DRAFT FINANCIAL STRATEGY

The financial strategy sets out how Council plans to fund its operations to meet its community outcomes for the next 10 years and what the impact will be on rates, debt and level of service. It is transparent to enable the community to see that Council is demonstrating prudent financial management as is required by its community.

Every Council has varying challenges and aspirations that must be considered and these have now changed from where we were at the last LTP when a new Council had been appointed after being governed by Commissioners for 4 years.

Since this time Council has agreed upon community outcomes to give a future direction:

- Climate Smart
- Celebrating Diversity
- Vibrant Communities
- Healthy Environment
- Prosperous Economy

Of key importance has been the development of improved asset management plans (AMPs). This has allowed both the Infrastructure and Financial strategy to be developed through a number of iterations, such that the infrastructure strategy can be supported by an affordable and sustainable financial strategy.

ACKNOWLEDGING THE PAST

Kaipara District Councils key objective at the development of the last two Long Term Plans was to repay debt as debt had climbed to $83 million at its peak in 2011 paid for by a population of 18,700 (rateable properties totalled 12,310) so that the key challenge was to reduce risk through the reduction of debt. Service levels were kept at a base level and depreciation was not able to be funded for most assets. This meant that there was always going to be a backlog of renewals as the Council had not accumulated sufficient funds to ensure its aging infrastructure could be repaired and renewed as necessary.

As well as this the district was growing specifically in the east at Mangawhai, and financial contributions collected on subdivisions were predominantly held in reserves to counter debt rather than being utilised to provide for new amenities for the growing community, both permanent and holiday.

Council did not have good data on its assets condition which meant asset management plans were not robust. This was a limiting factor as well as high debt, and not being able to fund needed capital and renewal programs. Councils key driver was to improve financial resilience, reduce debt, have a balanced budget and as much as possible affordable rates.

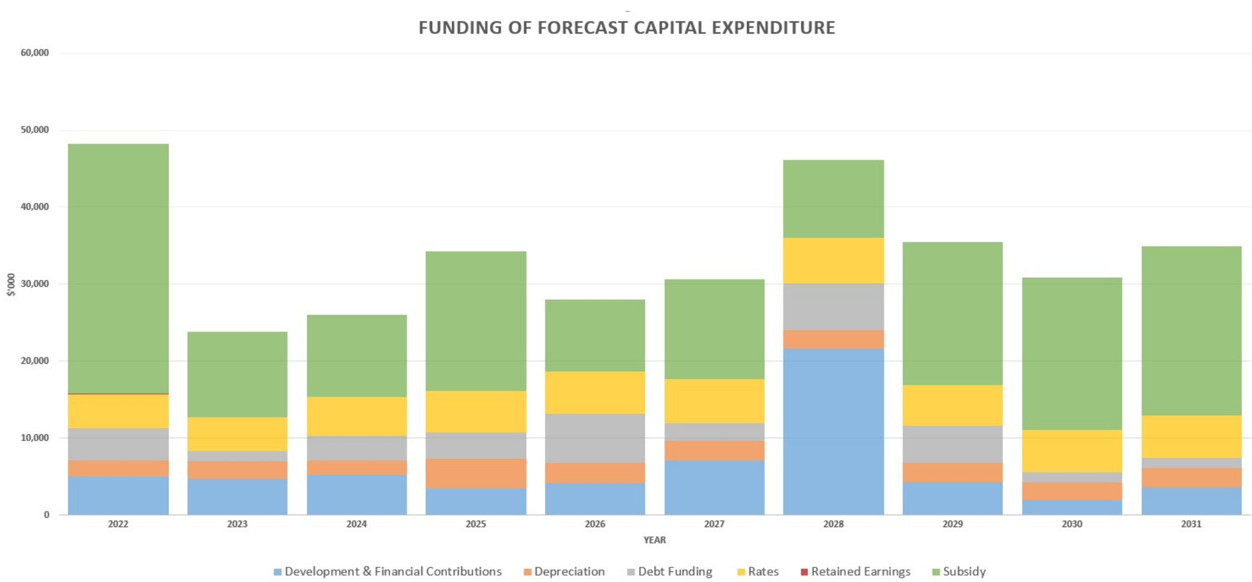
STRATEGIC DIRECTION 2021-2031

The Council has a number of projects and programmes proposed over the next 10 years to meet the 2021-2031 Community Outcomes.

Our 10-Year Plan incorporates an ambitious capital expenditure programme. A programme that focuses on building resilience of our infrastructure, investing in planning in the areas of future growth, and in developing adaptation plans to combat climate change. It also ensures we continue to do the basics well; we maintain and renew our assets across the existing transport and waters networks.

Council agreed the largest priority was providing for renewals to reduce the annual maintenance cost in the future and to ensure its current infrastructure is fit for purpose. The community has told us it wants the Council to continue with a new District Plan so this will be continued at pace and funded from general rates. New library facilities are planned for Mangawhai in 2024. A new facility for the Dargaville library will be part of a larger civic development and is dependent on being transferred to a trust which would then raise funds to build the centre. Service levels will be maintained at current levels except with the provision of additional investment in cycling and walking tracks with the largest investments being the Kaihu Valley Trail and Mangawhai Shared Path.

A key proposition of this plan is that substantial funding is relied upon for a variety of projects and will only be undertaken if grants or financial contributions are received as planned. Many of these subsidised projects will increase the level of service, the largest projects being those relating to flood protection works.



Council has a larger than normal budget for the first year of the LTP due to investment by Central Government initially as a result of applications to the Provincial Growth Fund and then further investment in Shovel Ready Projects. This has meant some headway has been able to be made in renewals and other projects that previously may not have been assessed as a priority.

KEY POINTS OF THE FINANCIAL STRATEGY 21-31

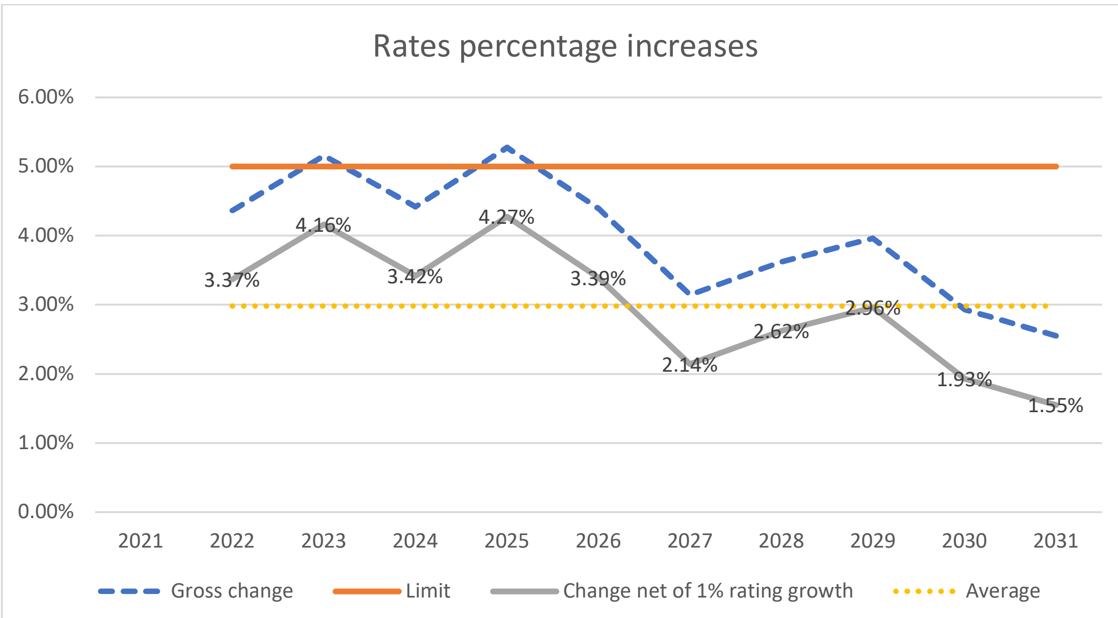
The financial strategy aims:

- To maintain a balanced budget.
- To balance affordability with financial prudence (Rates increases are no higher than an average 5% over the life of LTP (General and Targeted) after allowing for an allowance for annual growth in rateable properties. (Water by meter is excluded from this calculation.
- To manage debt to achieve intergenerational equity.
- To have net external debt capped at $60 million.
- To ensure increased funding of depreciation of all assets with the exception of transportation assets to 100% so that renewals can be funded.

- To maintain and provide for renewal of our existing assets is an important focus of our Infrastructure strategy and this is likely to result in higher rates in the early years of this LTP to get to the correct base level of expenditure.
- To ensure Development Contributions are set to recover the cost of growth.
- To use other sources of revenue to fund projects. There are many projects that are budgeted to be funded by grants, subsidies and financial contributions.

Rates Revenue and Forecast Movements

Rates movements 2.98% pa over the life of the LTP, and together with fees and subsidies will generate sufficient income to cover ongoing future expenditure.



Annual Rates Revenue and Forecast Movements ($000's):

	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
General Rates	25,480	27,134	28,610	29,962	31,785	33,462	34,302	35,377	36,926	37,661	38,496
Targeted Rates	9,154	9,012	9,401	9,729	9,999	10,156	10,687	11,241	11,538	12,222	12,659
Total Rates	34,634	36,146	38,011	36,691	41,784	43,618	44,989	46,618	48,464	49,883	51,155
Rates Increase after 1% growth	3.97%	3.37%	4.16%	3.42%	4.27%	3.39%	2.14%	2.62%	2.96%	1.93%	1.55%
Water by Meter	3,145	4,027	4,397	4,779	4,808	4,946	5,109	5,211	5,328	5,745	5,862

Rates increase	2.9%	28.02%	9.2%	8.71%	0.61%	2.86%	3.29%	2%	2.23%	7.84%	5%

Council has managed to maintain affordable rate increases which will also provide a more sustainable funding base through increasing renewal expenditure. This means financial resilience is increased and debt is steadily retired over the 10-year period. The step change for water in the first year is required to maintain and renew our existing network. An increase in debt is required to fund growth projects in 2028 relating to construction of Cove Road and increased capacity at the Mangawhai Wastewater Plant.

Prudent financial management
Council will ensure its decisions over rates income are used effectively, and efficiently delivered to meet both the current and future infrastructure requirements under the Act. Council will monitor its income and expenditure on a monthly basis to ensure expenditure meets budget.

Council will ensure it has a balanced operating budget however it won't be till 2025 that Council is fully funding depreciation expense. This will allow a catch up on our renewals so Council can provide good stewardship of its infrastructure assets.

Council will monitor its income and expenditure on monthly basis and has appointed additional staff to ensure our capital projects can be delivered to the anticipated timeframe and within budget.

Council will ensure it complies with legislative limits and benchmarks for financial reporting and prudence and report on these to Council and as part of the Annual Plan and Annual Report process. Debt will continue to be kept at a level well within the many debt ratios.

Affordability of Rates
Rates affordability is particularly an issue because we have a fast-growing population but a great deal of the community are at retirement age and on a fixed pension. Council recognises that it has not provided for the appropriate renewal expenditure in the past and is rectifying this in this Long Term Plan. This means the targeted rates and water by meter may be problematic for sectors of our community. Council will look to limiting rates increases to an average of 5% over the 10 years (after providing for growth).

Council will smooth the rates by only increasing the funding of depreciation in a stepped manner and by looking to share the costs of providing many services across the District. The Council provides services such as water by meter, wastewater and community service, parks and reserves. In order to make the rates more affordable to those less populated communities Council has spread the costs of similar services across a greater base to ensure ratepayers benefit from economic benefits of scale.

Council will continue to maximise government funding sources to transfer the burden from rates where possible.

As well as the revised Long Term Plan being produced in this year, property valuations are also carried out by Quotable Value (QV) for rating purposes every three years. The relative changes in property values between different areas and different types of property causes fluctuations in the incidence of rates between different ratepayers. QV has given us preliminarily advise of the following movement in valuations which can ultimately impact on

affordability.
None received as at 14 January

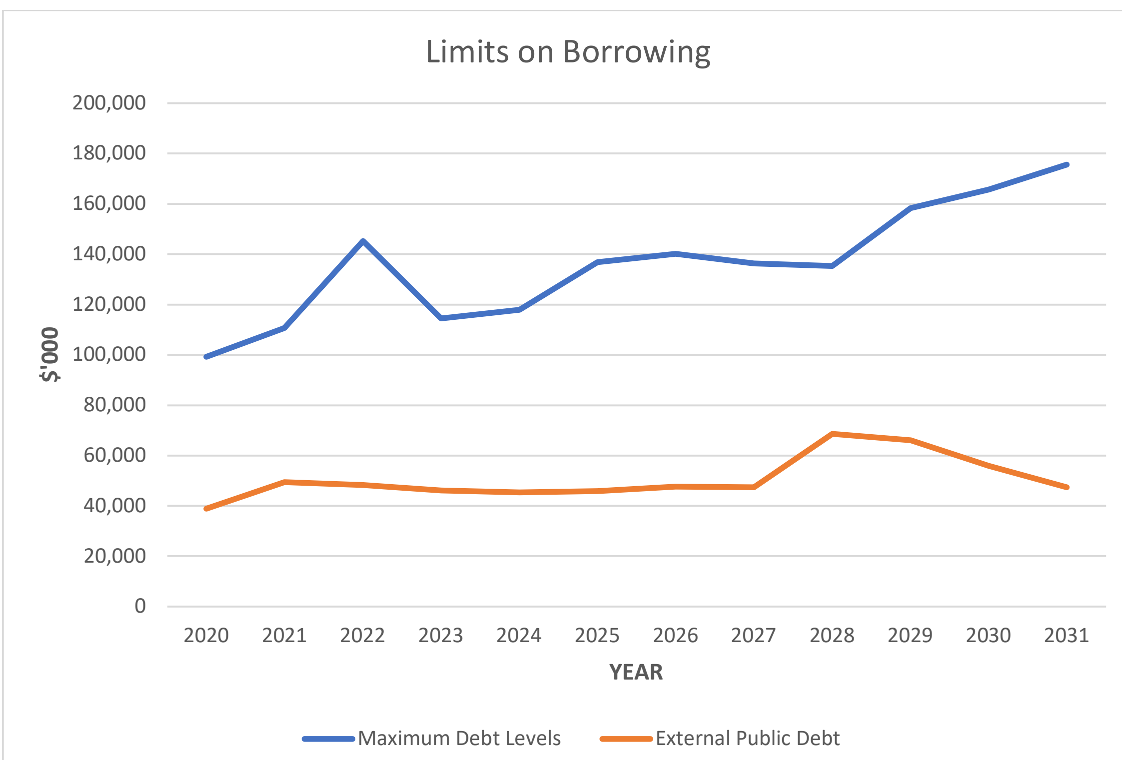
Over the next 3-year period Council will look at the potential for using capital value system for rates allocation as a fairer system.

Use of Debt
The previous LTPs focus on repayment of debt has meant that Council is now well within its allowable maximum debt levels, as projected debt was reduced.

A key funding stream for investment in infrastructure is by way of borrowings/debt.
The use of debt allows the costs of infrastructure to be spread over the life of the asset and paid for by all users of the asset across generations. The management of debt to ensure sustainable financial management still presents a major challenge, however with a growing population costs are better shared to aid with affordability.

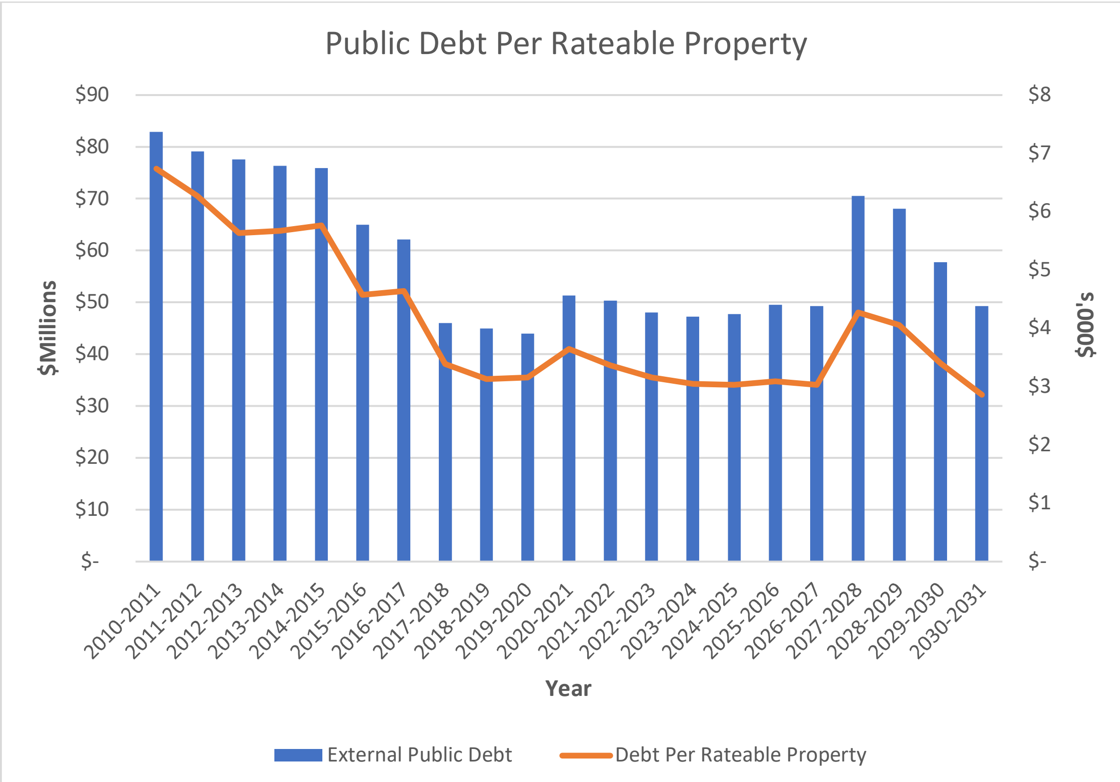
Many parks and reserves projects are funded by financial contributions. As at 30 June 2020 Council had a future obligation of just over $7 million in reserve contributions to spend. Council ensures throughout the plan that contributions received are expensed on qualifying projects as per the Reserves Policy and the future obligation which offsets any debt should reduce to $5 million.

Operational surpluses in the past have resulted because we have not been able to deliver all of our capital works programme. The capital programme being underspent has meant Council has not had to borrow as much as planned. Even though the Council is well within its debt ratios throughout the 10 years Council has indicated it would prefer the balance of debt to not exceed $60 million as this is a more conservative and prudent level relative to the community's expectations.



Over the next 10 years this level of $60 million is exceeded as a result of investment in growth projects in 3 of the 10 years.

The table below shows that as a result of growth, even though the debt is increasing over the life of the LTP the actual debt per rateable property has decreased.



Council's approach to manage this challenge is to ensure forecasting is carried out and debt that is needed to fund assets is primarily borrowed from LGFA which has been set up to provide cheaper debt financing to local government organisations.

Council also has committed facilities of up to $10 million with registered banks in addition to the LGFA facility.

Council secures its borrowings against rates income as provided in its Debenture Trust Deed.

During the course of the Long Term Plan 2021/2031, debt projections are generally lower than the debt requirement because of internal borrowing. Council may temporarily use reserve funds for a different purpose from that for which they were received. However, the debt requirement and therefore capacity is needed for the time that these funds are called on. As a result, the ratios are calculated on debt requirements rather than debt projections. The difference between the two is shown in the table below.

Public debt projections compared to public debt requirements 2021/2031 ($ millions)

Year End June	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Public Debt projections	51.2	50.3	48.1	47.2	47.7	49.5	49.3	70.5	68.0	57.8	49.3
Future Reserve Obligations	13.0	16.5	18.8	22.1	23.8	27.9	30.9	36.1	42.6	49.3	56.8
Debt Requirement	**64.2**	**66.8**	**66.9**	**69.3**	**71.5**	**77.4**	**80.2**	**106.6**	**110.7**	**107.1**	**106.1**

The future reserve obligations include funded depreciation reserves, which Council could choose to use to reduce public debt.

FACTORS EXPECTED TO HAVE A SIGNIFICANT IMPACT ON THE COUNCIL FOR THE NEXT 10 YEARS

Population Growth:
Census figures from 2018 showed Kaipara is one of fastest growing districts in terms of population growth in NZ. The Census data for population in 2018 was 22,869. The forecast shows the population rising from 24,600 in 2021 to 28,524 in 2031.

The good news for Kaipara is that more people are moving to the District, primarily as a result of the close proximity of Auckland and the lifestyle opportunities. As part of the Council's District Plan Review Council developed spatial plans after discussion with the community. These are blueprints for various towns in our District, plans as to what areas should be allocated for development, which in turn provides guidance for the district plan review.

A particular characteristic of Mangawhai is that approximately 57% (2018 54%) of the ratepayers reside outside of Mangawhai.

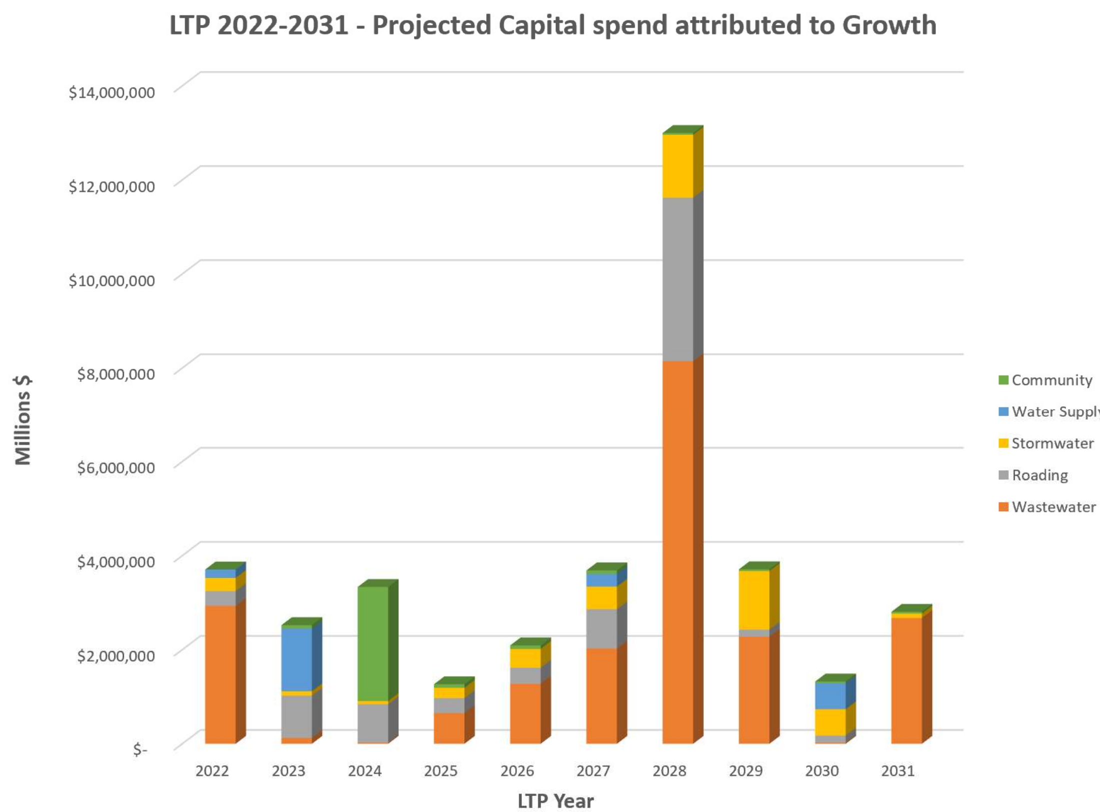
Annual Population growth forecasts 2021-2031:

Area	**Forecast Population 2026**	**Years 1-5 Growth**	**Forecast Population 2031**	**Years 6-10 Growth**
Dargaville	5,540	1.48%	5,764	0.8%
Kaiwaka	2,403	1.45%	2,520	0.9%
Mangawhai	7,630	4.63%	9,040	3.4%
Maungaturoto	1,459	1.85%	1,539	1.0%
Ruawai/ Matakohe	2490	0.1%	2,474	-0.1%
Rest of District	7,317	-0.01%	7,187	-0.36%
Kaipara District Total	26,839	1.76%	28,524	1.23%

The ongoing projected population and housing growth creates demand for additional capacity in our infrastructure. Over these 10 years, Council is estimating there will be a further 2,077 households in the District.

Council Response:
The infrastructure team through the infrastructure strategy have begun to look at what this means for transportation routes, three waters infrastructure (particularly reticulation), and where investment will be necessary by Council. There is still disparity in growth areas with the eastern part of the District growing significantly faster than in the west and the north.

The recently adopted spatial plans provide the blueprint for sustainable growth not only in Mangawhai but also in new areas developing in Kaiwaka, Maungaturoto and Dargaville. Some funding has been provided to ensure growth is supported. The cost to ratepayers has been minimised as much as possible by the use of development contributions to fund new infrastructure capital costs. This is a measured approach as Council wanted to avoid the risk of investing well ahead of the predicted growth.



As can be seen from the graph above there are large upgrades planned on the Mangawhai Wastewater Plant in 2028 to improve capacity of the plant to meet growth. In addition, Cove Road will be extended through Mangawhai Central.

Council is currently in the process of undertaking a full review of the District Plan, which will result in the notification of a new District Plan. One of the key strategic objectives of the new plan will be to provide a range of suitably zoned residential and business land to meet the needs of our growing population.

Additionally, the spatial plans have identified a need for various types of development opportunities throughout our district in the short, medium and long-term. In response (and to ensure that planned development occurs in the right places), council has commenced work on a 're-zoning' plan change to the operative District Plan. The intention is to publicly notify this plan change before the end of the year. As well as this, we are expecting that Estuary Estates (Mangawhai Central) will start to be populated with commercial and residential properties as the chapter 16 of the current District Plan allows. Each new subdivision improves income collected from both financial and development contributions, which also means new amenities can be funded for our growing population. For the Mangawhai Wastewater Plant where a greater investment was made in capacity in 2010, funding costs continue to be well ahead of development contributions received. Debt is used to fund growth related infrastructure and development contributions are used to repay this debt.

Risks:

There is a risk that the growth will not increase as forecast and Council will need to be able to reduce associated capital projects associated with growth.

Another risk is judging when to meet additional demands. If the cost to service the debt is used to fund the asset, and growth does not occur as planned, then the costs will fall disproportionately on the existing ratepayers. This is because much of the growth costs are not solely attributed to future properties and the general ratepayer pays part of the future interest cost on the Mangawhai Wastewater Plant. Note that the loan initially allocated to general rates has now been repaid.

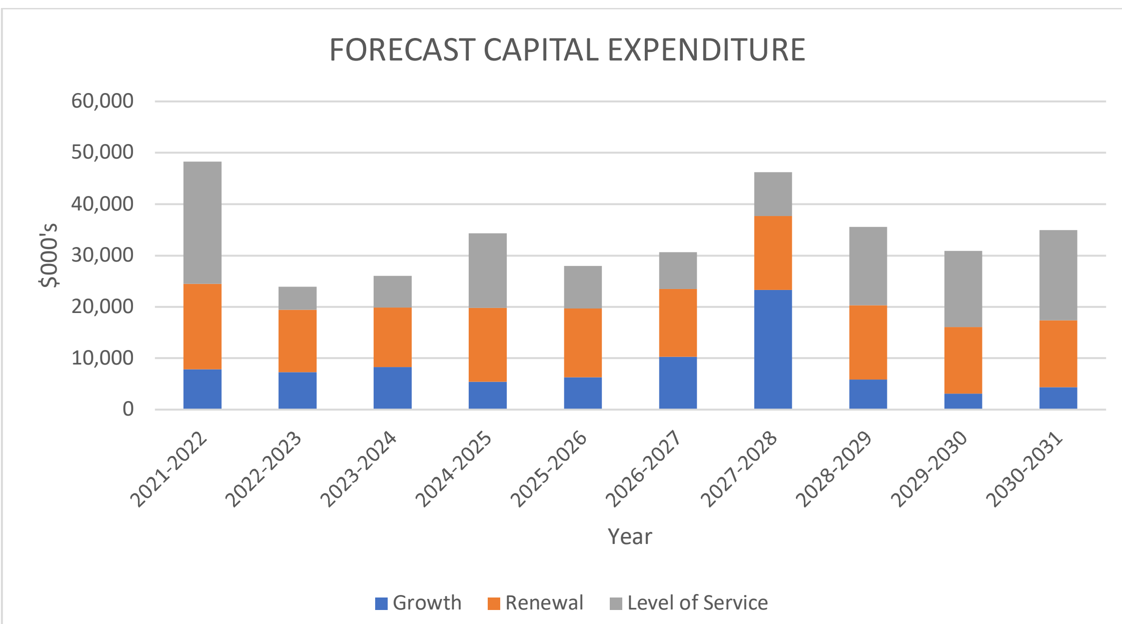
Aging Infrastructure:
This year the base information for the Infrastructure Strategy came from improved asset data which has enabled Council to better predict what needs to be spent on both our transportation and water networks.

The community has told us that it is most important to look after the current assets so that the level of service can be maintained.

A lot of the infrastructure was built in the mid-1900s and limited funds rated for its replacement e.g. bridges - this will have a financial impact on the community through rates as the renewals occur.

Councils response:
The data clearly showed us that ongoing breakages were occurring and that many parts of the network had not been replaced when it should have been, due to historical underinvestment. Council now needs to get the balance more aligned over this LTP, in replacing key assets when needed, rather than constant maintenance as can be seen from the poor condition and constant breakages in our reticulation systems and reservoirs as examples.

Provision has been made for an increased backlog of renewals so that critical assets are not run to failure.



Activity Group	Growth $000's	Renewal $000's	Level of Service $000's	10 Year Total $000's
Community Activities	$ 11,280	$ 4,620	$ 9,773	$ 25,673
District Leadership, Finance and Internal Services	$ -	$ 3,600	$ 4,576	$ 8,176
Flood Protection and Control Works	$ -	$ 913	$ 43,600	$ 44,513
Regulatory Management	$ -	$ -	$ 100	$ 100
Sewerage and the Treatment and Disposal of Sewage	$ 23,439	$ 5,685	$ 2,435	$ 31,559
Solid Waste	$ 112	$ -	$ 3,837	$ 3,949
Stormwater Drainage	$ 7,735	$ 3,983	$ 8,020	$ 19,738
The Provision of Roads and Footpaths	$ 38,167	$ 103,210	$ 46,541	$ 187,918
Water Supply	$ 1,397	$ 13,898	$ 1,758	$ 17,053
Total	$ 82,130	$ 135,909	$ 120,640	$ 338,679

Risks:
Our population is aging which will increase concerns about rates affordability particularly amongst those with lower fixed incomes, so this needs to be balanced with the need to clear the backlog to the renewals program.

Depreciation to be fully rated for
In previous LTPs a large amount of the renewals had been funded by debt. The Council had started progressing each year increased funding of depreciation to fund renewals. Stormwater, water and wastewater activities have been only partially funded for depreciation which means renewals have not been able to be carried out to the optimum level as Council traded this off against affordability for so many years.

Councils response:
Funded depreciation will be provided for by 2022 with the exception of the Mangawhai wastewater system which will be fully funded by 2025. This means that by funding depreciation, we will have the capacity to fund the asset renewals that are forecast in the future years of the 30-year infrastructure strategy. Council had thought it was unaffordable to residents to charge for both a loan and depreciation charge, so the impact has been staggered. The Commissioners began the initiative of rating for depreciation and this has been a required but a steep curve of new costs each year. This means funding will build up in depreciation reserves in the longer term.

The activities related to Flood Protection, Council Property and Community activities already have fully funded depreciation through the rates calculation. Roads are an exception and are funded by rates and Waka Kotahi (NZTA) subsidies (62%).

Unfunded depreciation ($000's):

	21/22	**22/23**	**23/24**	**24/25**	**25/26**	**26/27**	**27/28**	**28/29**	**29/30**	**30/31**
Wastewater	490	307	214	111						
Stormwater	124									
Water Supply	66									
Total	**$680**	**$307**	**$214**	**$111**						

Risks:
There is a risk that the large renewal projects are higher than the depreciation being funded however they will be funded by debt in this case. In he 10 years water renewals are higher than the depreciation being funded. There is also cross subsidisation of schemes within the water and wastewater activity which isn't a consideration with the equalisation of water and wastewater schemes.

Investment in our Communities

The Council has a large capital expenditure program to progress which will continue to be challenging to complete. Much of the programme is for renewals and there is some provision for new initiatives and growth. Central government has been supportive of its regions and Council has been successful in applying for capital projects to be fully subsidised. Many of these programmes of subsidised work do not start or will be constructed in the early years of the Long Term Plan.

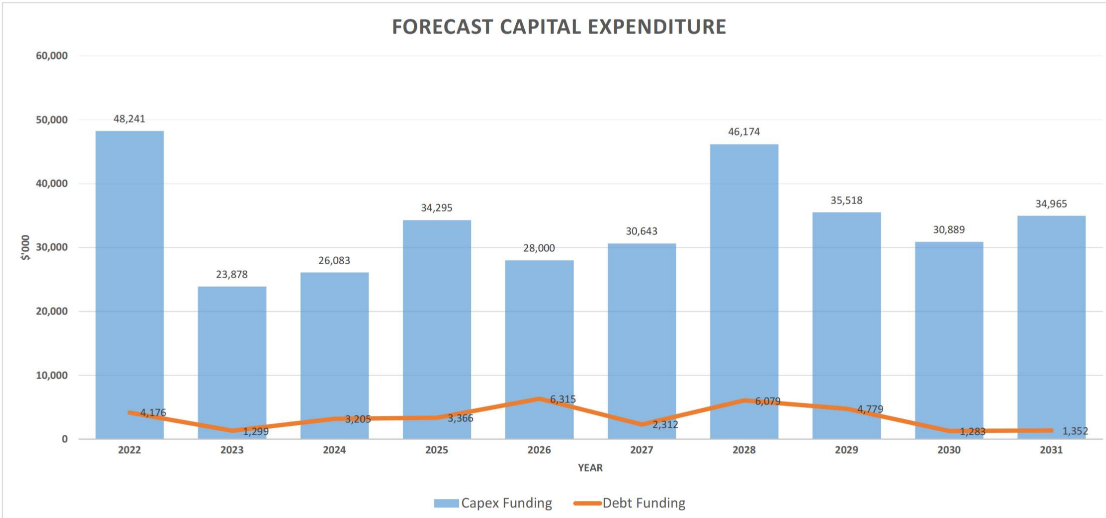
There are also many future projects that are budgeted to be funded by grants, subsidies and financial contributions in the later years of the plan.

Councils response:
Council has improved its monitoring of projects and has a programme manager taking an overview of all externally funded projects, reporting to a newly created Externally Funded Projects Committee. Council has appointed a specific project manager and resources coordinator to the larger projects to ensure construction of and expenditure on these projects occurs as anticipated.

Council has thought strategically about future third party funded projects it may require, and these are detailed in the Long Term Plan. If the funding sources are not confirmed, then the associated projects won't be completed in the stated year and will be deferred until funding can be obtained.

The 10 years capital programme for capital expenditure ($000's):

	21/22	**22/23**	**23/24**	**24/25**	**25/26**	**26/27**	**27/28**	**28/29**	**29/30**	**30/31**
Open Spaces and Facilities	2,938	1,918	5,768	3,838	4,306	2,121	1,636	1,616	916	616
District Leadership, Finance and Internal Services	4,526	340	510	630	420	330	430	330	330	330
Flood Protection and Land Drainage	6,060	160	60	7,290	220	60	60	10,063	10,140	10,400
Regulatory Management	100	0	0	0	0	0	0	0	0	0
Wastewater	4,451	800	345	1,758	2,559	3,40	11,675	3,166	375	3,025
Waste Minimisation	0	0	250	750	400	1,100	550			900
Stormwater	939	345	470	1,410	3,260	1,775	4,100	5,140	1,875	425
Roads	27,892	16,934	17,534	17,059	15,209	20,071	26,322	13,802	15,222	17,868
Water Supply	1,334	3,380	1,145	1,560	1,625	1,780	1,400	1,400	2,030	1,400
Total	**48,240**	**23,877**	**26,082**	**34,295**	**27,999**	**27,237**	**46,173**	**35,517**	**30,888**	**34,964**



Risk:
This Long Term Plan is not without risk in being able to deliver as there are a number of projects relating to construction of stop banks and cycling trails being dependent on grants, subsidies or financial contributions.

Impact of COVID 19 on our District
Northland and specifically Kaipara have not been as affected as other Councils because of the reliance on agriculture and construction industries. In 2020 Council introduced specific hardship grants for businesses. The tail end of these will be taken up in 2021 but no further aid is provided for by Council.

Kaipara's changing climate
Kaipara's climate is changing. A changing climate means rising temperatures, rising sea levels, more extreme weather and increasing natural hazards, like drought, flooding, and coastal flooding and erosion. The impacts of climate change are wide-ranging and will intensify over time. We will experience increasing impacts on our health and wellbeing, our businesses and primary industries, our homes and properties, our infrastructure services and amenities, our community and recreation spaces, and the natural environment and ecosystems. Council has certain responsibilities to manage risks and help our communities adapt and grow their resilience. We also have certain responsibilities to measure our emissions and help transition to a low emissions future.

Council response:
Council will develop a climate change work programme over the next 10 years to ensure a strategic, aligned approach to meeting climate change responsibilities. The climate change work programme includes policy to set standards on how we identify, understand and consider and report on climate change throughout Council, climate action plan/s (including emissions targets), adaptive pathways projects with priority communities, and improved communications and engagement. The costs of this are set out at $1.5m over 10 years. This work meets our current and expected statutory responsibilities and is the minimum we are required to do. Requirements around climate change planning and response come from our resource management, natural hazards and risk management obligations. Some of the legislation that determines these obligations include the Resource Management Act 1991,

Local Government Act 2002, Building Act 2004, Civil Defence Emergency Management Act 2002 and Climate Change Response Act 2002.

Adaptation response decisions and priority actions determined in this climate change work programme will require consultation with the communities as to timing, cost and then ascertaining what grants if any would be available to help with funding.

Council will need to make challenging decisions on how best to allocate resources towards resilience and adaptation projects. We acknowledge communities' calls for protection responses and investment in further protection works. We recognise the importance of water resilience and increasing water security. Council also recognises that large-scale, infrastructure resilience projects will cost more than our ratepayers can afford. External funding is imperative. Access to external funding from central government to accelerate the building of priority stop banks has been provided for in this LTP. Council will also provide better security of water source for Takiwira - Dargaville by connecting to Tai Tokerau water storage facilities in the early years of the LTP. These climate resilience activities are also in our Infrastructure Strategy.

Climate-related risks:
Like many other councils across Aotearoa New Zealand, Kaipara District Council is currently working to better identify and understand risk. We recognise that a strong understanding of risks, impacts and implications is a foundational first step towards developing robust and strategic management response.

Some climate-related financial risks we anticipate, and will work to better understand over the upcoming years, include:

- Increase costs to maintain, repair and/or improve infrastructure assets;
- Increased costs for low emissions, adaptive design/locations for asset renewals;
- Likely increase costs of insurance and impacts on insurance availability for exposed assets;
- Impacts on property value, costs to rate payers for maintenance, repair and protection;
- Impacts on rate affordability, lower rates revenue, and/or decreased development contributions revenue;
- Liability and litigation costs due to lack of decisive action from Council or due to resistance to required adaptation changes;
- Impacts on carbon-intensive Council activities and increased resources to reporting on and reducing emissions to meet anticipated national carbon budgets and targets;
- Increase costs of carbon and increased costs to offset emissions;
- Regulatory pressure and compliance.

(Note: The Forecasting Assumptions discuss these risks in more detail, see page **X**)

Over the next three years Council will develop accurate and thorough information regarding which Council services will be impacted and the degree of impact, chief of which is infrastructure services. Council will identify which assets are exposed, assess the degree of urgency regarding exposure, and analyse impacts on levels of service. Council will also identify values of exposed assets, anticipated costs associated with climate change impacts, and anticipated costs of adaptation response options. We commit to applying the best available, quality science and climate change projections to identify climate-related risks. Council also commits to transparent, accessible and consistent disclosure of these financial risks as they are identified and better understood. Our upcoming Climate Smart Policy will establish practices on climate-related risk disclosure.

Although we are in the early stages of our climate change response journey, managing financial risk is not new to Council. Where possible, we will apply current risk management processes and risk management systems. We will examine how current revenue and financing policies support or hinder strong climate change response and identify opportunities for implementation.

There is already pressure on Council to protect private property and invest in protection works. Council will need to make hard decisions on what can be provided as there will be a number of impacts to various communities and on Councils own assets. Access to external funding from central government to accelerate the building of stop banks has been provided for in this Long term Plan.

Council will provide better security of water source for Dargaville through connecting to Tai Tokerau water storage facilities in the early years of the Long Term Plan.

Council is at the stage where it has appointed a specialist policy adviser who is working at a regional level to identify the local impacts of climate change on the community.

Specific Financial Risks:

- Climate change will have many environmental changes (sea rise, raised ground water, flood risk, temperature rise, drought, fire, landslides etc). These changes will lead to increased costs to maintain infrastructure services (increased costs of maintenance, repair, low emissions and adaptive design etc).
- Due to the physical risks to assets, insurance premiums will substantially increase, or insurance cover will not be available for assets in locations known to be vulnerable. These trends are already happening throughout NZ.
- Increasing physical risks could lead to property value reduction, decreased insurability and increased cost to, increased compliance and design costs, reduced ability to develop property and restrictions on land use, and increased costs of repair and protection. These impacts could lead to inability for community to afford rates, lower rates revenue, decreased or development contributions revenue.
- Communities locally and throughout the world are using legal processes to challenge councils and governments about their climate actions. If Council does not act decisively or fails to bring the community on the climate transition journey, it is likely that this will result in litigation from people resistant to proposed changes and/or from people frustrated by a lack of progress.
- If more natural disasters occur, it is likely to affect how the market views our suitability for investment. Climate risk equals credit risk for the Kaipara and Council.
- Physical changes and the need to adapt will result in significant costs. However, the cost of carbon (currently $35 per tonne in NZ) will also dramatically increase over time, as NZ and the world introduce market pricing to drive the needed economic transformations. The IPCC report prices of approximately $150 per tonne will be needed to reach the science-based goals (much higher than current cost of carbon in NZ). Carbon needs to be considered alongside cash as a constraint for all activities.
- Carbon pricing, potential disruption of long-haul supply chains and an immature marketplace (i.e. poorly positioned to adopt the sustainable practices required from our Council procurement requirements) may make it more difficult and costly to secure supplies and suppliers. Council will need to improve local supply chains so they are better able to meet our sustainability requirements and help us achieve our emission reduction goals (e.g. a zero-carbon supply chain will be needed to help us achieve our goals).
- Council has yet to set emissions targets or reduction plans, or adaptation response support for the organisation or the district. Failure to establish strong adaptation and mitigation action could expose Council to political and reputational risk.

- Government have established the Climate Change Response Act which places obligations on sectors to manage and report emissions. Government is about to introduce 5 yearly carbon budgeting for key sectors that would require the disclosure of emissions and will set 5 yearly targets for sectors to reach. This will impact on the carbon intensive aspects of Councils activities and holding companies and the economic activity in the region.