DRAFT

2024-2034

Financial Strategy

Waitomo District Council

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1. INTRODUCTION

This Strategy has been prepared in accordance with the requirements of Section 101A of the Local Government Act 2002 (LGA). The Act's stated purpose of a financial strategy is to:

- Facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and

- Provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The Financial Strategy outlines how Council will manage its finances over the ten years of its Long Term Plan (LTP). It sets out the general approach and principles that will be followed, and it provides a guide to assess spending proposals. The financial strategy includes limits on rates levels, rates rises and borrowing and aims to promote financial stability, affordability and value for money over the short, medium and long term.

The strategy also helps Council to engage transparently with the community about the impact of our proposals on service levels, rates, debt and investments.

Council's guiding principles underpinning the strategy strive to:

- Provide amenities, facilities and services to the District community that contribute to and align with Council's vision.

- Undertake good asset stewardship and management to ensure all community and infrastructure assets are fit for purpose and available for future generations.

- Manage all of our resources effectively, delivering value to our community, keeping sustainability and affordability at the forefront of what we do when setting rates.

2. STRATEGIC CONSIDERATIONS

Factors expected to have a significant impact on Waitomo District over the LTP period include the following:

2.1. POPULATION AND LAND USE CHANGES

Planning assumptions for the 2024-2034 period show that the usually resident population of Waitomo District as a whole will grow at an average rate of 0.3% per year through to 2031 reducing to 0.1% per year between 2031 and 2041, and -0.3% per year between 2041 and 2054. The proportion of people aged over 65 is projected to increase from 15% in 2018 to over 25% in 2053 and the number of people aged between 15 and 64 years of age is projected to decrease. This may have a flow-on effect on the make-up of the work force in the district. Factors such as the ageing population will contribute to a decline in the average household size, from approximately 2.61 residents per household in 2021 to under 2.55 in 2054. This decline assumes there will be sufficient dwellings available. If fewer dwellings are made available, for example due to lower levels of new dwelling construction, then fewer households will be able to form, and the average household size may be higher.

In terms of geographic spread of growth, the Te Kuiti is expected to experience the strongest growth due to the greater availability of serviced and zoned land. Maniaiti/Benneydale and Waitomo Village are also expected to experience growth in the next 10 years due to employment opportunities. the

Waitomo Rural Ward. Population and dwelling growth flows through to rating units.

The District's rating units are predominantly Residential and Residential Lifestyle, with nearly two thirds of the total rating units falling under these two categories. Therefore, any rating unit growth is heavily dependent on dwelling growth. No significant land use changes are expected over the 10 year planning horizon.

Population and development projections are important in the context of rating and rates affordability. The number of rating units is currently 5,950 as at 31 January 2024, rating units are trending at 0.5% per year with the dwelling growth with new households on the same trajectory the average trend of 0.5% per year. This growth projection will be applied over the first 10 years after this point population growth is expected to slow and then the population is predicted to reduce. The rating units are also expected to follow this stagnating trend however it is unlikely rating units will reduce and there may still be land development changes that create some increases therefore years 11-30 a small increase of 0.1% per year has been applied.

It is also projected that the current pattern of limited subdivision and building development will continue over the 10 year period. Council will continue to increase the availability of housing and land for development in line with the Housing Strategy developed in 2023. Overall, there is projected to be little change in demand for Council provided services through population or land use changes. There are three areas which will require additional investment to maintain or provide the level of service expected by the community, these are stormwater, roading and solid waste.

Recent flooding events have overwhelmed the stormwater network in Te Kuiti, much of the network is only designed with the capacity for a 1 in 2 year storm event. Significant investment is required to improve the stormwater network's ability to cope with high intensity rainfall events. Climate change scenarios predict that these events will occur more often with more intensity so investment in stormwater is high priority.

The roading network has also been impacted by severe weather events causing over 300 sites needing repair ranging from extensive to minor. Much of the current and future roading programmes will include investment to remedy and rebuild these damaged sites. Where possible the approach is to 'build back better' to provide more resilience in the network for future events. What is difficult to gauge is the sites or areas that are now more at risk or unstable and are therefore more likely to fail due to the cumulated effect of the weather events. Because of limited Waka Kotahi subsidy funding and the impact on our rates this may result in reduced investment in other roading activities such as resealing and re-metalling.

The impact of forestry harvest operations on parts of the roading network, scheduled to occur over the planning period. It has been assumed that a new differential on the district roading rate will provide funding for the additional maintenance and rehabilitation required to maintain current levels of services on the affected sections of local roads. Without additional funding the level of service for these roads would be affected.

The third significant investment will be in options for disposing of solid waste. Council is reviewing its current approach of building a new landfill cell to create additional capacity. Further community engagement on the options for the disposal of solid waste and the sludge from the Te Kuiti Wastewater ponds will be undertaken later in 2024 once options are better developed. Investment in waste minimisation in terms of improved diversion of waste and the potential use of wheelie bins for kerbside collection of rubbish and recyclables is planned for a potential implementation in 2030.

2.2. INFRASTRUCTURE STRATEGY FOR MAINTAINING CURRENT LEVELS OF SERVICE

2.2.1. NETWORK INFRASTRUCTURE

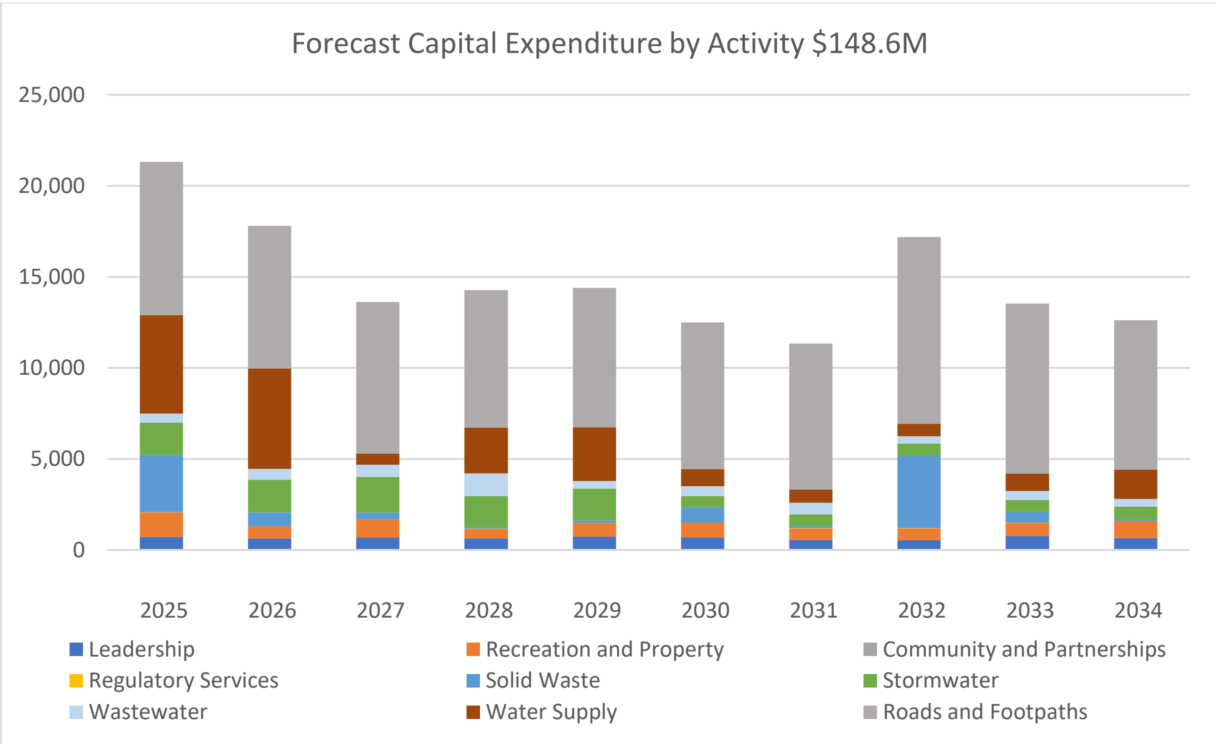
The purpose of the Infrastructure Strategy is to identify the significant network infrastructure issues (roading and 3 waters) facing Waitomo district and options for managing them over a period of at least 30 years.

A number of infrastructure upgrades have been undertaken in the last 10 years and with little projected growth in demand, there are no population driven infrastructure improvements that the District will need to provide for, moving forward. For stormwater and roading networks improvements have been driven by the impact of severe weather events and a need to address these issues due to the increasing likelihood they will occur more frequently in the future.

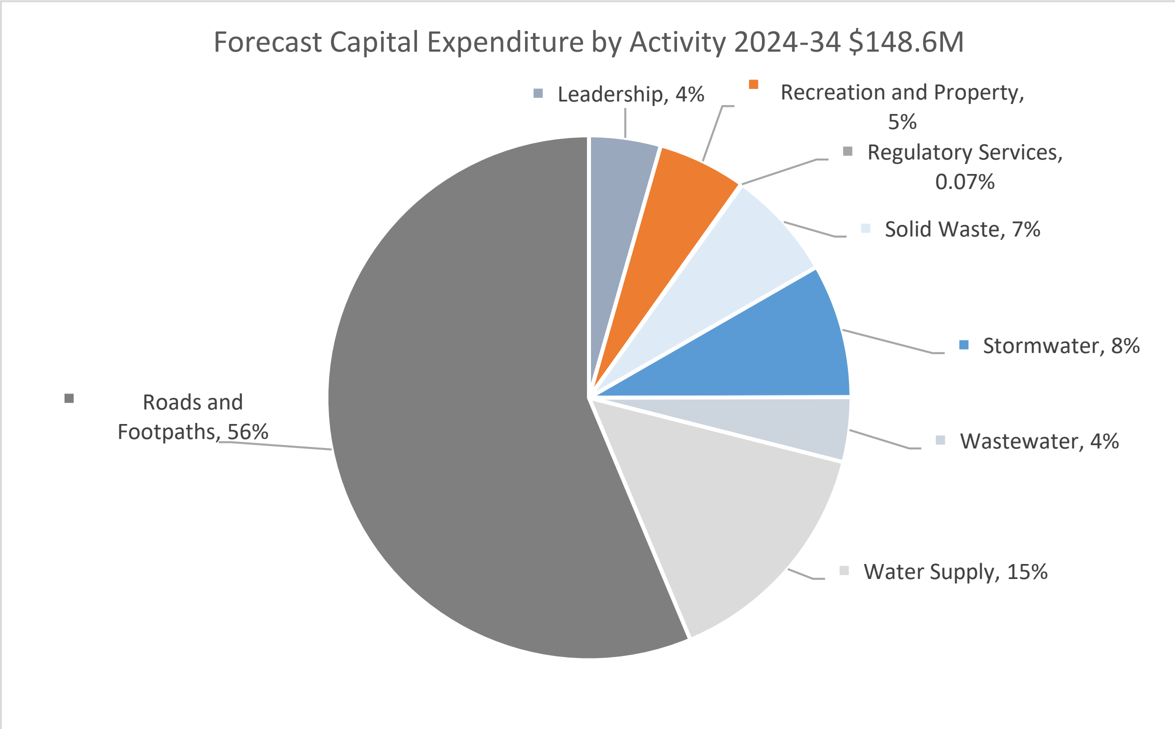
It will also be important to consistently meet renewal needs of network assets in a timely manner, to ensure there is no loss of service due to condition deterioration over time and to ensure public safety, consent conditions and legislative compliance are maintained. Some investigations have been programmed in the 2024-2034 period, in order to identify options for improving the resilience of our infrastructure and for risk mitigation reasons.

The forecast capital expenditure profile is steady over the life of the infrastructure strategy. The emphasis on asset renewals is consistent with the objective of maintaining current levels of service over the life of the LTP.

The total of the 10 year capital expenditure planned for the 2024-2034 period is $148.6 million. The following graph differentiates the capital expenditure by activity.



Over the 10 years, the total planned capital expenditure by activity is shown in the following graph:



2.3. OTHER FACTORS

Infometrics prepared the population report in September 2022 for WDC to inform a range of long-term planning activities. The projections follow a cohort-component population projection approach, in which the starting population is broken up into age and gender cohorts. Each cohort is analysed and projected separately – considering the probabilities of different life events occurring for each cohort including fertility, mortality, migration, household formation, and labour force participation. We develop districtwide projections first, in consideration of demographic trends and labour market shortfalls. Sub-district projections are used in consideration of the capacity for household growth and historic trends.

Factors such as housing affordability in metropolitan areas, an improved national state highway network, increased use of public transport, central government strategies around regional development, and local government's efforts in the provision of networks and community services and community development could well see the smaller regions becoming more desirable places to live and work, in the future. All other factors detailed in the Planning Assumptions for the LTP have been considered in the development of this Financial Strategy.

2.3.1. THREE WATERS REFORM

There have been recent changes to the legislation for three waters with the repeal of the Water Services Bill which puts the water, wastewater and stormwater assets back under control of local authorities.

The new government's approach to ensure water, wastewater and stormwater is delivered effectively gives control to local councils while using regulators to enforce rules around investment and compliance. This is outlined in the policy 'Local Water Done Well'.

The expectation is that three waters service delivery will be self-sustaining and paid for by users through revenue, rates or a combination of both. This will need to cover cost of maintenance required to meet compliance and expected levels of service and the future replacement of infrastructure. An Infrastructure Regulator will also ensure that sufficient investment is made to meet minimum standards and to allow for growth.

The option to form Regional Council Controlled Organisations comprised of the water and wastewater service delivery and assets will be available which is likely to offer economies of scale and long-term borrowing separated from council's balance sheet. A business case for the development of a regional or sub-regional water services entity across the Waikato is being developed.

This LTP does not assume that WDC join a Regional CCO, the investment in 3 waters has been based on the available information at the time. The level of investment is prioritised to the most critical issues that could impact public health and safety and resilience for the future. WDC has a stable population base and projections indicated a small amount of growth in the first 10 years followed by a decline to return to current population numbers in 30 years. Infrastructure investment is not a limiting factor to the expected growth at the projected rate.

The LTP has therefore been developed as a "business as usual" approach, due to the limited information available on the actual process and the impacts of the likely future model on local management and control over the delivery of the three waters services.

Council currently has a number of projects underway or planned funded by the 'Better-Off' fund distributed to councils as part of the 3 Waters Reform programme. This funding was to invest in activities other than 3 Waters. The projects have a direct contribution to community wellbeing and Council's strategic direction, a refresh of the Town Concepts Plans was undertaken to prioritise these projects which cover town gateways, walkways, community and cultural hub, improvements to town amenities and social good programmes.

2.3.2. ECONOMIC IMPACTS OF COVID-19

The COVID-19 pandemic brought about the sharpest decline in economic activity on record. Nationally, gross domestic product (GDP) in the June 2020 quarter declined by 12.4% compared to the June 2019 quarter. In Waitomo, the decline in GDP in June 2020 was less than the national average. Waitomo's GDP has been declining since a peak in 2016 and is continuing to trend down however at a much lesser rate than during the pandemic. In the year ended March 2023 GDP reduced by 1.3%, GDP reduced by 4.9% in 2021. Waitomo's GDP is dominated by Primary and Mining sectors.

Areas that were more directly impacted by the pandemic are now showing very positive trends or have returned to pre-pandemic levels.

Business growth has increased at a rate not seen for 10 years at 2.5% in 2023 with the number of business units returning to 2019 levels sitting at 1617 units for 2023.

Unemployment has also improved after a rise in 2021 to 4.1% reducing to 3.0% in 2022 and 3.1% in 2023. These levels have not been achieved since prior to the Global Economic Crisis when unemployment was at 2.9%.

Tourism expenditure domestically has returned to pre-COVID levels at $67 million in 2023 but international spend is still lagging at $25.5 million compared to $46-47 million annually in 2018-2020. The total spend in 2023 of $93.1 million is a 70.8% increase on 2022 indicating a very positive trend.

2.3.3. DELIVERING ON COUNCIL'S VISION AND MAINTAINING AFFORDABILITY

The purpose of the LGA is to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

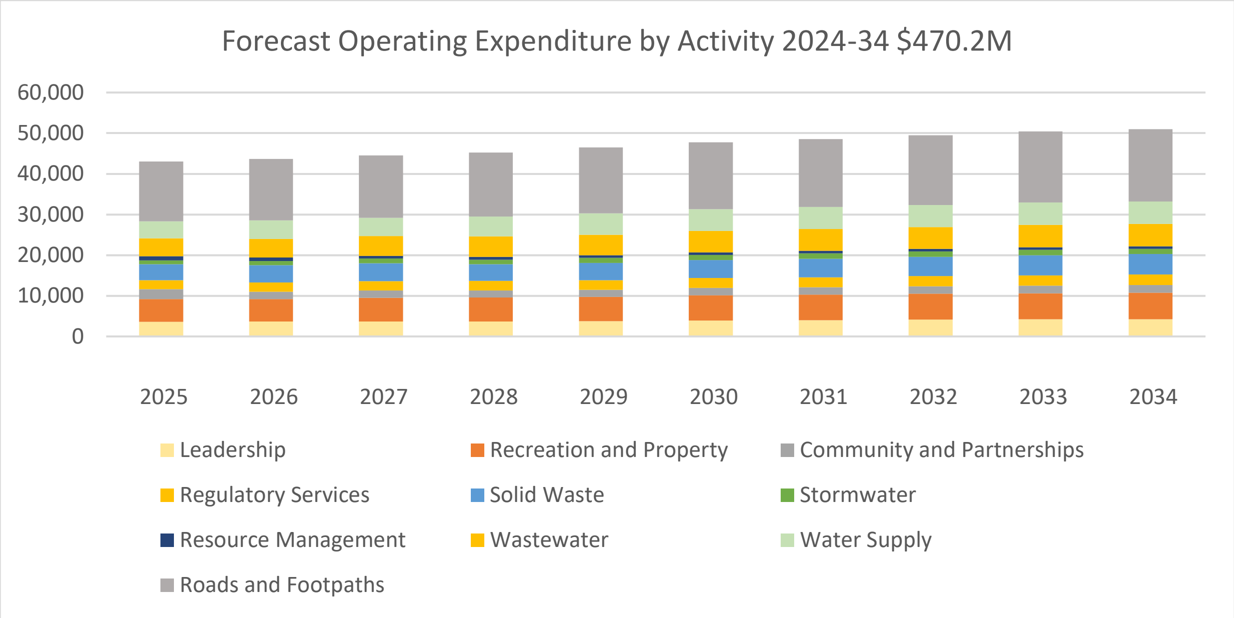
Council, through it's strategic direction, set a vision for the District as 'Te hanga tahi o tatou Takiwa, Shaping our District together'. At the heart of the vision is the intent that the Council and all residents work together to create a District that is prosperous, inclusive, cares for the environment and values culture.

Council takes direction from other Plans and Strategies when considering the Financial Strategy such as the District Plan, Town Concept Plans, Infrastructure, Vibrant Waitomo and Housing Strategies.

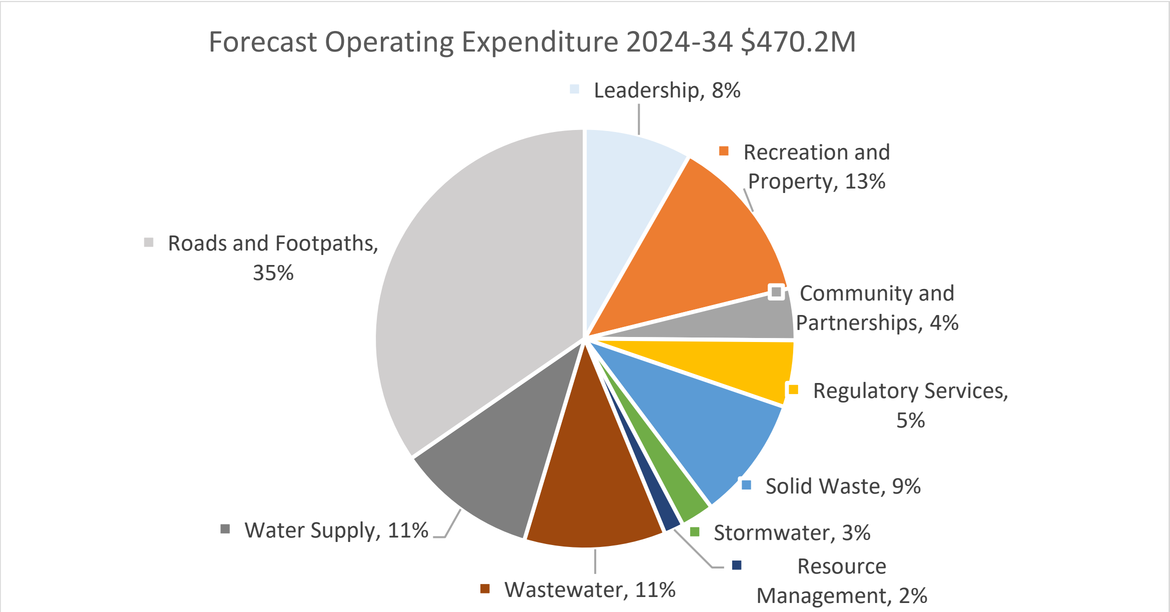
The strategic direction has been reviewed for the LTP, retaining the principles and values of the previous community outcomes and priority areas. The LTP recognises that the effective delivery of Council's strategies can and will influence the make-up and well-being of the community over time.

Council is also clear that all this has to be achieved in a financially prudent and affordable manner, while delivering a level of service expected by the community.

The following graph shows Council's forecast levels of operating expenditure over the 2024 - 2034 period.



The following graph shows the overall forecast operational expenditure over the 10 years by activity:



2.3.4. BALANCED BUDGET

Over the life of the LTP, Council's objective is to set total operating income at a level that meets, or is greater than, total operating expenditure. This is to ensure that there is access to enough funding to enable the services to continue to be provided long term, and to meet additional demand for services within rates limits.

However, there are activities where this approach may not be practical or prudent on a year-by-year basis due to the activity's long term nature, e.g. wastewater, roads and footpaths, water supply. Over the next ten years Council intends to:

- Temporarily run activity deficits/ surpluses in order to avoid large variations in rates increases
- Use operational reserves and/or activity balances to fund some specific operational expenditure where appropriate.

Council considers this to be a 'prudent' approach to financial management in that it provides for assets to be maintained and renewed, debt levels kept reasonably conservative, and rate increases limited to an affordable level now and in future.

Whilst Council is projecting surpluses over the life of the plan, the majority of these surpluses are attributed to subsidy received for capital projects, additional rate funding for forestry damage to local roads (capital) and rate funding for loan repayments.

From the forecast surpluses, the revenue directly related to capital (ie, NZTA roads subsidy and Better Off Funding), loan repayments and the share of depreciation expense for road assets that are funded by NZTA road subsidy, has to be deducted to determine our operational result. Operational losses are forecast across the life of the plan, however the balanced budget measure is largely achieved by Year 9. These forecast losses are due to mostly to:

- using prior year reserves to fund expenditure (particularly for sludge disposal costs),
- using loans to fund operational spends for district plan development and cloud migration costs (as the benefits attribute over more than one year) in the first three years of the plan, and
- not fully funding depreciation on all assets (see funding of depreciation section for more detail)

The following table illustrates that Council's planned revenue (excluding revenue to fund capital and loan repayments) as a proportion of planned operating expenses (excluding the share of depreciation on roads assets that are funded by NZTA subsidy) does not meet the balanced budget benchmark as planned revenue is less than planned expenditure.

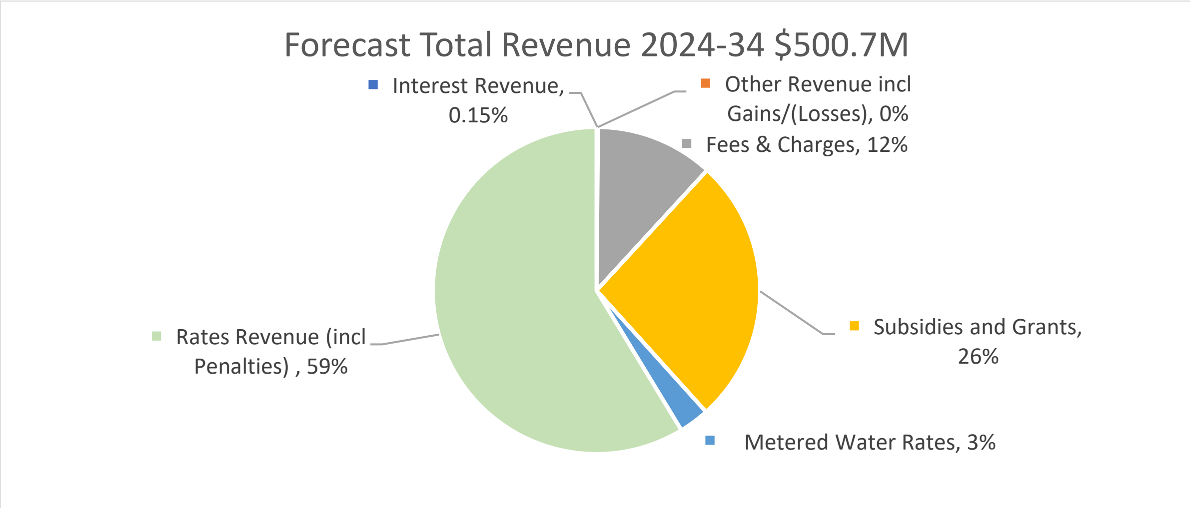
	LTP Y1 24/25	LTP Y2 25/26	LTP Y3 26/27	LTP Y4 27/28	LTP Y5 28/29	LTP Y6 29/30	LTP Y7 30/31	LTP Y8 31/32	LTP Y9 32/33	LTP Y10 33/34
Total operating revenue(excl revenue to fund capital and loan repayment)	36,140	37,269	38,776	39,750	41,074	42,575	43,513	44,350	45,475	45,967
Total expenditure (excl share of depreciation on roads assets funded by NZTA subsidy)	39,186	39,532	40,453	41,066	42,137	43,334	44,072	44,769	45,622	46,054
Revenue as a % of Expenditure	**92.2%**	**94.3%**	**95.9%**	**96.8%**	**97.5%**	**98.2%**	**98.7%**	**99.1%**	**99.7%**	**99.8%**

Under the Financial Reporting and Prudence Benchmarks as prescribed by the Local Government (Financial Reporting and Prudence) Regulations 2014, Council will achieve the balanced budget benchmark measure as the regulations prescribe that revenue to fund capital expenditure and loan repayments are included in the measure. The table above however, shows a more accurate view of the operational losses forecast in the early years of the plan. The balanced budget measure improves in the outer years of the plan as rate funding, particularly for wastewater sludge disposal costs, is phased in over the plan as well as fully funding waters depreciation from Year 6 (2029-30). Forecast rate funding from Years 7 onwards is also provided to restore the under-funded depreciation forecast in the early years.

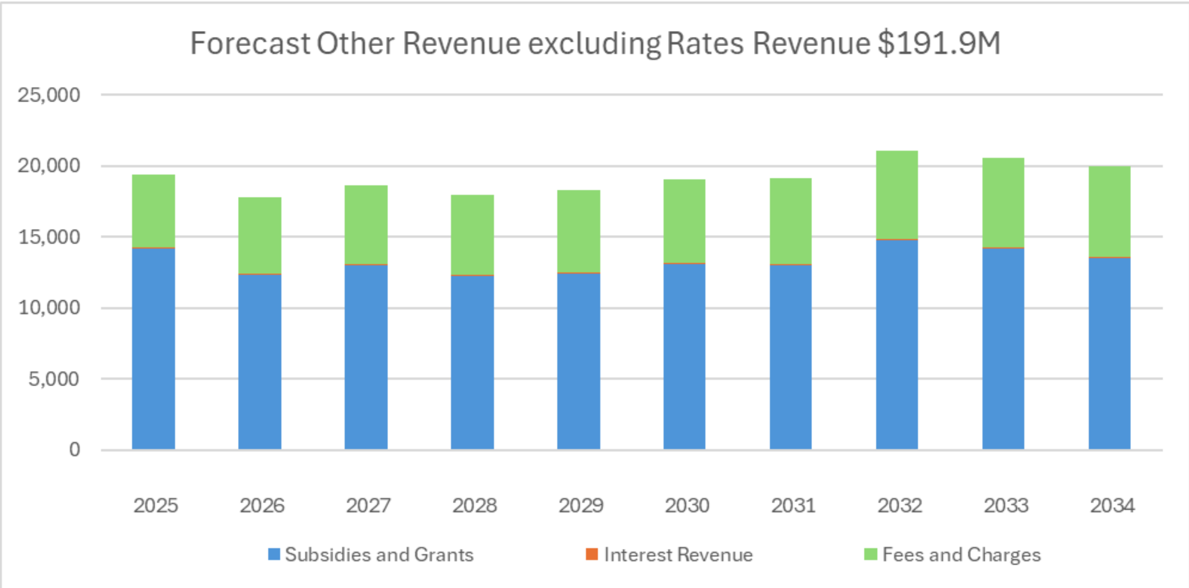
3. COUNCIL'S PLANNED FINANCIAL FUTURE

3.1. REVENUE STREAMS

Sources of funding for the planned services and operations in the 2024-34 period are shown in the graph below.



The following graph shows the forecast other revenue (excluding rates and penalties) to be received over the 10-year period:



3.2. RATES

Council recognises the need to keep rates sustainable and increases in rates affordable over time and will endeavour to keep the income required from rates steady. Council's direction for achieving affordability of rates are:

- Managing costs through efficiency gains and increasing other revenue sources e.g. user fees and charges, subsidies and grants
- Specific considerations for funding of depreciation
- Council is forecasting the introduction of metered water across the district. The project will commence in Year 4 and 5 with the installation of meters in Piopio and Te Kuiti, with charging by meter commencing in the later years after installation of the meters is largely complete and a period of monitoring and public education.
- Council is also looking to simplify the rating structure to make rates more understandable, equitable and transparent. This includes removal of the District Development and Aquatic Centre rates, implementation of a roading rate differential to ensure that the cost to repair damage to local roads from forestry operations is funded from the forestry land owners as well as incorporating additional rate funding in the financial forecasts to fund these repairs. See Revenue and Financing Policy for more details.

3.2.1. FUNDING OF DEPRECIATION

Council funds depreciation to allow for the replacement of Council's capital assets. Over the life of the LTP we are forecasting $118.5 million of depreciation. The cost of depreciation is a substantial part of the total rates requirement over the LTP. In keeping with Council's focus on prudent financial management, and ensuring that rates are affordable and sustainable, Council will apply the following to the funding of depreciation:

a) To fund depreciation for Community Halls and Housing for Elderly only to the extent required for minor renewals. This is because Council considers that future renewals would be from community sources and/or grants and subsidies. These facilities are community occupied, have a life in excess of 50 years and renewals would be dependent on future choices.

b) To defer depreciation or fund only to the level required to meet annual loan repayments on some stormwater, water and wastewater assets. Council has primarily considered this from an affordability perspective for the current ratepayers and considers this fair and equitable since the current ratepayers are carrying the debt servicing costs anyway. Council does not intend to build up surplus depreciation reserves in the initial years because some assets are brand new with relatively long lives and low risk of failure. The recent revaluations have also increased the waters asset values substantially, thereby increasing depreciation expense. The funding of depreciation policy has been extended for 2024/25 (Year 1) for waters to not fund the increase in depreciation from the most recent valuation of water assets.

c) Instead of rate-funding depreciation for subsidised roads, Council has elected to fund an amount equal to WDC's share (25%) of the renewal expenditure projects for the subsidised road network each year and annual loan repayments for subsidised roads. Waka Kotahi - NZ Transport Agency will fund 75% of asset improvements, renewals and maintenance for the local roading network. For significant bridges and culverts, Council has elected to loan fund the local share in the year the expenditure is incurred.

d) To not fund depreciation on the kerbside collection wheelie bins purchased in Year 6 of the LTP, as any replacement bins will be funded through user charges revenue.

e) To not fund amortisation of the service concession asset for the right to use the Gallagher Recreation Centre or the depreciation on the furniture/fit-out. This is because Council considers that future renewals of the asset would be from the revenue generated from the centre, contributions from the Board of Trustees and Ministry of Education for long term maintenance, as well as community sources and/or grants and subsidies.

f) To not fund depreciation on road renewals for roads damaged by forestry logging operations. This is because Council rate-funds annually the full cost of the estimated renewals of these assets from the forestry land owners.

The cumulative effect of the non-funded depreciation is significant and as asset replacement reserve funding is also utilised for principal repayment on internal loans there are times that the depreciation reserve is not sufficient for planned renewals. Loan funding is used for the shortfall, particularly for water and wastewater asset renewals. The LTP forecasts to increase rate funding in the later years of the plan to restore the under-funded depreciation from the initial years of the plan.

In making these proposals (pursuant to section 100(2) of the LGA), Council has considered the overall impact of its financial management policies, levels of service and ensured the cash flow is positive over the life of the LTP (excluding major projects).

3.2.2. LIMIT ON RATES INCREASES

Council has set a rates increase limit for the LTP. The limit is the **average rates increase over the ten years of the plan will not exceed 6%.**

The limit on annual rate increases will not apply where there is an increase in the existing level(s) of service (LoS) of any activity in consultation with the community. This exclusion includes unforeseen events that may occur during the period of the LTP.

The following table illustrates the forecast rates increases over the 2024-34 period and tests these against the rates increase limit set by Council.

	LTP Y1 24/25	LTP Y2 25/26	LTP Y3 26/27	LTP Y4 27/28	LTP Y5 28/29	LTP Y6 29/30	LTP Y7 30/31	LTP Y8 31/32	LTP Y9 32/33	LTP Y10 33/34
Forecast rates revenue increase %	11.72%	7.73%	5.28%	3.79%	3.58%	3.66%	3.32%	1.53%	2.61%	0.67%
Average % increase over 10 years	**4.39%**									

3.2.3. ABILITY TO MAINTAIN LEVELS OF SERVICE

The service levels core infrastructure in some instances may change over the 2024-2034 period. The sealed and unsealed road network (which is the largest expenditure area for Council) is currently in reasonable condition because of current investment in maintenance, rehabilitation and reseals. Increasing costs and damage to the network means current levels of service cannot be maintained with the same level of expenditure.

Council has been careful to invest in infrastructure upgrades for water supply and wastewater that are essential to give effect to public health and environmental standards. Significant investment for water supply and stormwater has been included in years 2024-2029. Whilst a projected increase in population may slightly improve affordability, there is a need for significant investment to increase resilience and reduce the risk to public health. The water supply and wastewater networks have been designed to, what can be termed, the minimal standards required for a municipal supply in New Zealand under current legislation and regulation. The new government has indicated that minimum standards will be required, while some investment has been included for this the exact quantum required in unknown.

Many of the other public services provided by Council (particularly in the areas of regulation, resource management) are also governed by legislation, regulation, and industry standards and as a result there are limited options for changes to scale and scope in response to changes in population and development.

The provision of community services such as parks and reserves, housing and property, community facilities, public facilities, community development, community promotion and economic development are the very services that make communities desirable in terms of a place to work, live and play. Specific targeted expenditure to maintain the levels of service has been provided for.

3.3. BORROWING

External borrowing (public debt) is used by Council to fund assets or services that will provide benefit well into the future. This is in accordance with the principle of intergenerational equity. However, the use of borrowing has to be prudent and sustainable and limited to the ability to service and repay the debt. Council approves borrowing by resolution through the Annual Plan or the LTP.

Council recognises the need to manage its finances in a sustainable and affordable manner and has therefore established borrowing parameters to ensure that investment priorities are carefully managed and affordable for the District community. Council has set the following **borrowing limits** in its Treasury Policy:

- The ratio of net debt to total revenue will not exceed 165%
- Net interest will not exceed 20% of annual rates

The following tables illustrate that Council is well within these limits in the 2024-2034 period.

	LTP Y1 24/25	LTP Y2 25/26	LTP Y3 26/27	LTP Y4 27/28	LTP Y5 28/29	LTP Y6 29/30	LTP Y7 30/31	LTP Y8 31/32	LTP Y9 32/33	LTP Y10 33/34
Net debt to Total Revenue Limit	165%	165%	165%	165%	165%	165%	165%	165%	165%	165%
Net Debt to Total Revenue %	95%	107%	101%	102%	99%	89%	78%	74%	65%	58%

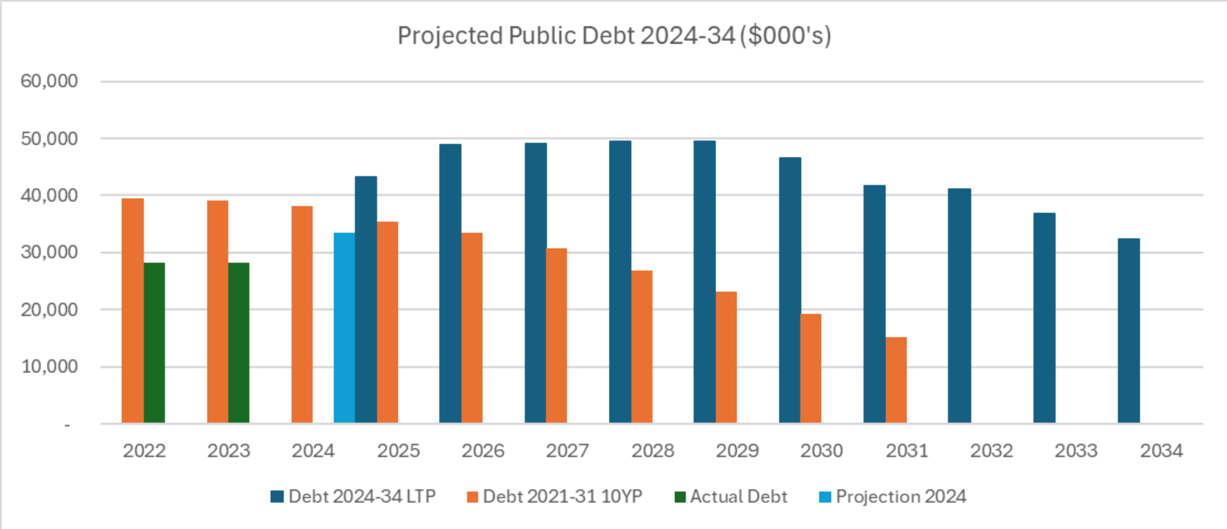
	LTP Y1 24/25	LTP Y2 25/26	LTP Y3 26/27	LTP Y4 27/28	LTP Y5 28/29	LTP Y6 29/30	LTP Y7 30/31	LTP Y8 31/32	LTP Y9 32/33	LTP Y10 33/34
Net Interest to Annual Rates Limit	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Net Interest to Annual Rates %	6.08%	7.35%	7.98%	9.04%	8.83%	8.53%	8.24%	7.29%	6.98%	6.22%

Council is committed to reducing external debt over the duration of the LTP, in order to reduce the debt servicing burden on the District community and make headroom for investing in increasing the 'liveability' of the Waitomo district.

Council's current approach is to collect rates from current and future users of infrastructure to fund the future replacement of infrastructure. As these rates are collected they are used to reduce the total debt of Council. This means that when, in the future, these assets need replacement the total debt, and therefore interest, will be lower meaning lower rates.

The rate funding of forecast principal repayments for the Solid Waste capital improvements loans are deferred to 2025/26 due to affordability considerations. The rate-funding of these loan repayments will be phased over several years starting in Year 2, with the principal repayments fully rate funded by Year 7 (2030-31).

The following graph illustrates the debt profile over the life of the LTP, compared to the forecast debt from the previous 2021-31 10YP.



The borrowing costs per rateable property are forecast to increase from $299 in 2024-25 to $512 in Year 5 (2028-29) then reduce to $400 by Year 10 (2033-34).

	LTP Y1 24/25	LTP Y2 25/26	LTP Y3 26/27	LTP Y4 27/28	LTP Y5 28/29	LTP Y6 29/30	LTP Y7 30/31	LTP Y8 31/32	LTP Y9 32/33	LTP Y10 33/34
Borrowing cost per rateable property	$ 299	$386	$ 436	$ 508	$512	$510	$508	$456	$447	$ 400

4. COUNCIL'S POLICIES ON GIVING SECURITIES ON ITS BORROWING

Council borrowings are secured over annual rates on every rateable property within the Waitomo District. From time to time, security may be offered over specific assets with Council approval or infrastructural assets where special rating provisions apply.

Council will not borrow, underwrite or guarantee loans on behalf of any other person, association or organisation except the Local Government Funding Agency (LGFA) for which, under various Deeds and a guarantee and indemnity Council guarantees the indebtedness of the LGFA and other guarantors (a requirement of joining the LGFA) and Council offers deemed rates as security for general borrowing programmes.

Any issue of debt securities must be approved by Council and will be in compliance with the relevant legislation.

Securities are not provided for Councils own internal borrowing.

5. FINANCIAL INVESTMENTS AND EQUITY SECURITIES

Council is a risk adverse entity and therefore takes a prudent approach to managing its investments. Council seeks to achieve an acceptable rate of return on all its investments. It recognises that, as a responsible local authority, any investments that it does hold will be low risk and that generally lower risk means lower returns. Also, that sometimes investments will need to be held for purposes other than financial returns.

Council's objectives for holding investments or making any new strategic or equity investments are/will be (one or more):

a) The expected financial return.

b) Contribution of the investment in furthering the Waitomo District's community outcomes as documented in the LTP.

c) How the investment 'fits' within the existing investment portfolio in terms of Council's preference to spread and minimise risk.

d) Contribution towards the good of the local government sector either nationally, regionally or within a sub group of Councils.

The following table lists Council's shareholding investments, the objectives these align with, and the target rate of return.

Investment	Objective of Holding Equity	Target rate of return
Inframax Construction Limited	Economic benefits like job creation thereby furthering community outcomes	No return on shareholders funds
Co-Lab (Waikato Local Authority Shared Services Ltd)	To ensure Co-Lab remains viable as a provider of shared services within the Waikato region	No return on shareholders funds
Civic Financial Services Ltd	Contribution towards the local government sector	No return on shareholders funds