



Hastings District Council

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OPEN

ATTACHMENTS UNDER SEPARATE COVER

COUNCIL MEETING

Meeting Date: **Thursday, 22 February 2018**

Time: **1.00pm (LTP)**

Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

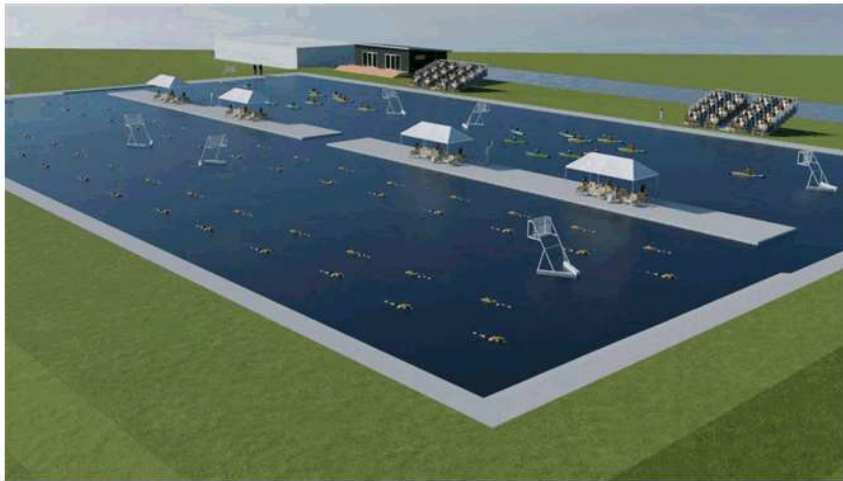
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8 February 2018

Outdoor aquatic facility at the Sports Park



An aquatic facility, approximately the size of a sports field, is proposed for the Regional Sports Park. The "anchor tenant" will be Canoe Polo Hawke's Bay but the facility will also be used for triathlons, swim safety and small boat tuition.

The facility will include an administration building to service canoe polo and the sports fields, in particular, for Football, Touch and Rugby League.

Item 7

Attachment 1

Background of canoe polo in Hawke's Bay

The prospect of a canoe polo facility at the Sports Park was first proposed by former Hastings District Councillor Ru Collin back in December 2011. Since that time, it has gone back and forth with various other developments taking priority including the Unison international hockey stadium, the sports field changing rooms and the extension to the Hastings PAK'nSAVE Netball Centre.

The basis for the original approach, which remains true today, is that the sport had no appropriate facility for its 700 members. These numbers compare favourably with other sports in the region such as athletics (650) and hockey (2900). In fact, this region makes up 60 percent of NZ Canoe Polo players.

The sport has been operating for 30 years in Hawke's Bay and has grown steadily over that time. However, it has no ability to grow further because there is no facility to cope with extra numbers. Currently it is played at indoor pools in Flaxmere and Clive in autumn and winter. In spring and summer players use the Frimley outdoor pool. Currently virtually all pool use is for games. There is no available space to practice other than ad hoc venues – for example the duck pond at Waikoko Gardens.

Canoe polo is played throughout the year and mainly from September to June with the National League taking place from November to June, with school nationals in March. Hawke's Bay competes strongly at both events and one of its secondary schools is usually the national champion in the majority of the 6 divisions.

Internationally the sport is played in 50 countries including UK / Europe, Japan and Australia. New Zealand performs well on the world stage and in 2016 the New Zealand senior women's team were world champions. Hawke's Bay, being the number one region in the country, contributed 20 players to the four teams that attended those championships.



New Zealand Women were 2016 world champions at Syracuse, Italy

Administration building for the sports field users

An administration building is also planned as part of the development. This is a 104 sqm building and the main users will be rugby league, football and touch, in addition to Canoe Polo Hawke's Bay. The primary use of this building will be as an administration base for these sports when games are being played. Currently game administration for the sports field users literally takes place out of the back of a car. The building will also be used for club room purposes, for meetings and for spectator shelter in bad weather. It will be the same design as the adjacent sports field changing rooms.



We expect a degree of cross pollination between the four sporting codes as a result of the co-location. The main benefactor of this will probably be Canoe Polo, the profile of which will increase considerably. Multiple use of the facility is also an advantage with funders, especially gaming and charitable trusts.

Who will use the Aquatic facility?

The primary user will be Canoe Polo Hawke's Bay (CPHB). Currently, playing canoe polo is the equivalent of playing rugby, soccer or hockey on a half size field, having no time to practice, having to play late at night and paying much more than "traditional" sports. The development of the new facility will alleviate these issues.

A schedule of expected use is contained in appendix one. The new facility will allow the sport to undertake activity that would be considered normal in other codes. In other words, they will be able to practice, they will be able to play on a full-sized court and they will have the opportunity to introduce a summer league. It will be the best facility in New Zealand and we also expect it to host a number of tournaments including:

- HB Secondary Schools – 500+ participants and spectators
- HB Junior Champs
- Art Deco Tournament – 600+ participants and spectators
- National League Tournaments – A, B and C Grades – 500+
- NZ Squad Trainings (Backed by NZCPA)
- NZ Tournaments (Schools Nationals, National League, Inter-regionals)
- Every 4th year – Oceania tournaments

The facility also lends itself to short course, junior and school triathlon events, especially when added to the existing 2.3km perimeter cycle track. The Park generally has good appeal for these events because it is fully enclosed and is a safe venue for juniors.

To date the combination of the aquatic facility and the administration building has been endorsed by:

- Canoe Polo NZ
- Canoe Polo Hawke's Bay
- Iron Maori
- Ngati Kahungunu (waka ama)
- Maycenvale AFC
- Rugby League Hawke's Bay
- Touch Hawke's Bay

Impact on HDC pool revenue

We do not expect any significant impact on HDC revenue with the new facility. Canoe Polo still expects to play winter leagues indoors at similar levels to that which is currently occurring.

Do we need four courts?

We have undertaken forecasting in conjunction with Canoe Polo Hawke's Bay and anticipate their requirement will be four courts. This forecasting has been peer reviewed by one of the potential funders and they have asked us to justify four (as opposed the three) courts.

Our response is:

- We expect public criticism if we develop three courts only – it will be an unusual “L” shape and people will want to know why we have done that. Our experience is that the public are unforgiving if they feel you have not been prudent (and planned for growth) with the development of public facilities.
- Our projections are just based on canoe polo and do not incorporate other use that will evolve.
- We estimate the development cost of three courts to be \$680,000 compared to \$750,000 for four courts. In other words, the addition of a fourth court adds just 10 percent to the cost. The cost of doing an additional court at a later stage will be considerably more than doing it as part of the original development.
- Our experience, with Netball, Hockey, Touch and League is that sports grow strongly when they operate from the Park. This is because:
 - Being located at one venue creates vibrancy and justifies other services – for example food vendors
 - Cross pollination. We have 300,000 users pa of the sports park. That means 300,000 people will see the aquatic facility and in many cases will see the game being played. We expect this to create interest and player uptake.
 - Sport becoming more accessible. For example, the Unison Hockey Stadium has made hockey more accessible to Hastings/Havelock based players
 - Existing multi-use facilities such as:
 - Parking, including being able to park close to the venue
 - Changing rooms
 - Toilets /showers
 - The future multi-sport admin building
 - Mobile grandstands (Red seats) for significant events

Water quality

Maintaining water quality is one of the main risks associated with the facility. There are two main components that need to be monitored and controlled:

- Algal build up. Not a significant health risk but unsightly. This is managed by ultrasonic algal control.
- Pathogen build up. These are the things (eg E.coli) that make you sick. Incoming water can be chlorinated at drinking water levels. This is a fully automated system that includes a water meter and dosing system in a self-contained cage.

We have a recommended solution that is currently being peer reviewed.

Operational viability

It is difficult to get an accurate estimate of running costs without a comparable facility to benchmark against. Nevertheless, an estimated breakdown of annual costs, based on an earlier engineer's report, is:

water re-circulation costs	\$	10,000
chlorination	\$	3,000
annual liner clean	\$	5,000
mowing	\$	2,500
Provision for liner repair/replacement	\$	7,000
	\$	27,500

We have an "in principle" agreement with Canoe Polo HB, that they will cover the operational costs and they have factored this into their financial forecasts.

Development cost and funding

We have sought development cost estimates from two suppliers and the information below is from the preferred (local) supplier

Estimated pricing based on the above is:

Pond and surrounds

Pond membrane and liner	\$	123,000	
Earthworks	\$	57,000	
Concrete paths	\$	81,000	
Irrigation reticulation	\$	172,000	
Water treatment	\$	31,000	
Electrical	\$	18,650	
Fence	\$	90,000	
Lights	\$	45,000	
Score boards	\$	25,000	
Goals	\$	11,000	
Other (grass, hedge etc)	\$	55,000	
Contingency	\$	50,000	
			\$ 758,650

Admin building

Building (as per EIT)	\$	128,000	
Plumbing	\$	10,000	
Plastering/painting	\$	25,000	
Deck	\$	15,000	
Contingency	\$	30,000	
			\$ 208,000

Grand total			\$ 966,650
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We propose sourcing the funding from a range of funders as detailed below:

Canoe Polo HB	\$	75,000
Maycenvale, League etc	\$	25,000
Gaming Trusts	\$	450,000
DIA Community Facilities	\$	300,000
HDC	\$	250,000
	\$	1,100,000

Note: The amount sought is greater than anticipated cost because we do not expect 100% success with all funding applications.

The Trust currently has Gaming and charitable trust grant applications of \$400,000 in the pipeline. We are also planning to make an application of \$300,000 to the Lotteries Community Facility fund. Success with the latter is contingent upon us having at least 33% of our funding in place prior to making that application (deadline is 14 March). We will have decisions on the gaming trust applications by then. This, coupled with Council support will greatly assist us with the Lotteries proposal.

Assuming we are successful with funding we anticipate development will commence in spring of this year.

Summary and recommendation

Canoe polo has been waiting a long time. It is a significant sport in Hawke's Bay with 700 players. The sport has achieved this growth even though it has no suitable venue. Alongside this, we expect an outdoor aquatic facility will have a range of other water sport users, as detailed earlier in this paper. We also expect cross pollination with other sports will grow canoe polo further, in particular among the sports field users.

The inclusion of the sports field administration building will facilitate this in addition to being a strong addition to the existing sports field facilities.

Our request of Hastings District Council is that it funds \$250,000 or 25% of the development cost of an overall facility that will service not only canoe polo and other aquatic users, but also the region's Football, Touch and League players.

Attachment (appendix one)

Current Court Usage

Teams	January	February	March	April	May	June	July	August	September	October	November	December
HB Rep Teams A												
HB Rep Teams B												
NZ Players Training												
Under 14 Rep Teams												
Primary/Intermediate Teams												
Secondary												
Adult												

Games and Training
Autumn/Winter League
Training

Ideal Court Usage playing both a summer and winter league but allowing practices as desired

Teams	January	February	March	April	May	June	July	August	September	October	November	December
HB Rep Teams A												
HB Rep Teams B												
NZ Players Training												
Under 14 Rep Teams												
Primary/Intermediate Teams												
Secondary												
Adult												

Games and Training
Autumn/Winter League indoors
Summer/Spring League outdoors
Training outdoors
International Games/Training

During the months highlighted Yellow these would still be used at the indoor pools, Flaxmere and Clive, as we currently do.
During the months highlighted in Blue would run a 5 month spring/summer league at the new outdoor facility
Most trainings times would be used at the outdoor facility except for the Primary/Intermediate games
These tables do not show the potential tournaments we could hold with the new facility, development camps at all levels, referee courses we could hold or coaching courses



8 February 2018

Request for funding for carparks

Background

This paper follows the presentation to Council in November 2017 and requests funding of \$250,000 to provide an additional 190 carparks to support current and future use of the sports park facilities.

The Sports Park has 581 carparks. Under the Park's original masterplan this was considered appropriate for current and future activity. In fact, carpark availability is inadequate for existing activity and this will become worse as new facilities come on stream - in particular the Community Fitness Centre Trust Sports Hall, the associated accommodation hostel and the proposed canoe polo development.

Why are the extra Parks needed.

The extra parks are required:

- Because user numbers have doubled (to over 300,000) in the last four years. As a result, we are short of 250 parks at peak times. This includes Tuesday, Wednesday and Thursday evenings, and all day on Saturday in winter as we cater for netball and hockey requirements.
- To accommodate the requirements of the Sports Hall, accommodation hostel and proposed canoe polo facility.
- To assist when hosting events, although the primary driver is regular users.

Safety is the main issue.

We regard the current shortage of carparks as being our main safety issue and it is our most regular source of complaint. To mitigate this, Hawke's Bay Netball engages the Maori wardens at the busiest time on Saturdays and they also make regular announcements during their games and practices. We have also improved road marking to keep cars from parking in areas that obscure vision. However, the fact remains that:

- Overflow parking is on grass. Children tend to treat this as a playground and do not respect it in the same way they would a sealed carpark
- Parental supervision varies. For example, children being left asleep in cars, waking up and then wandering among the cars looking for their parents
- Driver vigilance also varies
- Evenings in winter are a peak time. It is dark and children are hard to see

Why is the Sports Park different to other areas of traffic congestion, such as supermarket carpark.

The main difference between the Sports Park and a supermarket carpark is that our overflow parking is on grass and young children treat these areas as a playground, unlike a supermarket carpark.

There is also a lot of “drop off/pick up” traffic for the various sports which creates continuous traffic at peak times.

What is proposed

We are planning an additional 190 carpark spaces to be added to the existing Higgins carpark 3. (see attached). The location of these parks is as close as it can be to the main sporting facilities of the Park. In addition, 50 further parks are planned for the sports hall and accommodation hostel making a total of 240 additional parks.

We regard this as an adequate solution in the short / medium term. It is likely we will need further parks as user numbers build for the new facilities.

Development cost

Our quoted price for the work is \$383,000. We have had the price peer reviewed by HDC staff who advise that the costs provided “are indeed very competitive.”

Ten percent of the cost relates to drainage, in particular the need to retain water on site during periods of heavy rain. This is to avoid overloading the main drainage exit point on the south east corner of the Park.

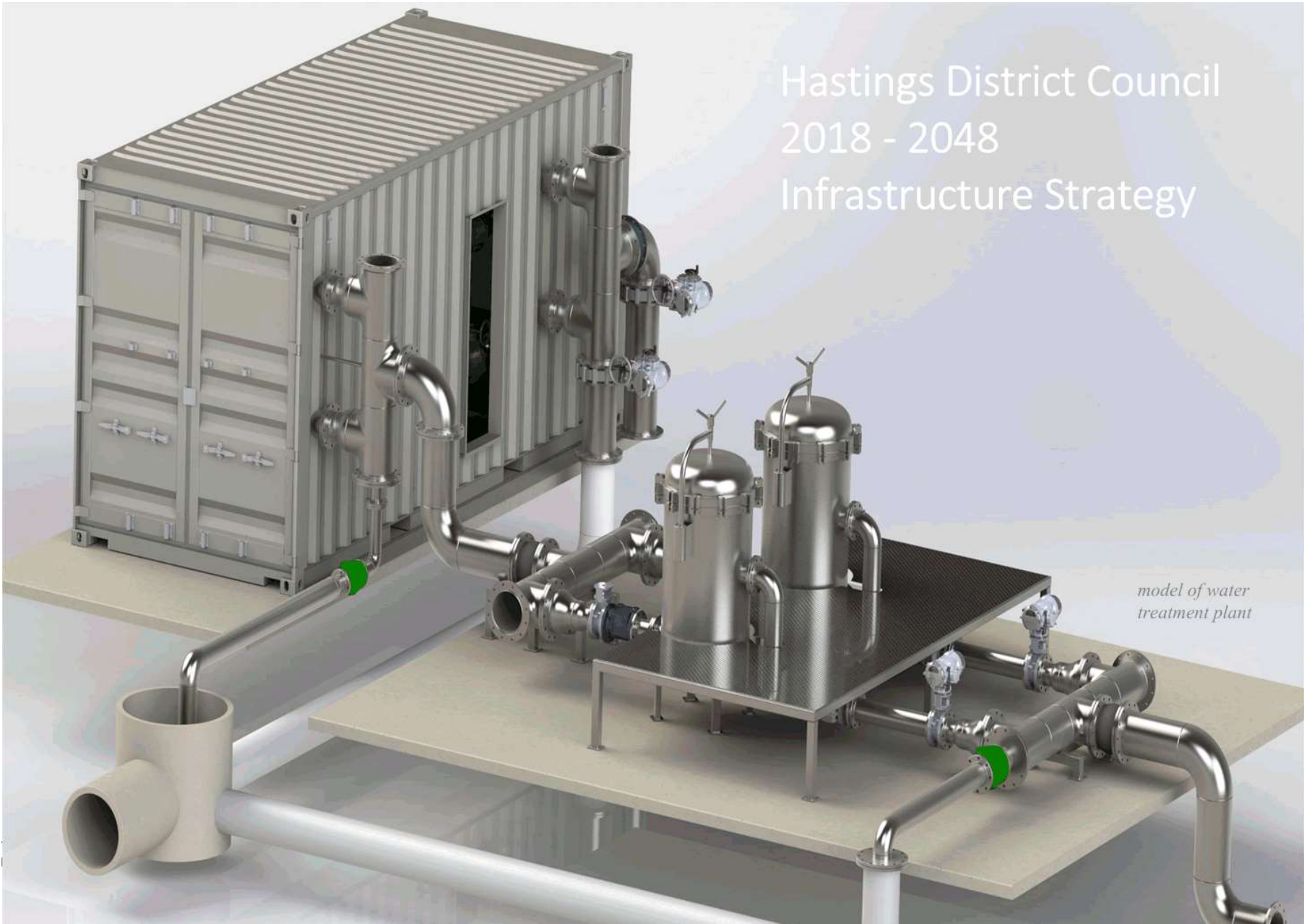
Amount requested from Council

Our request is for \$250,000 from the Council with the balance of funds being provided by the Community Fitness Centre Trust (CFC). The CFC Trust is also funding the 50 additional parks that are being provided as part of its building project. The CFC contribution reflects the fact they too need additional parks to support the sports hall and accommodation hostel.



Item 7

Attachment 4



Infrastructure Strategy

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Infrastructure Strategy The Highlights

Setout below is the Infrastructure Strategy at a glance. It's a high level overview of the key matters set out in more detail in the following pages.

Challenges faced by the Council:

- Drinking water security, treatment, availability & legislation;
- Ageing roading and water infrastructure;
- Modest levels of forecast population and economic growth;
- An aging population that may place different demands particularly on roading infrastructure and park space;
- Likely change in the transport sector via the advancement of non-petrol car alternatives and self drive technology;
- Predicted effects of climate change – particularly severity of rainfall events and impacts near our coastline;
- Increasing environmental standards, particularly in relation to stormwater quality and road runoff;
- Earthquake prone building legislation

Significant decisions to be made now are:

- Water investment
- Municipal building earthquake strengthening and upgrade
- Bridge strengthening
- Wastewater trunk main renewal programme

Financial sustainability:

- The timing of forecast peaks in asset renewal is different for different assets enabling Council to budget annually at about \$26 million – however that annualised sum increases to about \$30 million overtime. This step change is being gradually built into budget forecasts over the period of this strategy;
- Growth infrastructure is phased in accordance with growth projections (and development is staged) to limit the risk of Council investment;
- Council will need to give careful consideration to the impact of new build and discretionary projects to ensure ongoing financial sustainability

Over the next 30 years the Council plans to:

- Invest in drinking water as the first priority
- Maintain existing levels of service while managing the identified challenges;
- Strengthen key bridges
- Service land for residential and industrial development
- Prioritise renewal expenditure as the first call on funding;
- Step up renewal funding gradually to prepare for the forecast peaks;
- Undertake local coastal cell planning in accordance with the Regional Coastal Strategy and prepare infrastructure responses;

The most likely scenario for key infrastructure responses is setout below:

Years 1 - 3	Years 4 - 10	Years 11 - 15	Years 16 - 20	Years 21 - 30
<ul style="list-style-type: none"> ▪ HB Opera House Complex ▪ Drinking Water Investment ▪ Bridge Strengthening ▪ Wastewater Trunk Mains ▪ Landfill Development ▪ Residential Development 	<ul style="list-style-type: none"> ▪ Roothing Renewal Escalation ▪ Wastewater Renewal Escalation ▪ Wastewater Trunk Mains ▪ Bridge Replacement ▪ Tomoana Stage 1 Industrial ▪ Coastal Infrastructure 	<ul style="list-style-type: none"> ▪ Stormwater Renewals commence ▪ Water Supply Renewal Escalation ▪ Wastewater Trunk Mains ▪ Residential Development 	<ul style="list-style-type: none"> ▪ Residential Development ▪ Tomoana Stage 2 Industrial ▪ Roothing Renewal Escalation 	<ul style="list-style-type: none"> ▪ Wastewater Treatment Plant Outfall Pipeline ▪ Stormwater Renewal Escalation ▪ Residential Development

Infrastructure Strategy

The Detail

2.1 INTRODUCTION

Infrastructure accounts for a significant proportion of the Council's operating and capital expenditure. This expenditure provides the foundations on which the Hastings District community is built – it is essential to health, safety and transport and has a significant impact on the physical environment.

This infrastructure strategy outlines:

- The key infrastructural service considerations the Hastings District community must address over the next 30 years;
- The main options for dealing with those issues;
- The cost and service delivery implications of those options;
- The Council's current preferred scenario for infrastructure provision.

The strategy will help the Council and community make informed decisions in the next three and ten years, that position the Council to deal with long term decisions and investments that will occur in the next 10 to 30 years.

What is Infrastructure?

This strategy covers:

- Roads;
- Water supplies
- Sewage treatment and disposal;
- Stormwater; and
- Community Infrastructure (Parks and major community buildings)

2.1.1 Asset Management Policy

The asset management planning is guided by Councils adopted Asset Management Policy. The Asset Management Policy requires that the management of assets be a systematic process to guide planning, acquisition, operation and maintenance, renewal and disposal of the required assets.

The provision and management by Council of the community's infrastructure assets is to support the delivery of Councils agreed strategic objectives, the service outcomes, and the regulated requirements.

In managing the required infrastructure the AM Policy notes that Council will take account of the following aspects.



The Council has a continuous improvement approach to its planning for key infrastructural community assets. Various internal and external audits (eg NZTA, OAG, other consultants) have been performed on Councils asset planning over numerous years.

Independent Review - The latest independent review of our asset management plans was undertaken during 2014 by Waugh Infrastructure Management, with continual followup on improvement items since that time. The focus of this review was on the documentation (the asset management plans themselves) rather than the asset management practice. The outcomes of that review have been built into the improvement plans for each asset area, and where appropriate more immediate matters have already be actioned as part of the update of Councils Asset Management plans.

Apart from some documentation additions which are largely to demonstrate what is being done the main areas to focus improvements over the next 3 years are detailed below.

2.1.2 Continuous Improvement

- Further development of Risk Management planning, incorporating updated corporate risk.
- Ongoing development of performance analysis models for Wastewater and Stormwater (water completed) used to consider alternative options and inform new capital (both growth and customer level of service CLOS) decision making.
- Additional analysis sophistication built into renewal investment analysis planning for the 3 waters, beginning with drinking water assets. This will be used to provide scenario analysis of renewal strategies, considering cumulative network risks, investment, and service provision.
- Continued evaluation of the effects of NZTA's One Network Road Classification (ONRC) project which could alter the Customer level of service and NZTA funding.
- Continued data improvements, particularly across the parks and property portfolio.
- Update the Reserves Strategy to inform future reserve provision.

2.1.3 Our Context

The Hastings District Council is located in the Hawkes Bay on the East Coast of the North Island. The area is characterised by its fertile plains, rivers, large underground aquifer and dynamic coastline. The Population is approximately 70,000. The primary settlement are Hastings and Havelock North and Flaxmere. There are a number of surrounding rural satellite settlements including Haumoana and Clive.

The District's climate is characterised with hot dry summers and cool crisp winters. The District is an important food production region with the fertile Heretaunga Plains producing stone fruits, pip fruit, kiwifruit and vegetables. The District is also one of New Zealand's major wine producers. The local economy is currently in a buoyant phase and includes food processing businesses, agricultural services, and a range of other activities including (finance, freight, retail and tourism sectors).

The District is experiencing good growth and has in place urban development plans and identified growth nodes.

The District has well established roading, underground water infrastructure and community facilities and reserves servicing current and future populations and support regional growth and development.

The District's planning , infrastructure strategies and long-term plans help to ensure continued growth, development and prosperity of the region.

2.2 SIGNIFICANT INFRASTRUCTURE DECISIONS

2.2.1 Significant decisions – (for inclusion in 2018–28 Long Term Plan Consultation Document)

Key Decision	Indicative Timeframe	Principal Options & Implications	Most likely Scenario
Water Strategy - Water reticulation, treatment and source alternatives based on non secure water status. <i>Note see table below for detailed investment and timeline.</i>	Completion 2021	(a) Move away from Brookvale borefield, develop new borefield, increase pipe capacity and install water treatment on all urban water supplies.	Option A - Going ahead with a new bore field, putting in a second mains water pipe between Hastings and Havelock North, and permanently closing the Brookvale bore field are all in a revised water strategy.
		(b) Continue with Brookvale as a top-up supply (this option subsequently discounted given new information as to the environmental impact on the nearby Mangateretere stream)	The strategy will see a second mains pipe installed between Hastings and Havelock North, the water take from existing Hastings bores increased where possible, and new bores drilled – with the location subject to further testing but most likely within the wider Tomoana area.
		Havelock North Supply Options	Option C - This option is currently being implemented. This will include installing a second mains water pipe between Hastings and Havelock North, installing a Booster Pump station in Havelock North.
		(a) Move away from Brookvale borefield, develop new borefield within or near Havelock North. (This option subsequently discounted due to environmental impacts on Mangateretere Stream).	
		(b) Continue with Brookvale as a top-up supply (this option subsequently discounted given new information as to the environmental impact on the nearby Mangateretere stream)	
		(c) Move away from Brookvale borefield and supply Havelock North entirely from Hastings system.	

		Hastings System Supply Option	<p>Short term is to increase capacity of existing borefields via power and pump upgrades and by provision of storage, to avoid need to abstract groundwater at peak-hour rates.</p> <p>In the medium term, new bores drilled – with the location subject to further testing but most likely within the wider Tomoana area.</p>
		a) Continue with existing borefield supplies. Consented capacity is available at the existing borefields, however upgrades are required to be able to fully exercise the consent.	
		b) New supply borefield at Tomoana / Pakowhai	
		c) Increasing capacity of existing borefields with provision of storage and booster pumping	
		d) New supply bore at Whakatu (this option subsequently discounted due to potential supply risks and surface water effects)	
		Install treatment on all urban water supplies.	Treatment to be provided on all urban water supplies. Treatment to include UV treatment and chlorine.
Municipal Building - future use and investment considerations, in response to new earthquake strengthening requirements.	Unknown at this time	Rural & Small Community Supplies <ul style="list-style-type: none"> a) Maintain status quo b) Connect via reticulation to Hastings supply c) Maintain separate supplies and provide treatment 	<p>Option C – separate supplies to be maintained. Treatment to be provided on all supplies. Most likely form of treatment is UV and chlorine.</p>
		<p>Previous consultation on this matter identified the following 4 broad options:</p> <ul style="list-style-type: none"> a) Municipal Building retained b) Retention of exterior heritage facade c) Municipal Building demolition d) Delay a decision 	<p>Option A – The Council decided to form a working party to work further with the Arts and Culture sector to explore potential use, building configuration and to develop a business case for future development.</p> <p>\$10.5 million of Council loan funding has been allocated in the 2018 Long Term Plan subject to business case approval.</p>

Bridge Strengthening and Replacement Programme – New HPMV and VDEM rule for longer and heavier vehicles and impact on bridge network.	Completion by 2025	(a) Consulted and prioritised order of strengthening on weight restricted bridges based on its criticality to the network and users. Investment of \$10.5m spread over 7 years.	Option A – Implementing an investment programme based on prioritisation of the districts bridges based on their role and value in future proofing lifelines for rural communities and key productivity routes. The plan includes investment of \$10.5m over 7 years.
		(b) Same programme of works completed over 5 years if the appetite for restrictions are not tolerated by the community and the users. This creates issues with constructability and significant rates increase for the rural area as the construction needs to happen rapidly.	
		(c) Keep the weight restrictions until the asset requires renewal. This imposes undue pressures on the users/community by increasing their transportation costs as the number of trips required is increased significantly. As well as putting pressure in other parts of roading network as the heavy traffic is bottlenecked in alternative routes.	
Wastewater Trunk Main Renewal Programme - Three large trunk mains convey separated domestic and industrial wastewater flows to the Wastewater Treatment Plant at East Clive. Detailed investigations have identified parts of the #1 and #3 trunk sewers for priority renewal due to internal corrosion of the concrete pipes. A significant programme of works is underway to replace or reline these assets over a number of years based on condition and expected remaining lives.	Completion by	(a) Planned programme of renewals based on asset condition and expected remaining lives.	Option A – Continuing with ongoing renewal programme. Assets are being renewed using materials that are resistant to corrosion with future works prioritised according to known condition and criticality. The programme includes \$12.9M of expenditure in the first 10 years and a further \$17.2M in the period 2025 to 2045. <i>Council will continue to consider future options as part of the consent review process, with some funding capacity provided in future years for this.</i>
		(b) Land based treatment options were considered as part of the resource consent application however they were deemed to be inefficient and uneconomic for the community. The existing WWTP and treatment process provides a long term solution for Hastings and the industrial community that relies on network infrastructure for essential wastewater services.	

Water Supply – Investment and timeline

	\$million	2017/2018	2018/2019	2019/2020	2020/2021
SHUTDOWN BROOKVALE BORE					
Stage 1A	New Trunkmain Hastings to Havelock North	\$ 8.5			
	Havelock North Booster Pump Station	\$ 3.0			
	Wilson Road New Bore & Treatment	\$ 2.8			
	TOTAL - STAGE 1A	\$ 14.3			
ABANDON BROOKVALE BORE					
Stage 1B	Eastbourne Treatment	\$ 7.0			
	Eastbourne Storage & Booster Pump Station	\$ 5.0			
	Move Brookvale WTP to Portsmouth & decommission Brookvale Borefield	\$ 0.7			
	TOTAL - STAGE 1B	\$ 12.7			
FULL TREATMENT - ALL SOURCES					
Stage 1C	Frimley Treatment	\$ 6.5			
	Frimley Storage & Booster Pump Station	\$ 5.0			
	Establish new source	\$ 2.0			
	TOTAL - STAGE 1C	\$ 13.5			
TOTAL INVESTMENT - MAIN SUPPLIES		\$40.5			

	\$million	2017/2018	2018/2019	2019/2020	2020/2021
RA1 Small Supplies					
RA1 Small Supplies	Waipatu - New Trunkmain	\$ 0.5			
	Te Awanga / Haumoana: Treatment, new source	\$ 1.3			
	Clive: Treatment and Storage	\$ 2.2			
	Whakatu : Treatment and Storage	\$ 1.2			
	TOTAL - STAGE RA1	\$ 5.2			
RA2 Small Supplies					
RA2 Small Supplies	Waimarama - Treatment Upgrades	\$ 0.6			
	Waipatiki - Upgrade	\$ 0.4			
	Whirinaki - Pump Station & Treatment	\$ 1.1			
	TOTAL - STAGE RA2	\$ 2.1			
TOTAL INVESTMENT - SMALL SUPPLIES		\$ 7.3			

2.2.2 Significant decisions – (for future Long Term Plan Consultation Documents)

Some of the longer term significant decisions outlined in this strategy are less certain at this time. They will require further investigation, analysis of alternatives and accurate cost information prior to being presented to the community in future versions of the Infrastructure Strategy.

Key Decision	Indicative Timeframe	Outline
Landfill - future disposal alternatives	Beyond Year 10	Waste which is not reused or recycled is currently buried at the Omarunui landfill. Following a waste futures study the Council's have committed to an extension to the landfill area. For the purposes of this plan the current position (continuing to landfill waste has been assumed) with \$16m (Hastings Share) budgeted in the first 10 years. A number of alternatives have emerged in the market place which will be further assessed in future Waste Studies. If one of these alternatives is assessed as being a better future management solution than landfill both environmentally and economically then the funding capacity signalled for the landfill option would be used for the alternative solution.
East Clive Outfall – submerged pipe replacement	Beyond Year 20	The wastewater discharge pipeline is a 2.765km marine outfall that discharges into Hawke Bay. Further analysis on the remaining life of the submerged and beach sections of the outfall is underway to determine when replacement might be required. On current predictions this is still outside the 30 year infrastructure strategy but it will require a significant investment at that time.
<u>HDC regional roading projects</u> The Council working with the Regional Transport Committee have completed traffic modelling for the Heretaunga Plains with Council allocating funds for the projects which have been identified below. These projects are longer term and will be the subject of further investigation and refinement based on future land use patterns, speed of take-up and analysis of the effects of other roading projects on traffic behaviour (i.e Whakatu Arterial and State Highway improvements. Updates will be communicated in future versions of the Council's Infrastructure Strategy.		
Havelock Road Development – potential three laning	Within Years 11-15	Havelock Road Development project includes the construction of the three laning of Havelock Road as per the adopted Havelock Rd Corridor Management Plan
North Eastern Connector – Karamu Road/Pakowhai Road link	Within Years 11-15	The project will provide a link between Karamu Road and Pakowhai Road. This will connect North Eastern area of Hastings and the Tomoana Industrial area to expressway and the Whakatu Industrial area (the connection to Whakatu Industrial area is through Pakowhai Road). This project is a scaled down version of the previous Northern Arterial Project.
Pakowhai Road Corridor Management Plan	Within Years 6-10	Pakowhai Road Corridor Safety improvements include the upgrade of Richmod Rd/Pakowhai Rd intersection to a roundabout and also for the upgrade of the traffic signals at St Aubyn St/Pakowhai Rd as per the adopted Pakowhai Corridor Management Plan.

2.2.4 Transitioning from today to tomorrow

The timeline on [page x](#) shows the most likely scenario for the Council's infrastructure investment (see [page 178](#) for detail of growth infrastructure). The highlights in brief are:

- Residential growth is accommodated in the early years via Lyndhurst Stage Two and Arataki extension, along with existing capacity in Lyndhurst, Arataki and Northwood growth areas. In years 6-10 Lyndhurst Extension, Kaiapo Road Stage One and the Iona/Middle area are projected to come on stream. Years 11-30 accommodate further growth areas as outlined in the Heretaunga Plains Urban Development Strategy.
- Industrial growth is based on projected uptake and centred on the Omahu and Irongate industrial areas in two stages over the first 10 years of the plan, along with Whakatu Stage 2 development in Year 5.
- The previous Long Term Plan was premised on compliant water status. This is no longer the case with this plan advancing a new water investment approach. The first 10 years of the plan provide for advancing the Council's Water Strategy, both in terms of securing the water supply source via investments in new bores and source investigations, treatment on all water sources, along with the commencement of network improvements to optimise the efficient water supply across the district.
- A period of recent investigation into our stormwater infrastructure identifies the need for some investment in the renewal of sumps. After Year 10 renewals escalate as the stormwater infrastructure (which is relatively new) reaches its renewal age.
- The Council's three key wastewater trunk mains require renewal over the 30 years of this infrastructure strategy. Some initial work on the East Clive Wastewater Treatment Plant outfall diffuser has been completed with the 2.4km of outfall pipe being further investigated, but not likely to require renewal for some considerable time.
- A strengthening programme on our key bridges is in place via a 7 year capital investment programme. Some complete replacement of selected bridges is planned for in the latter part of the 30 year programme.
- The age of our roading network signals that escalation in pavement renewal investment will be required from about Year 11 to retain current levels of service. Discussions with Council's key funding partner (New Zealand Transport Authority) will be key to addressing this future need.

Key roading projects (including the Havelock Road corridor) are signalled in future years, requiring further investigation.

- Investment in solid waste disposal facilities will be required as the landfill reaches capacity in about 10 years' time. Whilst the future solution (whether to continue to landfill or to adopt an alternative approach) is not yet known, financial allowance has been made to enable the chosen solution to be implemented, and in the short term further valley development of the current landfill, along with initiatives focused on the diversion of waste from landfill.
- **Community Buildings** – The new capital works programme will be focused on building code compliance in areas of fire safety and accessibility improvement, in addition to building earthquake strengthening.
- The future use of the Municipal Building remains unresolved at this time. The budget includes substantive allowance for the necessary earthquake strengthening work, however this decision is subject to ongoing work, business case development and community consultation.
- The rollout of Council's play strategy and higher level of service expectations from the community means increasing asset renewal requirements over the next 10 years, and financial allowances for a number of level of service improvement projects.
- Ageing tree stock and historical poor species selection in some locations is driving higher asset renewal needs.
- A remaining element within the Council's Aquatics Strategy is the development of a new indoor pool facility to compliment the recent upgrades on Council's four existing aquatic facilities. This expenditure is signalled beyond year 10 as other regional aquatic facilities are currently in the conceptual phase.
- The budget contains financial provision for further development within the Hastings City Centre to ensure it remains a competitive provincial urban centre.

From today to tomorrow – the continuous story

The following tables present a snapshot of the key drivers within each of the asset groups and the likely forecast funding responses compared with the Infrastructure Strategy within the 2015 -2025 Long Term Plan.

Water Supply

Key Matters	LTP Funding Impacts		
Water Supply	3 Year	4-10 Year	11-30 Year
Water Safety Plan Implementation. Embedding improved management and operations processes and systems.	Increasing	Increasing	
Water Strategy Implementation (Source, Treatment and Reticulation)	Increasing	Increasing	
Network safety and risk management improvements	Increasing		
Network resilience, optimisation and growth planning	Existing	Increasing	Increasing
Ongoing renewals planning and investment	Existing	Existing	Existing

Stormwater

Key Matters	LTP Funding Impacts		
Stormwater	3 Year	4-10 Year	11-30 Year
Network consent renewal	increasing		
Consent compliance	existing	increasing	increasing
Stormwater treatment and quality improvements	increase to existing	increasing	
Network optimisation and upgrades to reduce flooding impacts	existing	increasing	increasing
Havelock North streams future management	existing	increasing	
Renewals strategy and implementation	increasing	increasing	increasing

Wastewater

Key Matters	LTP Funding Impacts		
Wastewater	3 Year	4-10 Year	11-30 Year
Consent monitoring and compliance	existing	existing	increasing
Future long term treatment options investigations			increasing
Network analysis and improvement to minimise overflows		increasing	
Ongoing trunk sewers renewals programme	existing	existing	existing
Critical rising main assessment and renewal	increasing	increasing	increasing
Ongoing reticulation renewals programme	existing	existing	existing

Transportation

Key matters	LTP Funding impacts		
Transportation	3 Year	4 - 10 Year	11 - 30 Year
Ageing assets - Pavement renewal	existing	increasing	increasing
Ageing assets - Asphalt renewals	increasing		
Ageing assets – Bridges	increasing	increasing	increasing
Network resilience	increasing	increasing	increasing
Safety	increasing	increasing	increasing

Parks

Key Matters	LTP Funding Impacts		
Parks	3 Year	4-10 Year	11-30 Year
Managing service level needs and maintenance of natural areas	Increasing	Increasing	
General Parks New Works	Existing	Existing	Existing
Parks pop-up irrigation	Increasing	Increasing	
Key reserve development (Civic Square, Windsor, Cornwall Park)	Increasing	Increasing	
Rolling programme of playground and toilet upgrades	Existing	Existing	Existing
Renewal escalation – trees and hard landscaping.	Increasing	Increasing	
Sportsgrounds – water issues in parks and sportsground lighting	Increasing		

Key

	Existing forecast funding allowance appropriate
	moderate Increase to existing forecast funding allowance
	escalated increase to existing forecast funding allowance

2.2.5 30 year infrastructure roadmap

A high level view of the most likely scenario for significant project start-ups is outlined below.

Key Driver	Year 1	Year 2	Year 3	Years 4 -10	Years 11-30
Growth					
Residential Growth	<ul style="list-style-type: none"> ✓ Lyndhurst Stage 2 ✓ Howard Street ✓ Iona Stage 1 	<ul style="list-style-type: none"> ✓ Residential Intensification 	<ul style="list-style-type: none"> ✓ Various Developer Driven 	<ul style="list-style-type: none"> ✓ Brookvale/Romanes Stage 1 ✓ Lyndhurst Ext ✓ Kaiapo Rd Stage 1 ✓ Havelock Hills ✓ Iona Stage 2 	<ul style="list-style-type: none"> ✓ Copeland/Murdoch ✓ Brookvale/Romanes Stage 2/3 ✓ Kaiapo Rd Stage 2/3 ✓ Irongate/York
Industrial Growth	<ul style="list-style-type: none"> ✓ Omaha / Irongate (underway) 	<ul style="list-style-type: none"> ✓ Whakatu Stage 2 		<ul style="list-style-type: none"> ✓ Tomoana Stage 1 	<ul style="list-style-type: none"> ✓ Irongate (roundabout) ✓ Tomoana Stage 2
Improvement					
Environmental Risk Capacity Legislative Resource Consent	<ul style="list-style-type: none"> ✓ Drinking Water Investment ✓ Pop-up Irrigation ✓ Opera House Earthquake Strengthening (underway) 	<ul style="list-style-type: none"> ✓ Landfill Valley B/C 	<ul style="list-style-type: none"> ✓ Caroline Road stormwater Extension 	<ul style="list-style-type: none"> ✓ Stormwater Quality Improvements ✓ Waipatiki Campground Sewer ✓ Wastewater Consent Review 2023 ✓ Pakowhai Rd Corridor Plan ✓ Havelock Stream Enhancements ✓ Haumoana Coastal Infrastructure 	<ul style="list-style-type: none"> ✓ Wastewater Consent Reviews ✓ Havelock Road Corridor Plan ✓ North Eastern Connector
Level of Service Improvement	<ul style="list-style-type: none"> ✓ CBD Transformation ✓ Coastal Toilets ✓ Civic Square ✓ Art Gallery ✓ Cornwall Park & Raureka ✓ Hastings Library ✓ Iway ✓ Road Safety 	<ul style="list-style-type: none"> ✓ Art Gallery ✓ Splash Planet ✓ Playgrounds 	<ul style="list-style-type: none"> ✓ Flaxmere Pool ✓ Flax Community Centre ✓ Sports Grounds ✓ Windsor Park RMP ✓ Cemetery 	<ul style="list-style-type: none"> ✓ Cape Coast, Flaxmere Park Reserves ✓ Splash Planet Attraction ✓ Havelock Pool ✓ Rural Toilets ✓ Art Gallery ✓ Sportsground Changing Rooms ✓ Clive & Frimley Pools 	<ul style="list-style-type: none"> ✓ Waimarama Reserve Plan ✓ District Aquatics Facility ✓ Bridge Pa Sewer

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A high level view of the most likely scenario for significant renewal expenditure is outlined below.

Asset Renewal

	Year 1	Year 2	Year 3	Years 4 -10	Years 11-30
Roads	✓ Bridge Programme (HPMV / Class 1)			✓ Road Pavement Renewal Escalation ✓ Bridge Replacement	✓ Road Pavement Renewal Escalation
Water Services	✓ Eastern Interceptor Upgrade (Sewer) ✓ Sewer Rising Mains ✓ Trunk Sewers	✓ Lyell Street/Park Street Rising Main		✓ Sewer Renewal Escalation ✓ Frimley Interceptor Sewer	✓ Omaha Sewer, Eastern Int & Trunk Sewers ✓ Water Renewal escalation ✓ Stormwater Renewals Start ✓ Wastewater Treatment Plant (outfall)
Parks Facilities Buildings Administration	✓ Parks Escalation ✓ Aquatics Asset Plan ✓ Heretaunga House	✓ Art Gallery ✓ Financial System		✓ Various Halls and Community Centres ✓ Hastings Library ✓ Splash Planet	✓ Various Pools ✓ Havelock North Community Centre

2.3 RISK AND RESILIENCE

2.3.1 Assets we own and their value

Council manages a large quantity of assets on behalf of the community to enable service needs of the community to be met.

Asset Details	Quantity
Transportation	
Sealed Pavement (km)	1,301
Unsealed Pavement (km)	338
Footpaths (km)	466
Bridges	257
Off Road Cycleway (km)	19
Street Lights	7,100

Asset Details	Quantity
Stormwater	
Mains (km)	326
Open Channels (km)	75
Retention Dams (No.)	11
Pump Stations (No.)	11
Wastewater	
Mains (km)	406
Connections (km)	177
Pump Stations (No.)	44
Treatment Plant (No.)	2
Outfall (km)	3
Water Supply	
Mains (km)	505
Connections (km)	164
Water Treatment Plants/Pump Stations (No.)	16

Asset Details	Quantity
Buildings	
On Council land	151
Maintained by Council	110
Reserves / Recreation	
Reserves (hectares)	698
Sportsgrounds (hectares)	56
Parks and Reserves	177
Playgrounds	40
Street Trees	11,000
Shrubs and Annuals (streetscape)	53,000m2

Valuation Summary

	Replacement Cost	Depreciated Replacement Cost	Annual Depreciation
Transport			
- Rating Area One	589,035,583	432,600,730	7,082,112
- Rating Area Two	798,668,716	668,709,817	6,303,726
Total	1,387,704,299	1,101,310,547	13,385,838

	Replacement Cost	Depreciated Replacement Cost	Annual Depreciation
Wastewater	382,204,112	209,203,812	5,982,761
Stormwater	253,050,858	158,180,855	2,872,079
Water	151,324,199	88,186,616	2,131,464
TOTAL WATER SERVICES	786,579,170	455,571,283	10,986,304

2.3.2 Overall approach to risk and resilience

Hastings District Council has developed a Corporate Risk Management framework that cascades down to all Council activity areas with reporting back up to Council Risk and Audit Committee. Project/task risk and health and safety plans are developed and managed for specific projects and tasks undertaken by Council staff and contractors. There are a number of initiatives within Council to promote and manage improvements in risk management and health and safety practices. The aim of these is a strong Council risk and safety culture. Council has identified 20 Tier 1 Risks and the top 10 of these are detailed below:

Rank	Risk Description	Category	Severity of risk BEFORE treatment			Summary of treatment to mitigate the risk	Severity of risk AFTER treatment		
			Likelihood	Consequence	Residual Risk		Likelihood	Consequence	Residual Risk
1	Water Supply Contamination Potential for water supply to carry source or network contamination to water users.	People Safety	Likely	Severe	Very High	Frequent testing of water supply. Water supply sources fitted with the ability to treat water by chlorination, and network designed to allow isolation or cross supply between water sources for resilience. Possible additional treatment, depending on source.	Possible	Severe	High
2	Civil Defence Emergency Major disaster or emergency due to a natural hazard or other cause affecting community safety or damaging Council assets.	People Safety	Likely	Severe	Very High	Due to the nature of these events little can be done to reduce the chance of an event occurring. As a result Council's focus is on preparedness and ensuring an effective response can be mounted. This is achieved through integration with the Hawkes Bay Group CDEM team and training Council staff to manage the response and recovery for a major disaster.	Likely	Severe	Very High
3	Health & Safety Incident Health and safety incident or exposure that has a permanent health impact on one or more people.	People Safety	Probable	Severe	Very High	Council has a proactive health and safety team actively supported by senior management that is focused on driving proactive health and safety processes based on industry best practice tailored to Council's activities. Managers and staff have received externally delivered training to ensure understanding of their personal responsibilities for achieving safe working environments across the diverse services undertaken by Council. However, despite these measures, the risk of an adverse health and safety event remains high so continued focus is needed in this area.	Possible	Severe	High
4	Infrastructure Service Failure Infrastructure service failure resulting in loss, or compromised operation, of essential services causing harm to the community.	People Safety	Probable	Severe	Very High	The probability of a significant event is reduced through application of high service levels to all infrastructure services. These service levels are achieved through robust asset management planning based on international standards, which are monitored by external audits and 3 yearly external peer reports.	Possible	Severe	High
5	Ineffective Regulatory Oversight Adverse impact on the public due to poor regulatory oversight of land use, construction standards or food preparation.	People Safety	Probable	Severe	Very High	Effective regulatory oversight is achieved through a structured processes for receiving and evaluating applications relating to legislated activities, and active monitoring of actual works undertaken in the district. This work is undertaken by appropriately trained and competent staff that have suitable professional qualifications.	Possible	Severe	High
6	Adverse Environmental Change Climate change effects impacting community wellbeing and land value affecting Council rating capability.	People Safety	Probable	Severe	Very High	District plan requirements based on sustainable use of land.	Probable	Major	High
7	Demographic Change Change in community demographics or population size that impacts community or Council service demand, support required or capacity to afford services.	Financial Viability	Probable	Severe	Very High	Through application of robust demographic forecasts and community consultation in long term planning Council strives to match service investment with anticipated community needs and aspirations.	Probable	Major	High
8	Information Security Failure Loss of control over Council information assets due to failure of Information Services security to protect against: system failure, cyber attack or staff actions.	Service Delivery	Probable	Severe	Very High	Council runs a replicated server environment with a robust firewall, backed up to cloud storage. Training and regular reminders are provided to staff about cyber security measures on a regular basis to reduce risk to a tolerable level.	Possible	Severe	High
9	Investment Failure Failure of Council investment resulting in loss of funds.	Financial Viability	Probable	Severe	Very High	Robust treasury policy and criteria in place monitored by Risk and Audit Subcommittee.	Possible	Severe	High
10	Economic Downturn Changes in global economic conditions or political stability that adversely affect the local community, resulting in reduced demand and ability to pay for services.	Financial Viability	Possible	Severe	High	Focus on local economic growth to promote a wider variety of local industry that is more resilient.	Possible	Major	Medium

Note: The areas highlighted on the risk register in respect of "Water Supply Contamination" and "Infrastructure Service Failure" are supported with a more detailed analysis providing a comprehensive framework for the management of the identified risks.

2.3.3 Critical Assets

The Water Services assets are categorised into Critical and non-critical asset categories. Critical Assets represent key assets that are essential to maintaining network operation and the achievement of customer level of services. Critical assets include; Trunk mains, treatment plants, water treatment facilities, large pump stations, reservoirs, detention dams. Critical asset renewal strategies aim to ensure assets are replaced prior to asset failure and or loss of customer Level of Services. Critical assets have robust operation, maintenance and inspection programmes to ensure high levels of operational performance.

2.3.4 Non-Critical Assets

Non critical assets represent assets that make up the reticulation network and are less critical to ensuring overall asset performance. Non critical asset renewal strategies aim to optimise asset life and investment. Condition assessment is less frequent and intensive than with critical assets. Review and assessment of faults trends is an important activity that helps predict declining asset performance and condition. Maintenance activities involves scheduled activities in areas with known issues and reactive maintenance in response to reported faults.

2.3.5 Insurance

Council has comprehensive suite of insurance policies which are annually reviewed by Council's Risk and Audit Subcommittee.

Assets (mainly buildings and contents) with a replacement value of \$256m are insured under councils Material Damage Policy.

In the event of a major disaster or catastrophe the cost of replacing water, sewage and other essential services (not roads and bridges) is shared with 60% of the cost met by central government and 40% met by the local authority. Hastings District Council is a member of the Local Authority Protection Programme (LAPP). The LAPP fund is a cash accumulation mutual pool established to help local authorities meet their 40% share in the event of such a disaster.

The value of infrastructural assets declared by the Council to be covered by the LAPP fund is \$666m.

Hastings District Council has a number of other assets not covered by insurance contracts or risk sharing arrangements and therefore are self-insured. The major category in this group would be roads and some low value bridges valued at 30 June 2017 \$1,101m (excl. land). There would also be a number of other sundry items that would fall into this group. While these assets are not insured there are cost sharing arrangements in place with NZTA for all subsidised roading assets. Council also has insurance in place for all bridges in excess of \$250,000 with a loss limit of \$10 million. This acknowledges the geographic spread of the bridge assets and the excelearted NZTA subsidy should a major event occur.

Council also has public liability and professional indemnity insurance (\$300m) along with a comprehensive suite of policies for other liability policies.

2.4 RELIABILITY OF ASSET INFORMATION

2.4.1 The information below outlines the reliability of the asset data to inform the decisions in this Long Term Plan. Overall the plan has robust reliability of data. Future improvements planned will further improve the robustness of the information.

Water Services

UTILITY	SCORE	IMPROVEMENTS
Sewer	4	Non reticulation assets require attention
Storm	4	Non reticulation assets require attention
Water	4	Non reticulation assets require attention

Rating: 4.
Description: Reliable/Verified

Scale	
5	Highly Reliable/Audited
4	Reliable/Verified
3	Less Reliable
2	Uncertain
1	Very Unceratin
0	No Data

Transportation

ASSETS	SCORE
Sealed Pavement Surface	A
Bridges	A
Other Asset Classes	B

Rating: A. – Highly Reliable
Description: Accurate based on reliable information and documents

Rating: B. - Reliable
Description: Accurate based on reliable information and documents

Scale	
A	Highly Reliable
B	Reliable
C	Partially Reliable
D	Not Reliable
E	Assumed



2.5 MANAGING INFRASTRUCTURE ASSETS INVESTMENT DRIVERS

The key decisions the Council has to make are about how much capital expenditure it should make on infrastructure and when that should happen.

Capital investment decisions are driven off some key considerations:

- When should existing infrastructure be replaced, and does the community still need it;
- When should the Council invest in improving the existing service; and
- How much needs to be invested to provide infrastructure for a growing community.

In preparing this plan, the Council has had to make assumptions related to these matters.

2.5.1 Maintenance and Renewal

The expected asset lives of Council's assets are set out in detail in the statement of accounting policies in the the Long Term Plan. However this aspect is only one of many considerations used when forecasting future asset replacement.

The Council uses its maintenance contractors to provide important asset information when undertaking maintenance work, including condition assessments and information about faults and repairs. Specific programmes are also in place which varying depending on the asset type. The Transportation assets have cyclic independent condition monitoring. Across the water assets targeted programmes are in place for assessing higher criticality assets, using techniques such as CCTV monitoring, and laser profiling of pipe degradation. This information enables Council to make prudent assessments about the likely lives of our assets and therefore the optimal maintenance and renewal programmes that need to be put in place.

Infrastructure assets typically deteriorate gradually over time and usage. Therefore it is not critical that any particular pipe is replaced in the specific year shown. Council smooth's the planned renewal programme to achieve a balance between optimal timing of replacement, keeping funding demands on ratepayers even, some consistency in procurement

to market, and ensuring that the work that affects street surfaces is integrated across the various Council's asset programmes.

For a few of our non-critical assets (low risk and low public inconvenience) we use a run to failure approach, and make replacement when signs of failure are evident, thereby optimising the value of the community's investment in these assets.

Key renewals programmed in this plan are:

- Wastewater trunk mains (Year 1, Years 4-10 and Years 11-15)
- Wastewater renewal escalation (Years 4-10)
- Bridge strengthening programme (Years 1-7)
- Bridge replacements (in later years)
- Road pavement renewal escalation from (Years 4-10 and Years 11-30)
- Stormwater renewals commence (Years 11-30)
- Water supply AC pipe (Fibro Cement) (Years 11-30)
- Parks renewal escalation (Years 1-3)

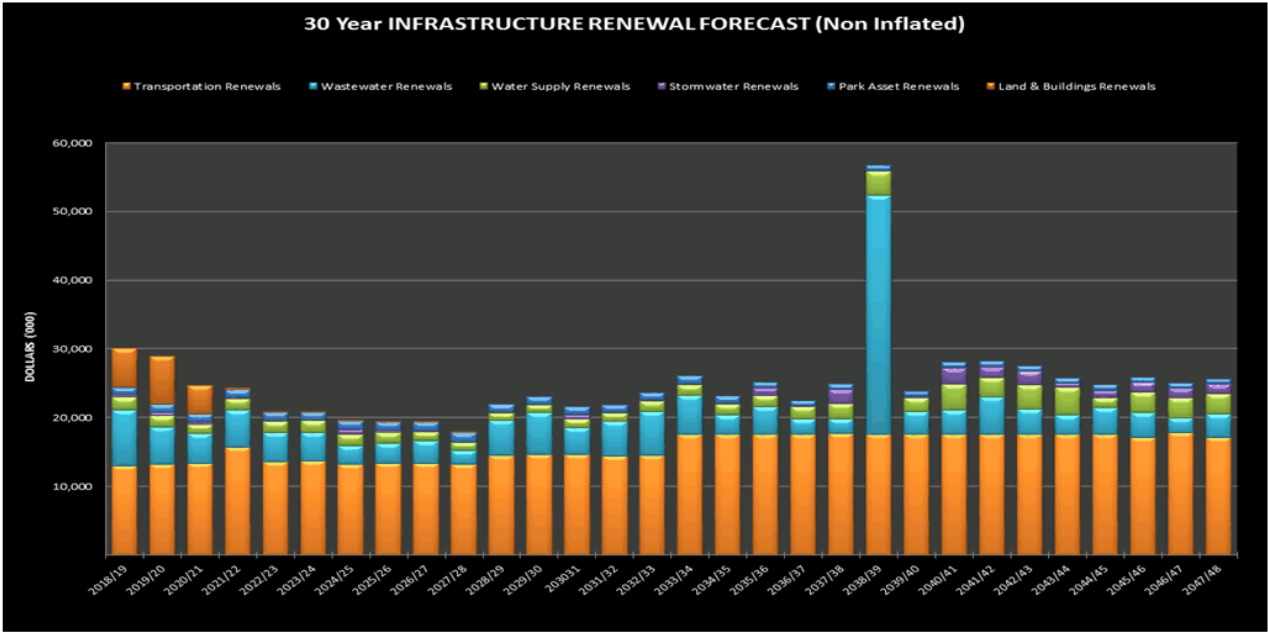
Note: The renewal of the 2.4km outfall pipe at the Wastewater Treatment Plant is a significant renewal which sits near the end of the 30 year timeframe currently. Further investigation of the exact scale and timing is on-going, however the need for infrastructural investment is some considerable time away. Future options may also be an alternative treatment approach.

The graph over the page shows the expected replacement profile for the Councils water, sewer, and stormwater reticulation, along with the roading network as a total picture.

The sections that follow discuss each asset area in more detail.



Projected 30 year council renewal profile



Key Renewal expenditure includes:

Roading

- Ongoing Structural component replacement and bridge strengthening
- Continued pavement and sealed surface renewals
- Full bridge replacements scheduled for later years

Water Services

- Wastewater trunk mains
- East Clive Outfall (Years 25-30)
- AC water pipes from Year 20
- Stormwater renewals commencing after Year 10

ACTIVITY OVERVIEW

The Council plans its asset renewal programme around the detailed knowledge it has on the condition of its assets, to ensure that it is optimising investment to maintain current service provision.

Outlined below are the key asset renewal considerations in this plan. The section titled "The Financial Strategy Connection" outlines the Council approach to funding depreciation. That methodology is a guide as to the correct level of investment. The gap between renewal funding and depreciation is not widening considerably, therefore the level of service being delivered today is being retained. This is important as no significant level of service issues are being experienced from our core infrastructural assets, apart from water supply. The Council also needs to be mindful that it is not investing considerably more than the depreciation calculation as it would not be optimising the assets lives.

Transportation

The objective of the Hastings District Council's Asset Management Policy for the Transportation Activity is to ensure that Council's service delivery is optimised to deliver agreed community outcomes and levels of service, manage related risks, and optimise expenditure over the entire life cycle of the service delivery, using appropriate assets as required.

To maintain current Levels of service the depreciation/renewals spend is continuously monitored and asset lives are optimised to deliver fit for purpose customer levels of service (CLOS).

Rating Area-2 show a widening gap in the early years due to the high proportion of rural sealed asset which was constructed during the late 1950's at a rate of 15 – 20 km per year. Typically As these pavements reach an age of +/-75 years, renewal is required. A strategy of the mid term strengthening works is also incorporated, this delays the need for bridge replacements with only a handful of bridge renewals identified near the end of the 30 year period.

An increase in investment will be required to maintain CLOS. Further factors impacting on the depreciation/renewals relationship is the need to work closely with our co-investor (New Zealand Transport Agency) on programme alignment and priorities.

Water Supply

A key issue relates to the renewal of asbestos cement pipe which has a reduced life, is brittle and can fail without warning. 35% of our water main assets are made of AC pipe and the vast majority of these assets are programmed for replacement between 2035 and 2050. In conjunction with this issue the projected renewal of steel and cast iron pipe infrastructure is commencing at about the same time therefore some escalation in renewal funding is signalled from about 2037 onwards.

Due to the change of understanding and status of our groundwater, a new Water Supply Strategy has been adopted. A significant capital investment plan is detailed earlier in this strategy.

On average the water supply network is about half way through its expected life.

Targeted rates are used to fund this activity with any spikes in expenditure taken into account in the setting of the targeted rate. This ensures that community affordability considerations are factored in to avoid sudden changes in the annual targeted rate.

Wastewater

Major renewals projects include the trunk sewer mains that lead from Hastings to the East Clive WWTP, the renewal of pump stations and rising mains and the Frimley interceptor. The majority of the 2.75km outfall pipe from the treatment plant to the ocean falls out the outer period of the 30 year plan. A run to failure approach on low risk assets is being implemented to ensure that renewals happen at the optimum time.

This plan escalates the level of expenditure forecast from year 5 to bridge the current funding gap with forecast depreciation.

There is an increase after 2035 due to a group of assets requiring replacement at the same time (based on age data only), it is expected that this will be smoothed as a result of the more detailed analysis planned. The level of renewals expenditure is predicted to increase in the latter years of the 30 year timeframe with a major consideration being the replacement of the outfall pipe which is currently timed at the outside of the 30year period.

The renewals strategy is currently largely based on maintenance records and age data with detailed condition and performance investigations having been undertaken on our significant assets. Further risk analysis work is planned to more accurately determine when assets will need to be replaced and will lead to refinement of the programme over time.

Stormwater

The vast majority of stormwater infrastructure (pipes, manholes and sumps) were constructed in the 1950s and 60s and still have significant life remaining. These assets have not reached the end of their useful lives therefore the renewals programme has not commenced. The first replacements are anticipated within the 10 year plan and will slowly increase over the next 30 years at which time we will see the gap between renewals expenditure and forecast depreciation begin to close considerably.

Over the initial part of the plan further assets will also be installed, this will increase the long term renewal needs. Work is commencing on asset condition and performance assessments which will assist in future programming of asset renewals.

Future environmental standards and quality improvements are a key consideration. This plan makes some financial provision to commence our response. Some responses may be more regulatory in nature.

Parks

The annual budgets largely represent "business as usual" with some minor modification to maintain current Levels of Service. The majority of the expenditures continue to be Operations and Maintenance. New Capital is focussed on park enhancements approved through the Reserve Management Plans. A slight shift of maintenance funds to renewals is signalled to more effectively manage the replacement of aging trees, gardens, street beds and playgrounds. New capital does drive some additional operational, maintenance and renewal requirements. The remaining focus is on continued improvement of the Parks asset management practices.

Work is progressing in updating the current asset information and improving the connection of maintenance information on assets to better inform renewal and service level decision making.

Council is currently reviewing its service delivery options within this activity.

COUNCIL OWNED BUILDINGS

Overall, Council's building and property assets are in a good condition for their age and functionally they perform well. By implementing routine maintenance and cyclic renewal works, these assets will continuously provide good performance and meet the required level of service of the day-to-day operations of the respective activities over the next 10 to 20 years.

The key objective of the building and property assets planning for the next 10 years, is to improve the efficiency of asset maintenance, renewal, and operational activities while maintaining the level of service. The programme of work is focused at the building component level. Decisions on full building replacement are subject to detailed business case and appropriate funding decisions at the time. It's programmed that from 2018 to 2028, the funding required for building operation and maintenance is set at \$6.3 million and capital renewal works at \$12.6 million respectively. The proposed new capital works will be focused on building code compliance in areas of fire safety and accessibility improvement, in addition to building earthquake strengthening. It's planned an overall budget of \$5.7M for new capital works for 2018-28.

Although the Council's building stocks overall are in good condition, it has been identified that significant renewal and rehabilitation works are needed for Heretaunga House, Senior Housing, and the Hastings City Art Gallery. The required building works include major service and structure renewals and building weather tightness improvement at a total cost of \$3.4M over the next 10 years. Before any work is initiated, further community consultation is required and the work commencement of any works on the above buildings is subject to Council's resolutions on the business case studies and operational reviews that are currently underway.

Over the last three years, 11 buildings that were identified as earthquake prone or potentially prone buildings either have been strengthened or are a work-in-progress to achieve a minimum strength of 67%NBS (New Building Standard). By 2019, once the Opera House Theatre and Hawkes Bay Crematorium remedial works and re-build have been completed, all Council owned buildings will meet New Building Standard with a minimum rating of 34%NBS

Council will be closely monitoring the performance of the building reserve that funds the renewal, compliance improvement, and major maintenance works. In order to minimise the charges to the Council operational activities that are largely funded by rates, it's planned that by 2028, the building reserve balance will be in surplus of \$3.1M in comparison of a \$2.0M deficit at the 2018 opening balance.

2.5.2 Level of service increase or decrease

There are a number of reasons why Council would improve existing infrastructure services. Some of the key ones are:

- legislative / consent conditions
- environmental risk
- capacity improvements
- community expectations

Legislative / Consent Conditions

Building Standards

Changes to building standards are a key consideration the Council needs to plan for. Buildings now need to meet a certain percentage of new earthquake standards which is a significant consideration for the HB Opera Complex, and a consideration for major community buildings, particularly the Hastings Library and Hastings City Art Gallery which meet 50% of the new building standard.

Strengthening of the Hawkes Bay Opera Complex is in progress. In regard to the Hastings Library and Hastings City Art Gallery financial provision is made in the plan to raise the standard to 67% of the new standard. Further work is being undertaken to assess the best approach for these facilities.

Water Services Consents and Legislative Changes

Community expectations in respect of wastewater disposal have changed over time and may do again in the future. This could impact on the requirements to treat and dispose of wastewater from Council's Treatment plant at East Clive into Hawke Bay. The Council consent does not expire until 2048; therefore our current approach is relatively certain for some time. This will however be reassessed as part of the 9 yearly consent review process.

The Council's approach to the provision of safe drinking water has changed significantly since the Havelock North contamination event and subsequent government enquiries. The key elements and water investment package are detailed earlier in this strategy.

A range of legislative changes are being considered. Council's water investment approach is cognisant of these impending changes.

Environmental Risk

Climate Change

Global warming, sea level rise, predicted increases in the intensity of storms and the related waves generated are likely to impact our coastal areas more severely in the next 100 years. The Hawke's Bay coastline between Clifton and Tangoio is defined by a natural gravel barrier ridge which provides a vital defence from the sea. Without it large areas of Napier City and some of the Hastings District would be regularly flooded, making it difficult to live there. A Tri-Council Joint Coastal Strategy is underway in response to these predicted coastal hazard issues.

Council's approach will be informed by the outcomes of this strategy; however financial provision has been made in the plan for Council assets at Haumoana (particular road and water supply assets) which may need to be relocated at some point in the future.

Adverse natural events brought on by Climate change and/or earthquakes can cause damage to infrastructure and services. Consideration of infrastructure resilience factors is built into various design standards and project planning.

Stormwater Quality

There are growing concerns regarding the quality of stormwater discharges (urban and rural) and the potential degradation of the district's waterways. These concerns are likely to transform into an enhanced legislative framework. Our urban stormwater response includes treatment to mitigate risks within our stormwater network.

The urbanisation of streams within Havelock North requires upgrading to improve capacity, minimise erosion and at the same time creating a more user friendly environment with walkways and planting. A range of projects are included in the plan to address these streams over time.

Capacity Improvements

Water Services

Construction of a new wastewater trunk main in Havelock North was completed in 2015/16. The additional capacity addresses current network constraints and provides capacity for growth projections over the next 30 to 50 years. An immediate project signalled in the last strategy in the stormwater activity relates to improvements in the vicinity of the Hastings racecourse which will alleviate flooding issues around the Police Station precinct and CBD environs. This project is underway.

Solid Waste

The Omarunui Landfill has capacity for approximately another 10 years based on estimates of waste tonnages. Financial provision for further development of valleys at the landfill is provided for in this plan to meet estimated demand well into the future. At the same time Council will continue exploring alternatives to landfilling waste based on new approaches and technologies.

Roading

HDC Transportation capital programme largely focussed around the following principal components:

1. Economic Growth and Productivity – new infrastructure to support economic growth and development in the region. Key projects include Whakatu Arterial Link (in development), North Eastern Connector, Irongate and Omaha Road Industrial Developments, Key Corridor Improvements etc.
2. Safety Improvements – Hastings Road safety record continues to perform poorly against its peers and National averages. The Hastings District Council has taken a 'Safe System' approach to this problem through the Safer Journeys strategy. This approach looks across the entire transport system — roads and roadsides, speeds and users — to deliver greater levels of safety.
3. Walking and Cycling – Continuation of the iWay programme and providing people with transport choices. The key focus is on closing gaps, improving intersection connectivity and targeting schools and workbased short journeys.

Further out in the plan from years 11 onwards Hastings District regional roading projects are signalled including the Pakowhai Corridor, North Eastern Connector and Havelock Road Corridor. These projects are all subject to considerably more investigation and are subject to demand and cost benefit analysis at the time.

2.5.3 Summary – Public health and environmental outcomes

The Council has clear direction in regard to improving public health and environmental outcomes via the various consents that have recently been established for its key infrastructure activities.

The responses to these consent conditions including public health and environmental consideration are outlined in this section and included in the financial forecasts.

More detail in respect of public health outcomes can be found in the Sanitary Services Assessment. An update of performance against that assessment can be found in this document on page [x](#).

Given the learnings from the government enquiry into water, increasing environmental controls generally and impending legislative change an update of the Sanitary Services Assessment is being scheduled within Council's work programme.



2.5.4 Growth and Demand

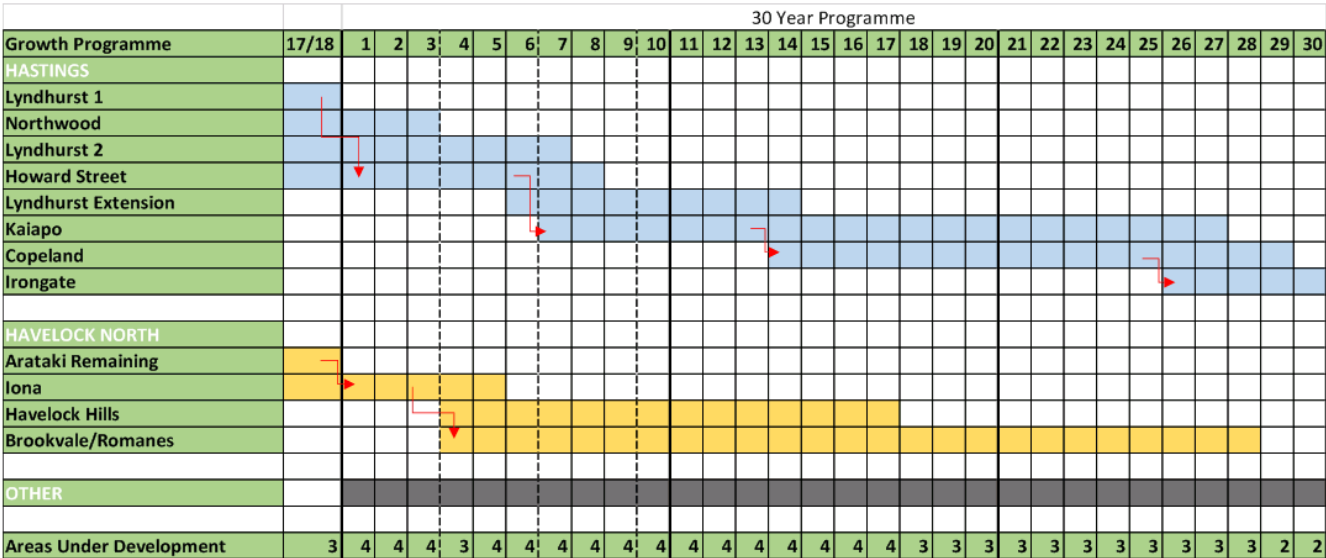
The Heretaunga Plains Urban Development Strategy informs the sequencing and location of growth development. Growth in the Hastings District population has been relatively slow but steady following the medium growth projection from statistics New Zealand. Our community is projected to grow by 6,125 people by 2028.

Demand for infrastructure is primarily determined by the amount and location of residential and industrial growth. The Council's growth nodes are well defined along with the infrastructural investments required to service those new development areas. Please refer to the maps over the page.

The Council stages its growth investment in line with predicted uptake of land. The Council constantly monitors this uptake. The general approach is to ensure that enough serviced land is available for development and that our plans are flexible and responsive enough to respond if increased demand occurs.

The graphs below outline the most likely scenario based on the information known today as to future growth investment decisions.

Spreading the growth over 30 years

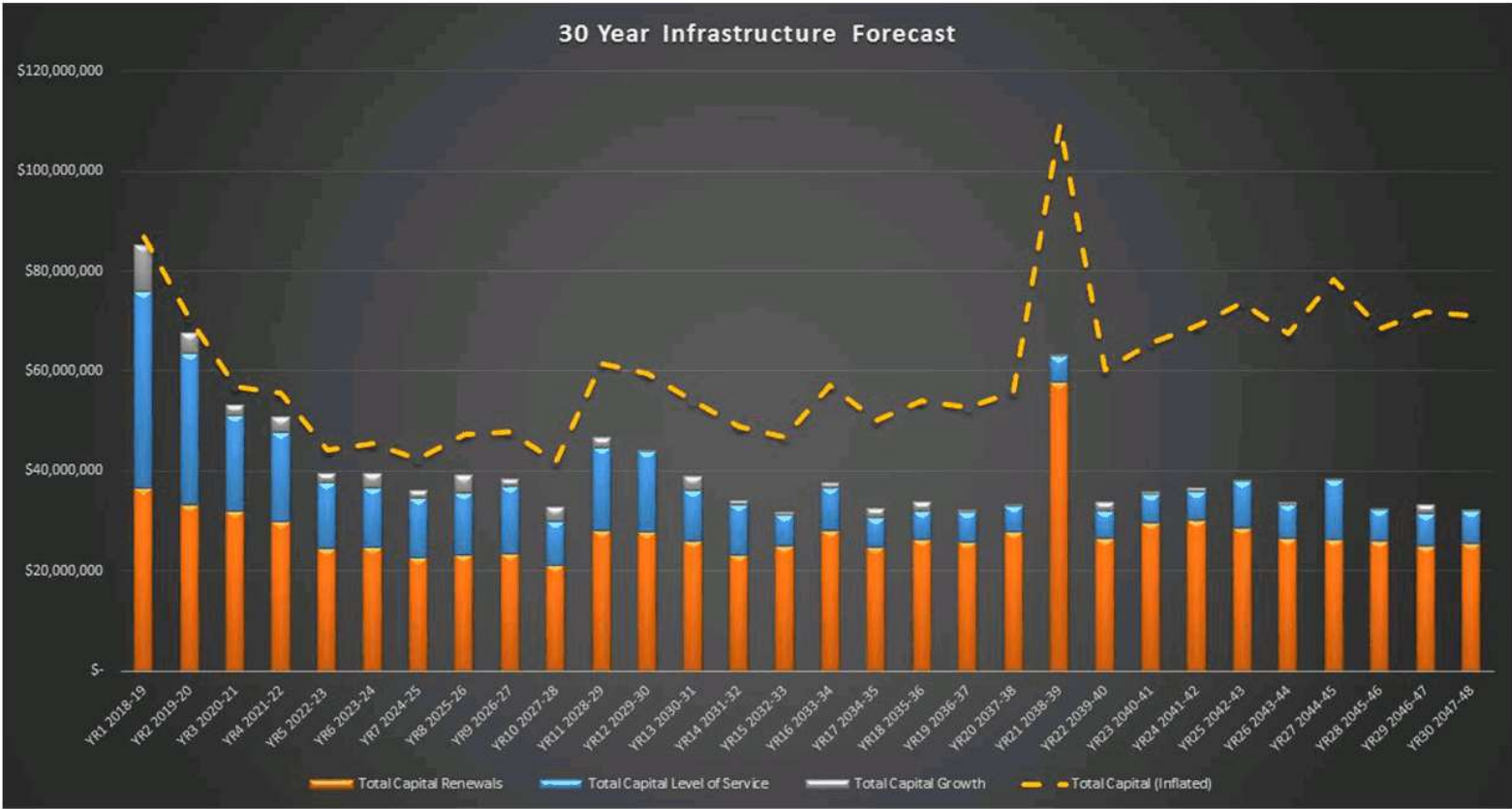


Residential Growth – Capital Expenditure

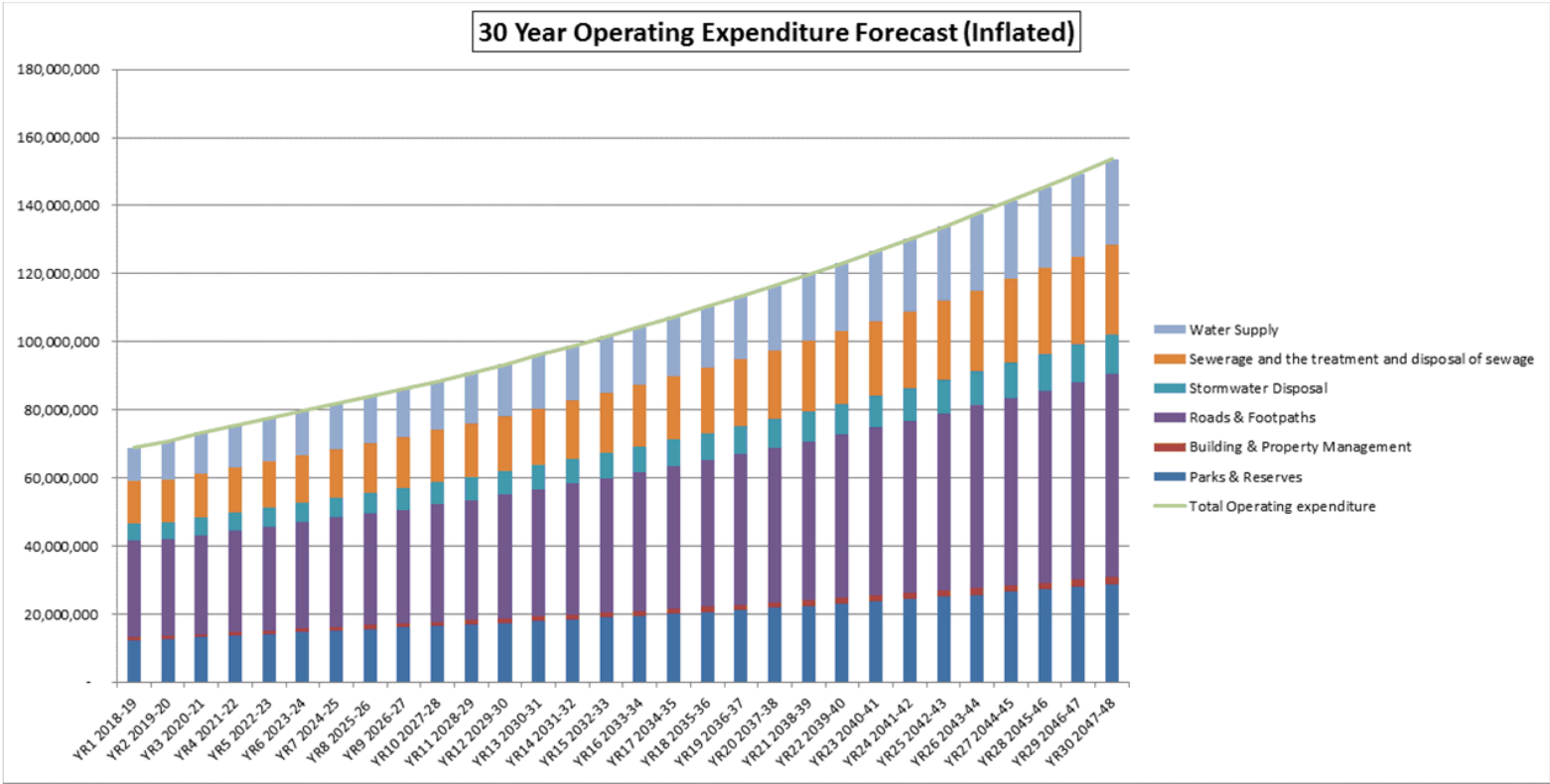
Development Area	18/19 Forecast Year 1	19/20 Forecast Year 2	20/21 Forecast Year 3	21/22 Forecast Year 4	22/23 Forecast Year 5	23/24 Forecast Year 6	24/25 Forecast Year 7	25/26 Forecast Year 8	26/27 Forecast Year 9	27/28 Forecast Year 10	Total forecast LTP capex
Brookvale Road	-	-	-	800,000	1,608,000	1,800,000	500,000	-	-	-	4,708,000
Medium Density Housing Strategy	39,000	130,000	286,000	-	-	-	90,950	714,000	43,000	-	1,302,950
Howard Street	1,000,000	2,500,000	720,000	-	-	-	-	-	-	-	4,220,000
Iona / Middle	1,880,000	600,000	1,020,000	60,000	50,000	-	-	-	800,000	-	4,410,000
Lyndhurst Development Stage II	2,939,000	-	150,000	-	312,900	-	-	-	-	-	3,401,900
Lyndhurst Extension	-	-	-	-	-	200,000	490,000	1,410,000	-	500,000	2,600,000
Kaiapo Road	-	-	-	-	-	-	450,000	-	55,000	840,000	1,345,000
Havelock Hills	-	-	-	-	-	-	-	551,700	-	-	551,700
	5,858,000	3,230,000	2,176,000	860,000	1,970,900	2,000,000	1,530,950	2,675,700	898,000	1,340,000	22,539,550

2.6 THE FINANCIAL STRATEGY CONNECTION

2.6.1 The graphs below provide a snapshot of total capital expenditure and operating expenditure over the 30 years, both non-inflated and with inflation included (as a 'total line').



OPERATING EXPENDITURE



NB: This chart includes depreciation, it is not appropriate to add these values to the previous charts which includes renewal expenditure as this would result in some double counting.

2.6.2 Funding Depreciation Policy

Depreciation Overview

Depreciation reflects the use or consumption of the service potential implicit in an asset.

As depreciation reflects the consumption of the asset over its useful life, there are two critical factors in determining this expense. The first is the asset cost or revalued amount, and the second is the asset’s useful life. It is therefore not related to the physical wearing out of the asset.

The purpose of depreciation is not to provide for the replacement of the asset(s), however this may be an intended or unintended consequence.

Depreciation is especially important as it ensures that today’s ratepayers pay their fair share (and only their fair share) of consumption of the assets. Depreciation is therefore a vital component in the process of setting rates and charges.

As depreciation is a non-cash item of expenditure, the inclusion of the depreciation expense within total operational expenditure will result in a funding surplus from operations. It is then a council’s decision as to how that surplus funding should be allocated. Broadly, there are four options:

- 1. repay debt
- 2. pay for renewal expenditure
- 3. acquire new assets
- 4. transfer to a reserve for the replacement or future renewal of an asset.

There is no direct legal requirement to “fund depreciation” in a way where there is the transfer of the depreciation expense to a specific reserve or accumulation of cash to be used either for the replacement of an asset or for the loan repayment associated with the acquisition of that asset. However, there is a requirement to be prudent in the setting of funding levels.

Balanced Budget Overview

Section 100(1) of the Local Government Act 2002 (the 2002 Act) requires local authorities to set each year’s operating revenue at a level sufficient to meet operating expenses, i.e. “balance the budget”. However, section 100(2) of the 2002 Act allows a local authority to set projected operating revenues at a different level from that which would be necessary to meet operating expenses, in certain circumstances where it is financially prudent to do so.

Council’s overarching principal is that it will operate a balanced budget and take an approach to fully funding depreciation where it is appropriate to do so given the intergenerational nature of infrastructure assets. Where assets are young and renewals are not currently required, the approach is to ensure that the current generation only pays its share through the repayment of debt associated with the new infrastructure in place and any future provision for its replacement in the future.

Depreciation is important because it is designed to ensure that today’s ratepayers pay their “fair share” for the amount of the council’s assets that they consume, essentially through wear and tear. So what we describe as a depreciation expense is essentially the cost of undertaking necessary maintenance and renewal to ensure council assets continue to perform as expected: something that reflects good governance and stewardship of our community’s built up investments.

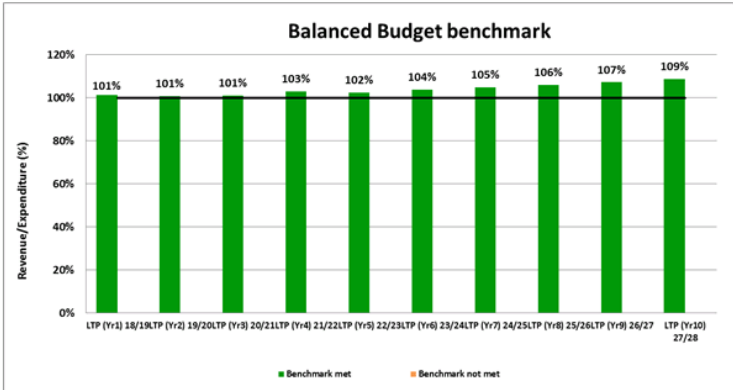
Depreciation is the key driver that council uses to ensure sufficient investment in asset renewals is being undertaken, it creates the bottom line and provides a consistency of approach, assuming the depreciation calculations are correct. While the overarching principal is to fund depreciation, there are some asset classes where this is not necessary or sustainable at the current time.

Council’s Balanced budget 2018-28 Long Term Plan

Council’s overarching policy is to run a balanced budget. There are however pressures on Council to achieve this in the early years of the 2018-28 LTP with significant increases in operational expenditure for the water services delivery activity. There is expected to be a period of time where Council will struggle to achieve the balanced budget while it adjusts the water supply targeted rate to meet the new expenditure profile for water.

Under the defined benchmark calculation Council is running a balanced budget despite the large increase in operational expenditure required for the Water Supply activity and the Council approach of introducing a staged programme of water supply targeted rate increases which will require some short term borrowing to fund the water supply operating account deficit while this programme of targeted rate increases take effect.

Balanced Budget (as per Local Government Regulations)



2.6.3 Depreciation funding by activity

In summary the approach to funding depreciation in this plan is as follows:

1. **Roading –**
 - a. Policy of fully funding depreciation dependent upon New Zealand Transport Agency funding
 - b. Plan forecast shows depreciation fully funded
2. **Wastewater –**
 - a. Policy adopted to fully funding depreciation
 - b. From year 5 of the LTP, escalations commence introducing additional rates funding to fund the depreciation gap
 - c. A strategy needs to be developed to fund waste water treatment plant replacement in the future (about 30 years)

3. **Stormwater –**
 - a. The uninflated 30 year Infrastructure Strategy renewal programme is aligned with current rates funding policy of \$625,000 per annum
 - b. Within this plan the \$625,000 funding provision has been inflation adjusted to keep pace with inflation
4. **Water Supply**
 - a. Depreciation is fully funded. A proposal to combine the rating areas water supplies is included in this plan.
5. **Parks**
 - a. Depreciation is fully funded.

2.7 ASSUMPTIONS

2.7.1 Life Cycle of Significant Infrastructure Assets

Key assumptions relating to the lifecycle and resulting renewals and maintenance forecasts are:

- Cost of work remains within inflation allowance (Based on BERL forecast for local government)
- The capability and capacity of the current market to deliver does not significantly change.
- No significant change in government policy, legislation and occurs that requires a different service level or change in delivery.
- Consent conditions are met and no significant shifts in requirements occur. NB: In terms of consents Council has recently obtained long term consents for its major activities.
- The Level of service requirements are not materially altered.
- Future funding is available (i.e NZTA)
- No significant event occurs that would alter the overall condition and performance of the assets
- The creation/vesting of new assets is not significantly different to the current plan
- The NZTA ONRC project will not materially alter current standards. If not a reassessment of service levels and funding approach will need to be considered in the future.
- Climate change and predictions remain similar to current assessments.

The life cycle planning approach used varies between and within the core asset groups. Areas of more significant expenditure and/or variation have used more sophisticated and detailed investigations to inform forecasts. Similarly where the risks are low and/or still quite a long way out then simpler techniques have been used.

The simplest approach is where an age based profile is used to inform the creation of longer term investment forecasts.

The expected lives used are based on those used in the financial valuations. For the early years of the plan these predictions are

modified by considering actual maintenance information, and where possible conditional assessments. The other consideration in the urban areas is to consider the integration of multiple asset renewal timings to reduce impact on the community (cost and disruption).

At the more complex level Council utilises forecast models that enable multiple criteria and treatment timings to be assessed given varying cash flow scenarios and condition requirements. These models are calibrated against current and historic performance both nationally and locally. These analyses are used to inform the updating of expected lives used in valuations.

Layered onto the pure renewal consideration the performance of the assets is assessed to ensure that the assets are meeting not only the conditional requirements but the performance requirements to deliver the outcomes set.

For non critical water assets Council optimises the life of the assets, this requires an ability to respond to events and an understanding of the cumulative risks that need to be managed. The key balance required in this maintaining the financial and physical capability to respond to incidents, and triggers to highlight when a full replacement must be completed.

2.7.2 Growth or Decline in Demand for Services

Water Services

Council is considering the impacts of growth within several small water supplies (Whirinaki, Te Awanga, Haumoana) where additional investment may be required to meet demand which is over and above that already planned for in the long term growth strategy.

There is no funding provision to cater for this unanticipated growth unless developers are prepared to fund the necessary upgrades on their own.

Whilst unknown at this time, in the future there may be some need to take over self servicing solutions currently in place in some small communities.

Roading

A central government objective to increase freight efficiency has led to higher investments in bridge strengthening. The Council has a bridge strategy in place which identifies key routes and key bridges.

The Hawkes Bay Regional Transportation Study has highlighted a number of key areas of new infrastructure development to accommodate forecast growth and change of land use. This is reflected in the transportation programme with projects such as the Whakatu Arterial, North eastern connector and projects associated with the development of the Irongate Industrial area, Omahu Road Industrial Area and other key corridor improvements (Pakowhai Road and Havelock Road).

At present, congestion is not considered to be a significant issue on the network. The projects identified above will need to be reconsidered once the impact of the completed Whakatu Arterial and State Highway improvements have been remodelled.

An increase in walking and cycling activity will lead to an increase for walking and cycling infrastructure. The district is well positioned for this trend with significant investment in infrastructure in the last 8 years via the Iway initiative. This plan also contains some on-going funding to address network gaps and safety priorities.

2.7.3 Increases or Decreases in Levels of Service

Water Services

Stormwater upgrades are planned to improve pipe and overland flow capacity in areas where properties and roads may be subject to flooding. Network modelling is being developed to determine where and how solutions can be provided.

Roading

The most significant potential impact on levels of service arises from the One Network Roding Classification (ONRC) which is being rolled out across the country. This will see funding from the New Zealand Transport Agency aligned to uniform roading standards.

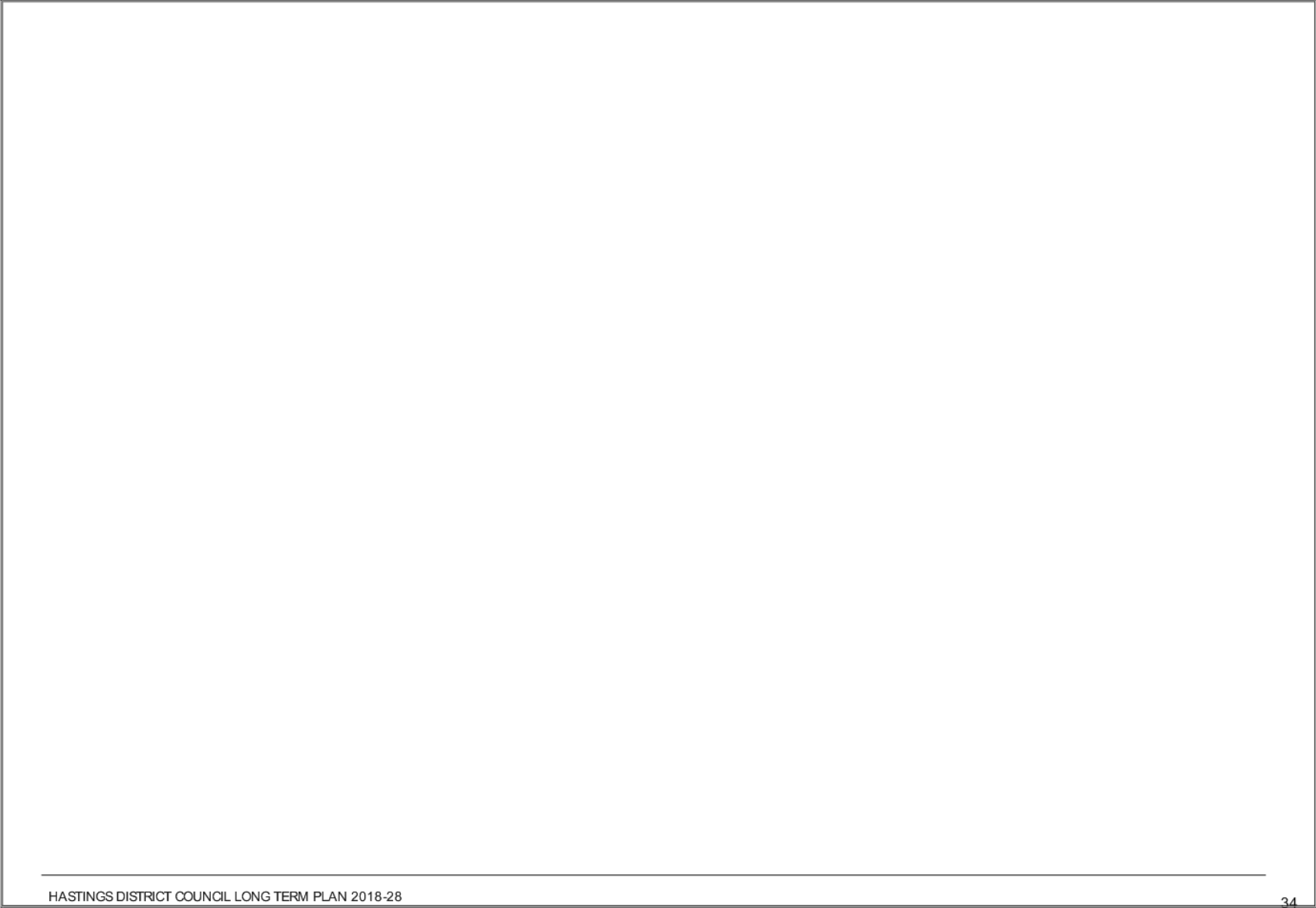
There is a potential risk that our community will need to fund a shortfall of funding if some existing levels of service are deemed to be higher than the agreed standard. This is yet to be determined or quantified as this work is ongoing. The Council will continue to work closely with its investment partner around aligning service levels.

Parks and Hastings City Centre

Continued rollout of Community Plans and Reserve Management Plans further informs Council of community aspirations, which tends to lift service level expectations. These have been provided for in the plan, spread over ten years after the consideration of community affordability.

Actions within the Hastings City Centre Strategy also outline changes and potential increases in service levels which again are provided for within the plan over a ten year timeframe.





Hastings District Council
2018 – 2028
Financial Strategy



Item 7

Attachment 6

Financial Strategy

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Financial Strategy

The Highlights

Set out below is a high level view of some of the key milestones within the financial strategy over the next 10 years.

2016

Long Term Plan forecasts external debt to peak at \$100.1 million

2017

Significant water investment programme commences

Irongate and Omahu industrial development areas in progress

2018

Government Inquiry into Havelock North water contamination complete – learnings built into new Water Strategy. Water targeted rate for households proposed to increase by \$250 over 3 years. The Water Reserve account will stay in deficit for some years.

Significant 7 year programme of investment in bridge strengthening in the rural area to accommodate longer and heavier vehicles commences.

Pressure on Council finances to meet the legislative balanced budget test – balanced budget achieved.

Some capacity for City Centre vibrancy and parks and public space improvements included in budget

Iona/Middle, Lyndhurst Stage 2 and Howard Street residential growth areas commence

TOTAL BASE RATE REQUIREMENT INCREASE 2.6%
(Plus \$100 increase on the water targeted rate)

2019

Total base rate increase forecast at 1.8% (plus \$100 extra for water)

2020

Total base rate increase forecast at 2.8% (plus \$50 for water)

2021

Brookvale Road residential growth area commences

Forecast rate increases flatten to 3% per annum, following 3 year water investment programme

2023

Long Term Plan forecasts external debt to peak at \$165 million

Escalation of debt repayment to help create future capacity

2024

Escalation in wastewater renewal investment built into financial forecasts to meet policy of escalating depreciation funding

Lyndhurst extension residential growth area commences

2025

Bridge investment programme completed

Kaiapo and Havelock Hills residential growth areas commence

2027

The Water Reserve account is back to paying its way

2028

Forecast debt falls to \$130 million

Financial Strategy – The Detail

2.1.1 Context and Challenges

Since the Hastings District Council was created in 1989 it has matured and simplified its rating system, but retained the underlying principle of transparency to reflect the differences in priority between its urban and rural communities.

A sustained period of investment in core infrastructure assets with debt used to pay for this infrastructure, and rates set at levels to service that debt has seen the districts infrastructure developed to a standard that meets community needs today.

The Council sits in the mid-range of Councils of similar size in terms of various measures related to the level of rates and debt. A weakness lies in our heavy reliance on rates to fund new initiatives, with few other revenue streams available. Council however proactively looks for opportunities for alternative funding on initiatives wherever possible.

A significant change in context occurred after the 2016 Havelock North water contamination event which needs a rapid and comprehensive response. In addition to this the Council's Infrastructure Strategy is signalling an escalation in renewal investment in some of our core asset areas. This is not all happening at once but needs to be managed over time.

The Council and community aspiration is for Hastings to be positioned as a progressive and competitive provincial area. This will require ongoing investment in amenity, things to do, functioning urban centres and residential and industrial growth.

Environmental change is already evident, with further change being forecast. These changes will impact on the delivery of Council services, and on communities in some cases, particularly in our coastal environments.

Lastly, all of these factors need to be considered in the context of a changing population. The ageing of the population will see 21.5% of people over 65 by 2028 meaning a larger proportion of our population is likely to be on fixed incomes. Affordability into the future is a key consideration.

The Council is entering a challenging period to find a balanced programme that addresses all of the above – this will require hard choices to be made, and prudent adherence to a forward fiscal strategy.

2.1.2 An unadjusted budget not sustainable

This Long Term Planning process commenced with a substantial capital programme made up of a number of projects currently underway, new asset demands being forecast in the future and a set of enhancement projects aimed at taking the community forward. This programme was unsustainable fiscally (peaking at approximately \$180 million and could not be physically delivered within the timeframes proposed. A key component placing pressure on Council resources is the necessary investment into providing our community with safe drinking water.

The Council spent considerable time adjusting the work programme to lower both the debt profile and the forecast rate increases to fund that work programme.

The balance of the Financial Strategy outlines Council's response to the challenges ahead.

2.1.3 Statement of Significant Factors

The factors that are expected to have a significant impact on the Council during the consecutive financial years covered by this strategy are:

Expected changes in population and land use

WHAT WE NEED TO RESPOND TO	OUR RESPONSE
Changes in population and land use <ul style="list-style-type: none"> A medium plus rate of population growth is expected (approx 6,125 more residents by 2031), with 2,927 new homes Increase in the age of the population over time Housing changes – The Heretaunga Plains Urban Development Strategy, current demand and Council sequencing priorities forecasts the need for a number of new development areas. 	Key responses to changes in population and land use <p>Capital Expenditure</p> <ul style="list-style-type: none"> Core infrastructure investment to make serviced land available predominantly in Lyndhurst Stage 2, Howard Street, Iona/Middle, Havelock Hills and Brookvale. Upgrading and extension of parks & reserves facilities Staging of infrastructure, monitoring of uptake rates and upfront payments in some cases to limit Council risk exposure. <p>Operating Expenditure Changes</p> <ul style="list-style-type: none"> Some increases in service level funding provision in community facilities, particularly parks and reserves

Expected capital expenditure on network infrastructure

WHAT WE NEED TO RESPOND TO	OUR RESPONSE
Capital expenditure on network infrastructure <ul style="list-style-type: none"> Changed water investment paradigm Ageing roads (built 1960's) means a road renewal funding hump is approaching Strengthening of bridges is required as assets age and are increasingly used by heavier trucks. Escalated wastewater renewal need identified after a period of investigation. Renewal cycle for stormwater starts after year 10. 	Key responses to network infrastructure needs <ul style="list-style-type: none"> \$31 million capital investment package in safe drinking water across the urban water supply and \$7.3 million across smaller water supplies – additional \$2 million in operating costs. Funded by three stage escalation in targeted rate (\$250 over 3 years) Pavement renewal escalations provided for in both the 4-10 year and 11-30 financial forecasts. \$10.5 million investment package in bridge strengthening over 7 years. A gradual escalation in depreciation funding in the wastewater activity commencing in Year five. Financial provision for stormwater renewals to commence in the 11-30 year period

The increasing proportion of our population over the age of 65 and therefore on fixed incomes will coincide with infrastructure renewal escalations. Creating the capacity to respond to this escalation of infrastructure renewals, mindful of our ageing population and their ability to afford rates increases will become critical.

Other significant factors

WHAT WE NEED TO RESPOND TO	OUR RESPONSE
Other significant factors	Key responses to other significant factors
Buildings <ul style="list-style-type: none">▪ Earthquake strengthening of HB Opera House Complex.	<ul style="list-style-type: none">▪ Circa \$19 million (net) funding provision for HB Opera Theatre and Municipal Building strengthening, and permanent Plaza roof.
Parks <ul style="list-style-type: none">▪ Growth of tree and shrub bed planting creating large asset base for renewal.	<ul style="list-style-type: none">▪ Two year renewal escalation in the Parks area to bring renewal base to appropriate level.
Environmental <ul style="list-style-type: none">▪ Potential changes to waste collection services.▪ Outcomes of the HB Regional Coastal Strategy	<ul style="list-style-type: none">▪ Comprehensive community consultation process on the Waste Management and Minimisation Plan and subsequent community choices on waste collection alternatives. <i>Note: Depending on the option chosen this may impact on future budgets.</i>▪ Funding provision for ongoing strategy completion commitments, and for Council network infrastructure at potential risk on the coast. The longer term consequences of the strategy will be addressed in future Infrastructure and Financial Strategies.



2.2 The Strategy

2.2.1 “It starts with water”

This Long Term Plan has been challenging. The investment package to support the Council’s new Water Strategy is significant. This plan has been built around that financial reality.

In addition to the \$9 million set aside in the 2017/18 Annual Plan for initial work, this plan allocates a further \$31 million over 3 years to support the implementation of a robust future water investment strategy for the urban supply. Investment of \$7.3 million across seven smaller water supply schemes is also budgeted

The strategy has been put together based on learnings from the Havelock North water supply contamination event, findings from the Government Inquiry and potential changes being signalled across the country in terms of new drinking water standards.

Insert sidebar

Water Strategy – Key Aspects

UNDERWAY

- Closure of bore linked to contamination
- Chlorination of water supplies
- Increased range and frequency of testing
- National and international water experts employed
- Operational change programme in place
- Collaboration on a joint water working group
- Brookvale Bore 3 fitted with treatment plant.
- Bore heads lifted above ground level
- Investigating new water sources

COMING

- New water source operational
- Installation of a new water main between Hastings and Havelock North
- Permanent closure of Brookvale bore field
- Treatment facilities installed across all water sources.

\$250 per property increase

Spread over first 3 years

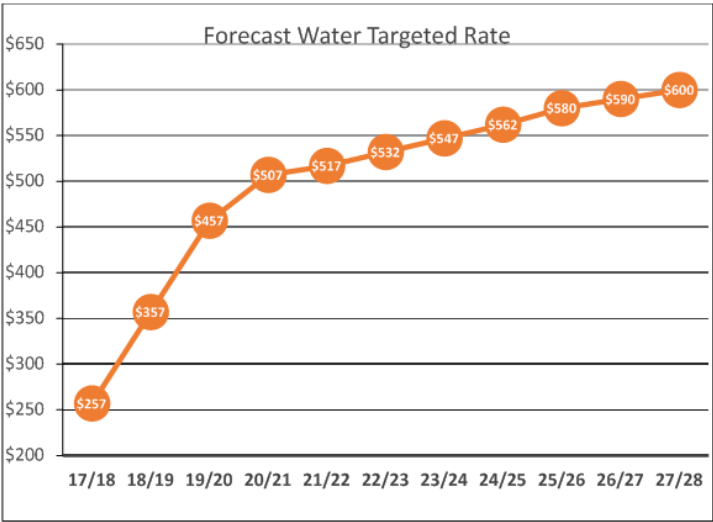
Note: This only applies to properties connected to Council’s water supply network.

How can we manage this?

We need to address these new costs but we need to do it in a managed way within the affordability constraints of our community. The Council also believes that the community expects it to continue to invest in other areas to take the community forward. This all needs to be balanced.

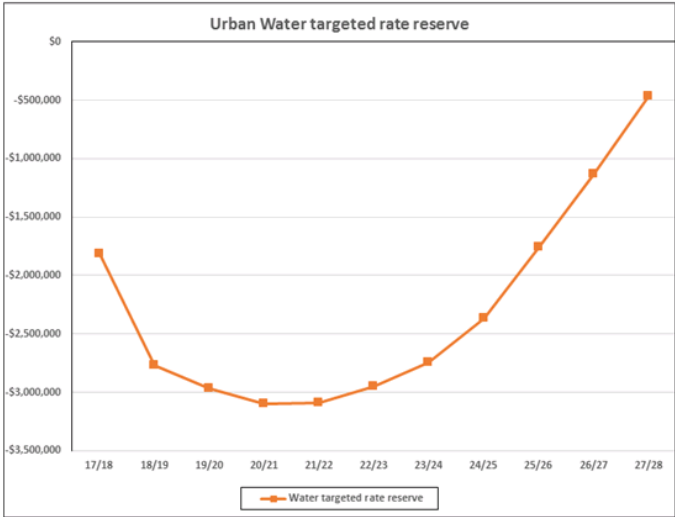
The Council is proposing to spread the impact of this investment over the life of this plan (the next 10 years). This will see the water account run into deficit for a number of years, before paying its way by Year 10. This strategy will lock-in incremental increases to the targeted water rate for the next 10 years, and bind future Council’s to this broad investment strategy. A step change in the targeted rate of \$250 over the first 3 years is proposed.

Forecast Water Targeted Rate – compared to the 2015 Long Term Plan



7

Forecast Impact on Water Targeted Rate Reserve



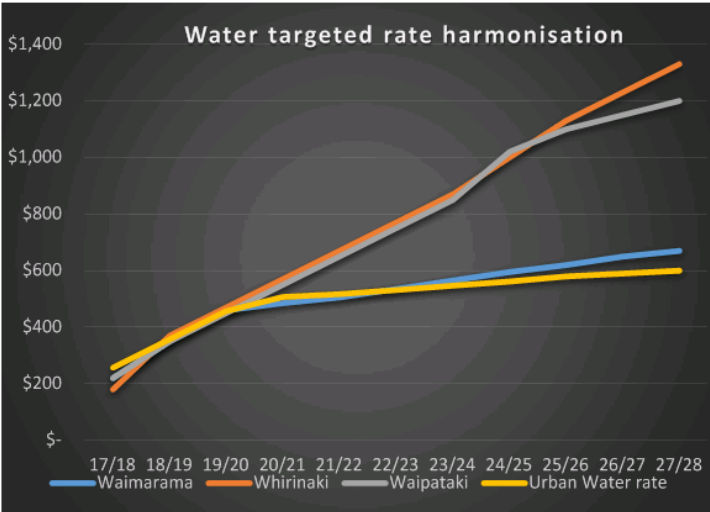
Harmonisation of urban and rural water targeted rates

The future landscape for the management of drinking water is not only changing and having impacts on the districts urban water supply. Significant investment to meet new standards is also being signalled in this plan for rural water supplies at Whirinaki, Waimarama and Waipatiki. This investment is a significant challenge as it can only be paid for by the limited number of properties connected to those schemes.

Given the new realities of drinking water management the council is proposing a one network approach whereby the necessary standards can be achieved for all water supplies in the district and that this is paid by way of one uniform targeted rate applied to all properties serviced by a water supply. This will also have the benefit of future proofing the various water supply schemes from any shocks or uncertainties in the future.

The graph below shows the forecast increase required for each of the rural supplies based on the investment signalled in this plan. It outlines that in each case the targeted rate is projected to increase to a point above the forecast urban supply targeted rate.

This means that all the targeted rates could be harmonised together, with the rural supplies gaining a slight advantage, but with little impact on urban supply users - as the number of rural connections is not significant relative to the scale of the larger urban supply.



2.2.2 Funding Depreciation

Depreciation Overview

Depreciation reflects the use or consumption of the service potential implicit in an asset.

As depreciation reflects the consumption of the asset over its useful life, there are two critical factors in determining this expense. The first is the asset cost or revalued amount, and the second is the asset's useful life. It is therefore not related to the physical wearing out of the asset.

The purpose of depreciation is not to provide for the replacement of the asset(s), however this may be an intended or unintended consequence.

Depreciation is especially important as it ensures that today's ratepayers pay their fair share (and only their fair share) of consumption of the assets. Depreciation is therefore a vital component in the process of setting rates and charges.

As depreciation is a non-cash item of expenditure, the inclusion of the depreciation expense within total operational expenditure will result in a funding surplus from operations. It is then a council's decision as to how that surplus funding should be allocated. Broadly, there are four options:

1. repay debt
2. pay for renewal expenditure
3. acquire new assets
4. transfer to a reserve for the replacement or future renewal of an asset.

There is no direct legal requirement to "fund depreciation" in a way where there is the transfer of the depreciation expense to a specific reserve or accumulation of cash to be used either for the replacement of an asset or for the loan repayment associated with the acquisition of that asset. However, there is a requirement to be prudent in the setting of funding levels.

Balanced Budget Overview

Section 100(1) of the Local Government Act 2002 (the 2002 Act) requires local authorities to set each year's operating revenue at a level sufficient to meet operating expenses, i.e. "balance the budget". However, section 100(2) of the 2002 Act allows a local authority to set projected operating revenues at a different level from that which would be necessary to meet operating expenses, in certain circumstances where it is financially prudent to do so.

Council's overarching principal is that it will operate a balanced budget and take an approach to fully funding depreciation where it is appropriate to do so given the intergenerational nature of infrastructure assets. Where assets are young and renewals are not currently required, the approach is to ensure that the current generation only pays its share through the repayment of debt associated with the new infrastructure in place and any future provision for its replacement in the future.

Depreciation is important because it is designed to ensure that today's ratepayers pay their "fair share" for the amount of the council's assets that they consume, essentially through wear and tear. So what we describe as a depreciation expense is essentially the cost of undertaking necessary maintenance and renewal to ensure council assets continue to perform as expected: something that reflects good governance and stewardship of our community's built up investments.

Depreciation is the key driver that council uses to ensure sufficient investment in asset renewals is being undertaken, it creates the bottom line and provides a consistency of approach, assuming the depreciation calculations are correct.

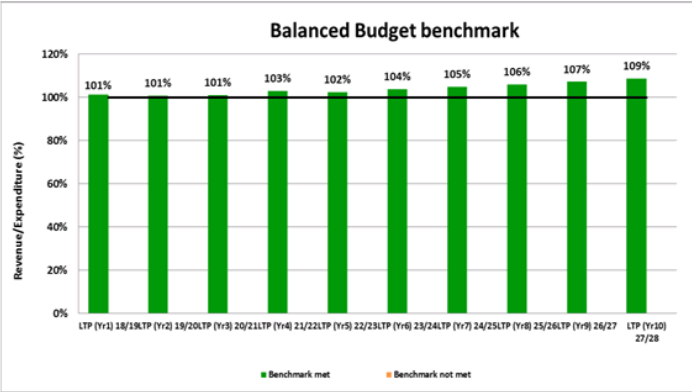
While the overarching principal is to fund depreciation, there are some asset classes where this is not necessary or sustainable at the current time.

Council's Balanced budget 2018-28 Long Term Plan

Council's overarching policy is to run a balanced budget. There are however pressures on Council to achieve this in the early years of the 2018-28 LTP with significant increases in operational expenditure for the water services delivery activity. There is expected to be a period of time where Council will struggle to achieve the balanced budget while it adjusts the water supply targeted rate to meet the new expenditure profile for water.

However, under the defined benchmark calculation in the Local Government Act 2002 Council is running a balanced budget despite the large increase in operational expenditure required for the Water Supply activity and the Council approach of introducing a staged programme of water supply targeted rate increases which will require some short term borrowing to fund the water supply operating account deficit while this programme of targeted rate increases take effect.

Balanced Budget (as per Local Government Regulations)



Depreciation funding by activity

In summary the approach to funding depreciation in this plan is as follows:

- 1. **Roading –**
 - a. Policy of fully funding depreciation dependent upon New Zealand Transport Agency funding
 - b. The forecast plan shows depreciation fully funded
- 2. **Wastewater –**
 - a. Policy adopted to fully funding depreciation
 - b. From year 5 of the LTP, escalations commence introducing additional rates funding to fund the depreciation gap
 - c. A strategy needs to be developed to fund waste water treatment plant replacement in the future (about 30 years)

- 3. **Stormwater –**
 - a. The uninflated 30 year Infrastructure Strategy renewal programme is aligned with current rates funding policy of \$625,000 per annum
 - b. Within this plan the \$625,000 funding provision has been inflation adjusted
- 4. **Water Supply**
 - a. Depreciation is fully funded. A proposal to combine the rating areas water supplies is included in this plan.
- 5. **Parks**
 - a. Depreciation is fully funded.

2.2.3 Reserve Funds

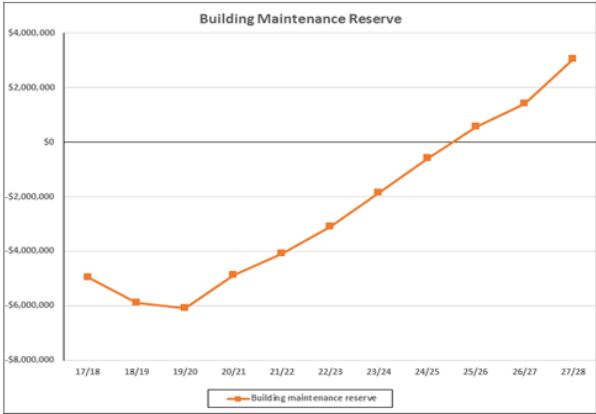
The Council uses various reserves to help smooth lumpy expenditure to meet its objective of forecasting stable rate increases over time that are sustainable for ratepayers. A summary of the key reserves is as follows:

Building Reserve

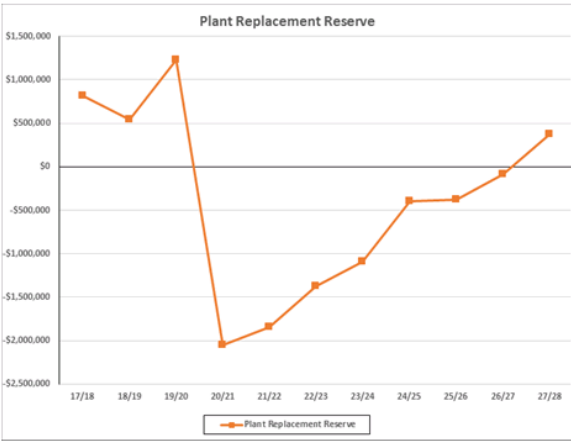
The Council provides for the needs of its building assets via a dedicated building asset management plan and building ledger. The renewal work is funded via annualised charges to the Council activities that utilise the buildings, these charges fund the reserve from which renewal and periodic compliance and major maintenance is funded.

Forward planning around the building reserve is an important part of the financial strategy. The increasing age of some assets and new requirements in respect of earthquake strengthening are areas that need to be managed and may call into question the ongoing retention of some building assets – separate focused consideration of some of these issues is likely over the next few years.

Outlined below is the profile of the building reserve over the next 10 years, however Council has also undertaken a 20 year and 30 year view of future requirements to ensure that the annualised funding provision is sustainable over time.



Plant Replacement Reserve



2.2.4 Funding Growth

This plan responds to the buoyant economy and demand for land via infrastructure investment to service new residential development areas.

In addition the Council has significant forward industrial capacity established via its investment in progress in both the Omaha and Irongate areas, with good uptake and upfront development contribution payments to minimise the Council's risk exposure.

The Council's continued policy is to allocate the cost of growth to those generating the need for that expenditure via the charging of development contributions. The 30 Year Infrastructure Strategy outlines the methodical staging plan for proposed development areas based on forecast uptake rates.

The Councils strategy to minimise any financial risk exposure is to constantly monitor the housing market, liaise actively with the development community and to adjust its programme and stage developments where feasible in accordance with economic activity.

2.2.5 Community Resilience and Financial Headroom

Overview

Whilst the Council has provided for the build-up of funds in a number of reserve accounts (i.e. rural flood damage reserve for example) and contingency allowances in some parts of the budget to meet reasonably unforeseen circumstances, the reality is that a significant event impacting on our community (i.e. major earthquake) would be met by a combination of reprioritising non critical works and utilising the financial headroom the Council has to get the community through such an event.

Retaining financial headroom therefore is a critical part of the Council's financial strategy. The table below contains some of those critical financial measures which outline the Council's financial headroom and ability to respond to a significant event. An ongoing strategy of using any surpluses to pay debt will also assist with creating further financial headroom.

Insert key fiscal parameters table

Insurance

Insurance is also an important tool to shelter the community from financial shocks. Outlined below are the key elements of Council's management approach, via various insurance arrangements:

Council has comprehensive suite of insurance policies which are annually reviewed by Council's Risk and Audit Subcommittee.

Assets (mainly buildings and contents) with a replacement value of \$256m are insured under councils Material Damage Policy.

In the event of a major disaster or catastrophe the cost of replacing water, sewage and other essential services (not roads and bridges) is shared with 60% of the cost met by central government and 40% met by the local authority. Hastings District Council is a member of the Local Authority Protection Programme (LAPP). The LAPP fund is a cash accumulation mutual pool established to help local authorities meet their 40% share in the event of such a disaster.

The value of infrastructural assets declared by the Council to be covered by the LAPP fund is \$666m.

Hastings District Council has a number of other assets not covered by insurance contracts or risk sharing arrangements and therefore are self-insured. The major category in this group would be roads and some low value bridges valued at 30 June 2017 \$1,101m (excl. land). There would also be a number of other sundry items that would fall into this group.

Council also has public liability and professional indemnity insurance (\$300m) along with a comprehensive suite of policies for other liability matters.

Note: A matter that has not been fully addressed within this plan at this time are the potential implications coming from the development of the Regional Coastal Strategy. That strategy is assessing options to respond to forecast impacts from changes in our climate on our coastal communities. This matter will be more fully developed within future long term plans once the strategy has matured further. Retaining financial headroom within the financial strategy is a prudent response at this time.

Debt – A concerted debt repayment strategy

The capital investment required to respond to changes in drinking water infrastructure, has had a significant impact on the debt profile and has constrained investment choices for the Council. The overall impact outlined in this plan deliberately limits the debt peak at \$165 million (declining to \$130 million by year 10) – **this essentially represents the debt forecast outlined within the 2015 Long Term Plan with the addition of drinking water investment, bridge investment, some service level improvement and infrastructure new works.**

The Council spent some time assessing the debt "sweetspot" or the optimal level of debt for our community allowing for:

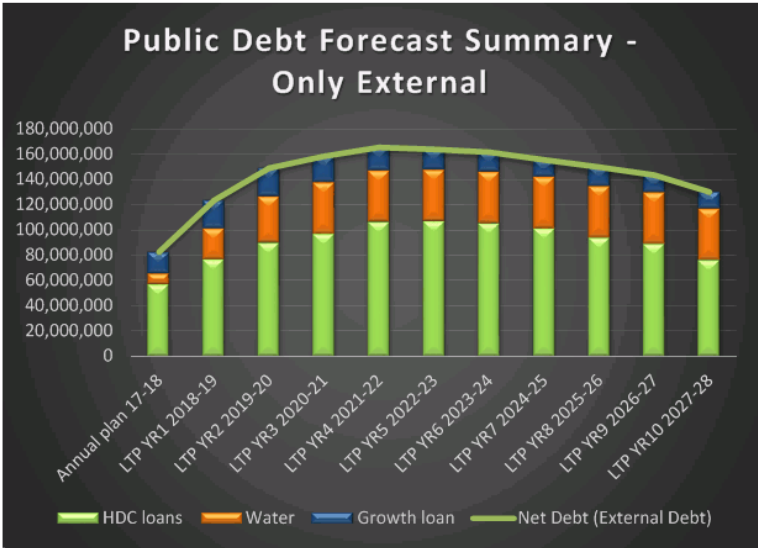
- The challenges set out in the 30 Year Infrastructure Strategy as the first call on debt funding
- The desire to continue to invest in our community to make it a place where people want to work, live and play
- The desire to leave some financial headroom to allow for future unknown expenditure and to respond to environmental change or a significant adverse event
- The future age makeup of our community that forecasts that by the year 2028 (21.5% will be aged 65 or over) and that by 2038 this number will increase to 25.1%. A concerted programme of debt repayment has been built into the forecast rate increases in the

latter years of the plan in bring down the debt spike back to a more optimal level for the long term fiscal health of our community.

- A shift in funding wastewater renewals from debt to rates will assist in bringing debt levels back to more optimal levels.
- The financial parameters of the Local Government Debt Funding Agency and has been recently assessed by S&P Global Ratings and been given an AA rating
- The financial parameters to secure the best financial external credit rating

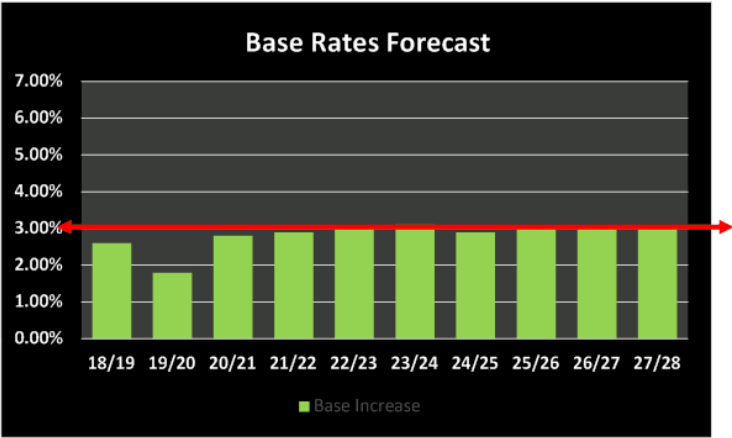
To achieve a declining debt profile future capital investment proposals will need rigorous scrutiny to ensure they are a good spend for our community. Adherence to this fiscal envelope will be challenging and require current and future Council's to be clear on its spending priorities.

Hastings District Council is a shareholder in the Local Government Debt Funding Authority. This enables the Council to borrow at lower rates and is a cornerstone of our approach to managing debt.



Note: Excludes internal reserves

The ability to service extra borrowing, should an extraordinary or unplanned event have a consequence on our community is another important consideration. The forecast base expenditure rates profile below includes escalated debt repayment allowances after the first three years.



2.2.6 Diversification of Income Streams

The Council recognises its heavy reliance on rates as a source of funding. Part of the strategy is to actively pursue other forms of funding such as Central Government funding and sponsorship activities. Working with others to facilitate external investment is a key focus of the newly formed Economic Growth and Organisational Improvement Group within the Council.

2.2.7 Community Investment - Choices

As a community, our service level expectations continue to rise in some areas. These expectations need to be balanced against other priorities and affordability considerations.

The Council is conscious of these matters and whilst it has presented a budget which seeks to achieve the desired balance between spending and affordability, it is seeking feedback via the Long Term Plan Consultation Document in a number of areas as to whether that balance has been achieved.

The key service level changes signalled within the plan are:

- Further lway (walking and cycling) investment
- Various reserve enhancements
- City centre transformation and vibrancy
- Bridge strengthening

Financial Targets

This strategy sets out how Council will fund its activities and the impact this will have on services, debt and rates levels over time. The strategy provides a guide for Council to consider proposals for funding and expenditure against.

WHAT WE NEED TO RESPOND TO	OUR RESPONSE																																											
<p>Water Investment</p> <ul style="list-style-type: none">Significant change in water investment required <p>Major Infrastructure</p> <ul style="list-style-type: none">An ageing asset profile and consequential impact on maintenance and renewal spend <p>Bridges</p> <ul style="list-style-type: none">New infrastructure investment on bridges to accommodate bigger and heavier vehicles <p>Higher Service Level Expectations</p> <ul style="list-style-type: none">Higher service expectations on our parks and public spaces <p>Our Community</p> <ul style="list-style-type: none">Ratepayer affordability challengesVariation in the makeup of the district – rural and urban	<p>A Sustainable Funding Model</p> <ul style="list-style-type: none">Maximum total rates increases will be limited to the forecast movement in the Local Government Cost Index General Adjustor for each respective year, plus 4% to cover costs related to natural disasters, new initiatives or service level increases approved by Council, together with costs associated with growth not covered by development contributions. These figures are upper limits and Council will work to improve efficiencies and provide rate increases within these. <i>(Note: individual property increases could vary from Council limits due to property revaluations and changes in the rating system). Limits would be reassessed in the event of a major disaster.</i>Council will consider overall economic conditions when setting rates.Forecasted rates requirement and rate increases in this plan (inclusive of inflation allowances): <table><tr><th></th><th>18/19</th><th>19/20</th><th>20/21</th><th>21/22</th><th>22/23</th><th>23/24</th><th>24/25</th><th>25/26</th><th>26/27</th><th>27/28</th></tr><tr><td>Total Rates Forecast</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Increase</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table> <p><i>Note: The rate increase above excludes location specific targeted rates and includes growth in the rating base of 0.6% per annum. Note: Includes projects dependant on external funding support.</i></p> <p>These may be adjusted through the annual plan process within the limits outlined.</p> <table><tr><td><ul style="list-style-type: none">Debt limits will be managed within a range of limits as follows:</td><td>Limits</td></tr><tr><td>Net debt as a percentage of income</td><td><150%</td></tr><tr><td>Net Interest as a percentage of income</td><td><15%</td></tr><tr><td>Net Interest as a percentage of annual rates income</td><td><20%</td></tr><tr><td>Liquidity (external term debt plus committed bank facilities plus liquid investments divided by current external debt)</td><td>110-170%</td></tr></table> <ul style="list-style-type: none">Overall peak external debt is forecast at \$163 million in 2016/17, reducing to \$130 million by 2027/28.Council has assessed its ability to operate within these quantified limits and believes that existing levels of service, except where changes have been explicitly identified and outlined, can be provided and maintained. Council has also assessed its ability to meet additional demands within these quantified limits.		18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total Rates Forecast											Increase											<ul style="list-style-type: none">Debt limits will be managed within a range of limits as follows:	Limits	Net debt as a percentage of income	<150%	Net Interest as a percentage of income	<15%	Net Interest as a percentage of annual rates income	<20%	Liquidity (external term debt plus committed bank facilities plus liquid investments divided by current external debt)	110-170%
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28																																		
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Hastings Sports Centre – Facility User Charges

Schedule of Fee Changes

Description	Previous Charge	New Charge (incl GST)
Regular Season Sporting Group Rate	\$44.00	\$45.00
- Off Peak Rate		\$35.00
School Charge	\$28.00	\$35.00
Chair Charge	\$0.50	\$1.00
Trestle Table Charge	\$5.00	\$10.00
3 Phase power charge	Metered minimum \$23	\$100 per day
Cleaning – Public Event	\$437	\$345

Schedule of New Charges

Description	New Charge (incl GST)
Refundable Performance Bond	\$400.00
Casual Hire Charge – Function Room per hour	\$30.00
Casual Hire Charge – Meeting Room per hour	\$20.00
Kitchen – All Users Charge	\$10.00
Changing Rooms Charge – per day	\$30.00
Sporting Equipment Charge – per booking	\$5.00