

Finance and Performance Committee

Meeting of 24 June 2026

Business Unit: People and Corporate

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Strategic Risks Deep Dive – Financial Affordability and Growth

Purpose Te Aronga o te Pūrongo

To discuss two strategic risks in-depth with the Committee and consider updates, including changes in the external environment and emerging opportunities:

- Financial Affordability
- Growth

Recommendations Ngā Tūtohinga

That the Committee receives the ‘Strategic Risks Deep Dive – Financial Affordability and Growth’ report.

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1 Background Ngā Kōrero o Muri

1.1 Council's strategic risks were introduced in 2024, and since their adoption have been reported to the Committee in a series of deep dive reports. The seven current strategic risks are listed below, along with the date on which they were most recently presented to either the Audit & Risk Committee or Finance & Performance Committee:

- Financial Affordability (Mar 25)
- Growth (Mar 25)
- Staffing (Jun 25)
- Climate Change (Sep 25)
- Iwi Relationships (Sep 25)
- Local Economy (Mar 26)
- Government Reform (Mar 26)

1.2 These deep dives provide the Committee with a more detailed understanding of the drivers, consequences, and controls associated with each risk, while also identifying emerging trends and opportunities.

1.3 The two risks presented today for review are:

- Financial Affordability – a timely risk given rate capping, local government reorganisation, and changes to the delivery of water services.
- Growth – a significant risk area in light of the Government's ongoing Resource Management Act reform programme.

2 Strategic Fit Te Tautika ki te Rautaki

2.1 This review supports the strategic outcome “Value for money and excellence in local government”, by ensuring that Council understands and actively manages key strategic risks that may influence its long-term sustainability and performance.

3 Financial Affordability Te Āheinga Pūtea

3.1 Financial Affordability is “the ability of Council to continue operating and delivering its services and projects.” The negative risk is a lack of affordability and the impacts of this on services, compliance, capital projects (etc), while the positive opportunity is a greater amount of choice in long-term planning and improvements to Council services.

3.2 Council's affordability is further complicated by the limited ability it has to raise revenue; the largest sources of revenue are rates and user fees from the community. The community's ability to pay is a constant consideration when Council is setting budgets.

3.3 Key drivers to Council's costs are the community expectations around levels of services, the impact of inflation, interest, depreciation, insurance and the cost of compliance for current

and future legislation. The level of debt that Council has, and has access to, has a significant impact on financial affordability, as the ability to spread the cost of a large item across the generations that benefit from that item is predominately achieved by using debt.

Controls and Enablers

3.4 Key controls and enablers Council has in place include:

3.4.1 Debt Management

- Expert advice from Bancorp services on debt management and how to keep the cost of borrowings as low as possible.
- Access to the Local Government Funding Agency (LGFA) which provides cheaper borrowing than can be achieved from banks.
- Attaining an AA credit rating to secure lower interest rates.
- Covenant Trustees (an external third party) annually audit the reporting of the debt covenants to ensure compliance.

3.4.2 Financial Governance and Resilience

- The setting of a rates cap and borrowing cap within the Financial Strategy.
- The mandated benchmarks required to be reported in Annual Plans, Long-term Plans and Annual Reports.
- Robust procurement processes to ensure that Council is getting value for money including specific delegations outlined in the delegations manual.
- Continuing to provide a self-insurance reserve to both smooth the impact of future insurance cost increases alongside allowing low level insurance items to be covered.
- Maintaining a liquidity facility of \$10M that can be drawn as required for any length of time.

Risk Analysis

3.5 The Financial Affordability risk primarily affects the Service Delivery, Reputational, Financial & Investment and Political risk areas:

Risk Areas	Averse	Minimalist	Cautious	Open	Ambitious
People & Capability				Open	
Service Delivery			Cautious-Open		
Reputational			Cautious		
Legal Compliance	Averse-Minimalist				
Financial & Investment			Cautious		
Health, Safety & Wellbeing		Minimalist			
Environmental			Cautious-Open		
Cultural			Cautious		
Political				Open	

- 3.6 The residual risk (i.e., the risk score after accounting for controls) is assessed as **High**. The risk likelihood is **Unlikely** (5–24% chance of occurring within a 12-month period), and the risk impact levels are:
- Service Delivery – Moderate
 - Financial & Investment – Minor
 - Reputational – Severe
 - Political – Severe
- 3.7 These impacts assessed against the **Reputational** risk area are considered to sit beyond Council’s risk appetite. The other three risk areas are within appetite.
- 3.8 Impacts across the **Reputational** and **Political** risk areas reflect the likely consequences of increased unaffordability, which if it were to occur, could result in higher rates and reduced services or projects. This would bring greater scrutiny from the community and Government.
- 3.9 The impacts in the **Service Delivery** risk area (disruption to services and failure to deliver projects) are considered moderate, as realistically the pathway the Council would have to follow in an environment of increasing unaffordability is to reduce services and projects. This would be intentional and planned and is distinct from failing to deliver *existing* services and projects, which this risk area describes.
- 3.10 Similarly, the impacts in the **Financial & Investment** risk area would be minor. This risk area relates to financial loss and overspend, rather than an intentional and planned reduction in expenditure or the provision of higher debt.
- 3.11 Therefore the first order consequences of increased unaffordability, as measured against the Council’s risk appetite statement, relates to the perception that the community, stakeholders and the Government have of the Manawatū District Council. Second order consequences may be a reduced confidence in the ability of MDC to continue as a financially prudent entity.

4 Growth Te Tipuranga

- 4.1 Growth is “the ability to adequately respond to growth demand in the District”. Council is required to plan ahead for housing and commercial growth, as set out in the *National Policy Statement: Urban Development (NPS:UD)*. Most District Plan reviews are on pause currently due to direction from Government and pending the outcome of the current RMA reforms.
- 4.2 Failure to plan for growth presents a number of risks to Council. A major consequence of a failure to manage growth well is the loss of commercial opportunities and lower migration to the District. The misalignment of planning and infrastructure can lead to the inefficient use and deployment of infrastructure assets which will adversely affect council finances. Not having the right infrastructure in the right place and right time also has range of environmental, social, cultural and economic flow-on effects for the wider District. Managing growth well increases the capability of the Council to plan further into the future – ensuring optimal use of facilities, infrastructure and land (and associated infrastructure) is available for development at the time it is needed.

Controls and Enablers

- 4.3 Key controls and enablers include strategic planning through the District Plan, growth planning, structure planning and long-term planning processes; monitoring of land capacity, development trends and future growth demand; and engagement with developers, tangata whenua, the business community and other key stakeholders. Council is only one participant in providing for growth and relies on partner agencies and infrastructure providers to help service and develop land.

Risk Analysis

- 4.4 The Growth strategic risk primarily affects the Service Delivery, Legal Compliance, Financial & Investment, Environmental and Cultural risk areas. Council's appetite levels in these areas are below:

Risk Areas	Averse	Minimalist	Cautious	Open	Ambitious
People & Capability	Open				
Service Delivery	Cautious-Open				
Reputational	Cautious				
Legal Compliance	Averse-Minimalist				
Financial & Investment	Cautious				
Health, Safety & Wellbeing	Minimalist				
Environmental	Cautious-Open				
Cultural	Cautious				
Political	Open				

- 4.5 The residual risk is assessed as **Medium**. The risk likelihood is **Possible** (25–74% chance of occurring within a 12-month period), and the risk impact levels are:
- Service Delivery – Moderate
 - Financial & Investment – Moderate
 - Legal Compliance – Minor
 - Environmental – Minor
 - Cultural – Minor
- 4.6 All impact areas are within the Council's risk appetite.
- 4.7 The most significant impacts are within the **Service Delivery** and **Financial & Investment** risk areas. Failure to adequately respond to growth demand can result in infrastructure not being available in the right place or at the right time, reducing service effectiveness and increasing costs to the Council.
- 4.8 The **Legal Compliance**, **Environmental** and **Cultural** impacts are assessed as minor. While growth can create pressures in these areas, existing planning frameworks, consenting processes and engagement with tangata whenua provide a reasonable level of assurance that these impacts can be managed.
- 4.9 Overall, the Growth strategic risk reflects the challenge of ensuring that planning, infrastructure and investment decisions keep pace with future demand. Effective management

of growth supports the District's long-term prosperity, while failure to do so may limit future opportunities and place pressure on Council services and finances.

Interdependencies

- 4.10 Financial Affordability and Growth are closely interconnected. The Council's ability to provide for growth is influenced by the affordability of infrastructure investment, while growth itself can have significant implications for future financial sustainability.
- 4.11 Supporting growth often requires upfront investment in infrastructure, with costs incurred before development contributions and rates revenue are fully realised. This can create short-term affordability pressures through increased borrowing and interest costs, while also placing pressure on Council's debt limits.
- 4.12 Conversely, growth can enhance long-term financial affordability by increasing the residential and commercial rating base. A larger population and business community can help spread the cost of infrastructure and services across a greater number of ratepayers, improving economies of scale over time.
- 4.13 Accordingly, decisions relating to growth and financial affordability must be considered together. Insufficient investment in growth may constrain future opportunities and revenue, while overinvestment may place unacceptable pressure on rates, debt and affordability.

5 Risk Assessment Te Arotake Tūraru

- 5.1 The risk assessments of both strategic risks are included in Sections 3 and 4.

6 Engagement Te Whakapānga

Significance of Decision

- 6.1 The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No stakeholder engagement is required.

Māori and Cultural Engagement

- 6.2 There are no specific cultural considerations arising from the recommendations contained in this report. No specific engagement with Māori or other ethnicity groups is necessary.

Community Engagement

- 6.3 There are no aspects of this report or its contents that warrant community engagement.

7 Operational Implications Ngā Pānga Whakahaere

- 7.1 There are no operational implications with this report.

8 Financial Implications Ngā Pānga Ahumoni

- 8.1 There are no financial implications with this report.

9 Statutory Requirements Ngā Here ā-Ture

9.1 While strategic risks are invariably impacted by government legislation, there are no statutory references specific to this report.

10 Next Steps Te Kokenga

10.1 Other strategic risks will be presented to the Committee in subsequent meetings.

11 Attachments Ngā Āpitihanga

- Strategic Risk Profile – Financial Affordability
- Strategic Risk Profile – Growth