 50%
Vehicles	2 to 20	5% to 50%
Furniture, fittings and equipment	1 to 99	1% to 100%
Puke Ariki book collection (general in-use)	7 to 25	4% to 14.3%
Work in progress		Not depreciated
Restricted assets		
Parks and open spaces		Not depreciated
Waitara Lands Act land		Not depreciated
Puke Ariki museum collection		Not depreciated
Govett-Brewster Art Gallery/Len Lye Centre collection		Not depreciated

Impairment of assets

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as 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. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of the impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cashflows.

d) Intangible assets

An intangible assets are defined as identifiable non-monetary asset without physical substance. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs, maintenance and web related costs are recognised in the surplus or deficit when incurred.

Software as a Service (SaaS)

SaaS arrangements are service contracts providing the customer with the right to access the SaaS provider's application software over the contract period. Costs incurred to configure or customise software in a cloud computing arrangement can be recognised as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premises systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives are reviewed at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Costs that do not result in intangible assets are expensed as incurred unless they represent payment for future services to be received. In which case a prepayment is initially recognised and then expensed as those subsequent services are received over the expected term of the cloud computing arrangement.

Carbon credits

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of computer software, the major class of intangible assets, is five to 12 years (8 per cent to 21per cent) based on the Annual Report 2022/23 rates.

e) Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

f) Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

g) Equity accounted investments (joint ventures)

A joint arrangement is a binding arrangement that confers enforceable rights and obligations on the parties to the arrangement that is subject to joint control. Joint control is the agreed sharing of control where decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint ventures are accounted for in the Council's financial statements using the equity method of accounting. The investment is initially recognised at cost. The carrying amount is increased or decreased to recognise the Council's share of the change in the net assets of the entity after the date of acquisition. The Council's share of the surplus or deficit is recognised in the Council's surplus or deficit.

If the share of deficits of the joint venture equals or exceeds the interest in the joint venture, the Council discontinues recognising its share of further deficits. After the Council's interest is reduced to zero, additional deficits are provided as a liability to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports surpluses, the Council will resume recognising its share of those surpluses after its share of the surpluses equals the share of deficits not recognised.

h) Investment in CCO's and other entities

The Council's investments in its subsidiaries (Papa Rererangi i Puketapu Limited, New Plymouth PIF Guardians Limited and Venture Taranaki Trust) are carried at cost in the Council's financial statements and are consolidated at Group level

i) Other financial assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include debtors and other receivables, LGFA borrower notes, term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses which are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value, with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and Group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term. Instruments in this category are bonds and shareholding in NZ Local Government Funding Agency (NZ LGFA) and shareholdings in Civic Financial Services Limited.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue. Instruments in this category include derivatives and Council's investment in Tasmanian Land Company Limited and the Perpetual Investment Fund.

Expected credit loss (ECL) allowance

The Council and Group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council and Group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

j) Cash and cash equivalents

Cash and cash equivalents are made up of cash on hand, on-demand deposits and other short-term highly liquid investments, net of bank overdrafts classified under current liabilities. The carrying value of cash at bank and short-term deposits with original maturities less than three months approximates their fair value.

k) Debtors and other receivables

Short-term receivables are recorded at the amount due, less an allowance for ECL.

The Council and Group apply the simplified ECL model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. 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':

- when remitted in accordance with the Council's rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

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.

l) Borrowings

All loans and borrowings are initially recognised at fair value of the consideration received plus transaction costs.

All borrowing costs are recognised as an expense in the period in which they are incurred and are calculated using effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

m) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into. They are subsequently re-measured to fair value each month with the associated gains or losses recognised in the surplus or deficit.

Derivative financial instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative financial instruments that are settled within 12 months are treated as current. The Council does not designate any derivatives as hedging instruments.

n) Provisions

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date and are discounted to present value where the effect is material.

o) Employee entitlements

Provision is made in respect of the Council's liability for retiring gratuity allowances, annual and long service leave and sick leave.

The retirement gratuity liability and long service leave liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement.

Liabilities for accumulating short-term compensated absences (e.g. annual and sick leave) are measured as the additional amount of unused entitlement accumulated at the balance sheet date.

Sick leave, annual leave, vested long service leave and non-vested long service leave and retirement gratuities that are expected to be settled within 12 months of balance date are classified as current.

p) Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Accumulated funds.
- Ordinary reserves.
- Restricted reserves.
- Asset revaluation reserves.

Accumulated funds

Accumulated funds are the capital fund made up of accumulated surpluses and deficits. A surplus in any year is added to the fund and a deficit in any year is deducted from the fund.

Ordinary reserves

Ordinary reserves are reserves created by Council decision. The Council may alter the purpose of a reserve without reference to a third party or the Courts. Transfers to and from these reserves is at the discretion of the Council.

Restricted reserves

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfer from these reserves can be made for certain specified purposes or when certain specified conditions are met.

Asset revaluation reserves

This reserve relates to the revaluation of property, plant, and equipment to fair value.

q) Creditors and other payables

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms. Therefore, the carrying value of creditors and other payables approximates their fair value. All amounts in creditors and other payables are assessed as exchange as these balances arose from transactions carried out on normal business terms.

r) Income tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax and deferred tax are calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

s) Deferred tax

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.