
Monday, 1 March 2021

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Risk and Assurance Committee Meeting

Kaupapataka

Open Agenda

Te Rā Hui:
Meeting date: **Monday, 1 March 2021**

Te Wā:
Time: **11.00am**

Te Wāhi:
Venue: **Landmarks Room
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Te Hoapā:
Contact: **Democracy and Governance Services
P: 06 871 5000 | E: democracy@hdc.govt.nz**

Te Āpiha Matua:
Responsible
Officer: **Group Manager: Corporate - Bruce Allan**

Risk and Assurance Subcommittee – Terms of Reference

Fields of Activity

The Risk and Assurance Committee is responsible for assisting Council in its general overview of financial management, risk management and internal control systems that provide;

- Effective management of potential risks, opportunities and adverse effects.
- Reasonable assurance as to the integrity and reliability of the financial reporting of Council.
- Monitoring of Council's requirements under the Treasury Policy.
- Monitoring of Councils Strategic Risk Framework.

Membership

- Membership (7 including 4 Councillors).
- Independent Chair appointed by Council.
- Deputy Chair appointed by Council.
- 3 external independent members appointed by Council.

Quorum – 4 members

Delegated Powers

Authority to consider and make recommendations on all matters detailed in the Fields of Activity and such other matters referred to it by Council.

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<i>Koromatua</i>	
Chair: Jon Nichols – External Independent Appointee	
<i>Nga Kai Kaunihera</i>	
Councillors: Simon Nixon (Deputy Chair), Alwyn Corban, Tania Kerr, and Geraldine Travers	
Membership:	Robin Hape - Heretaunga Takoto Noa Māori Standing Committee appointee
	Jaun Park – External Independent Appointee
	Mayor Sandra Hazlehurst (ex-officio)

<i>Tokamatua:</i>	
Quorum:	4 members

<i>Kaihokoe mo te Apiha</i>	
Officer Responsible:	Group Manager: Corporate – Bruce Allan

<i>Te Rōpū Manapori me te Kāwanatanga</i>	
Democracy & Governance Services:	Christine Hilton (Extn 5633)

Te Rārangi Take

Order of Business

Apologies & Leave of Absence – *Ngā Whakapāhatanga me te Wehenga ā-Hui*

- 1.0** At the close of the agenda no apologies had been received.
At the close of the agenda no requests for leave of absence had been received.
-

2.0 Conflict of Interest – *He Ngākau Kōnatunatu*

Members need to be vigilant to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to scan the agenda and assess their own private interests and identify where they may have a pecuniary or other conflict of interest, or where there may be perceptions of conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the relevant item of business and withdraw from participating in the meeting. If a Member thinks they may have a conflict of interest, they can seek advice from the General Counsel or the Manager: Democracy and Governance (preferably before the meeting).

It is noted that while Members can seek advice and discuss these matters, the final decision as to whether a conflict exists rests with the member.

Confirmation of Minutes – *Te Whakamana i Ngā Minitī*

- 3.0** Minutes of the Risk and Assurance Committee Meeting held Tuesday 2 February 2021, including the minutes addressed while the Public Were Excluded.
(Previously circulated)
-

4.0 Long Term Plan - Risk and Assurance Overview

7

5.0 Minor Items – *Ngā Take Iti*

6.0 Urgent Items – *Ngā Take Whakahihiri*

Monday, 1 March 2021

Item 4

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

**Hastings District Council: Risk and Assurance
Committee Meeting**

Te Rārangi Take

Report to Risk and Assurance Committee

Nā:
From: **Lex Verhoeven, Strategy Manager**

Te Take:
Subject: **Long Term Plan - Risk and Assurance Overview**

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

The purpose of this report is to inform the Committee on the key risk and assurance elements within the Long Term Process. This brief report will be supplemented with a presentation focusing on the following key steps within the Hastings District Council LTP process:

- The Continuing Story
- Core Infrastructure Investment
- Other Investment
- The Financial Strategy
- Audit Assurance

1.1 The Continuing Story

This step recognises that any individual LTP does not exist in isolation and should be telling a coherent continuous story around the challenges being faced and how they are being addressed, recognising that context can change over time as can community and governance aspirations and priorities.

This step also recognises that the Council continuously engages with its community via a range of statutory and community planning processes (between LTP cycles) which in themselves help inform the makeup of the LTP.

Importantly various audit and risk assurance processes are already occurring at this step in the process through our proactive working relationship with Waugh Consultancy in the Asset

Management area, learning from our Annual external audits and engagement with each new Council on matters such as risk appetite and strategic risks.

1.2 Core Infrastructure Investment

This step could be described as the engine room of the LTP. It's here where many of the bigger investment decision are scoped and debated, many which have long term implications given the life of the assets being created or renewed.

Optimisation of the capital programme is a key consideration with integration across the asset groups. The direction of growth and how and when it will be serviced is an important facet. This is particularly the case as Council attempts to unlock housing development not traditionally part of its role via social and affordable housing partnerships, development of surplus Council land and inner city living opportunities. A Growth Review Board provides specific management oversight on these matters.

External audit at this step comes via our funding partnership with Waka Kotahi (New Zealand Transport Agency) and connection to national transport directives and funding imperatives.

Contextual changes also need consideration at this step such as climate change impacts and responses and earthquake prone building legislation being an example of a more recent impact on significant building stock decisions.

1.3 Other Investment

In tandem with our core infrastructure investment decisions the Council needs to balance its responses to the service levels choices within 26 other significant activities (i.e. libraries, pools, parks etc). Activity plans for these areas highlight any emerging issues or considerations that need governance consideration. Two key pieces of work include the strategic review of Splash Planet/Windsor Park and rethinking the opportunities for Council Housing.

Governance oversight plays an important part in this step as trade-offs around priorities are considered and importantly any risks associated with those trade-offs need to be understood. It has been Council practice to prioritise core infrastructure investment as the first call on Council funding which has significantly reduced any risk from trade-off decisions involving critical infrastructure.

1.4 The Financial Strategy

Fitting the desired programme within the Council's fiscal settings is a key aspect of this step. Various Council strategies and policies contain these settings. These settings are Council's determination of what constitutes prudent financial management and community affordability considerations. This step actually starts earlier in the process via a budget bid process with the activity managers and group managers. This is the opportunity to document and consider operational challenges and new investment bids. Factors taken into consideration when prioritising bids are things such as strategic fit, risk, deliverability, sustainability, external partnerships etc. This process runs continuously being refined along the way with direction from Council governance.

A Budget Review Board provides the management oversight and reports onto the Chief Executive and then to Council. The do-ability of the capital plan is another important consideration with multiple sessions held to determine whether projects are advanced suitably through the planning and design phase relevant to where they are programmed in the capital plan and that suitable external contractor availability exists to deliver the project or programme of projects.

1.5 Audit Assurance

As discussed above, whilst multiple points exist in the process where risk and assurance matters are considered, ultimately the LTP is subject to a two stage audit process. That consists of a circa 3-4 week audit covering 7 audit modules (undertaken by Audit NZ scrutinising elements such as the planning and budgeting process, the integrity of the underlying asset and financial information,

governance oversight of decisions, forecasting assumptions and flow through the financial model, and how the engagement conversation is framed with the community) .

Stage two of the Audit Assurance process consists of a central “Hot Review” by the Office of the Auditor General primarily focused on a level of national consistency across the maturity and integrity of Council’s Long Term Plans.

1.6 Attachments

Copies of the Draft Financial and Infrastructure Strategies (which are undergoing audit overview currently) are attached for reference.

1.7 Long Term Plan Policies

1.1 The Local Government Act requires of Councils that they include the following policies in their Long Term Plan:

1.2 The policies are—

- Funding and Financing Policies
 - Revenue and financing policy;
 - Liability management policy;
 - Investment policy;
 - Development contributions or financial contributions;
 - Policy on the remission and postponement of rates on Māori freehold land;
 - Rates remission policy;
 - Rates postponement policy.
- Significance and Engagement Policy

1.3 Revenue and Financing Policy - Councils are required to have policies in respect of the funding of operating and capital expenses from a number of sources including the different rating methods, fees and charges, interest and dividends from investments, borrowing, development contributions and grants and subsidies.

1.4 Like most LTP reviews, there have been some minor changes to this policy to ensure funding sources are appropriate.

1.5 Treasury Policy - Council’s Treasury Policy combines the Liability Management Policy and the Investment Policy. There was a significant review of this policy in 2020 with just a small change required this year to increase the revenue to debt policy limit.

1.6 Significance and Engagement Policy

1.7 Every local authority must adopt a policy setting out that local authority’s general approach to determining the significance of proposals and decisions in relation to issues, assets, and other matters; and any criteria or procedures that are to be used by the local authority in assessing the extent to which issues, proposals, assets, decisions, or activities are significant or may have significant consequences.

1.8 The purpose of the policy is to enable the local authority and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities; and to provide clarity about how and when communities can expect to be engaged in decisions about different issues, assets, or other matters.

1.9 The Significance and Engagement Policy remains unchanged in this LTP.

2.0 Recommendations – *Ngā Tūtohunga*

- A) That the Risk and Assurance Committee Meeting receive the report titled Long Term Plan - Risk and Assurance Overview dated 1 March 2021.

Attachments:

1↓	Risk Assurance diagram	CG-16-6-00065
2↓	Financial Strategy	CG-16-6-00066
3↓	Infrastructure Strategy	CG-16-6-00067



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.

2021	<ul style="list-style-type: none"> Council completes \$60m investment in safe drinking water – water targeted rate increases in 3 year step change to fund the work programme. The Water Reserve account will stay in deficit for some years. Significant escalation in transportation renewals commences to address ageing infrastructure. Rural rate increases set at circa 7% for a number of years to fund the renewal spike. Critical renewals at the Wastewater Treatment Plant commence along with the ongoing renewal of the three trunk mains. Some capacity for City Centre vibrancy and parks and public space improvements included in budget under the "Finishing Touches" package. Iona/Middle, and Howard Street residential growth areas scheduled to commence. Planning for additional landfill capacity underway. Parking capacity investment in Hastings and Havelock North funded through increased metered parking charges and increase in Havelock North parking targeted rate. Treasury Policy amended to create extra debt capacity TOTAL RATE REQUIREMENT INCREASE 6.8%
2022	<ul style="list-style-type: none"> Civic Square upgrade scheduled

	<ul style="list-style-type: none"> Karamu and Omaha road corridor development Total rate increase forecast at 6.5%
2023	<ul style="list-style-type: none"> Completion of 7 year investment in rural bridge strengthening to accommodate longer and heavier vehicles. Total rate increase forecast at 5.3
2024	<ul style="list-style-type: none"> Central mall upgrade scheduled.
2025	<ul style="list-style-type: none"> Further critical renewals at Wastewater Treatment Plant scheduled. Rating Area One rate increases reduce to average of 3.0-3.5%
2026	<ul style="list-style-type: none"> Brookvale/Havelock Hills residential growth areas commence Forecast date of current landfill capacity – prior year's development of additional capacity at Valley B & C completed.
2027	<ul style="list-style-type: none"> Lyndhurst extension residential growth area commences Funding stream for climate change response commences The Water Reserve account is back to a sustainable level Rating Area Two rate increases reduce to 5% annually.
2028	<ul style="list-style-type: none"> Debt peaks at \$294m
2031	<ul style="list-style-type: none"> Forecast debt falls to \$292m

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 26.7% of people over 65 by 2036 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. In addition more recent success in obtaining external funding for projects through both the Provincial Growth Fund and Crown Infrastructure Partners has placed further demands on deliverability of the programme.

This programme was unsustainable fiscally and could not be physically delivered within the timeframes proposed. This has also been balanced with the fact that Council resources which have been primarily focused on the delivery of the substantive safe drinking water programme will now start to be freed up for focus on the deliverability of other aspects of the programme.

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. Another contextual consideration is the more recent advice Council has received in terms of the earthquake status of Council's second administration building "Heretaunga House". This is likely to require considerable strengthening investment or alternatively other accommodation solutions to be explored.

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

Note:

Whilst water reform processes are signalling that the transfer of water assets to a new entity is highly likely, the Council's Infrastructure Strategy and capital plan assumes the status quo. Therefore the key issues and investment needs of these assets are incorporated. This has been reflected this way because despite future structures the community expect that levels of service will be maintained and that the assets will be prudently managed and looked after.

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
<p>Changes in population and land use</p> <ul style="list-style-type: none"> A medium plus rate of population growth is expected (approx. 6,180 more residents by 2031), with 2,330 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 and mixed housing types. 	<p>Key responses to changes in population and land use</p> <p>Capital Expenditure</p> <ul style="list-style-type: none"> Core infrastructure investment to make serviced land available predominantly in 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. A partnership with Crown Infrastructure Partners to deliver housing solutions predominantly in Flaxmere. <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
<p>Capital expenditure on network infrastructure</p> <ul style="list-style-type: none"> Changed water investment paradigm Ageing roads (built 1960's) means a higher road renewal need. 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 – particularly trunk mains and Wastewater Treatment Plant. Renewal cycle for stormwater starts in about 10 years 	<p>Key responses to network infrastructure needs</p> <ul style="list-style-type: none"> A capital investment package in safe drinking water across the water supply network of circa \$60.6m is approaching the last stages of completion. The water targeted rate has been escalated in 3 stages to fund this programme. A significant period of road renewal escalations is provided for in the first 6 years. The remaining 3 years of the \$9.9m investment package in bridge strengthening A gradual escalation in depreciation funding in the wastewater activity. Critical renewals at the wastewater Treatment Plant. Financial provision for stormwater sump renewals in years 1-10 with escalated period of renewals 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
<p>Other significant factors</p> <p>Buildings</p> <ul style="list-style-type: none"> Earthquake strengthening of Heretaunga House. Completion of Municipal Building <p>Parks</p> <ul style="list-style-type: none"> Growth of tree planting, hard landscaping and play facilities creating large asset base for renewal <p>Environmental</p> <ul style="list-style-type: none"> Rollout of changes to waste collection services and Landfill expansion Outcomes of the HB Regional Coastal Strategy Climate Change 	<p>Key responses to other significant factors</p> <ul style="list-style-type: none"> Additional \$5.5m funding allocated to completing the Municipal Building project in the 2020/21 year. A response to the earthquake prone status of Heretaunga House is still being assessed. This plan provides for alternative lease arrangements for office space and funding to optimise floor space within the Civic Administration Building. Continuing renewal escalations in the Parks area to bring renewal base to appropriate level, and to look after significant period of new asset creation. The key features of the Waste Management and Minimisation Plan have now been rolled out across the community. Future Landfill expansion at Oamaru Landfill has been included in this Long Term Plan. 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. Note: A regional consultation process after the Long Term Plan is adopted will look at infrastructure responses and the funding model options. In addition to the direct coastal impacts other climate change responses can be found within the Infrastructure Strategy. Financial provision of \$1m cumulative from year 7 has been built into the rating base, providing a \$10m fund by year 10.

2.2 The Strategy

2.2.1 Three years of sustained drinking water investment

The 2018 Long Term Plan was defined and dominated by the investment package to support the Council's new Water Strategy.

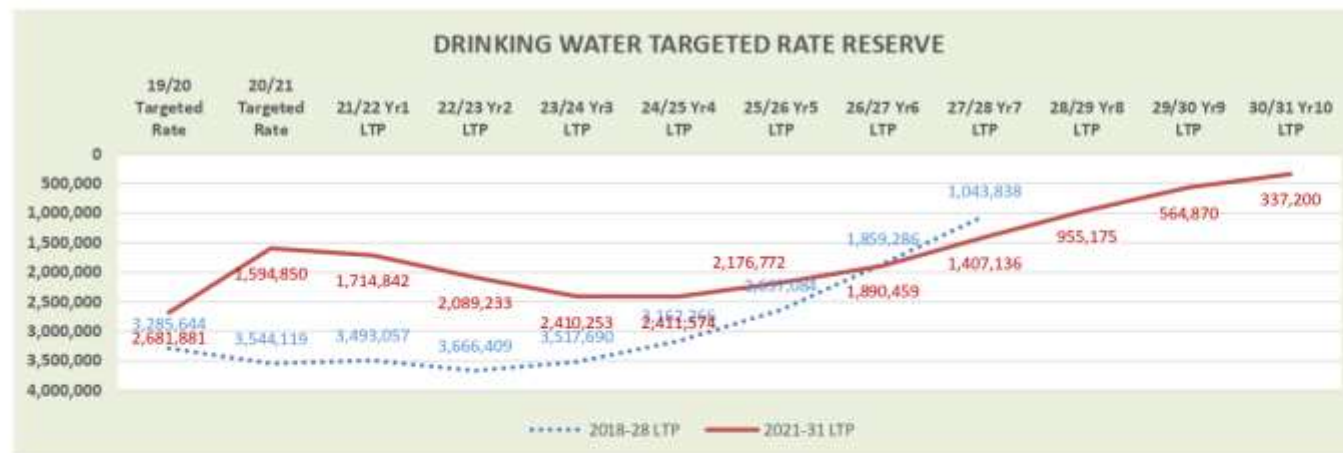
A total capital investment of circa \$60.6m and a new operating environment has Council well placed to meet new drinking water standards.

The Council recognised that these issues needed to be addressed but that these new costs would need to be funded in a managed way within the affordability constraints of our community.

The Council set out a strategy in its 2018 LTP to spread the impact of this investment which would see the water account run into deficit for a number of years, before reaching a sustainable level. This strategy also locked-in incremental increases to the targeted water rate. Outlined below is the forecast trajectory of the targeted water rate reserve.

Forecast Impact on Water Targeted Rate Reserve

After a period of the reserve being in deficit the Council's escalating targeted rate strategy will see the reserve return back to a sustainable position.



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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) 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.

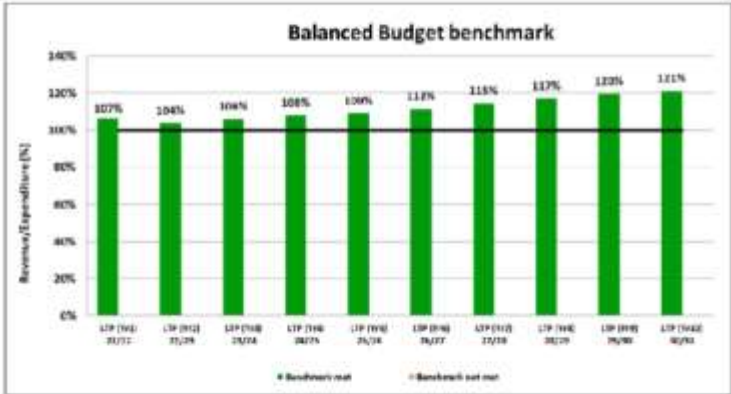
Depreciation is the key driver that council uses to ensure sufficient investment in asset renewals is being undertaken, it creates the bottom line and provides a consistency of approach, assuming the depreciation calculations are correct.

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 2021-31 Long Term Plan

Council's overarching policy is to run a balanced budget. After a period of pressure to meet that financial benchmark with significant increases in operational expenditure for the water services delivery activity, the water supply targeted rate has now been incrementally lifted to a more sustainable level alleviating pressure on the balanced budget benchmark.

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 4 of the LTP, escalations commence introducing additional rates funding to fund the depreciation gap
 - c. A strategy needs to be developed to fund wastewater 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 \$655,000 per annum
 - b. Within this plan the \$655,000 funding provision has been inflation adjusted
- 4) Water Supply
 - a. Depreciation is fully funded.
- 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 and plant replacement reserves 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. Note: The profile below includes \$1.1m for Heretaunga House renewals which have a high level of uncertainty.

Building Maintenance Reserve



Plant Replacement Reserve



2.2.4 Funding Growth

This plan responds to the ongoing growth in the local 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 completed in both the Omahu 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 Council's 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.

The Council have amended its debt to income ratio from 150% to 175% to provide for additional fiscal headroom. This new policy position is still relatively conservative and falls well below the Council's total borrowing capacity (of around 250%).

Financial Strategy Limit	2021/22
Rates increases less than (LGI + 4%)	5.8%
Net debt as a % of income less than 175%	99.00%
Net interest as a % of income less than 15%	4.45%
Net interest as a % of annual rates income less than 20%	7.26%
Liquidity range 110%-170%	125%

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 \$388m are insured under council's 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 \$913m.
- 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 2020 \$1,103m (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. In addition, earthquake strengthening on facilities such as the HB Opera House Complex (ToiToi) and significant renewals in the wastewater activity will constrain future investment choices for the Council. The overall impact outlined in this plan sees debt peaking at **\$169m in X**.

The Council spent some time assessing the debt 'sweet spot' 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

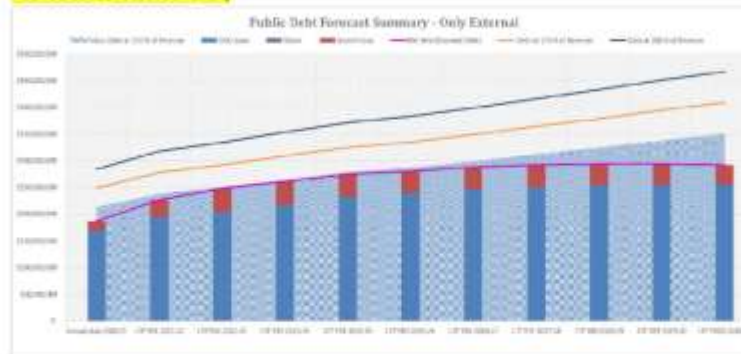
- The future age makeup of our community that forecasts that by the year 2036 (26.7% will be aged 65 or over). A concerted programme of debt repayment has been built into the forecast rate increases in the latter years of the plan in bring down the debt spike back to a more optimal level for the long 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 Standard and Poors and been given a AA rating
- The financial parameters to secure the best financial external credit rating

This plan includes an escalated debt repayment plan from years **4-10** to reduce the debt profile by Year 10 to **\$292m**. To achieve a declining debt profile future capital investment proposals will also 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.

Public Debt Forecast Summary



Rates

The Council has strived to develop a work programme that addresses the period of escalated investment in our core infrastructure whilst managing this within the self-imposed financial targets of this strategy. The forecast rates profile below shows that after the first three years, where rate increases are forecast at the upper end of policy limits, they then decrease to average around x% including allowances for additional debt repayment. This enables debt to return to lower levels as a safeguard in case of an extraordinary or unplanned event. In the interim the debt to income ratio has been increased to provide additional borrowing headroom.

Overall rates forecast

Annual Rating Revenue Movement



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 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:

- Various reserve enhancements
- City centre transformation and vibrancy

Links to Infrastructure Strategy

The Financial Strategy should be read in conjunction with the Infrastructure Strategy which contains further detail on overall capital expenditure and renewal funding requirements, along with information on the reliability of asset data.

Links to other policies

The Councils Treasury Policy outlines a range of other relevant matters that underpin the Financial Strategy, including Council policy on giving securities for its borrowing, along with Council objectives for holding and managing financial investments and equity securities and quantified targets for returns on those investments and securities.

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																																	
Major Infrastructure	A Sustainable Funding Model																																	
<ul style="list-style-type: none">An ageing asset profile and consequential impact on maintenance and renewal spend	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. (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.																																	
Bridges	Council will consider overall economic conditions when setting rates.																																	
Higher Service Level Expectations	Forecasted rates requirement and rate increases in this plan (inclusive of inflation allowances):																																	
<ul style="list-style-type: none">Higher service expectations on our parks and public spaces	<table><tr><th></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><th>28/29</th><th>29/30</th><th>30/31</th></tr><tr><td>Total Rates Forecast</td><td>\$76.0m</td><td>\$80.4m</td><td>\$84.5m</td><td>\$87.5m</td><td>\$90.7m</td><td>\$94.0m</td><td>\$97.4m</td><td>\$101.0m</td><td>\$104.7m</td><td>\$108.4m</td></tr><tr><td>Increase</td><td>5.8%</td><td>5.3%</td><td>4.4%</td><td>3.0%</td><td>3.1%</td><td>3.0%</td><td>3.0%</td><td>3.1%</td><td>3.1%</td><td>3.0%</td></tr></table>		21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total Rates Forecast	\$76.0m	\$80.4m	\$84.5m	\$87.5m	\$90.7m	\$94.0m	\$97.4m	\$101.0m	\$104.7m	\$108.4m	Increase	5.8%	5.3%	4.4%	3.0%	3.1%	3.0%	3.0%	3.1%	3.1%	3.0%
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31																								
Total Rates Forecast	\$76.0m	\$80.4m	\$84.5m	\$87.5m	\$90.7m	\$94.0m	\$97.4m	\$101.0m	\$104.7m	\$108.4m																								
Increase	5.8%	5.3%	4.4%	3.0%	3.1%	3.0%	3.0%	3.1%	3.1%	3.0%																								
Our Community	<p>Note: The rate increase above excludes location specific targeted rates and includes growth in the rating base of 0.95% per annum. Note: Includes projects dependant on external funding support.</p>																																	
<ul style="list-style-type: none">Ratepayer affordability challengesVariation in the makeup of the district – rural and urban	<p>These may be adjusted through the annual plan process within the limits outlined.</p> <table><tr><th>Debt limits will be managed within a range of limits as follows:</th><th>Limits</th></tr><tr><td>Net debt as a percentage of income (Note: Proposed policy change from existing level of 150%)</td><td><175%</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 \$169m in 2021/22, reducing to \$119m 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.	Debt limits will be managed within a range of limits as follows:	Limits	Net debt as a percentage of income (Note: Proposed policy change from existing level of 150%)	<175%	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%																							
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Liquidity (external term debt plus committed bank facilities plus liquid investments divided by current external debt)	110-170%																																	

Important Information

This part of the plan outlines a range of other important information forming part of the Long Term Plan. A key aspect is the 30 Year Infrastructure Strategy.

30 Year Infrastructure Strategy – Contents

The Highlights – Section 1.0

The Detail

2.1	Introduction
2.1.1	Linkage with other plans
2.1.2	Asset management policy
2.1.3	Continuous improvement
2.1.4	Strategic objectives
2.1.5	Our context
2.1.6	Climate change
2.2	Significant Infrastructure Decisions
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2.2.2	Significant decisions – to be made now
2.2.3	Significant decisions – ongoing renewal and future decisions
2.2.4	Transitioning from today to tomorrow – the continuous story
2.2.5	30 year infrastructure roadmap
2.3	Risk and Resilience
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2.3.2	Overall approach to risk and resilience

2.4	Reliability of Asset Information
2.5	Infrastructure Investment Plan
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2.5.3	Growth and demand
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2.6.2	Funding depreciation policy
2.6.3	Depreciation funding by activity
2.6.4	Programme deliverability
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2.7.2	Growth or decline in demand for services
2.7.3	Increases or decreases in levels of service

Infrastructure Strategy

The LTP Consultation Document focuses on the key matters outlined in this strategy including, escalated investment in road renewals, Landfill expansion, renewals for the three waters activity and the servicing of growth development areas.

1.0 The Highlights

Set out 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; in addition to known shortages in certain parts of the housing sector;
- An aging population that may place different demands particularly on roading infrastructure and park space;
- Technology change in the transport sector, and increased loads on network due particularly to forestry harvesting;
- Predicted effects of climate change – particularly severity of rainfall events and impacts near our coastline;
- Increasing environmental standards, particularly in relation to wastewater and stormwater quality; regulatory reform and service delivery changes;
- Earthquake prone building legislation

Significant decisions to be made now are:

- Escalated investment in road renewals
- Wastewater Eastern Interceptor Upgrade
- Wastewater Treatment Plant critical renewals
- Heretaunga House

Financial sustainability:

- The timing of forecast peaks in asset renewal is different for different assets enabling Council to manage annual expenditure levels. A step change in transportation renewals is built into the first 6 years budget forecasts;
- 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:

- Complete its significant investment in safe drinking water;
- Undertake critical renewals at the Wastewater Treatment Plant;
- Maintain existing levels of service while managing the identified challenges;
- Complete the key bridge strengthening programme & escalate road renewals;
- Service land for development; and work with partners on housing opportunities;
- Step up renewal funding to address forecast peaks;
- Undertake local coastal cell planning in accordance with the Regional Coastal Strategy.

The most likely scenario for key infrastructure responses is set out below:

Years 1 – 3	Years 4 – 10	Years 11 – 15	Years 16 – 20	Years 21 – 30
Wastewater Plant Outfall Manifold	Wastewater Trunk Mains	Stormwater Renewals commence	Road Safety Escalation	Copeland/Brookvale Housing
Eastern Wastewater Interceptor Upgrade	Lyndhurst/Brookvale Housing	Water Supply Renewal Escalation	Stormwater Renewal Escalation	Tomoana Stage 2 Industrial
Drinking Water Strategy Investment	Roadway Corridor Development	Wastewater Trunk Mains/Pump Stations	Rising Main Renewals	Havelock Road Corridor
Drinking Water Renewals	Flood Mitigation (Pakowhai)	Kaiapo/Brookvale Housing		Trunk Sewer Renewals
Bridge Strengthening	Various Park Upgrades	Tomoana Stage 1 Industrial		Stormwater Renewal Continuation
Wastewater Trunk Mains	Wastewater Pumpstation Renewals	Road Safety & Corridor development		Wastewater Plant Outfall (submarine)
Landfill Development (B & C)	Stormwater Sump Renewals	Various Flood Mitigation		
Iona/Howard Street/Lyndhurst Housing	Wastewater Treatment Plant Renewal	Coastal Infrastructure		
Roadway Renewal Escalation	Landfill Development (B & C)	Bridge Pa Sewer		
Stormwater quality improvements	Road Safety Escalation	Flaxmere Rising Main/Eastern Interceptor		
Whakatu Stage 2 Industrial		Wastewater Outfall & WWTP renewals		

2.0 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 issues 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.

This strategy covers:

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

2.1.1 Linkages with other Plans

The information within this strategy is drawn from the individual Asset Management Plans for each activity covered by the strategy. This strategy should also be read in conjunction with the Financial Strategy which forms part of the Long Term Plan.

Other important linkages are the District Plan, Bylaws, HPUD's (Regional Growth Strategy), Regional Transportation Strategy and Policy Statements along with various national strategies and policies.

2.1.2 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 (e.g. NZTA, OAG, other consultants) have been performed on Councils asset planning over numerous years.

Independent Review

Independent reviews of our asset management plans have been undertaken by Waugh Infrastructure Management since 2014, with continual follow-up on improvement items since that time. The review outcomes have been built into the AMP improvement plans for each asset area. The main areas to focus improvements over the next 3 years are detailed over the page.

In addition Waka Kotahi New Zealand Transport Agency also carries out overview of the Transportation Asset Management Plan.

2.1.3 Continuous Improvement

- Further development of Risk Management planning.
- Continued development of audit and service assurance processes.
- Continued development of infrastructure resilience and sustainability strategies.
- 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, and consider likely impacts of climate change.
- 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 guidance, level of service and funding choices. Updates of regional and local transportation models and updates of pavement and bridge deterioration models to inform renewal strategies and network investment.
- Continued data review and improvements, particularly across the parks and property portfolio. Update the Reserves Strategy to inform future reserve provision.

2.1.4 Strategic Objectives

The Council manages its assets to achieve the following high level outcomes for the community:

Council objectives	3 Waters objectives	Key activities
Water and land resources are used wisely	Water Supply: Supply of Safe potable drinking water	Implementation of Water Strategy priorities Water quality monitoring, sampling and compliance with Drinking Water Standards Timely response and resolution to faults
Council services are green and healthy	Water Supply: Sustainable Water Resource Management	Water Source Resource Consent compliance Aquifer assessment and management in collaboration with HBRC
We enable employment and growth	Wastewater: Safeguard the environment and public health	Resource consent compliance Timely response and resolution to faults. Assessment of treatment and technology advancements. (9 yearly review).

Council objectives	3 Waters objectives	Key activities
	Stormwater: Projection of life and property from flooding effects	Upgrade and improvements to the stormwater network Land development to design standards and engineering code of practise.
	Stormwater: Safeguard the environment	Stormwater quality monitoring and reporting Compliance with Resource consent conditions
	3Waters: Optimise asset investment	Renewals planning based on condition and performance
	3Waters: Planning for growth	Growth planning and investment based on HPUOS forecasts and Council prioritise

2.1.5 Our Context

Hastings District Council is located in the Hawke's 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 about 89,000. The primary settlements are Hastings and Havelock North and Flaxmere. There are a number of surrounding plains and rural satellite settlements.

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 still in a relatively buoyant phase (despite bumps along the way via the Covid-19 pandemic and recent drought) and includes food processing businesses, agricultural services, and a range of other support activities (finance, freight, retail, tourism).

The District is experiencing constant growth and has in place urban development plans. Housing shortages in parts of the housing sector are being experienced (i.e. affordable/social). 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.

(A) The planning context

The District's planning, infrastructure strategies and long-term plans help to ensure continued growth, development and prosperity of the region. A number of other plans and strategies have been completed which inform the Infrastructure Strategy including in the transportation area (various corridor management plans and the walking and cycling strategy) and in the water services area (Water Safety Plan, Water Demand Management Plan, Water Strategy (new)).

Looking forward - Review of the urban growth strategy, spatial plan development and a long term housing strategy are planning priorities to address the challenges ahead.

(B) Three Waters Reform

The government has signalled its intentions in respect of future three waters reform. What the shape of that reform will be is still unclear at this time, and will not be known prior to the adoption of this plan. Hastings District Council has signed a Memorandum of Understanding with the Crown to work together to identify the best future approach to service delivery.

Whilst this reform seems certain to change the face of three waters service delivery the approach taken within this Infrastructure Strategy and within the Long Term Plan more broadly is to assume that these activities were to stay in local authority ownership. The reasoning for this approach being that regardless of the outcome of any reform process communities will need robust drinking water and wastewater services. This Long Term Plan outlines the full information and costs associated with the direct running costs of these activities and the forward infrastructural investment needs and choices.

This plan is signalling escalated investment in the following key areas:

- Ongoing Water Supply improvement (acknowledging that the capital investment programme in safe drinking water of circa \$60m will be completed in 2021);
- Significant ongoing renewal of the three trunk sewer mains (this programme is currently about 20% complete);
- Ongoing renewal requirements for the Wastewater Treatment Plant (namely sections of the Outfall manifold in Year 2 and in the Year 11-15 period, along with the submerged pipeline in the latter years of the Infrastructure Strategy);
- Upgrade and improvements to the stormwater network to improve stormwater quality outcomes along with the commencement of the renewal cycle in the latter years of the Infrastructure Strategy.
- Forecasts will continue to be reviewed as related performance/regulatory requirements are released.

(C) Programme Deliverability

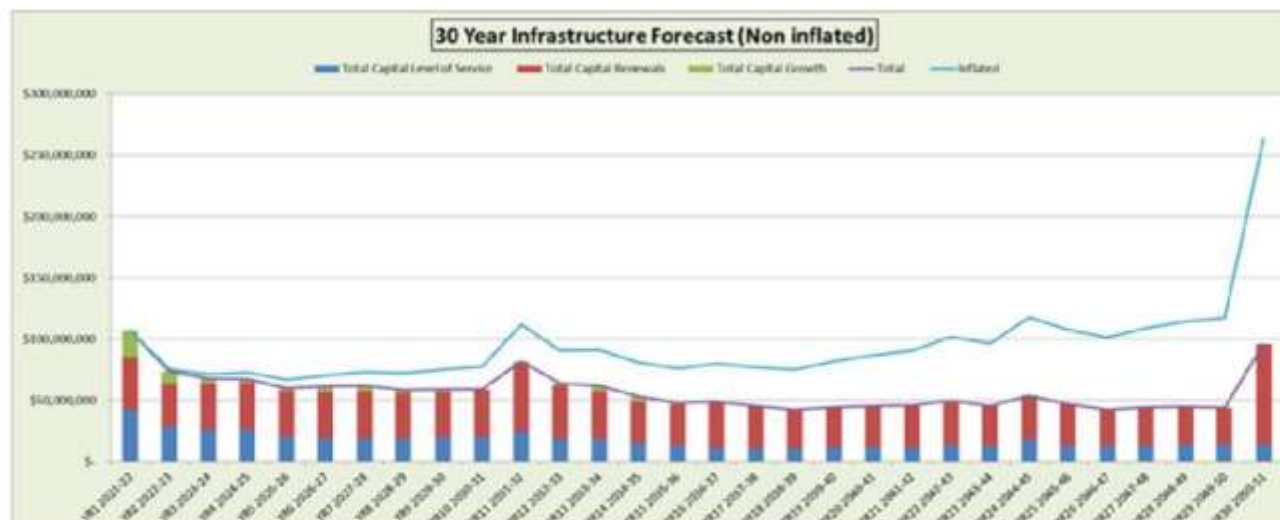
It's important that we ensure that the capital programme outlined in this plan is deliverable, both to ensure essential infrastructure is put in place to serve our community, but also because it needs to get paid for through both rates and debt. Overly aspirational capital programme forecasts (beyond market capacity) take up valuable capacity in our financial strategy and also means that ratepayers are being asked to pay for things earlier than they might need to.

An assessment of the deliverability of the programme has been undertaken with the key points as follows:

- In the early years the programme does exceed what has historically been delivered (\$80m-\$100m) in terms of a total sum of capital, versus \$65m-\$80m in prior years.

- Council has also been successful in obtaining external funding for a number of projects which will need to be delivered within agreed timeframes;
- In response to this elevated capital programme (partly brought about by the circa \$60m investment in safe drinking water infrastructure) the Council has created the Major Capital Projects Deliver Group with two new personnel dedicated to delivering major projects – the successful rollout of the drinking water programme is evidence that this resource investment which has been made is achieving results. As the drinking water project nears its end in 2021/22 these resources will also assist with the delivery of the balance of the capital programme;
- An escalation in roading renewals is another driver of the increased capital programme. Signals from our funding partner (New Zealand Transport Agency, NZTA) are that this programme will be supported, and the transportation activity has a good project delivery record, given the audit and associated processes that come with NZTA programme funding. The planning and design elements for the forward programme are also well advanced to enable project implementation.
- Another key driver of the programme is the ongoing wastewater trunk main renewal programme. This programme has been spread over time in a manageable way with the programme about 20% complete. Council has established a good working relationship with key external contractors on this programme to date which provides confidence that this programme will continue to be delivered on time.
- Recognising the importance of the deliverability principle the Council did undertake a process to rationalise the capital programme down from its earlier forecasts, particularly where projects in the early years were not suitably advanced through the pre-planning and design phases. See section 2.6 "Financial Strategy Connection" for more information.

10 Year Capital Profile



2.1.6 Climate Change

Climate change is a change in global and regional climate patterns caused by the increased concentration of carbon dioxide and other greenhouse gases in the atmosphere.

Based on current information (Niwa report on climate change projections and impacts for Tairāwhiti and Hawkes Bay, dated November 2020), the following climate change conditions are expected for the Hastings District:

- Annual average temperatures warm 0.5C – 1.0C by 2040 and 1.5C – 3.0C by 2090. The strongest warming is expected in autumn and the least is in winter;
- Heatwaves become more common with increases of between 10 and 20 days by 2040 and 20 to 60 days by 2090;
- A decrease in annual rainfall by 0-5% by 2040 and then by up to 10% and 15% in parts of Hawkes Bay by 2090;
- Short duration extreme rainfall totals increase between 5% and 14% per degree of warming and drought potential increases;
- Changes in rainfall are expected to impact river flows with annual average discharge decreases by approximately 20% by 2090;
- A rise in sea-level of 0.4m by 2060 (under the high emissions pathway) and by 2090 (by the mid-range emissions pathway);

In response to these emerging challenges the Council has realigned its Committee structure with the creation of the ECO District Subcommittee. That Committee will oversee the development of Council's Climate Action Plan. In tandem with this a new group within Council (Strategy and Development) has been charged with developing responses to the district's key strategic issues. Asset management planning will encompass climate change action planning with support from the strategic planning team.

The first phase of the project has been completed in the form of an initial stocktake and corporate reconnaissance" report.

Linkage with other strategies

The Climate Action Plan will be an integral part of the future Spatial Plan development for our region. Climate change science has already informed Council's current growth strategy (HPUDS) through the report titled "Heretaunga Plains Urban Development Study Climate Change Component Report". This will be updated as part of the HPUDS review in 2021/22.

Climate change impacts on community

Based on current information, climate change is expected to affect the Hastings District in the following ways:

- Increased intensity of heat waves and fire risk;
- A drier climate with increased drought frequency and related impacts on primary production sectors;
- More extreme rainfall and storm events;
- Increased coastal erosion and more extensive coastal inundation;
- Higher storm surge flooding;
- Increased drainage problems in low lying areas;
- Changes in surface water quality, groundwater characteristics and sedimentation;
- Increases in sea water characteristics.

In summary; security of water supply, impacts on the agriculture and horticulture sectors and impacts on coastal communities are likely to be the biggest issues in the Hastings District, along with infrastructure resilience impacts (such as urban stormwater capacity).

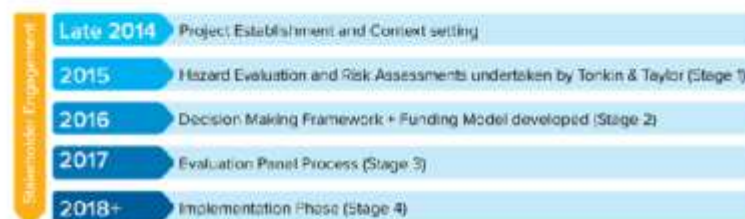
Other climate change impacts

In addition to the infrastructural impacts and impacts on our coastal communities (discussed below), Council will face additional costs by responding to climate impacts more broadly. These costs could include:

- Community incentives;
- Ongoing research;
- Funding community initiatives;
- Adjusting infrastructure projects;
- Supporting transformational projects;
- Emissions reduction and mitigation initiatives, and implications of Carbon Zero Bill;
- Employing staff to coordinate climate adaptation initiatives.

Adapting to sea-level rise - Impacts on our coastal communities

The impact on our coastal communities is one of the key impacts that climate change will have in the Hastings District. The Hastings District Council jointly with Napier City and the HB Regional Council are well advanced at developing a long term vision and hazard management strategy for the coastline defined as Clifton to Tangoio. The Joint Clifton Tangoio Hazards Committee have been working to the 4 stage process outlined below. The process is currently in stage 4 which consists of validation, detailed design and costings for the pathway forward identified in Stage 3. A Funding strategy and community engagement also forms part of Stage 4.

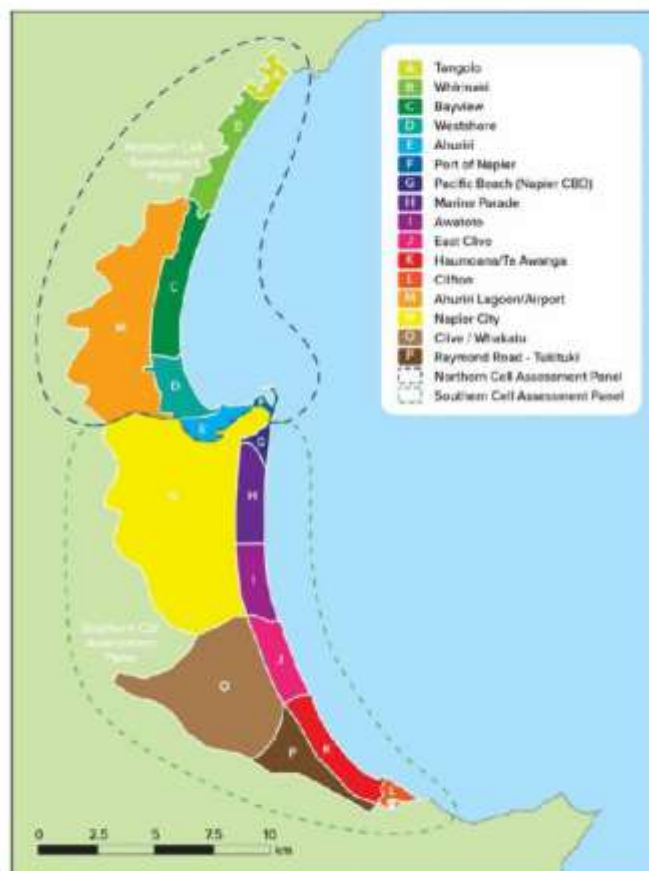


A suite of coastal hazard studies and assessments have been undertaken, informed by the latest climate science to arrive at a position of preferred adaptation pathways for the various coastal cells that make up the study area (as depicted in the diagram opposite).

Two important reports focused both on the climate science impacts and the social implications being the reports titled, "Regional Coastal Strategy Hazard Assessment" and "Cape Coast Area- Coastal Hazards Social Impact Assessment and Valuation".

The approach taken within this Long Term Plan is to allocate the necessary ongoing funding to support the completion of stage 4 alongside the other local authorities. The ultimate implementation and funding approach will be informed by the stage 4 process.

An outline of the key elements that make up stage 4 is detailed over the page, as well as the final preferred pathways for the various coastal cells in the short, medium and long term.



Funding Policies and Structures

The Strategy sets out a 100-year approach to responding to coastal hazards and will require significant expenditure over that time period to implement. The development of a Coastal Contributory Fund has been agreed in principle by the Partner Councils; this will likely involve regular contributions being made by the Partner Councils, or directly by Regional Ratepayers, into a fund ahead of time to offset the future costs of implementation. The detail on how that fund would operate, including how it would be governed, whether it could borrow, its legal structure, etc is now in development. Expenditure from Councils to implement the Strategy must adhere to the requirements of the LGA and the Local Government (Rating) 2002 (LGRA) Act. A complete analysis sufficient to satisfy the requirements of s.101(3) of the LGA for pathways in each priority unit of the coast is now in development.

Planning and Regulatory Review

There are three key matters to consider in terms of the existing Resource Management planning and regulatory framework provided by the Hawke's Bay Regional Policy Statement, Regional Plan, Regional Coastal Environment Plan, Hastings District Plan and the City of Napier District Plan:

- 1) Does the existing framework require changes to improve consistency across jurisdictions;
- 2) How supportive / restrictive is the existing framework in terms of Strategy implementation and what changes could be made to better facilitate implementation while appropriately managing adverse effects; and
- 3) How can the moral hazard risk associated with implementing coastal defence measures be managed; i.e. the risk of inadvertently encouraging further development / investment in an area only temporarily protected by a coastal defence.

Each of these factors needs to be considered in light of the approach recommended in the Strategy. An assessment of the existing planning and regulatory framework and identification of recommended improvements to be implemented through future Plan changes has been completed.

Council Roles

While the Partner Councils have embarked on a collaborative process with Iwi to develop the Strategy, the detail of each Partner Councils role through implementation is yet to be agreed. Responsibilities for seeking and holding consents, implementing physical works programmes, monitoring of triggers, and the collection of rates (among other matters), are all implementation details that require an agreed position before implementation can commence.

Consultation and Approvals

The full package of detailed information including concept plans, costs and who pays, requires full consultation with all members of the Napier and Hastings communities.

This consultation process is intended to occur formally under the Local Government Act ("LGA") as a standalone special consultative process.

Final Implementation Steps

At the conclusion of consultation a further decision gateway will be presented to the Partner Councils to seek approval to commence actual implementation of the Strategy. This will include:

- Identifying and scheduling Implementation Projects;
- Making provision in future Long Term Plans and Thirty Year Infrastructure Strategies;
- Establishment of the Coastal Contributory Fund;
- Commencement of general and targeted rating;
- Implementing changes to the Regional Policy Statement / Regional Coastal Environment Plan / Regional Plan / District Plans;
- Confirming detailed design and seeking resource consents; and
- Commence construction of coastal structures / renourishment programmes in order of priority.

Final Pathways Preferred

UNIT E1: AHURIRI – PATHWAY 6					
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→	Long term (50 – 100 years)	
Status quo	→	Sea wall	→	Sea wall	
UNIT E2: PANDORA – PATHWAY 3					
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→	Long term (50 – 100 years)	
Inundation Protection	→	Inundation Protection	→	Inundation Protection	
UNIT D: WESTSHORE – PATHWAY 3					
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→	Long term (50 – 100 years)	
Renourishment	→	Renourishment+ Control Structures	→	Renourishment+ Control Structures	
UNIT C: BAY VIEW – PATHWAY 3					
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→	Long term (50 – 100 years)	
Status Quo / Renourishment	→	Renourishment+ Control Structures	→	Renourishment+ Control Structures	
UNIT B: WHIRINAKI – PATHWAY 4					
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→	Long term (50 – 100 years)	
Status Quo / Renourishment	→	Renourishment+ Control Structures	→	Sea wall	

UNIT L: CLIFTON – PATHWAY 5			
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→ Long term (50 – 100 years)
Sea wall	→	Sea wall	Managed Retreat
UNIT K2: TE AWANGA – PATHWAY 3			
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→ Long term (50 – 100 years)
Renourishment + Groynes	→	Renourishment + Groynes	Renourishment + Groynes
UNIT K1: HAUMOANA – PATHWAY 2			
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→ Long term (50 – 100 years)
Renourishment + Groynes	→	Renourishment + Groynes	Managed Retreat
UNIT J: CLIVE/EAST CLIVE – PATHWAY 1			
Short term (0 – 20 years)	→	Medium term (20 – 50 years)	→ Long term (50 – 100 years)
Status Quo	→	Renourishment + Groynes	Retreat the Line / Managed Retreat

Climate Change Impacts on Infrastructure

Understanding of Impacts

Preliminary internal review about the most significant impacts of climate change on the various Council groups of activities in the next 10, 20 and 30 plus years the matters are summarised in the table below:

Impact	When Felt	Description	Groups Identifying Impacts
Impact on Water Demand	Now	Consents to extract harder to obtain	Asset Management
	10-20	Increased demand causes sector tension	
	30+	Cost to augment supply	
Drought and Irrigation Water	Now -20	Landuse Change	Planning and Regulatory, Finance
		Subdivision pressure	Planning and Regulatory
		Water Harvesting	Planning and Regulatory
Sea Level Rise and Coastal Erosion	Now	Haumoana coastal retreat and some minor new related services. Cape View corner interim protection (25 years)	Planning and Regulatory, Splash Planet*, Asset Management, Information Services
	10-20	Low risk to services	Asset Management
	30+	Medium risk to services	Asset Management
Extreme Weather/Flooding and Insurance	10	Low Risk	Planning and Regulatory, Asset Management, Information Services, Facilities and Programmes.
	10-20	Low to Medium	
	30+	Medium to High	

Impact	When Felt	Description	Groups Identifying Impacts
Impacts on parks and reserves	Now	Increased irrigation and reduced availability	Asset Management
	10-20+	Changes in habitats/plant species	
Increased Fuel and Energy Costs	10	Cost and reliability of supply	Facilities and Programmes
Environmental Refugees	30+	Demand on Services	Asset Management
Reduced Production	10	Economic impacts	Facilities and Programmes (Economic Development)
Environmental Health	10	Demand related to warmer conditions and outdoor events, insects etc	Planning and Regulatory

In accordance with Ministry for the Environment guidance the Council has used a transitional value for sea level rise of 1 metre relative to the 1986-2005 baseline to begin to quantify the Council infrastructure at risk. The map over page shows the modelled impact on the most vulnerable part of Hastings District. This was then overlayed with the asset data the Council holds in this area to produce the following table of infrastructure at risk.

Asset Area	Optimised Replacement Cost	Optimised Depreciation Replacement Cost	% of Optimised Replacement Cost
Three Waters	128,440,779	65,144,303	41.0%
Transport	7,979,356	1,301,596	0.7%
Building & Facilities	8,425,129	3,395,594	2.53%
Greenspace	1,793,659	170,587	3.8%
Total	146,638,923	70,012,080	

Note: Based on 2018 Valuation Data



Climate Change Planning and response

The Council has taken a number of steps to adapt to the identified challenges of the future. Some examples are outlined below.

Current coastal protection works

Cape View Corner Revetment

The Council is constructing and will maintain a rock revetment approximately 100m long at a location known as Cape View Corner in Haumoana along the foreshore edge.

The revetment is intended to protect (over the next 35 years) important public and private assets within the Clifton Road reserve and part of an open space reserve, including network utilities and a cycle walkway. Clifton Road at Cape View Corner is also essential for maintaining vehicle access to nearby properties, and to Te Awanga and Clifton to the south.

Waimarama and Clifton Seawalls

The Waimarama Seawall has been in place for property and reserve protection purposes for some time. In 2020 further work is being undertaken on the wall to maintain the integrity of the structure. This work is primarily funded from property owner's receiving the benefit from the protection works with some recognition of the wider community benefits. More recently coastal protection has also been undertaken at Clifton.

Allowances for rainfall intensification

Stormwater

The Proposed District Plan has also recognised climate change by introducing provisions around the disposal of stormwater. In the urban environment a new rule has been introduced which recognises that with higher rainfall events peak stormwater runoff from sites has to be retained on site so as not to impact adjoining properties. The Omaha Road rezoning also included stormwater provisions that set a high standard for stormwater quality from the new industrial zoning.

For all new stormwater infrastructure an allowance for climate change and higher rainfall intensities is required. Council is working with Hawkes Bay Regional Council to prioritise the re-modelling of the main flood control performance under "climate change" scenarios.

Water Security

Tutaekuri, Ahuriri, Ngaruroro and Karamu catchments (TANK)

The TANK process is a Regional Council driven process supported by the Hastings District Council with future water security and environmental and community perspectives at the core of its focus. The aim of TANK is to safeguard the life-supporting capacity, ecosystem processes and indigenous species, improve and maximize efficient allocation, protect the significant values of wetlands and phase-out an over allocation, manage surface water and groundwater quality and the effects of discharge, takes and land use intensification. A suite of new rules and standards are proposed through the TANK plan change, supported by a regional water needs assessment and the exploration of options for augmentation.

Financial headroom and insurance

The Council has included funding in this plan to further mature our understanding of the best evidence-based scenario on the effects of climate change on our community and Council activities. The impacts are likely to be significant and a key way of making sure we are resilient and able to respond is to ensure that we maintain considerable "headroom" in our Financial Strategy to respond to this uncertainty. The current Council policy limit on borrowing is reasonably conservative relative to many other Councils. This means we are in a relatively better position should we need to debt fund responses to climate change impacts in the future. A financial allowance of \$1m accumulating has also been included from Year 7 for "known - unknowns" to reflect the realities of climate change (whilst unknown) that will be impacting on future business. This grows a fund of \$10m by year 10 of this plan.

In our rural area the Council sets aside funds for the effects of weather events on the roading network. That reserve runs a surplus of circa \$1m to address climatic events.

Please also refer to section 2.3.2 of this strategy which outlines the Council's overall approach to risk and resilience and the part that insurance plays within that approach.

2.2 Significant Infrastructure Decisions

2.2.1 Significant decisions – Made in the past (now being implemented)

Key Decision	Indicative Timeframe	Principal Options and Implications	Most Likely Scenario
Water Strategy: Water reticulation, treatment and source alternatives based on non-secure water status	Completion by 2021	a) The evolution of the Council Water Strategy determined the principal option to be a move away from the Brookvale borefield, the development of a new borefield, the increase of pipe and storage capacity and the installation of water treatment on all water supplies.	Option A being implemented – The Council decided in the 2018 LTP to allocate circa \$60m for implementation of a comprehensive investment in safe drinking water infrastructure. This plan completes the rollout of that investment in 2021.
Municipal Building Future use and investment considerations, in response to new earthquake strengthening requirements.	Completion by 2021	Previous consultation on this matter identified the following 4 broad options: a) Municipal Building retained b) Retention of exterior heritage facade c) Municipal Building demolition d) Delay a decision	Option A being implemented – The Council decided to allocate \$10.5m of Council loan funding to advance option A. A further allocation of \$xm was approved in 2020 to complete the project (due to an external funding shortfall).
Bridge Strengthening and Replacement Programme New HPMV and VDEM rule for longer and heavier vehicles and impact on bridge network.	Completion by 2025	a) Council consulted and prioritised an order of strengthening on weight restricted bridges based on its criticality to the network and users. Investment of \$9.9m spread over 7 years. Other options that were considered were a quicker implementation timeframe or keeping the weight restrictions in place until assets required renewal.	Option A being implemented – 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 2018 LTP included investment of \$9.9m over 7 years. This plan continues that planned programme of investment. Please see the table below for more detail.
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 2048	a) Planned programme of renewals based on asset condition and expected remaining lives. 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.	Option A being implemented – 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 2021 LTP programme includes \$20.5m of expenditure in the first 10 years and a further \$50m in the next 20 years. Council will continue to consider future options as part of the consent review process, with some funding capacity provided in future years for this.

2.2.2 Significant decisions – To be made now

Key Decision	Indicative Timeframe	Principal Options and Implications	Most Likely Scenario
Heretaunga House Earthquake Strengthening A response is required to address recent advice as to the earthquake prone status of the Heretaunga House office building.	Completion (unknown) Decision likely during 2021/22	<p>The options for the future are currently being scoped for consideration. Short-term arrangements have been put in place that lease office space to enable Council functions to continue to operate. The likely options are:</p> <ul style="list-style-type: none"> a) The current LTP Approach - Continue with existing arrangements in terms of leased office space. Take the time to assess the outcomes and implications of Water Reform on accommodation needs, along with other government partners. b) Strengthen Heretaunga House - This option is still being fully scoped and quantified but could be in the order of \$15m. c) Build New - The Council could retain the site but demolish the existing building and build a new fit for purpose facility (at a scale & scope less than the current building. This option has not been fully scoped but could be in the order of \$7m to \$25m. d) Sell - This would be dependant on the review outcomes and assessed potential for sale in the property market. 	Option A – In the short-term the 2021 LTP contains the necessary operational funding for existing lease arrangements along with funding for a review of the functionality of the Main Administration Building. That office space review and potential reconfiguration of the HDC Main Administration building would look at how to better optimise existing floor space.

2.2.3 Significant decisions - Ongoing renewal and future decisions

Key Decision	Indicative Timeframe	Principal Options and Implications	Most Likely Scenario
Road Renewal Programme Escalated funding response to the long-run needs of ageing and deteriorating transportation assets and increased demand on road assets.	Completion (next 10 years)	<p>This is a sustained period of escalated investment to address the needs of ageing and deteriorating transportation infrastructure and increased demand on sealed and unsealed roads.</p> <ul style="list-style-type: none"> a) Implement optimised maintenance and renewal programme b) Delay renewals programme and offset with additional maintenance spend 	Option A being implemented - Critical renewals works will be prioritised in respect of asphalt, chip sealing, pavement and drainage. A significant uplift in renewal spend is included in years 2021 -2024 of this LTP. Some smoothing of the programme has occurred to reflect the realities of the co-funding relationship with NZTA. Escalations in spend therefore continue from year 4 of the plan.
Wastewater Eastern Interceptor Upgrade This is a multi-staged upgrade and renewal programme of the wastewater network servicing Akina and Windsor Ave areas to cater for infill development and Howard street growth.	Completion by 2023	<p>This is a complex multi staged project and the planning stage considered a number of options including:</p> <ul style="list-style-type: none"> a) Continue with the existing system and mitigate LOS issues with reactive operations activities. b) New pipeline alignment generally along the existing route. Several staging options were assess in order to align with roading priorities. A number of construction methods were assessed in order to ensure wastewater services could continue during the construction periods 	Option B being implemented - The preferred option is a multi-staged construction programme with a pipeline alignment generally along the existing pipeline. The staging of works has been planned to coincide with roading construction works

Key Decision	Indicative Timeframe	Principal Options and Implications	Most Likely Scenario
Wastewater Treatment Plant Critical Renewals	Completion by 2031	a) Implement age based renewals approach b) Condition and performance based renewals with consideration of technological advancements	Option B being implemented -Critical renewals works will be prioritised and implemented based on criticality and asset performance

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 Councils have committed to an extension to the landfill area which provides about 5 years capacity. For the purposes of this plan the current position (continuing to landfill waste has been assumed) with circa \$30.0m 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 just inside the 30 year infrastructure strategy horizon.
HDC regional roading projects		
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. Te Ara Kahikitea 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 Tōmoana Industrial area to expressway and the Whakatu Industrial area (the connection to Whakatu Industrial area is through Pakowhai Road).
Pakowhai Road Corridor Management Plan	Within Years 4-10	Pakowhai Road Corridor Safety improvements include the upgrade of Richmond Rd/Pakowhai Rd and Elwood/Pakowhai Rd intersections to a roundabout (subject to outcomes of North Eastern Connector investigation) 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 193 shows the most likely scenario for the Council's infrastructure investment (see page 204 for detail of growth infrastructure). The highlights in brief are:

- Residential growth is accommodated in the early years via Lyndhurst Stage Two, Howard Street, Iona and Brookvale growth areas. In years 6-10 Lyndhurst Extension, further Brookvale and Havelock Hills development is 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 Omaha 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 signalled the Water Strategy Investment programme with the first 10 years of the plan providing 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.
- The Backflow Prevention Programme is an additional component of the Drinking Water strategy that will help protect the potable water supply within the Council network from contaminants and pollution.
- 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. An additional BTF plant is scheduled for year 15.
- The Park Road Rising Main and Eastern Interceptor Upgrade programme commenced in 2018 to increase the system capacity to meet Level of service and cater for future growth. The Park Road stage of the project has been completed and the Eastern Interceptor is planned for in the 2021 LTP.
- 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 and forecast performance of our roading network signals that escalation in pavement and related renewals investment is required now 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 and North Eastern Connector) are signalled in future years, requiring further investigation.
- Investment in solid waste disposal facilities will be required as the landfill reaches capacity in about 5 years' time. The consenting process is underway and financial allowance has been made to enable the consented solution to be implemented.
- 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. Fiscal allowances have been made for the upgrade of Civic Square and the central CBD mall area.
- The Municipal Building earthquake strengthening and upgrade project is in the last phase of completion with funds allocated for this work.
- The rollout of Council's play strategy and higher level of service expectations from the community means increasing asset renewal requirements and operations 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 to ascertain the optimal future position in terms of aquatic provision for the district (to complement previous upgrades on Council's four existing aquatic facilities). No further fiscal provision has been made in this plan in light of both the proposed aquatic facility at the Regional Sports Park and the need for a strategic review of the Splash Planet facility.
- 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 2018 – 2028 Long Term Plan.

Water Supply

Key Matters	LTP Funding Impacts		
	3 Year	4-10 Year	11-30 Year
Operations and maintenance – Slight increases in the 1-10 year horizon due to O&M improvements and increasing compliance requirements to limit abstraction and demonstrate water efficiency.	Increasing	Increasing	Existing
Compliance and reporting – Slight increases in the 1-10 year horizon based on increasing water quality compliance costs and resource consenting requirements.	Increasing	Increasing	Existing
Renewals planning and investment – Large increases in the 1-3 year horizon to implement prioritised renewal works. The longer term horizon will also see slight renewals increases due to increasing asset information and renewals prioritisation.	Increasing	Increasing	Increasing
New Capital – Large increases in the 1-3 year horizon to complete backflow preventer installation and support the ongoing implementation of the Water Strategy.	Increasing	Increasing	Existing
Growth – Growth projects have been centrally coordinated through the Growth Projects Review Board. Iona and Howard Street residential developments in the first 3 years of the plan require escalated investment.	Increasing	Existing	Existing

Stormwater

Key Matters	LTP Funding Impacts		
	3 Year	4-10 Year	11-30 Year
Operations and maintenance – Significant increases in the 1-10 year horizon to maintain new storage basins and treatment areas in industrial zones. Slight increases over the medium term as part of the Three Waters Reform process.	Increasing	Increasing	Increasing

Key Matters	LTP Funding Impacts		
	3 Year	4-10 Year	11-30 Year
Compliance and reporting – Significant increase are anticipated based on increasing compliance costs for ongoing catchment monitoring and future resource consenting requirements.	Increasing	Increasing	Existing
Renewals planning and investment – Increases in the 1-10 year horizon and then significant increases over the longer term as improved asset information and prioritised renewals are confirmed.	Increasing	Increasing	Increasing
New Capital – Increases in the 1-10 year horizon. Timing of significant increase in the latter part of the 30 year horizon as future treatment and discharge arrangements are required to improve stormwater quality.	Increasing	Increasing	Increasing
Growth – Growth projects have been centrally coordinated through the Growth Projects Review Board. Iona and Howard Street residential developments in the first 3 years of the plan require escalated investment.	Increasing	Existing	Existing

Key Matters	LTP Funding Impacts		
	3 Year	4-10 Year	11-30 Year
Operations and Maintenance – Slight increases in the 1-10 year horizon due to greater focus on investigations and preventative maintenance.	Increasing	Increasing	Existing
Compliance and reporting – Initial compliance costs remain similar to previous with slight increase in the medium term due to potential increases in resource consenting standards and requirements.	Increasing	Increasing	Existing
Renewals planning and investment – Significant increase in the 1-3 year horizon which decreases over time due to increasing asset information and renewals prioritisation.	Increasing	Increasing	Existing
New Capital – Similar funding levels in the 1-10 year horizon and then significant increases in the latter part of the 30 years due to future treatment and discharge arrangements (ocean outfall).	Existing	Increasing	Increasing
Growth – Growth projects have been centrally coordinated through the Growth Projects Review Board. Iona and Howard Street residential developments in the first 3 years of the plan require escalated investment.	Increasing	Existing	Existing

Transportation			
Key Matters	LTP Funding Impacts		
	3 Year	4-10 Year	11-30 Year
Pavement renewal – increase in area wide pavement renewals from 8.5km's to 15.5km's	Increasing	Increasing	Increasing
Resealing – increase surfacing quantities to 100km's per year. Increase asphalt renewals from 1.5km to 2.5km per year	Increasing	Increasing	Increasing
Bridges – continuation of bridge strengthening programme developed in the 2018 LTP	Existing	Existing	Existing
Drainage – renewal programme to replace stormwater assets (pipes, water tables and kerb and channel) in poor condition	Increasing	Increasing	Existing
Road Safety – response to Road to Safety Strategy targets	Increasing	Increasing	Increasing
Parks			
Key Matters	LTP Funding Impacts		
	3 Year	4-10 Year	11-30 Year
Service Levels – managing service level needs and maintenance of natural areas	Increasing	Increasing	
General Parks New Works	Existing	Existing	Existing
Parks pop-up irrigation – rollout of parks pop-up irrigation programme	Increasing	Increasing	
Park Development			
Key reserve development (Civic square, Windsor, Cornwall)			
Playground and Toilet upgrades			
Renewal escalation (trees and hard landscaping)			
Sportsgrounds (water issues in parks / sportsground lighting)			
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	Howard Street Iona Various Developer Driven	Residential Intensification		Lyndhurst Extension Brookvale/Romanes Stage 1 Havelock Hills	Kaiapo/Murdoch Brookvale/Romanes Stage 2/3 Copeland
Industrial Growth	Whakatu Stage 2				Tomoana Stages 1/2
Improvement					
Environmental Risk	Drinking Water Investment Pop-up Irrigation	Karamu Road Corridor Omahu Road Corridor	Havelock North streams Blackbridge transfer station	Pakowhai/St Aubyn Intersection Road Safety Escalation Windsor/St Aubyn Intersection	Road Safety Escalation Wastewater Consent Reviews
Capacity	Landfill Development →	Percival Rd Extension		North Eastern Connector →	Havelock Road Corridor Plan
Legislative	Havelock North/Hastings Parking	Waipatiki campground sewer		Havelock Rd, St Aubyn & Pakowhai Rd Pakowhai Stormwater Catchment	North Eastern Area Wide Corridor Plan
Resource Consent	Various Earthquake Strengthening Stormwater quality improvement Martin Place recycling Major safety improvements			Various Flood Mitigation	Various Flood Mitigation Coastal Infrastructure
Level of Service Improvement	Reserve Upgrades (Cornwall, Havelock, Tainui/Hav Hills) Playground Upgrades → New Toilets → Walking and Cycling CBD street upgrades → HB Museum storage	Reserve Upgrades (Raureka) Sportsground changing rooms Civic Square BI/Datawarehouse	Reserve Upgrade (Waimarama) Flaxmere Pool Haumoana Hall Walking and Cycling CBD Central Mall	Reserve Upgrades (Cape Coast, Windsor) Clive Pool Clive reticulation (unserviced areas) Walking and Cycling Elderly Flats (Healthy Home upgrades)	Bridge Pa Sewer Walking and Cycling Elderly Flats (Healthy Home upgrades)

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

Key Driver	Year 1	Year 2	Year 3	Years 4 – 10	Years 11 – 30
Asset Renewal					
Roads	Bridge Programme (HPMV/ Class 1) → Road Renewal Escalation →			Road Renewal Escalation → Bridge Replacement	
Water Services	Eastern Interceptor - Sewer Flaxmere Pump Station Wastewater Trunk Sewers Drinking Water Wastewater Treatment Plant	Stormwater sump renewal →	Flaxmere rising main Clive/Waipuna Pump Stations	Inland/urban Trunk Sewers Various Pump Stations Water Supply Renewal Escalation Wastewater Treatment Plant	Trunk Sewers Renewals Stormwater Renewals Escalation Wastewater Treatment Plant (outfall/BTF) Rising Main Renewals Water Supply Renewals
Parks Facilities Buildings	Parks Escalation Roof replacements (Elder Housing) Infrastructure Server Flaxmere Waterworld	Splash Planet/Holiday Park Hastings Art Gallery/Library	Technology One Upgrade	Various Halls and Community Centres Pool Plant Renewals Hastings/Havelock Nth Libraries Hastings Sports Centre / Cremator Central Office Building	Library Renewals Central Office Building Henderson Road Transfer Station Opera House Aquatic 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)	1,311
Unsealed Pavement (km)	340
Footpaths (km)	473
Bridges	260
Off Road Cycleway (km)	69
Street Lights	7,100
Stormwater	
Mains (km)	334
Open Channels (km)	28
Retention Dams (No.)	8
Pump Stations (No.)	11
Wastewater	
Mains (km)	448
Connections (km)	177
Pump Stations (No.)	44
Treatment Plant (No.)	2
Outfall (km)	3
Water Supply	
Mains (km)	536
Connections (km)	167
Water Treatment Plants/Pump Stations (No.)	15

Asset Details	Quantity
Buildings	
On Council land	150
Maintained by Council	109
Reserves / Recreation	
Reserves (hectares)	696
Sportsgrounds (hectares)	57
Parks and Reserves	184
Playgrounds	43
Street Trees	11,088
Shrubs and Annuals (streetscape)	54,000m²

Valuation Summary

	Replacement Cost	Depreciated Replacement Cost	Annual Depreciation
Transport			
Rating Area One	651,932,000	472,703,000	7,398,000
Rating Area Two	820,850,000	679,012,000	6,724,000
Total Transport	1,472,782,000	1,151,715,000	14,122,000
Wastewater	506,725,581	258,835,311	7,411,273
Stormwater	374,311,823	227,471,926	3,909,210
Water	228,945,484	133,905,302	3,363,985
Total Water Services	1,109,982,888	620,212,539	14,684,468
Total Parks	72,384,942	43,714,645	1,726,470
Total Buildings	217,700,000	98,000,000	2,200,000

2.3.2 Overall Approach to Risk and Resilience

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.

There is a process for ranking and rating critical assets and these classifications are captured in the asset management system. Critical assets are identified based on who would be affected and where essential services are located (i.e. hospitals). Technology improvements mean that better information on the performance and condition of assets is able to be obtained.

Hastings District Council has developed a Enterprise Risk Management framework that cascades down to all Council activity areas with reporting back up to Council Risk and Assurance 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.

Infrastructure Strategy Risk Summary

The following risks from the Council Strategic Risk register are relevant to the infrastructure strategy:

Description	Details
Failure of climate adaptation	Lack of knowledge, protracted decision making or insufficient application of resources may cause climate change adaptation measures to fail adversely impacting economic, social and cultural wellbeing.
Water Quality & Quantity	As a result of climate change and human activities, there may not be a sustainable quantity of quality water to support the communities economic, social and environmental wellbeing aspirations.
People Safety & Wellbeing	Due to the diverse range of activities in which Council is involved, including; underground services, parks and facility maintenance, waste management, Council staff, contractors, customers and the community may be exposed to hazards that can cause harm.

Spatial and asset management planning	Failure to accurately understand community needs may lead to poor spatial and asset management planning that compromises delivery of the services required by the community adversely affecting economic, social and cultural wellbeing.
Significant Operational Service Failure	Operational failure that may have material impact on delivery of Council services to the community.

Current Context

Infrastructure services are key to normal functioning of the community, including the ability to support the community's future development aspirations. To anticipate the future demands that Council's infrastructure services may need to meet, Council develops land use plans and asset management plans based on sound understanding of regional development demands, community service level expectations and asset condition and performance.

Future Mitigation

Further mitigation of these risks is proposed in the Long Term Plan, and underlying Asset Management Plans, through a range of development projects including; expansion of the HPUDS strategy to form a full spatial plan for the district, enhancing water treatment capability through ongoing upgrades, improved demand management practices, and budgeting funds to adapt to the impacts of climate change in the later years of the plan.

Other mitigations include escalated LTP investment in road renewals which will avoid road deterioration and failure, and significant investment in critical Wastewater Treatment Plant renewals mitigating any risk of operational failure of the plant.

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.

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 \$388m 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 most significant scenario describes a situation where a 1 in 1,000-year event would create approximately \$225m of damage to Council's underground infrastructure. In this situation, the upper limits of LAPP's cover at \$140m would mean that Council would face a shortfall of \$34m and is effectively self-insuring its 40% share of any event with losses over \$140m. The value of infrastructural assets declared by the Council to be covered by the LAPP fund is \$913m.

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 2020 \$1,103m (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 \$10m. This acknowledges the geographic spread of the bridge assets and the accelerated 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.

In addition to the above the Council makes provision for flood damage on its extensive rural roading network, with unspent funds in any one year transferred into a reserve. This fund typically runs a surplus of \$1m and provides resilience to unforeseen events.

2.4 Reliability of Asset Information

The information below outlines the reliability of the asset data to inform the decisions in this LTP. Overall the plan has robust reliability of data. Future improvements planned will further improve the robustness of the information. Whilst there was previously a manual process for assessing and recording information, now an automated system is used for condition ratings which puts in all information from various sources (i.e. contractors) and then this is modelled over the network. Council therefore has good confidence in the data and has an ongoing asset data review and improvement programme. In the transportation area peer average data across the sector shows Hastings District Council to be performing well.

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	2	Uncertain
4	Reliable/Verified	1	Very Certain
3	Less Reliable	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 Infrastructure Investment Plan

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 (2.5.1);
- When should the Council invest in improving the existing service (2.5.2); and
- How much needs to be invested to provide infrastructure for a growing community (2.5.3).

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 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 vary 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 smooths 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 (ongoing programme)
- Wastewater Treatment Plant critical renewals (Years 1-3) (Years 11-15) (Years 21-30)
- Wastewater pump stations (Years 4-10) (Years 11-15)
- Bridge strengthening programme (Years 1-3)
- Road pavement renewal escalation (Years 1-10)
- Stormwater sump renewals (Years 1-10) other renewals commence (Years 11-30)
- Water supply AC pipe (Fibro Cement) (Years 11-30)
- Drinking water renewals escalate from (Years 1-3)
- 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.

Deferred Maintenance and Renewal

There is no consequential backlog of maintenance or renewal across the Council asset areas. In some cases assets which are still performing well are being run past their assumed life, which fits with the Council's philosophy of optimising its assets.

In the transportation area Asset Management Plans are signalling a period of escalated investment to address a renewal spike (which has an element of deferred maintenance and renewal).

Projected 30 year council renewal profile

The graph below shows the expected replacement profile for the Council's 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.

Activity overview

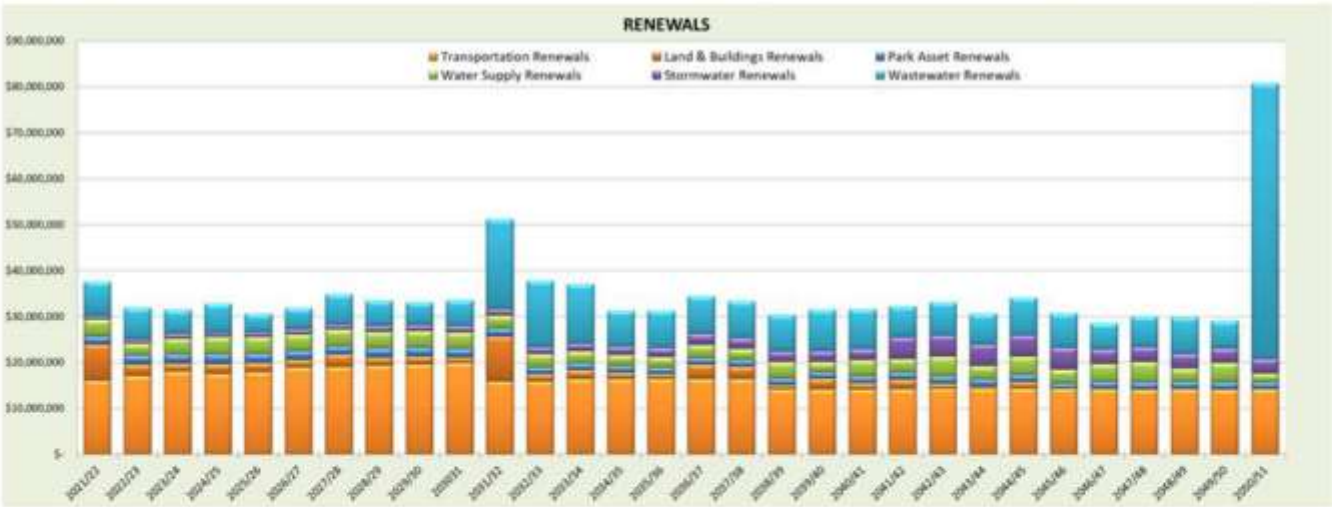
The Council plans its asset renewal programme around the detailed knowledge it has on the condition and performance of its assets, to ensure that it is optimising investment to maintain current service provision.

Whilst the planning functions are predominantly delivered in-house, key service delivery arrangements are in place with external entities via external contracts with appropriate performance standards and review.

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. 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.

Note:

The spike in year 30 on the graph below represents the marine section of the wastewater discharge pipeline.



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 along with the copper connections 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 detailed in the 2018 Long Term Plan is well through its implementation.

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, the Eastern interceptor and critical renewals in years 1-3 at the East Clive Wastewater Treatment Plant. The majority of the 2.75km outfall pipe from the treatment plant to the ocean falls due for renewal at 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 30 year period.

Aside from trunk sewers 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 to improve existing levels of service, 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 2021 to 2031, the funding required for building operation and maintenance is set at \$6.2m and capital renewal works at \$17.7m 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 \$5.3m for new capital works for 2021-31.

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 (awaiting outcome of earthquake assessment) and our Senior Housing stock. The required building works include major service and structure renewals and building weather tightness improvement at a total cost of \$5.0m 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 six 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). Council will continue its earthquake strengthening programme over the next 5 years. It is expected that by 2027 all Council owned buildings will meet the 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 2031, the building reserve balance will be in deficit by \$2.4m in comparison to a \$3.0m deficit at the 2021 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 has been 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 Hawke's Bay Opera Complex is almost complete. 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 are likely to 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 detailed in the 2018 LTP are almost complete.

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

Environmental Risk

Climate Change

A separate section on the impacts of Climate Change and current and proposed responses is detailed in the section of this strategy titled "Our Context".

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 related to improvements in the vicinity of the Hastings racecourse which alleviates flooding issues around the Police Station precinct and CBD environs. This project has been completed.

Solid Waste

The Omarunui Landfill has capacity for approximately another 5 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:

Economic Growth and Productivity – new infrastructure to support economic growth and development in the region. Key projects include Te Ara Kahikitea (now completed), North Eastern Connector, Irongate and Omaha Road Industrial Developments, Key Corridor Improvements etc.

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. In line with governments "Road to Zero" strategy escalated investment have been included from year 5 of the plan to work towards these new national safety targets.

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 work based 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.

Community Expectations

The Council uses various methods to engage with the community ranging from community surveys, stakeholder groups, industry forums, the reserve management planning process and community planning processes for a number of communities within the district. This enables the Council to keep abreast of changing expectations. The key area where level of service expectations continues to grow is in our parks and reserves area – this Long Term Plan contains funding provision to meet the aspirations from the above planning processes.

2.5.3 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 6,180 people by 2031.

Demand for infrastructure is primarily determined by the amount, density 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 table over the page.

The regional growth strategy is under review during 2021/22 and will need to address housing pressure in the region. The strategy is also intended to grow into a wider spatial planning initiative. The outcomes of this work may require some re-casting of our infrastructure forecasts in the future.

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

Private Sector	2020 Capacity	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Arataki	28																															
Northwood	47																															
Lyndhurst 2	264																															
Howard Street	260																															
Lyndhurst Extension	170																															
Kaipō Road/Murdoch	200																															
Copeland	230																															
Iona	210																															
Brookvale/Romanes	575																															
Havelock Hills	160																															
Coastal Misc	125																															
Retirement Village	250																															
Areas Open Concurrently (Exc Retmnt)		4	5	5	4	4	4	4	6	6	6	6	6	5	5	5	5	5	4	3	3	3	3	3	3	3	3	3	3	2	1	1

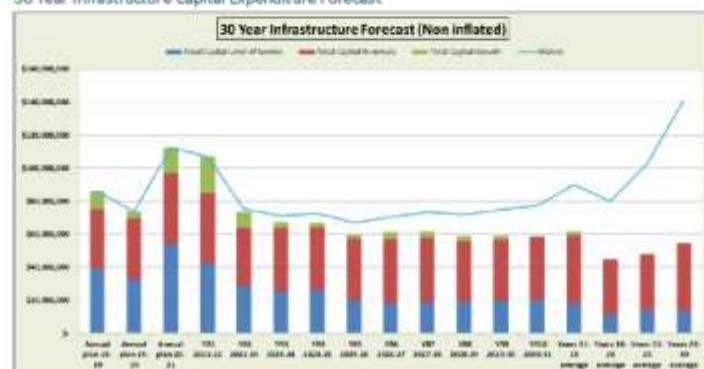
Residential Growth – Capital Expenditure

	21/22 Forecast	22/23 Forecast	23/24 Forecast	24/25 Forecast	25/26 Forecast	26/27 Forecast	27/28 Forecast	28/29 Forecast	29/30 Forecast	30/31 Forecast	Total
Development Area	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Brookvale Road	340,000	2,200,000	-	-	-	2,000,000	3,930,000	1,450,000	1,080,000	-	11,000,000
Medium Density Housing Strategy	640,500	647,250	25,000	341,950	277,000	279,000	-	61,000	25,000	234,500	2,531,200
Howard Street - Internal	932,000	-	-	-	-	-	-	-	-	-	932,000
Iona / Middle	11,837,000	100,000	-	-	-	30,000	30,000	30,000	-	-	12,027,000
Howard Street - External	620,000	-	-	-	-	-	-	-	-	-	620,000
Havelock Hills - Storage & Pumping	1,365,000	100,000	265,000	435,000	1,650,000	1,100,000	-	-	-	-	4,915,000
Lyndhurst Development Stage II	537,000	3,215,000	-	-	-	150,000	-	-	-	-	3,902,000
Lyndhurst Extension	-	-	-	-	-	-	90,000	1,510,000	1,150,000	200,000	2,950,000
	16,271,500	6,262,250	290,000	776,950	1,927,000	3,559,000	4,050,000	3,051,000	2,255,000	434,500	38,877,200

2.6 The Financial Strategy Connection

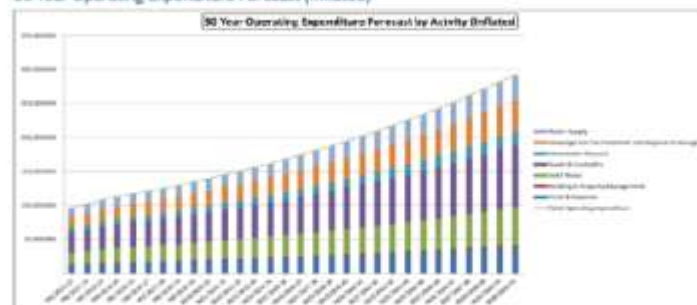
2.5.1 30 Year Investment Profile

The graphs below provide a snapshot of total capital expenditure and operating expenditure over the 30 years, both non-inflated and with inflation included (total line).
30 Year Infrastructure Capital Expenditure Forecast



Operating Expenditure

30 Year Operating Expenditure Forecast (Inflated)



Note: 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 three options:

- 1) Repay debt
- 2) Pay for renewal expenditure
- 3) Acquire new assets

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.

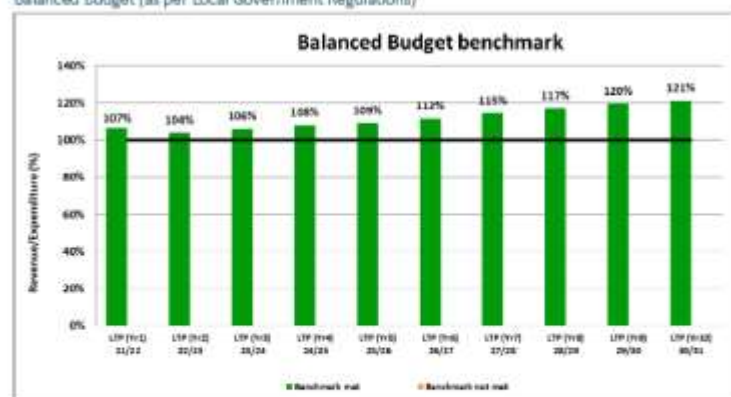
Depreciation is the key driver that council uses to ensure sufficient investment in asset renewals is being undertaken, it creates the bottom line and provides a consistency of approach, assuming the depreciation calculations are correct.

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 2021-31 Long Term Plan

Council's overarching policy is to run a balanced budget. After a period of pressure to meet that financial benchmark with significant increases in operational expenditure for the water services delivery activity, the water supply targeted rate has now been incrementally lifted to a more sustainable level alleviating pressure on the balanced budget benchmark.

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

Policy of fully funding depreciation dependent upon New Zealand Transport Agency funding.

Plan forecast shows depreciation fully funded.

2. Wastewater

Policy adopted to fully funding depreciation.

From year 5 of the LTP, escalations commence introducing additional rates funding to fund the depreciation gap.

A strategy needs to be developed to fund waste water treatment plant replacement in the future (about 30 years).

3. Stormwater

The uninflated 30 year Infrastructure Strategy renewal programme is aligned with current rates funding policy of \$625,000 per annum

Within this plan the \$625,000 funding provision has been inflation adjusted to keep pace with inflation

4. Water Supply

Depreciation is fully funded. The rating areas water supplies were amalgamated in 2018.

5. Parks

Depreciation is fully funded.

Note: The approach to funding arrangements for the activities covered within the Infrastructure Strategy is outlined within the Council's Revenue and Financing Policy. An overview of activity funding can be found in the financial statements within the Group of Activities section within the Long Term Plan.

2.6.4 Affordability

The Council keeps abreast of the relative affordability of its work programme compared with other Council's via both an annual survey of like sized Councils and via nationally compiled

data. This shows Hastings District Council to be broadly in the middle of the pack relative to other Councils.

The forecast rates profile in the Financial strategy shows that whilst in years 1-2 rates peak near the financial strategy limit, for the balance of the 10 years they return to relatively modest levels (given that they have forecast inflation embedded within them).

The Council is proposing to increase its debt to income ratio from 150% to 175% in this Long Term Plan. The ability to use debt (which is still at relatively conservative levels) allows spikes in expenditure to be spread more evenly and to address any sudden impacts on ratepayer affordability.

The Council does use reserves in some cases to soften sudden spikes in expenditure and the associated impact on ratepayer affordability. An example being the three stage increase in the water targeted rate set out in the 2018 Long Term Plan which sees the reserve go into deficit for a period before returning to surplus.

2.6.5 Programme Deliverability

The Long Term Plan includes all the necessary renewal and new works projects identified through the respective Asset Management Plans.

An internal reconciliation exercise assessed all projects against a number of criteria (such as how advanced they were through the planning and design phase relative to their scheduled implementation). This resulted in changes to timing of some projects and rationalisation of the capital programme to better reflect the most likely delivery timeframe.

In a number of cases deliverability has a good level of confidence as the Council is working proactively with contractors on these projects and programmes of work (for example the Municipal Building, and wastewater trunk main renewal programme) and in other cases Council has delivery commitments with partners such as Crown Infrastructure. Another consideration has been that extra capital delivery resource through the rollout of the safe drinking water programme now exists within Council and can be utilised for different programmes of work.

However the reality is that during the course of a year many issues can arise that compromise even the best laid plans and not all projects are delivered. Some of these influences are external and beyond Council's direct control.

In light of this, and to recognise that the capital programme in the early years of the plan is more aspirational than historically delivered, the Council has realigned the programme to reflect a more even pipeline of work. So whilst the full list of capital projects have been

included in the respective activities budgets a \$25m capacity realignment has been incorporated through an allocated offset against the budget.

This provides some flexibility around managing the overall programme within the assessed realistic pipeline (recognising there inevitably are ups and downs). This approach also aligns the work programme better with the Financial Strategy. It avoids charging ratepayers for work earlier than it has been able to be delivered.

2.7 Assumptions

2.7.1 Lifecycle 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 other than that already signalled via the Three Water Reform (which is detailed in this strategy). Whilst additional financial allowance has been made to improve stormwater quality, increasing environmental standards may require Council to reassess these fiscal provisions. The review of the RMA has been signalled but the impacts are unclear at this time.
- 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 – Note: Through the LAPP fund, other insurance arrangements and emergency reserves the Council has provide resilience to an event impacting on its significant assets.
- The creation/vesting of new assets is not significantly different to the current plan
- NZTA guidance and funding decisions 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.
- Forecasts are based on the three waters services remaining in house (despite the likelihood of water reform). Council has forecast and funded all known investment programmes identified in Asset Management Plans and knowledge around national standards to meet customer levels of service.

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 Hawke's 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 Te Ara Kahikitea (now completed), North eastern connector and projects associated with the development of the Irongate Industrial area, Omaha Road Industrial Area and other key corridor improvements (Pekowhai 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 Te Ara Kahikitea 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 11 years via the lway 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

There are potential impacts on levels of service arising from new guidance, levels of service and funding decisions made by the New Zealand Transport Agency.

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. However, initial indications shows that there is no significant impact, but the timing of funding support will always have some uncertainty. 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.