Council Briefing

Notice of Briefing
Briefing to be held in the Council Chamber, Forum North, Whangarei on:

Tuesday
23 May 2017
9.00am

Her Worship the Mayor Sheryl Mai (Chairperson)
Cr Stu Bell
Cr Crichton Christie
Cr Vince Cocurullo
Cr Tricia Cutforth
Cr Shelley Deeming
Cr Sue Glen
Cr Jayne Golightly
Cr Phil Halse
Cr Cherry Hermon
Cr Greg Innes
Cr Greg Martin
Cr Sharon Morgan
Cr Anna Murphy
1. Long Term Plan 2018-2028 Direction-Setting

Reporting officer: Jill McPherson (General Manager Strategy and Democracy), Simon Weston (General Manager Infrastructure), Alan Adcock (General Manager Corporate)

Date of meeting: 23 May 2017

1 Purpose

To discuss the high-level strategic vision, prioritisation framework, and financial and infrastructure considerations to enable and support informed decision-making by elected members throughout the 2018-2028 Long Term Plan (LTP) process.

The session will cover:

i. setting the vision for the LTP;
ii. developing and agreeing a prioritisation model to aid decision-making; and
iii. the relevant financial and infrastructure considerations.

2 Background

Council will be participating in a series of briefings throughout the LTP aimed at:

- Developing strategic priorities and setting the strategic direction for the LTP;
- Familiarising elected members with the various of activities within Council;
- Familiarising elected members with the financial fundamentals that underpin the LTP process;
- Seeking direction on specific issues, decisions, and trade-offs; and
- Ensuring a high-quality Consultation Document and LTP that reflects best practice.

Council will also be focusing on early and lengthy informal community engagement from June - early August to further inform the 2018-2028 LTP process.

3 Discussion

3.1 What to expect over the next two months

We will be commencing early engagement on 6 June 2017 and this will run through to 6 August 2017, with a late one-off addition being the “Getting Out There Expo” on Friday 14 August 2017.

The engagement plan includes an LTP website, a series of public meetings hosted by several Resident & Ratepayer associations (which are open to the public) and two Have Your Say Events (HYSEs) where invites will be distributed to businesses, community organisations, the Maori community, other special interest groups and the wider public.
There will be engagement packs prepared and given to elected members prior to the early engagement period (including hardcopy submission forms, event schedules, website details, keys dates etc) which will allow elected members to promote early engagement (and the fuller LTP process at any number of events/forums they see fit).

We will have a gazebo/tent at larger events (such as the Matariki Whanau Day event) and elected members are welcome to suggest events for inclusion.

We will also be seeking invites from Maori groups, and inviting Maori organisations and interest groups to our public meetings and HYSEs.

3.1.1 Early engagement public meeting schedule

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<th>June 2017</th>
<th>Event / meeting</th>
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<td>Mon 12</td>
<td>Tutukaka Coast R&amp;R Association, 7pm Tutukaka Marina Office.</td>
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<td>Tue 13</td>
<td>Ruakaka Parish R&amp;R Association, 7:00pm Ruakaka Recreation Centre</td>
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<td>Wed 14</td>
<td>Waipu R&amp;R Association, 6:30pm St Peters Anglican Church</td>
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<td>Thu 15</td>
<td>Mangakahia Sports Ground Society, 6:30pm Mangakahia Sports Complex</td>
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<td>Onerahi Community Association, 7:30pm Onerahi Community Hall</td>
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<td>Smeatons Drive Roopu, 6pm Smeatons Drive Community Hall</td>
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<td>Thu 22</td>
<td>Parua Bay R&amp;R Association, 7:30pm Parua Bay Community Centre</td>
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<td>Tue 27</td>
<td>Hikurangi Friendship House Charitable Trust, 6:00pm Hikurangi Hall (all Hikurangi &amp; coastal groups invited)</td>
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<td>Kamo Community Inc, 6:30pm Kamo Club (all Hikurangi &amp; coastal groups invited)</td>
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### Event Calendar

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<th>July 2017</th>
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<td>Sat 1</td>
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<td>Pataua Area R&amp;R Association, 10:30am Pataua Education Trust Building</td>
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### 3.1.2 Review of Community Outcomes

Community outcomes play an important role in strategic direction setting by looking at overall community needs. According to the Local Government Act 2002:

“community outcomes means the outcomes that a local authority aims to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions”.
The community outcomes are Council’s statement of what we are trying to achieve, and they help inform our rationale for service delivery, performance measures, and targets, alongside our strategic priorities. Council may periodically refresh them in the light of changing priorities, and/or the mind-set of elected members.

Throughout the LTP process you will be reviewing Council’s community outcomes. This process will begin during the early engagement period, decisions can be made once early community feedback is received, and any proposed changes will be consulted on in the Consultation Document as part of the formal consultation in early 2018. SOLGM Consultation Document guidance has been attached as Attachment 3 for your reference.

This process will be led by Sandra Boardman through the Community Development Committee.

3.2 Strategic direction-setting

Determining what is required by the community, where Council’s strategic priorities lie, and how you will be measuring performance are key elements of the LTP process.

It is important that elected members consider what Council intends to do, how decisions contribute to the achievement of its objectives, and how Council will go about demonstrating performance in respect of these objectives.

These decisions are considered at a strategic level as part of a process of direction setting.

Figure one: What does direction setting involve?
3.3 Developing a framework for prioritisation

As part of the development of the LTP, Council will need to determine a framework to demonstrate and communicate Council's overall strategic priorities. This will help Council decide on a vision, set of community outcomes, and provide early direction to staff.

A "working draft" framework is suggested for your consideration. This has been proposed after reviewing the material from previous Council workshops (such as the two day Toll Stadium Workshop) and meetings with elected members where Councillors priorities have been discussed. It uses a pyramid to reflect the quantum of spend and level of discretion in different areas of Council work.

Figure two: Prioritisation framework

- Sense of Place – Whangarei is welcoming and nice
- e.g. rural roads, coast and beaches, inner city
- Establishing service levels for core services
3.4 Financial & Infrastructure Strategies

Financial and infrastructure strategies provide both the strategic direction to, and the underpinning context for, your LTP. In order to be able to set the direction for the 2018-2018 LTP, it is important to re-familiarise yourselves with the current financial and infrastructure strategies, which are included as Attachment 1 and Attachment 2 for your reference.

3.5 Making choices for infrastructure investment and levels of service

Asset management underpins, informs and supports the process of making choices for infrastructure investment and levels of service. The objective of Asset Management is to meet the required level of service, in the most cost effective manner, through the management of assets for present and future customers.

Levels of Service (LoS) are therefore a key tool component of asset management and underpin any prioritisation framework of Council. LoS are comprised of four distinct components, the strategic direction provided by Council, legislative requirements, technical asset management approaches and mandatory measures.

While not formally legislated asset management plans for key groups of activities are prepared in conjunction with the LTP, and fulfil the legislative requirements set out in the Local Government Act 2002. They also underpin for the 30-year Infrastructure Strategy which must be adopted by Council as part of the LTP.

In preparation for this LTP round an Asset Management Policy, which will be supported by an Asset Management Strategy (currently in draft), has been developed. The Policy outlines the principles we will use in applying sustainable asset management.

Of note is that AMPs are being prepared in accordance International Infrastructure Management Manual (IIMM) using a ‘bottom up’ approach. This provides for asset management needs to drive the identification of funding requirements, ensuring gap analysis of asset management requirements vs what can be achieved with the available funding. Also of note are the principles of providing infrastructure to support growth, while ensuring that we ‘prioritise looking after what we have’.
In the context of the LTP, and the prioritisation framework outlined above, AMPs are a core source of information for Council in considering the balance between getting the basics right (in asset management terms, renewals, maintenance and maintaining current LoS) and investing in increasing LoS and those things that make Whangarei special.

While there will be a separate activity briefing for each of the AMPs this briefing will set the scene for their development, briefly touching on some of the key issues that are arising/known at this early stage, in order to get feedback and strategic direction from Council. Some of the key areas to be covered in the briefing, and/or in individual activity briefings, are outlined below.

3.5.1 Gap analysis

As outlined above the AMPs will be developed on a ‘best for asset’ basis, with a gap analysis being undertaken where there is a potential funding shortage. While it is too early in the process to undertake a gap analysis for the 2018 – 2028 AMPs gaps from the last round, and some emerging issues, include:

- Funding the impacts of climate change, severe weather events and droughts.
- Increased condition knowledge for water, stormwater and wastewater driving potentially higher renewal funding requirements.
- A funding gap for best for asset delivery in Parks.
- Adequately funding sense of place projects.
- Shifting expectations in solid waste, particularly around reduction and recycling.
- Operational funding gaps identified in key areas of the business, notably around condition assessments.
- From a Transport perspective funding to address forestry, renewals, flood damage and congestion.

3.5.2 Opex

Analysis of operational funding is a key component of AMP development and will be an increased area of focus through this round. This has four key components:

1. Identification of operational funding required to keep the business running (i.e. BAU).
2. Analysis of whether a project is opex or capex.
3. Identification of what component of each capex project is opex.
4. Identification of what each project costs to maintain.

While the work required to get a clear picture for each of these will be undertaken through the AMPs an overview will be provided. More detailed analysis will be provided under each of the activity briefings.

3.5.3 Funding graphs

Again, the work required for funding graphs and profiles is being undertaken through AMP development and this will be an area of focus under each of the activity briefings. However, an overview will be provided across the activities, based on historic trends.

3.5.4 National, Regional and Local issues

There are several factors that will influence, and potentially constrain/drive, both AMP development and investment decisions of Council. These are generally factors that set a minimum standard that must be met in delivering an activity and can be driven by changes to legislation, regulation, plans or standards. These generally have a funding impact, some of the examples likely to be considered during this LTP round are below.
National

- Any outcomes from the Service Delivery Reviews currently being undertaken under section 17A of the Local Government Act (WW and SW have not been assessed for over 12 years).
- Proposed amendments to the National Policy statement (NPS) on Freshwater Management which will increase the focus on stream quality and will ‘flow’ into requirements under the Regional Plan (discussed below).
- Any outcomes of the assessment of development capacity under the NPS Urban Development Capacity, which introduces a requirement to demonstrate additional feasible development capacity.
- Increased construction costs to meet seismic strengthening requirements under Building (Earthquake-prone Buildings) Amendment Act (effective from July 17).
- Changes to emissions trading and revenue levies relating to solid waste.
- Potential for treaty settlements to change management and/or governance structures.
- Parks National Categorization standards and standardization for maintenance which are currently being reviewed and/or are under development by the New Zealand Recreation Society.
- The Havelock water contamination incident which is triggering drinking water reforms, changes to standards and compliance requirements.
- One Network Road Classification (ONRC) and the Business Case Approach (BCA).
- Reduced Maintenance / renewals funding (efficiency).

Regional

- The Proposed Regional Plan (to be notified later this year) gives effect to the NPS for Freshwater Management and may also affect WDC’s current level of stormwater service through the requirement for catchment management plans and a potential requirement to provide 10% AEP flood immunity for land.
- Any District Health Board decisions around fluoride in drinking water.
- NZTA State Highway strategy – Whangarei to Te Hana.
- Twin Coast Discovery Route Strategy.

Local

- The outcomes of the rolling review of District Plan Changes, particularly from the perspective of infrastructure capacity and open space to support development.
- Reviewing, and where necessary giving effect to, District Plan Designations. In some instances, this will involve funding for the acquisition of land required to provide infrastructure and services.

3.5.5 LTP years four to ten

Years four to ten of the current LTP provide a starting point for discussions of potential projects and programmes, essentially what do we have and is it still relevant? Work is ongoing to assess this but some of the key themes arising include:

- A need to look at expenditure associated with Hikurangi Swamp pump stations.
- In water, the potential to shift from a reticulation renewals programme to identified projects driven by break and performance (i.e. pressure flow) data, review reservoir/trunk growth projects deferred to the end of the current plan and bring in new projects (i.e. SCADA, security and pump station upgrades).
- Looking at Old Boys in light the Okara decision and reviewing sports field improvements.
• A need to address dust on specific routes.
• Consideration as to how much, and when, cycleway funding is allocated.
• Consideration of mowing berms.
• A need to consider seal extensions and footpath requirements.

3.5.6 Risk Profile

While some of the risks associated with infrastructure provision remain constant from the last LTP, there are new and emerging risks. Many of these relate to the issues identified above. Some of the new and emerging risks identified include:

• Contract renewal and procurement risks.
• Lifecycle management risks.
• Changes to emissions trading costs.
• The impact of climate change and increasing severe weather events.
• Compliance and site security requirements, particularly following the Havelock incident.
• A lack of field technology (i.e. GIS and mobility) to find, assess condition and make decisions around assets (found assets are an increasing area of focus for Audit).
• NZTA Subsidy.

3.5.7 Level of Service

As indicated above LoS are a key principle underpinning AMP development and a key consideration for Council in the prioritisation of investment. A high-level overview of current LoS will be provided in this briefing, in anticipation of a more detailed discussion in each of the activity briefings, with direction being sought on the areas that Council is looking to raise (or potentially reduce?) LoS. For Transport this will have regard to the introduction of the ONRC and its ties to NZTA funding.

3.5.8 Supporting policies and processes

Two key documents supporting the development of AMPs are the Growth Model and Development Contributions Policy. While these are separate work streams some issues have been identified for consideration through the review of AMPs. These include a need to look at the:

• Potential for 30-year development contribution projects.
• Marsden/Ruakaka HUE rate for water and wastewater.
• Projected growth line (i.e. low, medium or high) for Marsden/Ruakaka and reconfirm overall growth projections.
• Rate of development contributions for Parks land.
• Whangarei Transportation Strategy 2017 update.

While there will be an overview of these issues in the Development Contributions Policy briefing, each of the activities will work through them in detail in their respective activity briefings.

3.6 Financial background and considerations

There are two fundamental decisions for Council to consider in terms of its financial strategy:

• What ‘programmed’ increases (if any) should there be to core revenue streams – especially Rates?
• What level of external debt is appropriate?
In recent planning cycles these considerations have dictated the way the entire plan has been developed i.e. the level of financial resources has determined the scope of the work program. In the 2006-16 and 2009-19 LTPs financial constraints arguably led to:

- Deferred renewal and maintenance of assets
- Challenges in meeting commitments to service level delivery
- Limited scope to deal with legacy issues
- Roading projects constrained by NZTA subsidy availability
- Staff resourcing at low levels compared to similar councils.

While there was still some capacity to deal with pressures from population growth and the completion of some 'sense of place' projects, the reality was we were going backwards in financial terms as we were operating deficit budgets, where operating expenses were greater than our income.

The 2015-25 LTP saw this situation addressed, with a financial strategy based on returning to a 'balanced budget'. Leaving definitions in legislation and financial prudence benchmarks aside, in simple terms this means we could fund both operating expenses and asset renewals from the income we receive each year i.e. without increasing debt.

To achieve this there was a significant increase in Rates in the first year (5% plus LGCI) and increases of 2% plus LGCI for the remainder of the plan. This meant an increase in Rates income of 23% above inflation, assuming this strategy was followed for the entire ten years.

By the end of Year 3, when the new 2018-28 LTP will take effect, we will have reached a position where are just able to produce balanced budgets i.e. there is virtually no headroom to fund increases in level of service, staff numbers or to service increases in debt.

At this point only 9% of the planned 23% increases to Rates will have been implemented.

If the FS is changed to limit rates increases to inflation only, the remaining 14% of planned i.e. increases above inflation would not be captured. This would equate to approximately $75m of Rating income.

The graph below illustrates this position.
In terms of Debt, Council has considerable ‘headroom’ to increase debt as a funding source. Current debt levels could be more than doubled without breaching lending covenants or adversely affecting our current AA credit rating i.e. Debt could be increased to approximately $350 million.

However, while there is capacity to take on more debt, this does not mean that we should. If our income covers the cost of our asset renewal program, debt should only be used to fund:

- Increased capacity of asset groups to cope with future growth
- New or improved assets that help in the provision of increased levels of service

These issues will be explored in more depth and discussed at the Briefing.

4 Attachments
1. Financial Strategy (excerpt from 2015-2025 Long Term Plan)
2. Infrastructure Strategy (excerpt from 2015-2025 Long Term Plan)
3. SOLGM, Telling our stories 2018, Guide on consultation documents
This Financial Strategy aims to:
• achieve a balanced budget in every year, where revenue exceeds expenditure (including depreciation)
• introduce a step change in most rates in the first year, with increases of 2% above inflation thereafter
• limit overall rates revenue (excluding water) to a maximum of 70% of total revenue
• have net debt no higher than 150% of total revenue
• have net debt peaking at $171 million and then reducing to $146 million by 2025
• maintaining net interest costs at less than 25% of rates revenue (10.5% as at 30 June 2014)
• have a net debt per capita level below $2,150 ($1,975 at 30 June 2014)
• provide sufficient cash surpluses to fund the planned capital expenditure programme without reliance on asset sales (apart from the Okara sale already in progress).

Over the next 10 years this allows for:
• a capital works programme of $574 million
• 79% of capital expenditure focused on core network infrastructure (roading, water, waste, stormwater and flood protection)
• operational revenues of $1.577 billion
• operational spending of $1.440 billion.

BUILDING A SUSTAINABLE FINANCIAL STRATEGY

This Financial Strategy is based on fulfilling one of the core purposes of local government, which is to “meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses”.

Building a sustainable financial platform is one of the primary objectives of this Strategy. Council has reflected on the challenges in funding our work programme over the past decade. While we have coped with significant population growth, upgraded many infrastructure assets (such as roads, bridges and wastewater treatment plants) to improve service levels, built significant community assets (like libraries and sports facilities), dealt with damage from storm events as well as day to day operations, these have all come at a cost. Much of the funding for infrastructure projects has come from increased debt or the sale of assets, rather than from cash surpluses or reserves.

We have reflected on the community’s needs and our current financial position in order to make decisions on what Council believes are appropriate ways to fund the delivery of all the services that our community requires – both now and into the future. We have examined the state of our network infrastructure and community assets, the levels of service that our community expects us to deliver and the funding required to achieve this. This, in turn, has led to an examination of the funding allocation between ratepayers, specific users of services, and debt. This Strategy, together with the Infrastructure Strategy, sets out these issues and our funding model.

We also compared the way we fund activities with that of other similar councils around New Zealand. We came to the conclusion that our overall rating levels were very low compared with our peers and that they needed to be increased if we were to achieve our service delivery targets. We were very conscious of striking a balance between keeping our rates as low as possible and providing the range and quality of services and asset maintenance that our community expects. We also took into account the affordability of rates, given the demographics of our District.

We considered the way that we have used debt and asset sales to fund our work programme. In the last few years we have stabilised our debt at around $160 million, and wish to limit future debt increases as much as possible. However, we note that development of a new airport, should it proceed, would require significant debt funding in the future. This project is discussed on page 33.

Over the last four years our capital works programme has been partially funded through sales of commercial property. Apart from the $10.5 million sale of the Okara site, which is nearing completion, there is no provision for further asset sales in this strategy.

The 2012 LTP included a number of years where expenditure exceeds income, i.e. the budget is ‘unbalanced’. This Strategy has taken a different approach, with the fundamental premise that an operating surplus will be produced in every year i.e. the budget is balanced and depreciation is fully funded.

This is a sustainable financial strategy. By the end of the 10-year planning period we will have an income base that allows us to provide the services that our community expects, without leaving a large backlog of asset maintenance and renewal for later generations to deal with. While it does mean rates rises beyond the level of inflation, we believe they are necessary to provide the range of quality services our community demands.
In developing an LTP it is necessary to establish a financial envelope within which to operate, including identifying appropriate levels of debt, rates, capital and operating expenditure, development contributions and fees and charges. A number of factors, which are expected to impact on our business and its finances over the 2015-2025 period, were considered.

The graph below shows the trends in debt, revenue and rates (which provides the majority of our revenue) over the last 10 years, together with projections for the next 10-year planning period.

In simplistic terms, the revenue Council receives each year from rates and other revenue sources should cover all operating expenditure including depreciation (i.e. a balanced budget), with any cash surpluses beyond that funding capital works. Where more funding is needed, that generally comes from either increased debt or assets sales. This situation can arise where there is significant population growth, increased levels of service, or where operating revenue or rates are too low.

Debt/net debt, rates and revenue

During the period from 2004 to 2012 there was a significant increase in debt, which grew from around $40 million to $160 million. This was largely due to a major capital expenditure in growth related projects, a catch-up in infrastructure renewals, as well as a significant investment in our wastewater treatment plants to improve levels of service. We also saw the first development of large new community assets for many years, with the completion of the library, aquatic centre, events centre and athletics/gymnastics facilities.

Investment in capital projects continued from 2012 to 2015, but rather than use debt, additional funding was provided mainly through the sale of property assets. Sale proceeds were accumulated in the Property Reinvestment Reserve ($23 million as at 30 June 2014) and then used internally to fund capital works.

Notes: Data for 2014-15 onwards is projected. Revenue from 2004-05 to 2007-08 includes a number of non-cash items.

Until the end of the 2014-15 year, Council managed its debt from a gross debt perspective. From the 2015-16 year, measurement will be from a net debt perspective.
Funding our work

Council’s operations are complex and diverse. We provide a wide range of services, some of which are delivered face to face (e.g. building inspections) with others being delivered through use of our network infrastructure (e.g. roads and sewage treatment). We match the cost of providing these services with an appropriate funding source, as summarised in the table below. Full details are shown in the Revenue and Financing Policy on page 184.

<table>
<thead>
<tr>
<th>MAJOR COST DRIVERS</th>
<th>INFLUENCES</th>
<th>GENERAL RATES</th>
<th>TARGETED RATES</th>
<th>FEES AND CHARGES</th>
<th>GOVERNMENT SUBSIDIES</th>
<th>INCREASED DEBT</th>
<th>ASSET SALES</th>
<th>DEVELOPMENT CONTRIBUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSET MANAGEMENT</td>
<td>Age and condition of assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Renewal programme</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Storm events, ground conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SERVICE PROVISION</td>
<td>Service delivery targets</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Legislation changes e.g. Building Act</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Government Subsidy availability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INCREASED SERVICE DEMAND</td>
<td>Population Growth</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Changes in community expectations e.g. Cycleways</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Changes in land use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHANGES IN SERVICE LEVELS OR NEW SERVICES</td>
<td>Community expectation e.g. Sewage spills</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Government legislation e.g. Water standards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other service providers withdrawing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEBT SERVICING</td>
<td>Debt levels</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Changes in interest rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>New debt-funded projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRICE CHANGES</td>
<td>Inflation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contracts – escalation causes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tenders – market driven</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In establishing this Financial Strategy, Council has to consider levels of funding required from each of these sources to fund its programme of work. While there are some constraints around the way some funds are spent (for example, development contributions can only be used to fund the growth portion of some infrastructure projects), there is still considerable flexibility in how Council raises its money.
Inter-generational equity

The concept of achieving fairness between ratepayers over time is called ‘inter-generational equity’.

Council has a responsibility to consider the interests of the community now as well as in the future. As a result, we try to ensure that, as far as possible, today’s ratepayers only pay for services they are likely to consume, and not for benefits that will be received by new ratepayers in the future. There are two aspects to this.

Firstly, we need to make sure that today’s ratepayers are paying their fair share of the ‘wear and tear’ on assets that are used to provide services they receive. While things like roads and water pipelines have useful lives that can span decades, they deteriorate a little every year. In any given period some will need to be replaced and we have renewal programmes for every asset type. We estimate degradation of our assets and associated renewal costs through depreciation in our accounts each year, and it is good practice to raise enough funding through rates to cover this every year.

However, because many of our assets have long lives, they will provide benefits to future ratepayers as well. When we build new assets we need to consider how much of the expenditure required should be funded through current ratepayers (via rates) and how much should be funded through future ratepayers by borrowing now and repaying debt later when future ratepayers become consumers.

Council has always, and will continue to, consider inter-generational equity when assessing who should pay in a bid to ensure fairness between current and future ratepayers. It will achieve inter-generational equity by balancing the mix of funding from rates and debt, as well as other income sources such as development contributions.

In general terms, rates, fees and charges are paid by today’s ratepayers, while debt funding is left to future ratepayers to finance and ultimately repay. Current ratepayers are also servicing and repaying the debt for assets built by previous generations.

The Financial Strategy in the last (2012) LTP limited rates rises to inflation and capped the overall percentage of rates income to 65% of overall revenue. At the same time, the budget was ‘unbalanced’ in a number of years and capital expenditure was financed in part, through asset sales. In previous years, a large portion of funding was provided through debt increases. This has meant that for the last decade or so, there has been an increasing weighting of funding by future ratepayers, rather than today’s.

Council has now decided that it is preferable to return to a situation where there is adequate revenue each year to fully fund both operating and capital expenditure without relying on debt increases or asset sales. To achieve this, rates will increase at a level above inflation for the next 10 years. (See the ‘Rates’ section on page 24 for more details.)

Maintaining levels of service

Council has operated a Financial Strategy since the development of the 2009 Long Term Council Community Plan. This Strategy introduced rigour to the process for developing Asset and Activity Management Plans, working within an overall financial envelope to ensure alignment of capital expenditure with levels of service, while keeping rate rises to the level of inflation.

Council has considered additional demand based on predicted growth in the development of Asset Management Plans, after giving regard to the Sustainable Futures 30/50 Growth Strategy. Capital expenditure in this 10-year Plan incorporates our ability to meet targeted levels of service whilst allowing for capacity required for anticipated growth. For the 2015 LTP we have also completed a 30-year Infrastructure Strategy that provides a blueprint for delivery of services through our network infrastructure.

Despite the significant level of budgeted expenditure over the next 10 years, upkeep of assets is still not at the optimum level as identified in the Asset Management Plans. The effect of this could potentially lead to deterioration in assets, meaning targeted levels of service are not attained and/or require additional costs in future which are not included within the 10-year life of this Plan. This could potentially result in future ratepayers paying costs that should arguably be met by today’s ratepayers. The alternative would be to increase rates and other revenue even further, or to increase debt over the next 10 years.

The appropriate level of service has been carefully considered by Council in each activity area taking into consideration effects of each decision. There have inevitably been tensions or conflicts between the desired level of service and the level that can be provided within the financial parameters outlined in this Strategy.
FUNDING

Throughout the 10 years of this Financial Strategy, Council will rely on funding from a variety of sources, with rates being the largest portion.

Funding sources

- **41%** General Rates
- **19%** Targeted Rates
- **12%** NZTA Subsidies
- **11%** User Charges
- **10%** Water
- **2%** Commercial Rent
- **3%** Other
- **2%** Development Contributions

*Other = petrol tax, fines and infringements, interest received, subsidies other than NZTA, vested assets, gains on sale of property.

A key activity within the development of this Strategy was confirming levels at which revenues need to be set based on the following principles. Where possible:

- revenues are sufficient to cover expenses
- asset renewals and replacements are affordable within the available funding envelope
- funding allows for major capital projects the community wants
- current service level targets are achieved
- the needs of current and future ratepayers have been taken into account
- we have balanced our budget each year
- rates increases are affordable.

**16**

Rates

Like most councils, rates are our main source of funding. While we try to maximise the subsidies available from Central Government and have a ‘user pays’ policy (through consumption and user charges) for many services, the bulk of our work is funded by rates.

The diagram below illustrates how Council’s residential rates compare to those of similar councils across New Zealand. This analysis, which was compiled independently by the NZ Taxpayers Union and Fairfax Media, compares the average costs for rates (general and targeted) and relevant user charges (such as metered water and refuse collection) for residential ratepayers in 2012-13. This table shows their results for a sample of district and city councils with a population greater than 30,000, to allow relevant comparisons to be made.

**Average residential rates**

Source: Taxpayer Union/Fairfax Media Survey of AverageResidentialRates – 2014

It is evident that our rates are much lower than other councils that face similar issues. While we recognise that our District is slightly less affluent than the average, we consider that rates increases beyond inflation are affordable for our community and are required if we are to meet our service level targets and keep our asset maintenance programmes up to date.

We have also considered introducing cost-cutting measures to avoid the need for significant rates rises. However, we were unable to identify areas where we could make meaningful savings without significant reductions in service levels.
GENERAL RATES

There are two elements to General Rates: a Uniform Annual General Charge (UAGC), which is a fixed dollar amount that all rating units are levied, and a ‘rate in the dollar’ amount, which is based on the value of each rateable unit.

Council currently uses land value to allocate the rate in the dollar portion. After considering whether it was appropriate to continue with this approach or move to a Capital Value system, it was decided to continue with the land value approach because the transition is a complex and challenging process, with potential for considerable fluctuations in individual rates demands unless transition arrangements are introduced. Council plans to conduct a comprehensive review of its rating policies ahead of next year’s Annual Plan.

TARGETED RATES

There are several types of targeted rates, including those:

- levied across all ratepayers, e.g. refuse management
- only charged to ratepayers connected to reticulated networks e.g. water, wastewater
- charged for users of a particular service e.g. Hikurangi Swamp Flood Protection Scheme
- funding a particular service or facility that has been requested e.g. a new boat ramp or seawall.

Where a targeted rate is collected, those funds can only be used for that specific purpose and the level of rates levied is set to match predicted expenditure over time. In any given year there are likely to be differences between revenue and expenditure, so the ‘activity’ can be in surplus or deficit. For example, there has been significant investment in wastewater treatment facilities in recent years that required debt funding, so that activity is currently in deficit, while the opposite situation exists for water. Where there is a surplus, a reserve fund is established and this is shown in the Annual Report each year.

INCREASES TO RATES

In the 10 years of this Plan, Council intends to increase rates (excluding water) beyond the level of inflation, with the increase in the first year greater than those in later years, as shown in the table below. Overall, rates revenue will also increase as our District’s population grows.

<table>
<thead>
<tr>
<th>General Rates</th>
<th>Year One – 2015-16</th>
<th>Rates Two-10 – 2016-25</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ANNUAL INFLATION</td>
<td>ADDITIONAL INCREASE</td>
</tr>
<tr>
<td>Rate in the dollar</td>
<td>LGCI 5%</td>
<td>1%</td>
</tr>
<tr>
<td>UAGC (per Rating Unit)</td>
<td>-</td>
<td>$50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Targeted Rates</th>
<th>Year One – 2015-16</th>
<th>Rates Two-10 – 2016-25</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ANNUAL INFLATION</td>
<td>ADDITIONAL INCREASE</td>
</tr>
<tr>
<td>Wastewater</td>
<td>LGCI 5%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Refuse Management</td>
<td>LGCI 5%</td>
<td>1%</td>
</tr>
<tr>
<td>Flood Protection</td>
<td>- 8%</td>
<td>-</td>
</tr>
<tr>
<td>Water Rates</td>
<td>LGCI -</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

We have also allowed for growth in Rates revenue of 1% for most rating categories due to projected population increases. The projected number of rateable properties within the District at the end of each preceding financial year is shown in the table below.

Projected rating base information

<table>
<thead>
<tr>
<th>Year</th>
<th>15-16</th>
<th>16-17</th>
<th>17-18</th>
<th>18-19</th>
<th>19-20</th>
<th>20-21</th>
<th>21-22</th>
<th>22-23</th>
<th>23-24</th>
<th>24-25</th>
<th>24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40,675</td>
<td>41,081</td>
<td>41,492</td>
<td>41,907</td>
<td>42,326</td>
<td>42,750</td>
<td>43,177</td>
<td>43,609</td>
<td>44,045</td>
<td>44,485</td>
<td>44,485</td>
</tr>
</tbody>
</table>

Annual Growth factors shown above will be used for each year’s rates strike regardless of actual growth to allow some certainty in financial planning. When the next LTP is prepared in 2018 actual population growth will be reviewed against these projections and any necessary adjustments made.

The reasons for different increases for each rating type are:

General rates

Rate in the dollar

These increases are set at the level that will provide sufficient funding for the planned expenditure programme for the bulk of Council’s activities. Increases to other rating types only vary from these amounts if there are specific reasons as noted below.

UAGC

Review of the Revenue and Financing Policy indicated that the increase to the UAGC in year one of $50 brought it to an appropriate level that reflected funding requirements of activities that are to be funded by all ratepayers equally.
Targeted rates

**Wastewater**
This increase matches that of the rate in the dollar. However, the growth factor is reduced from 1% to 0.8% as some growth will be outside the reticulated area.

**Refuse management**
An increase in year one will bring revenue for this activity in line with expected expenditure with ongoing growth and inflation adjustments.

**Flood protection**
In line with consultation for the 2012 LTP with the public and those affected, Council has maintained targeted rate increases for the Hikurangi Swamp Scheme at 8% for each year of the Plan to fund additional expenditure required to maintain effectiveness of the Scheme.

**Water**
The Water Reserve had a surplus of $8.9 million as at 30 June 2014. These funds, together with increases limited to inflation and growth, will provide adequate funding for the expenditure programme in this LTP. The growth factor is reduced from 1% to 0.6% as some growth will be outside the reticulated area.

**ALLOCATION OF RATES**

In 2012, Council introduced a ‘fixed sector allocation’ methodology, whereby a pre-determined percentage of general rates was shared between the three rating categories. The current splits are:

- Residential (including lifestyle and multi-unit) properties 62.0%
- Commercial properties 28.5%
- Rural properties 9.5%

After reviewing the Revenue and Financing policy as part of the preparation of this strategy, Council has decided to leave these sector allocation percentages unchanged. However, Council will carry out a full review of its rating approach in the 2015-16 year.
### SAMPLE OF PROPERTIES SHOWING RATES FOR 2015-2016

Randomly selected sample of properties from each category

<table>
<thead>
<tr>
<th>Property Type</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RESIDENTIAL PROPERTY IN URBAN AREA WITH A LAND VALUE OF $90,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV 90,000 @ $0.0032991</td>
<td>281.24</td>
<td>296.92</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>Sewerage pan charge (where connected)</td>
<td>596.00</td>
<td>639.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,388.24</td>
<td>1,507.92</td>
</tr>
<tr>
<td><strong>RESIDENTIAL PROPERTY IN URBAN AREA WITH A LAND VALUE OF $195,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV 195,000 @ $0.0032991</td>
<td>609.36</td>
<td>643.33</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,716.36</td>
<td>1,854.33</td>
</tr>
<tr>
<td><strong>LIFESTYLE PROPERTY WITH A LAND VALUE OF $320,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV $320,000 @ $0.0032991</td>
<td>999.97</td>
<td>1055.71</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,510.97</td>
<td>1,627.71</td>
</tr>
<tr>
<td><strong>LIFESTYLE PROPERTY WITH A LAND VALUE OF $1,750,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV up to $687,000 @ $0.0032991</td>
<td>2,146.82</td>
<td>2266.48</td>
</tr>
<tr>
<td>LV from $687,001 to $1,374,000 @ $0.0016496</td>
<td>1,073.41</td>
<td>1133.27</td>
</tr>
<tr>
<td>LV over $1,374,000 @ $0.0008248</td>
<td>293.74</td>
<td>310.12</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,024.97</td>
<td>4,281.87</td>
</tr>
<tr>
<td><strong>RURAL PROPERTY WITH A LAND VALUE OF $750,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV $750,000 @ $0.0026691</td>
<td>1,944.48</td>
<td>2001.83</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,455.48</td>
<td>2,573.83</td>
</tr>
<tr>
<td><strong>RURAL PROPERTY WITH A LAND VALUE OF $2,200,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV $2,200,000 @ $0.0026691</td>
<td>5,703.72</td>
<td>5872.02</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,214.72</td>
<td>6,444.02</td>
</tr>
<tr>
<td><strong>COMMERCIAL PROPERTY WITH A LAND VALUE OF $510,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV $510,000 @ $0.0171967</td>
<td>7,902.36</td>
<td>8770.32</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td>Sewerage charge – five pans @ $416.00</td>
<td>1,940.00</td>
<td>2080.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,353.36</td>
<td>11,422.32</td>
</tr>
<tr>
<td><strong>INDUSTRIAL PROPERTY WITH A LAND VALUE OF $2,475,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General rate – LV $2,475,000 @ $0.0171967</td>
<td>38,349.68</td>
<td>42561.83</td>
</tr>
<tr>
<td>Uniform Annual General Charge</td>
<td>356.00</td>
<td>406.00</td>
</tr>
<tr>
<td>District-wide refuse management</td>
<td>155.00</td>
<td>166.00</td>
</tr>
<tr>
<td>Sewerage charge – five pans @ $416.00</td>
<td>1,940.00</td>
<td>2080.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40,800.68</td>
<td>45,213.83</td>
</tr>
</tbody>
</table>

**Please note – Northland Regional Council rates are not included. Please refer to their LTP for the impact of their rates on your property.**
Debt, interest and internal funding

DEBT

Council’s debt grew by $120 million in the period from 2004 to 2012, but since then it has leveled off to the current amount of around $160 million. This Strategy sees net debt peak at $171 million before reducing to $146 million by 2025, unless physical construction of a new airport commences earlier than expected (see page 33).

The graph below compares net debt to revenue and shows an improving trend over the 10 years of the Plan, with revenue matching debt in 2021-22 for the first time since 2008.

Debt /net debt as a % of revenue

FINANCE COSTS

Council minimises its cost of debt through active treasury management, using interest rate swaps to protect against underlying interest rate or margin increases. Debt maturities are spread over both short and long terms, as well as a mixture of fixed and variable interest rates.

In order to minimise financing costs, Council is a shareholding member of the Local Government Funding Agency (LGFA). This means Council is able to borrow at better rates than are available through direct lending from trading banks.

In May 2015, Council had its AA- credit rating reconfirmed by Standard and Poors. They revised the credit rate outlook from ‘stable’ to ‘positive’ due to stronger budgetary flexibility, which indicates a one third chance of a credit rate increase within the next two years. This is likely to further reduce financing costs going forward.

The LTP assumes an interest rate averaging 5.65% across the 10 years, after taking all factors outlined above into account.

Interest as a % of revenue

INTERNAL FUNDING

As part of its treasury management, Council seeks to minimise its overall interest costs by using funds held in reserve as ‘internal borrowing,’ i.e. rather than keeping funds on deposit while borrowing all the money needed to fund capital works, reserve funds are used in the short term, noting that they need to be repaid in future as they are needed. Council intends to continue this approach into the future.

The largest reserve fund is the Property Reinvestment Reserve (PRR). This was created through the sale of Council’s interests in leasehold land to incumbent lessees since 2010. While there are no plans to sell more leasehold land in this LTP, if any sales were to take place, funds would be added to this reserve. In the meantime, available funds are used to fund other Council activities, until required for new commercial property purchases.
At this point Council has not identified or budgeted for any property purchases in the next 10 years. However, it is recognised that there is a possibility that investment opportunities may arise from time to time. Where there is an identified strategic benefit and/or the predicted return from a potential commercial property investment is greater than the cost of capital, consideration may be given to funding a purchase, thereby reducing the PRR balance. Any such purchases are likely to be debt-funded and dealt with via a Council resolution or future Annual Plan/ LTP process as appropriate.

**Property Reinvestment Reserve**

| YEAR 1 | 2015-16 | $'000 | YEAR 2 | 2016-17 | $'000 | YEAR 3 | 2017-18 | $'000 | YEAR 4 | 2018-19 | $'000 | YEAR 5 | 2019-20 | $'000 | YEAR 6 | 2020-21 | $'000 | YEAR 7 | 2021-22 | $'000 | YEAR 8 | 2022-23 | $'000 | YEAR 9 | 2023-24 | $'000 | YEAR 10 | 2024-25 | $'000 | TOTAL |
|--------|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|
| Opening balance | 26,258 | 26,783 | 27,319 | 27,865 | 28,422 | 28,991 | 29,571 | 30,162 | 30,765 | 31,381 | 26,258 |
| Dividend | 525 | 536 | 546 | 557 | 568 | 580 | 591 | 603 | 615 | 628 | 5,750 |
| Closing balance | 26,783 | 27,319 | 27,865 | 28,422 | 28,991 | 29,571 | 30,162 | 30,765 | 31,381 | 32,008 | 32,008 |

Other significant reserve funds include Community Development Funds ($9.7 million as at 30 June 2014) and asset reserves that are created when targeted rates for a particular activity are accumulated before significant capital expenditure. There was a balance of $8.9 million in the water reserve as at 30 June 2014. This will be eliminated over the life of the LTP as water projects are completed.

At the outset of this LTP Internal Funding will total around $40 million which is expected to increase to around $44 million by 2025.

Notional interest charges will be made to each activity for their share of funds borrowed from reserves, with internal finance costs disclosed in Activity Funding Impact Statements in the line item ‘Applications of operating funding – finance costs’. The resulting internal interest revenue is disclosed within Activity Funding Impact Statements line item ‘Sources of operating funding – local authorities fuel tax, fines, infringement fees and other receipts’. All internal interest is eliminated in the Prospective Funding Impact Statement for Whangarei District Council.

**Fees and charges**

Council will increase most fees and charges annually to align with the Local Government Cost Index (LGCI) inflation rate, which ranges from 2.24% to 3.53% across the 10 years of the Plan. In some areas, Council will seek to recover actual costs, e.g., food inspections and liquor licensing, which will result in increases beyond inflation. Council’s fees and charges are reviewed on an annual basis.

**NZTA subsidies**

Subsidies from Central Government via New Zealand Transport Agency (NZTA) provide a significant source of funding for our transportation activities. In 2015-16 we expect to receive subsidies of $21.1 million, representing 54% of the gross cost of both operating and capital expenditure on a wide range of approved items. At the time of completion of this Plan NZTA had not confirmed the subsidies applied for by Council.

**Development Contributions**

Council’s practice is to fund most of the growth component of capital expenditure through Development Contributions, with the remainder funded through rates. Over the past few years the economic recession has slowed growth significantly, so Council has taken a conservative approach to forecasting revenues in this area.

Across the 10 years of this Plan, we expect to proceed with around $67 million of growth projects. Forecast income of $22 million from Development Contributions will cover some of this cost, with the remainder of funding to come from rates and subsidies.
EXPENDITURE

Operational activities
Total annual expenditure is forecast to increase from $124 million to $164 million over the 10 years of the Plan, while total annual revenue is expected to increase from $132 million to $189 million over the same period. This will provide an operating surplus in every year of the Plan.

Council’s approach to forecasting operational expenditure is a balancing act. Local government costs are rising faster than general consumer goods, and as a result, Council must rise to the challenge of meeting levels of service while at the same time looking for efficiencies in order to contain expenditure. We also need to allow for effects of population growth and operating costs associated with new assets in preparing our budgets.

Reviewing our supply chain so that we can purchase at best prices provides one of the best opportunities for limiting costs. Continuous improvement of our processes in many cases will result in less cost but also in best use of available funds (doing more with less). Council constantly reviews its operating costs with regular reviews of items such as bank charges, interest rates and preferred supplier arrangements.

The tables below show the split of total forecast operating costs for each activity and expenditure type for the planning period.

Breakdown by activity

<table>
<thead>
<tr>
<th></th>
<th>$000</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NETWORK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>339,280</td>
<td>23.6%</td>
</tr>
<tr>
<td>Water</td>
<td>146,037</td>
<td>10.1%</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>70,703</td>
<td>4.9%</td>
</tr>
<tr>
<td>Wastewater</td>
<td>138,620</td>
<td>9.6%</td>
</tr>
<tr>
<td>Stormwater</td>
<td>44,582</td>
<td>3.1%</td>
</tr>
<tr>
<td>Flood Protection &amp; Control Works</td>
<td>11,653</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>750,876</td>
<td>52.2%</td>
</tr>
<tr>
<td><strong>OTHER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Facilities</td>
<td>241,959</td>
<td>16.8%</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>29,163</td>
<td>2.0%</td>
</tr>
<tr>
<td>Planning &amp; Regulatory</td>
<td>98,276</td>
<td>6.8%</td>
</tr>
<tr>
<td>Support Services</td>
<td>320,180</td>
<td>22.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>689,578</td>
<td>47.8%</td>
</tr>
<tr>
<td><strong>Total Activity Expenditure</strong></td>
<td>1,440,454</td>
<td>100%</td>
</tr>
</tbody>
</table>

Breakdown by expenditure type

<table>
<thead>
<tr>
<th></th>
<th>$000</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset operating expenditure</td>
<td>58,759</td>
<td>4.1%</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>335,819</td>
<td>23.3%</td>
</tr>
<tr>
<td>Professional fees</td>
<td>50,609</td>
<td>3.5%</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>170,280</td>
<td>11.8%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>460,133</td>
<td>32.0%</td>
</tr>
<tr>
<td>Finance costs</td>
<td>88,758</td>
<td>6.2%</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>276,096</td>
<td>19.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,440,454</td>
<td>100%</td>
</tr>
</tbody>
</table>
Capital expenditure

Total annual spend on capital projects ranges from $45 million to $71 million. Included in the 2015-2016 year is $13.4 million of carry forwards from 2014-2015. Expenditure is funded by a combination of operating surplus, rates collected for depreciation, development contributions and government subsidies. Council is expected to receive NZTA subsidies for roading expenditure of up to 54% for year one, and 53% for year two onwards, although some projects may be fully subsidised.

The graph below illustrates planned capital expenditure over the 10 years of the Plan of $574 million. 65% of total expenditure is for the renewal of existing assets, with 23% for improving levels of service and the balance of 12% providing for growth.

### Capital expenditure

![Bar graph showing planned capital expenditure](image)

Just under two thirds of expenditure is for the renewal of existing assets and upgrades to extend their useful life. Each year a depreciation amount is estimated. This represents the portion of an asset’s useful life that has been used up through ‘wear and tear’ in that year by current ratepayers. Depreciation is calculated for all assets, and each year’s renewal programme only affects a portion of assets, although all of them are replaced over time. The graph below shows the relationship between these two amounts over the life of the Plan.

#### Renewals to depreciation

![Line graph showing renewals to depreciation](image)

This shows the average ratio of renewals to depreciation to be 82%. While renewal expenditure should roughly match depreciation expense in the long term, this is seen as a prudent approach that will not compromise service levels in the foreseeable future or leave a significant backlog of asset replacement for future generations. This issue is explored in more depth in the Infrastructure Strategy.
Capital Expenditure by activity type is allocated as shown in the table below.

<table>
<thead>
<tr>
<th>NETWORK INFRASTRUCTURE</th>
<th>$000</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>222.3</td>
<td>38.8%</td>
</tr>
<tr>
<td>Water</td>
<td>86.2</td>
<td>15.0%</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>1.1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Wastewater</td>
<td>126.8</td>
<td>22.1%</td>
</tr>
<tr>
<td>Stormwater</td>
<td>17.5</td>
<td>3.1%</td>
</tr>
<tr>
<td>Flood Protection</td>
<td>0.7</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>454.6</td>
<td>79.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER</th>
<th>$000</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Facilities</td>
<td>89.0</td>
<td>15.5%</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>0.4</td>
<td>0.1%</td>
</tr>
<tr>
<td>Planning &amp; Regulatory</td>
<td>1.1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Support Services</td>
<td>28.4</td>
<td>5.0%</td>
</tr>
<tr>
<td>Total</td>
<td>118.9</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

Total Capital Expenditure: $573.6

Note: Solid Waste expenditure relates solely to transfer stations, which are the only solid waste assets directly owned by Council. The bulk of our refuse management operations (including the landfill and Re-Sort facility) are delivered with our joint venture partner through the Northland Regional Landfill.

As the above table shows, over the life of the Plan, 79% of capital expenditure is focused on network infrastructure, reflecting Council's recognition that we still have to invest considerable amounts in our core assets to meet the service levels our community expects.

However, community facilities (like boat ramps, playgrounds, walking tracks or theatres) are a critical component of a balanced and sustainable community, and form an important part of our aspirations to enhance our District in terms of Sense of Place and improved economic, social, health and education statistics. While some consider these projects as 'nice to have', Council views them just as important as core infrastructure in achieving our overall outcomes, while recognising that expenditure on them needs to be kept in balance.

**MAJOR CAPITAL PROJECTS**

**Whau Valley Water Treatment Plant**

Last year (2014) Council investigated the pros and cons of upgrading the 60-year-old freshwater treatment plant on the corner of Whau Valley Road and Fairway Drive, or building a new plant in a less populated area closer to the face of the dam.

The existing plant has adapted well to water quality improvements required over the past six decades, and it now processes much more water than it did when it was new. But it is now getting old, the building does not meet new earthquake standards, it is surrounded by residential development and large volumes of traffic pass it every day. If a new plant is built on a new site, it would meet 100% of seismic requirements, while only 67% of the standards would be met if the old plant’s building was upgraded. A new plant would last 40-50 years (twice as long as upgrades to the existing plant) and space would be allowed for the plant to be extended, if needed, in decades to come. A new site would remove this industrial activity from the residential environment, and could be achieved with less disturbance to residents than rebuilding on the existing site.

A new site will be sought and $18.7 million, including a $1 million carry forward from 2014-15, is allocated in 2015 to complete planned works to ease congestion and safety at the intersections of Nixon Street and Mill Road, and Nixon Street and Kamo Road, which are both subject to traffic queues and accidents. This project will see Nixon Street become four lanes between Mill Road and Kamo Road. The intersections at each end of this stretch will be upgraded and new traffic signals will be installed, and the intersection at Nixon Street and Kensington Avenue (crossing Kamo Road) will be straightened. Nixon Street will be widened by two metres (on the northern side) to allow for the extra lanes and footpath. This is the final project in a 20-year road improvement programme started in 1996, when the Whangarei 20/20 Central Area Concept Report revealed that up to 40% of the traffic in the central business district at the time was there only to travel from one side of the District to the other. Projects that would solve these issues most efficiently were then identified. The 20/20 Transport Plan was developed and, following public consultation, the Plan was adopted in 1996. We have been checking off those projects over the years since.
Dust suppression and sealing

Dust suppression on unsealed roads continues to be a topic of some discussion, and as a result we are seeking Government assistance to seal sections of road on a number of unsealed logging routes across the District. The decision from NZTA is not expected until July 2015 at the earliest, so $30,000 of dust suppression work was funded out of Roadings’s operating budget over the summer of 2014-15.

Council has applied to NZTA for a 100% subsidy to seal the full length of the currently unsealed sections of Wright Road and McCardle Road over three years. It is likely to cost $4.5 million to seal the 9km road. We are requesting this funding from NZTA’s Regional Development Fund (RDF) for forestry road upgrading.

In case we don’t receive this funding, we have also applied for a five-year programme to seal strips in front of houses on metal roads that carry a lot of heavy vehicle traffic. We have asked NZTA to subsidise 54% of the costs of the project, and we have included the 46% that we would contribute in this Plan.

Hikurangi sewerage

The sewer system in Hikurangi is so low-lying that in heavy rain, floodwater pooling above ground can flow into gully traps and low-lying manholes (inflow), and water within the ground can seep into the system through cracks in the pipes (infiltration). This floods the sewer and it, in turn, over-flows onto the surrounding land, contaminating flood water on streets, paddocks and back yards.

Lining cracked concrete pipes with PVC piping will reduce infiltration, and redesigning and replacing parts of the system will reduce inflow. We have allowed $400,000 for the engineering plans and preparatory work to repair the system in 2015-16, $3.4 million in 2016-17, $2.2 million in 2019–20, and $1.9 million in 2020–21.

Wastewater treatment plant odour and resource consent and city improvements

Work in wastewater management over the past decade has focused on improving the health of the harbour and wider environment, and sustaining that improvement.

Over the next 10 years focus will shift towards anticipating and meeting rising environmental standards, community expectations, accommodating population growth and taking advantage of improvements to technology. One of the primary projects will be to control odour from the largest wastewater treatment plant in the District, at Kioreroa Road. In the past, two odour-prone businesses were located on Kioreroa Road which was relatively distant from the city and ended halfway along the valley beside Limeburner’s Creek. Now Kioreroa Road is a major thoroughfare, connecting the Lower Hatea River Crossing with State Highway One. Industrial development has boomed along the route and residential development has moved closer. As a result, odours from the plant have the potential to affect more people.

Investment over the next 10 years will contain and treat odours emitted from the plant. At the same time, a number of projects will reduce the chances of spills and contamination by wastewater as it moves towards the plant through the City’s sewer network.

Support Services

Most of Council’s administration is carried out from three separate offices: Forum North (the only office building we own), Walton Plaza and the Civic Arcade. For some time we have been looking at options to bring the operations in these three buildings under one roof. In the coming financial year, we start working towards housing most of our civic and administration functions in one centrally located building, a move that would improve productivity and efficiency, reduce rent paid, provide a better service to customers and eliminate duplication of functions established to operate three buildings. It is estimated the project would cost $10 million, and that it would generate future operational savings averaging over $1 million per year. This is the only project that would increase our total debt, but this office building debt will be repaid through cost savings in around 12 years, thereafter providing ongoing cost savings.

The funding included in the Plan assumes expansion of the current building at Forum North. However, other options would be investigated, including staying in the current sites or leasing space in a new development in the CBD, which may mean a slight increase in costs, but would not require us to increase our debt.

New airport

Investigations are underway for potential development of a new airport, as the current location (Onerahi) is expected to have inadequate runway length for commercial airline fleets within 10–15 years. A total of $2.5 million has been included in the first four years of the Plan to fund initial investigation, site selection and consenting phases.

Land purchase and site development costs are difficult to estimate at this stage, but are certain to be significant – potentially as much as $40 million.

Because of this uncertainty no funding for this has been included in this LTP. However, should the new airport development proceed, Council’s intention would be to fund this through additional debt.

Because of the significance of this project, a decision to proceed beyond the consenting stage to physical development would trigger an LTP Amendment and further public consultation. There is insufficient headroom in the Limits on Debt (see page 36) for this funding and these would be reviewed as part of that process.
Council holds a range of fixed assets valued at 30 June 2014 at $1.6 billion. A total of $1.45 billion (91%) of these comprise our core network assets such as transportation, water systems, wastewater, stormwater and flood protection infrastructure.

Asset Management Plans have been prepared for infrastructure assets, setting out required maintenance and renewal expenditure to ensure they are appropriately managed and maintained to provide our targeted levels of service. Council intends to maintain these assets in accordance with these plans. Council also holds a number of operational and investment assets including property (incorporating land, buildings, ground leases and land held for development) and small forestry blocks.

Council’s assets are insured with a number of providers, with the exception of roading assets which are predominantly covered through emergency reinstatement funding from NZTA and the small number of asset classes that are self-insured. Following the 2011 asset re-valuation, Council reviewed sums insured for each asset class to ensure adequate cover was in place. This review found that Council had over 90% asset value cover for assets eligible for Local Authority Protection Programme (LAPP) and over 80% asset value cover for assets commercially insured. As a result of this review, Council allocated uninsured assets to LAPP, commercial insurers or ‘self insurance’. Options for cover of uninsured assets were taken through the 2012 insurance renewal process.

Each year since, Council has undertaken a full assessment of insurance to determine whether there is adequate cover and where necessary additional cover has been taken. At the time of the 2014-15 renewal (June 2014) approximately 2% of assets were allocated to self insurance with the remainder being allocated to commercial insurers, LAPP or NZTA.

2014 was also a revaluation year. Revaluation data was not available until after the placement of the 2014-15 insurance programme and, as a result of this, Council’s insurance schedules were again subject to a full review. This process is similar to that undertaken following the 2011 revaluation, and involved an assessment to determine whether costs of asset replacement across Council should be met by commercial insurers, LAPP and NZTA, or self insurance. Following this review, the insurance schedule was finalised with adjustments being notified to respective insurers.

Direct equity investments in Council Controlled Organisations/Council Controlled Trading Organisations and other shareholdings (in the form of land, buildings, airport assets and artwork) make up the remainder of Council’s assets. These investments are reviewed on a regular basis to ensure that they are still appropriate for Council to retain.

Over the period of this Plan, the value of assets is expected to rise considerably as capital works projects will establish new assets of significant value and existing assets are revalued every three years.

Assets by Activity

- Transportation 52%
- Water 12%
- Wastewater 14%
- Stormwater 12%
- Community Facilities & Services 5%
- Flood Protection & Control Works 1%
- Solid Waste 0%
- Support Services 4%
- Flood Protection & Control Works 1%
- Community Facilities & Services 5%
MANAGING OUR GROWTH

Our District is growing and we expect it to continue to grow by an estimated 1% per annum over the next 10 years. The population of the District is projected to increase from 83,700 today to around 112,000 in 2045.

This represents an average annual increase of around 800 people per year, and a total increase in population of about 8,100 over the next decade, increasing total dwellings by around 0.95% (or 342 additional dwellings) per year. Growth patterns also predict around 50 additional unoccupied dwellings (holiday homes) per year. In some parts of the District growth has the potential to be substantial, particularly in the Marsden Point/Ruakaka area and along the coast.

This expected growth in our population requires considerable investment in infrastructure, services and community facilities at substantial cost to Council, the business sector and the community in general.

While this growth is desirable and is to be encouraged it will continue to put pressure on our core infrastructure and community facilities in the medium and long term. Our transportation and roading network, water and wastewater services and parks and recreational facilities need to carry enough capacity to provide for predicted growth, with the anticipation of what has to happen and when it is needed being a significant challenge for Council.

To manage projected growth sustainably, in 2010 Council adopted a long-term sub-regional Growth Strategy titled Whangarei District Growth Strategy – Sustainable Futures 30/50. This Strategy determines existing and potential land use patterns and requirements. This allows us to manage the impact of growth and assess and plan for infrastructural requirements for our District over a 30-50 year time frame.

Because development and settlement patterns have effects on both the timing and costing of core infrastructure, the infrastructure Strategy builds on this work to provide more detailed planning of our network infrastructure needs. Our Activity and Asset Management Plans have also been developed with regard to the 30/50 Strategy, which encourages growth where it has been considered desirable and where infrastructure is capable of meeting increased demand and seeks to discourage it in other areas.

An allowance for growth in general rates of 1% p.a. has been made in this Plan.

The implications of growth for each of the main asset classes are discussed below:

Transportation
Recent Council efforts have resulted in a programme of major projects to improve traffic flow and safety in order to address future pressures on our roading network. These projects included the Lower Hatea River Crossing, linking Port Road to Riverside Drive, the Spedding Road extension the Porowini Avenue over-bridge and link to Port Road and the Mill Road/Nixon Street/Kamo Road intersection upgrades which is currently underway. The New Zealand Transport Agency (NZTA) has also been working through a series of major State Highway upgrades in order to address maintenance and growth factors. Increased traffic flows will also create demand for improved urban intersections, such as Porowini Avenue.

Water supply
Approximately 80% of our population accesses Council’s water supply infrastructure, with the remainder accessing water from springs, bores, streams or rainwater. The District has four water supply areas – Whangarei, Bream Bay, Maungakaramea and Mangapai.

Increasing population and industrial growth is placing pressure on our District’s stored water supply, which means our ability to respond to a one-in-50-year drought scenario is becoming strained. Annual water consumption is expected to increase from 7 million to around 8.2 million cubic metres annually by 2055 due to population growth.

In response to this situation the Plan includes projects to increase the availability of water and reduce the amount of lost water from system breaks and leaks.

Wastewater disposal
Major pressure is evident on the wastewater system as a result of growth in the District. The recently completed wastewater treatment plant and reticulation at Ruakaka South was partially driven by capacity constraints as a result of growth. The pressure, however, extends throughout our District in terms of growth in areas such as Tutukaka, Oakura and the City catchments.

Overloading of the sewerage reticulation system during peak wet weather conditions and overflows during extreme events have been catalysts for major upgrades in the past.

Stormwater disposal
Historically, demand on our stormwater network increased as there was little or no obligation on the development community to mitigate the effects of increased runoff. The effect of growth through property development is managed through regulatory mechanisms, principally Environmental Engineering Standards, which require new stormwater infrastructure and developments to address climate change, runoff and stormwater quality issues. Many of the assets arising from development will be vested to Council with a corresponding increase in operational expenditure required to maintain those assets as they age.

Continued work programmes are supporting renewal, maintenance and growth of the stormwater network as required.

Solid Waste
Generation of solid waste is closely linked to growth and industrial and commercial development. However, despite population growth, over the last several years there has been a reduction in the total waste tonnage to the landfill.

Council plans to continue this reduction through its Waste Minimisation Strategy. These reductions, coupled with past investment in solid waste facilities and services, ensure that capacity for future growth already exists, thus minimal capital investment is required in this area to respond to growth.

Parks & Recreation
Our District has an extensive network of sportsfields, reserves, parks, coastal structures and walkways along with a number of partially Council-funded community-based sporting and recreational facilities. We expect demand on these facilities to increase as our population grows, particularly with sportsfields, neighbourhood and urban parks, and amenities to enhance the ‘sense of place’ for individual communities. Council’s contribution to economic growth for the District includes increasing the number of events being held in Whangarei, with sporting events being included.
MINIMISING RISK

In preparing this Plan Council had to make some assumptions about what will happen in the future, but this will always bring with it a level of risk. We have identified four major areas of risk that could impact our ability to deliver on our Financial Strategy.

- Our District is susceptible to extreme weather events which requires funding for unplanned repair works. The main impacts are felt in our roading network, but there is often damage to other infrastructure such as pipelines, walking tracks and coastal structures. While we design and build our infrastructure assets to have resilience to these storm events, we are often faced with unplanned repairs. Council has considered the establishment of a reserve fund to cover storm damage, but has chosen not to do so at this time. Instead, funds are generally sourced from postponement of other projects as needs dictate. No provision has been made for catastrophic events such as tsunami, as this would be so disruptive that a business continuity plan based on the current operating model would be impractical and other interventions (such as central government support) would be required.

- We know that population growth and development will continue, but we cannot accurately quantify exactly when, where or to what extent it will occur. Our Asset Management Plans, and Infrastructure and Financial Strategies are all based on historical trends and future growth forecasts to give us the best prediction of our District’s needs into the future. While a number of projects that support growth are included in our LTP, we will review actual growth patterns and infrastructure needs each year and adjust the programme accordingly.

- Adverse global economic conditions can also have a negative impact on Council’s financial resources, as well as those of our ratepayers and residents. The last six years have been particularly challenging, as Council has balanced issues of rates affordability against the desire to continue spending on infrastructure projects, which provide a significant input to the local economy through employment and financial stimulus.

- Conversely, buoyant global economic conditions can lead to higher interest rates. Given the level of Council’s external debt, every 1% increase in interest rates represents about 2.4% of general rates. However, we manage our exposure to interest movement through a hedging programme that gives us a high degree of insulation from global or national events i.e. we have effectively capped our interest rates for many years into the future at current rates of less than 6%.

We also take a conservative approach to our debt levels, meaning that we have considerable capacity to raise debt to deal with abnormal events and emergencies. While there is no intention to increase debt beyond the levels shown elsewhere in this Strategy, it is important to note that we have access to more funding in the unlikely event that it is needed.

LIMITS AND POLICIES

Limit on rates

Council does not have a particularly diverse income stream, with the main sources being rates, fees and charges, development contributions and government subsidies (e.g. for transportation). There is limited scope to add new revenue sources without allocating funds to new investments, so the reliance on rates as a revenue source will remain relatively high.

While Council will continue its approach of allocating rates as a funding proportion based on who causes, and benefits from, its activities, it will also endeavour to limit rates (excluding water)* collected each year to a maximum of 70% of total Council revenue, with the long term average below this limit.

This limit will be reconsidered as part of every Annual Plan and LTP to ensure that it remains a practical target given Council’s financial position and broader economic conditions at that time.

Limit on rates (excluding water) as a % of revenue

* For the purpose of this limit, rates are defined as all revenue derived from general rates and targeted rates, but excluding water rates, which are effectively a consumption charge and are therefore out of Council’s direct control.
Limit on rates increases

As noted in the Rates section above, Council intends to apply increases above inflation to all rating types apart from water. The increase will vary by rating type and from year to year, with the largest increases in 2015-16.

The inflation factor used is the Local Government Cost Index, with predicted annual inflation amounts ranging from 2.24% to 3.53%, with the largest increases in the later years of the Plan.

Rating revenue will also increase through natural growth in the rating base i.e. as our population grows. An allowance of 1% per annum is made for rates levied on all ratepayers, and 0.8% for wastewater, and 0.6% water as some growth will be outside the reticulated area.

The limit on rates increases will be set at different levels for the life of the Plan. In the first year it will be LGCI plus 7.5%, compared to subsequent years of LGCI plus 4.5%.

Limit on rates increases (excluding water)

The target set for reporting purposes will be reset in each year’s Annual Plan based on the latest LGCI predictions.

From time to time there may be extraordinary events that mean Council may have to go outside these limits. For instance, there may be a need to fund the cleanup after a catastrophic event. However, these situations are considered to be unlikely and have not been provided for in this Plan.

Limits on borrowing

As noted above, Council is planning a decrease in external net debt to $146 million by the end of the LTP in 2025.

The maximum external net debt requirement in this Plan is $171 million, whereas the policy limits (below), which are viewed as conservative by Standard and Poors, support net debt of over $184 million. While Council has no intention of increasing debt to these levels, this represents the upper limit of borrowing under these limits and provides a buffer in the event of an emergency or natural disaster. When viewing its external debt situation, Council looks at external net debt which is the net of total external debt less any liquid financial assets and investments that Council may have put in place as part of its treasury management, at any given time.

There are two limits on borrowing: external net debt less than 150% of revenue, and external net debt per capita less than $2,150.

Details on how Council’s debt is managed are set out in the Treasury and Risk Management Policy which is available on request. Council also utilises internal funding which is not subject to the above limits.

Securities for borrowing

Council currently secures its external borrowing and interest rate risk management instruments against the total of rates revenue via a registered Debenture Trust Deed. It is intended to continue with this practice, which provides ample security cover for predicted levels of borrowing.

FINANCIAL INVESTMENTS AND EQUITY SECURITIES

Council uses any surplus cash to reduce debt, or invest in short term investments which are included as cash. Council can also hold investments in its subsidiaries.

Council does not hold equity securities in public companies except for small holdings in Civic Assurance Limited and New Zealand Local Government Funding Agency Limited which provide insurance services and lending to participating local authorities respectively.
COUNCIL ORGANISATIONS

Council currently delivers a variety of services through Council Organisations (CO’s) where it considers this is a more effective, efficient and financially viable option compared to other means of delivery.

There are five Council Controlled Organisations:

- Whangarei Waste Ltd
- Springs Flat Contractors Ltd
- Whangarei Art Museum Trust
- Northland Event Centre Trust
- Whangarei District Airport.

There is also one Council Controlled Trading Organisation:

- Northland Regional Landfill Limited Partnership.

Council also has a small (3.3%) shareholding in the NZ Local Government Funding Agency, which is owned by 30 councils and the Crown.

Council does not intend to make any significant changes to the current funding arrangements for these CO’s throughout the 2015-2025 LTP.

MONITORING AND REVIEWING THE STRATEGY

As part of business as usual we constantly scan the financial environment and our own performance to monitor:

- sustainability of our financial performance and position
- emerging risks
- whether the Strategy is being implemented
- trends in the community’s ability to pay.

The Strategy will be reviewed tri-annually as part of the LTP process. Consideration will also be given to the impacts of any significant changes in local, national or global economic conditions during each year’s Annual Plan process.

SUPPORTING DOCUMENTATION AVAILABLE

The policies listed below have been developed in conjunction with this LTP and are available upon request:

- Revenue and Financing Policy (page 184)
- Treasury and Risk Management Policy
- Development Contributions Policy.
LONG TERM PLAN DISCLOSURE STATEMENT FOR PERIOD COMMENCING 1 JULY 2015

What is the purpose of this statement?

The purpose of this statement is to disclose Council’s planned financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

Council is required to include this statement in its Long Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations (www.legislation.govt.nz) for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmarks

Council meets the rates affordability benchmark if:

- its planned rates income equals or is less than each quantified limit on rates; and
- its planned rates increases equal or are less than each quantified limit on rates increases.

**RATES (INCOME) AFFORDABILITY**

The following graph compares Council’s planned rates with a quantified limit on rates contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that rates income (excluding water) will not exceed 70% of total revenue.

**RATES (INCREASES) AFFORDABILITY**

The following graph compares Council’s planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this Long Term Plan. The quantified limit is that the rates increase should not exceed LGCI plus 7.5% in year one, and LGCI plus 4.5% in years two to 10.
Debt affordability benchmarks

Council meets the debt affordability benchmarks if its planned borrowing is within each quantified limit on borrowing.

**EXTERNAL NET DEBT**

The following graph compares Council’s planned debt with a quantified limit on borrowing contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that net debt be no higher than 150% of total revenue.

**NET INTEREST TO RATES REVENUE**

The following graph compares Council’s planned interest on debt with a quantified limit on borrowing contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that planned net interest should not exceed 25% of total rates revenue.

**EXTERNAL NET DEBT PER CAPITA**

The following graph compares Council’s planned debt with a quantified limit on borrowing contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that external net debt per capita be less than $2,150.
Balanced budget benchmark

The following graph displays Council’s planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, and equipment).

Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

Essential services benchmark

The following graph displays Council’s planned capital expenditure on network services as a proportion of expected depreciation on those same network services.

Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

Debt servicing benchmark

The following graph displays Council’s planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects Council’s population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.
INFRASTRUCTURE STRATEGY

SUMMARY

General
Council operates its services in perpetuity and therefore needs to strategically consider the optimal way to manage, maintain and renew assets to achieve and maintain service levels.

Asset growth occurs for Council as a result of decisions to build asset related capital projects (such as a bridge or a treatment plant), or through accepting assets paid for by developers but vested to Council to maintain and renew across the useful life of the asset. With new assets comes a need for more funding to maintain and operate them, or to simply stretch each dollar as far as possible to achieve what can be achieved within available funding, and defer any work that can be delayed. This results in a backlog of renewals that eventually needs to be addressed in order to maintain service levels and prevent asset failure. The following is a summary of Council’s assets and key points for asset condition. Refer to Council’s Asset Management Plans (AMPs) for a complete overview of each activity and expenditure (available on request).

Wastewater
Council provides wastewater services for the collection, treatment and disposal from approximately 26,000 connections. This asset base has a depreciated replacement cost of $220.7 million. The reticulation network includes 582km of mains, 141 pump stations and nine treatment plants. The wastewater system servicing Whangarei City is the largest, with 84% of all serviced properties connected to this network. The main gravity network in Whangarei has been constructed in various stages since 1910 and original pipe materials still remain in some locations. Assets are at various states of condition from very poor to good. Pump stations and rising mains are of variable condition and this is greatly dependent on age with some stations upwards of 60 years old.

Water
The District’s water supply system processes 9,500 million litres of raw water annually from nine sources at seven treatment plants. Potable water is distributed to approximately 25,000 metered customers via 730 kilometres of trunk mains, distribution mains and rider mains. The depreciated replacement cost of the water network is $196.3 million. These assets are generally in serviceable condition and are operating within their design capacity and expected life. Overall asset condition is categorised as good, and on average the water assets are halfway through their expected lives based on current revaluations.

Stormwater
There are 11 major Whangarei City stormwater catchments and a further 17 smaller settlements with stormwater networks comprising a combination of piped systems (pipes, manholes, sumps), open channels/drains, treatment devices and rivers/streams. The assets have a depreciated replacement cost of $184.4 million. The main stormwater network is predominantly concrete pipes and is relatively young in asset terms, therefore routine operations and maintenance have been held static within the current budgets. However a new monitoring programme is underway to more accurately assess the condition of these assets.

Flood Protection and Control Works
A flood management protection scheme was first implemented in the swamp area near Hikurangi in the early 1900s. A more substantial system of flood control was constructed in the early 1970s for the purpose of controlling flood waters that regularly flood farmland within the Hikurangi Valley. This scheme has greatly improved the agricultural potential of land within the swamp area and offered considerable economic benefit to the region.

The scheme comprises 68km of stop banks and spillways, 17 spillway sensors, seven pump stations, and 20 pumps with related electrical and control equipment. The depreciated replacement cost of the scheme’s assets is $22.2 million. Of the schemes 20 pumps, five have been replaced in the last 10 years and the remainder are more than 40 years old. While the pumps have relatively low run hours (as they only operate in storms), many of the older pumps and supporting electrical infrastructure will potentially need to be renewed or replaced in the next 30 years. Periodic top-up of stop banks (earthworks) are currently underway and this work should see levels returned to an ‘as per design’ condition.

Roading and Footpaths
Council’s transport infrastructure network comprises 1,078km of sealed pavement, 703km of unsealed pavement, 1,775km of sealed surface (including bridge surfaces) and 481 bridges and major culverts. These assets have a depreciated replacement cost of $770.2 million and represent Council’s largest activity value. This network is located throughout the District and includes all Council-formed roads, associated assets, and parking and footpaths on State Highways. The network excludes private roads and paper roads.

At present there is some deterioration in pavement condition due in part to deferred renewal works, and although current patching and rescaling maintenance addresses the surface issues it is acknowledged that it does not build strength back into the pavements. There is a backlog in both pavement renewals and surfacing. The condition of some footpaths, streetlights and traffic signals are slowly deteriorating. All bridges and culverts are in relatively good condition.

Solid Waste
Council, in conjunction with its private sector partners, provides solid waste (refuse) collection and disposal services throughout the District, including refuse and recycling collection, litter control, transfer stations, and the Puwera...
Landfill. Council-owned assets have a depreciated replacement cost of $1.2 million. Major assets such as the Puwera landfill and ‘ReSort’ are relatively new with ages ranging from five to 10 years and capacity in excess of 40 years. The gatehouse structures to satellite collection points were temporary in 2005. The intent was to install permanent structures over time but this has not been done and these are now showing signs of wear and many have a tired visual appearance. The access to Uretiti transfer station, the largest and busiest rural transfer station, is a serviceable metal road and ideally would be sealed but this work has not been allocated in the 2015-25 LTP period.

**Parks and Recreation**
Council currently administers 20,720 hectares of land as open space. This includes forest remnants and regenerating bush, wetlands and mangrove estuaries, coastal areas and esplanade reserves, city parks and street gardens, cemeteries, former quarries and landfills, areas reserved for water supply, waste treatment and other public utilities, sportsfields, playgrounds and pine forests. Excluding the land the Parks and Recreation assets have a depreciated replacement cost of $26.2 million.

Overall the asset conditions are average to good. Sport and recreation facilities are benefiting from recent upgrades and new technologies in turf management. Playgrounds are in good condition, however many of these are of a similar age and condition and careful planning of renewals is needed. Trails and linkages are in good condition, although timber structures are monitored for deterioration as these are reaching the end of their useful lives. Coastal structures are in good condition as a programme has been in place for some time to maintain and repair them. A large majority of assets in poor condition are low value items such as furniture, fences, lights and pavers.

### INTRODUCTION AND PURPOSE

Whangarei District Council is a territorial local authority with a growing population of 84,400 and stewardship of core infrastructure assets with a replacement value of $2.13 billion (2014). The District has a network of approximately 1,078km of sealed and 703km of unsealed roads, a water distribution network spanning 730km, a sewerage reticulation network of 582km, a stormwater network of 482km, and a flood protection scheme of 68km of stop banks and seven pump stations. Reserves and sports parks total 738 and 20,720ha of land as open space. Solid waste facilities comprise eight rural transfer stations and 563 litter bins.

Indications are that growth will continue in the District at an annual rate of approximately 1%. While this growth is desirable and encouraged, it will continue to put pressure on infrastructure in the medium and long term. Transportation and roading network, water, wastewater and stormwater services and parks and recreational facilities need to carry enough capacity to provide for predicted growth.

Because development and settlement patterns have effects on both the timing and costing of core infrastructure, this Strategy and the supporting AMPs have been developed with regard to the Sustainable Futures 30/50 Growth Strategy which was adopted by Council in 2010.

The intention of this Strategy is to identify at a high level where significant infrastructure issues that Council is likely to encounter over the next 30 years may occur, to determine the options for managing each issue, the most likely course of action and the cost implications of the most likely scenarios. Note that this Strategy does not contain detailed information. Detailed information can be found in the relevant AMP.

This Strategy forms part of the LTP and is supported by detailed AMPs and the 2015 Financial Strategy. It focuses on the significant issues. Although some areas of the community may be concerned about important issues from their perspective, these issues may not be deemed significant to the community as a whole and may not be specifically referred to in this document.

This Infrastructure Strategy will be reviewed on a triennial basis as part of the LTP process.

### INFRASTRUCTURE INCLUDED IN THIS STRATEGY

This Strategy considers the five major asset groups of Council’s network infrastructure in compliance with section 101B(6)(a) of the Local Government Act (LGA). These are water supply, sewerage and the treatment and disposal of sewage, stormwater drainage, flood protection and control works, and the provision of roads and footpaths.

These five core asset groups required by the LGA contribute significantly towards the daily public health and safety of the District’s residents. They depend on effective asset management planning for their operation, including renewal, replacement and delivery of expected levels of service. These assets are also at greater risk from natural disasters and would require Council to provide immediate replacement and/or repair in the event of a natural disaster as part of a recovery process.

Despite no requirement by the LGA to do so, Council has elected to consider Parks and Recreation assets and Solid Waste assets along with the five mandatory activities with the rationale that these two activities consume significant resources and contribute strongly to community outcomes.
CONSIDERATIONS

The following considerations have been used to identify significant infrastructure issues that are likely to arise over the next 30 years:

- determining when increases or decreases in levels of service for any activity might be required or appropriate
- maintenance or improvement of public health and environmental outcomes, and any likely mitigation of adverse effects on those outcomes
- providing for resilience of infrastructure assets by identifying and managing risk relating to natural hazards, designing for and constructing additional asset resilience, relocation strategies, and insurance
- replacement of assets as part of an overall replacement strategy.

SIGNIFICANCE AND ENGAGEMENT POLICY

Council’s Significance and Engagement Policy (page 188), adopted in November 2014, guides the determination of ‘significance’ with regard to issues, proposals, decisions and any other matter assessed by Council in terms of its likely impact on, and the likely consequences for the District and its community. This includes Council decisions relating to infrastructure assets.

Where this Infrastructure Strategy mentions ‘significance’, reference is being made to the provisions of the 2014 Significance and Engagement Policy.

In summary, a decision is significant if two or more of the criteria/threshold measures are triggered.

<table>
<thead>
<tr>
<th>CRITERIA/THRESHOLDS</th>
<th>MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on Council’s direction</td>
<td>Major and long-term</td>
</tr>
<tr>
<td>Change in Council’s current level of service</td>
<td>Major and long-term</td>
</tr>
<tr>
<td>Level of public impact and/or interest</td>
<td>Major and District-wide, or Major for an identified community of interest</td>
</tr>
<tr>
<td>Impact on Council’s capability (non-cost)</td>
<td>Major and long-term</td>
</tr>
<tr>
<td>Net financial cost/revenue of implementation, excluding any financial impact already included in Long Term and Annual Plans</td>
<td>Net Capital Expenditure &gt;10% of Total Rates in year commenced, and/or Net operating Expenditure &gt;2.5% of Total Rates in year commenced</td>
</tr>
</tbody>
</table>

LEVELS OF SERVICE

The LTP and Infrastructure Strategy are based on commitments made in previous years, feedback from the community during other Long Term and Annual Plan consultations, and data gathered during research into the historical, existing and future needs and wants of the community. Council has prepared its LTP and Infrastructure Strategy taking these factors into account. By the end of the first 10 years of the Infrastructure Strategy (i.e. the period covered by the LTP), it aims to be meeting its community’s expectations regarding levels of service with well maintained assets, providing a balance of core and community initiatives, that continue to enhance the District.

Council has considered additional demand based on predicted growth in the development of AMPs, after giving regard to the Sustainable Futures 30/50 Growth Strategy. Capital expenditure in the LTP incorporates its ability to meet targeted levels of service (refer Appendix A – Levels of Service, starting on page 60) whilst allowing for capacity required for anticipated growth. This Strategy is expected to continue for the period of the 30-year Infrastructure Strategy.

Despite the significant level of budgeted expenditure over the next 10 years, the upkeep of assets is still not at the optimum level as identified in the AMPs for the initial 10 years. The effect of this could potentially lead to deterioration in assets, meaning targeted levels of service are not attained and/or require additional costs in the future which are not included within the 10-year life of the LTP. This could potentially result in future ratepayers paying costs that should arguably be met by today’s ratepayers. The alternative would be to increase rates and other revenue even further, or to increase debt over the next 10 years.

The appropriate levels of service have been carefully considered by Council in each activity area taking into consideration the effects of each decision. There have inevitably been tensions or conflicts between the desired levels of service and the level which can be provided within the financial parameters outlined in the Financial Strategy.

The resulting AMPs have generally been prepared with a capital expenditure programme that is intended to maintain current levels of service. This ‘hold and maintain’ strategy will be managed by seeking efficiencies where funding is applied across operations, maintenance, renewal and capital upgrades. Council will also review operational practices and any efficiency that can be gained from altering intervention levels or response times without adversely impacting on service level delivery will also be considered.

There are no instances where current level of service targets have reduced.
FINANCIAL STRATEGY

Council’s Financial Strategy is based on fulfilling one of the core purposes of local government, which is to “meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses”.

The Financial Strategy focuses on the LTP period (i.e. years one to 10) which aims to:

- achieve a balanced budget in every year, where revenue exceeds expenditure (including depreciation)
- introduce a step change in most rates in the first year, with increases of 2% above inflation thereafter
- limit overall rates revenue (excluding water) to a maximum of 70% of total revenue
- have net debt no higher than 150% of total revenue
- have net debt peaking at $171 million and then reducing to $146 million by 2025
- maintaining interest costs at less than 25% of rates revenue (10.5% as at 30 June 2014)
- have net debt per capita level below $2,150 ($1,975 at 30 June 2014)
- provide sufficient cash surpluses to fund the planned capital expenditure programme without reliance on asset sales (apart from the Okara sale already in progress).

This allows for:

- a 10-year capital works programme of $574 million
- 79% of capital expenditure focused on core network infrastructure (roading, water, waste, stormwater and flood protection)
- operational revenues of $1.577 billion
- operational spending of $1.440 billion.

FUNDING STRATEGY

Council has identified that it needs to allocate more money to maintaining and renewing its assets, but wants to maintain current levels of service across all Council activities. This means Council has to increase its revenue and/or find some cost savings that don’t compromise service delivery in other areas. Council is constantly looking at cost saving opportunities and has addressed areas of inefficiency in its operations and processes, with significant savings made in earlier years already included in its budgets. Council will continue this process throughout the 10 years of the LTP.

In putting together the LTP, Council has reached the conclusion that rates increases are necessary because its current position is not sustainable if it is to maintain current levels of service and look after its assets properly.
Council’s average annual investment in capital expenditure for infrastructure assets over the next 30 years is expected to be $80.9 million. The graph to the right outlines this planned expenditure by asset driver. Capital investment by asset can be found in Council’s Funding Impact Statements (see Council Activities section starting on page 69) and AMPs (available on request).

Council’s average annual operating expenditure for infrastructure assets over the next 30 years is expected to be $113.9 million. The graph to the right outlines this expenditure by asset group.

Most likely scenario
The following graph outlines Council’s most likely capital and operating expenditure combined for 30 years. Council’s infrastructure operations are complex and diverse, providing a wide range of services. The cost of providing these services is supported through a variety of appropriate funding sources. These are outlined in Council’s Financial Strategy (page 20) and detailed in the Revenue and Financing Policy (page 184).
SIGNIFICANT CAPITAL EXPENDITURE DECISIONS AND CONSIDERATIONS

Timelines, drivers and funding options

There are three primary drivers influencing Council’s decisions to plan for future projects. These are:

- the need to increase expenditure to replace ageing reticulation assets
- the obligation to increase performance of assets due to consent expiration and other level of service drivers
- the requirement to expand the capacity of existing infrastructure to meet the needs of a growing community.

Council’s planned infrastructure investments are considered to be relatively conservative over the next 30 years, with no "significant" capital expenditure decisions currently made for this time period.

Council has not identified any infrastructure projects qualifying as significant using the threshold measures in the Significance and Engagement Policy (page 188). However, Council feels it is prudent to include the new Whau Valley Water Treatment Plant in this classification and section of the Strategy. This project is deemed to be of high importance to the community, and although expenditure is split into several smaller elements, the total of these come close to qualifying as a project meeting the net expenditure over rates threshold as per the 2014 Significance and Engagement Policy.

The Whangarei City Wastewater Treatment Plant renewal works does not qualify as significant but there is a small risk that resource consent conditions and public interest may change by year 2021 when the current consent expires. This has the potential to result in significant expenditure at that time. Consequently a level of uncertainty surrounds the future consent conditions and their potential financial impact.

The following table indicates the one water project Council currently considers prudent to include in this section of the Strategy.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SIGNIFICANT/MAJOR PROJECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Whau Valley Water Treatment Plant</td>
</tr>
<tr>
<td>2</td>
<td>2015-16</td>
</tr>
<tr>
<td>3</td>
<td>2016-17</td>
</tr>
<tr>
<td>4</td>
<td>2017-18</td>
</tr>
<tr>
<td>5</td>
<td>2018-19</td>
</tr>
<tr>
<td>6</td>
<td>2019-20</td>
</tr>
<tr>
<td>7</td>
<td>2020-21</td>
</tr>
<tr>
<td>8</td>
<td>2021-22</td>
</tr>
<tr>
<td>9</td>
<td>2022-23</td>
</tr>
<tr>
<td>10</td>
<td>2023-24</td>
</tr>
<tr>
<td>11</td>
<td>2024-25</td>
</tr>
<tr>
<td>11-30</td>
<td>2025-46</td>
</tr>
</tbody>
</table>

Council currently has no infrastructure projects deemed major or significant programmed for years 2025-2045.

Ordinarily Council would chart the primary driver splits of its significant projects in this section. However, as the Whau Valley Water Treatment Plant is the only project considered close to significant, and its primary driver is asset renewal, Council considers a chart superfluous in this Strategy. Should infrastructure projects of significance be considered in future strategies due to unforeseen factors at that time, they will be shown in a graph split by growth, renewal and level of service.

Details of costs associated with other large but not major or significant projects, can be found in Council’s Funding Impact Statements (see Council Activities section starting on page 69).

The funding options relating to significant major project expenditure considered in this section are outlined in the following table.

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>YEARS OF DEVELOPMENT</th>
<th>LOW COST OPTION</th>
<th>MOST LIKELY SCENARIO</th>
<th>HIGH COST OPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whau Valley Water Treatment Plant</td>
<td>2015-18</td>
<td>$18.2 million</td>
<td>$18.7 million</td>
<td>$19.2 million</td>
</tr>
</tbody>
</table>
Assumptions, principle options and decisions

The principle options considered, and the assumptions relating to these options, are summarised in this section. The associated costs are outlined in the matrix of expenditure considerations (table below).

### WHAU VALLEY WATER TREATMENT PLANT

<table>
<thead>
<tr>
<th>THE OPTIONS</th>
<th>THE PRINCIPAL ALTERNATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do nothing</td>
<td>The Whau Valley Water Treatment Plant was constructed in 1953 and is in need of a major upgrade due to the age and condition of a number of its critical component assets. Use other (more expensive to operate) treatment plants. This will cause restrictions in the summer months when the capacity of those plants is limited.</td>
</tr>
<tr>
<td>Upgrade the existing plant</td>
<td>Structural investigations of the existing plant determined that extensive works would be required to meet the Earthquake Strengthening requirements under the Building Act. Even then at best it can only be brought up to 67% compliance. Chlorine gas separation proves to be a challenge and insufficient room to manoeuvre large delivery vehicles. The capacity of this plant cannot be extended any further on the current site. Build a new plant on a new site or demolish building and rebuild on the same site. Acquire more land adjacent to the current plant to cater for the constrained site issues.</td>
</tr>
<tr>
<td>Build a new plant on a new site</td>
<td>Other issues at the current plant are chemical storage and delivery in a residential zone. The building of a new plant on a new site is deemed a more sustainable long term option. Investigate alternative new sites to optimise construction costs, overcome issues at current site and provide for long term capacity increases.</td>
</tr>
</tbody>
</table>

### THE MOST LIKELY SCENARIO

That Council will construct a new Whau Valley Water Treatment Plant on a new site and then demolish the current plant.

### CRITICAL ASSETS

Council is a member of the Northland Lifelines Group whose role is to help lifeline utilities to co-ordinate recovery and restore their services as quickly as possible following a disaster. These services generally include:

- critical community sites which are important to public health and safety (hospitals, ambulance depots) and emergency response (police, fire, emergency management)
- critical lifelines sites – including water services, power, gas, telecommunications and transportation networks.

Council assets/sites identified as critical sites for recovery are:

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>SITE</th>
<th>STREET ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>Road to Whangarei Heads</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Road to Marsden Point</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Bank Street</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Kamo Road</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Tarewa Road</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Port Road</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Road to Whangarei Airport – Riverside Drive/ Onerahi/Church Street</td>
<td>N/A</td>
</tr>
<tr>
<td>Water Supply</td>
<td>Ruakaka Water Treatment Plant</td>
<td>Port Marsden Highway</td>
</tr>
<tr>
<td></td>
<td>Tauroa Street Pump Station</td>
<td>Tauroa Street</td>
</tr>
<tr>
<td></td>
<td>Whau Valley Water Treatment Plant</td>
<td>Corner of Whau Valley Road and Fairway Drive</td>
</tr>
<tr>
<td></td>
<td>Kamo Pump Station</td>
<td>Corner Fairway Drive/ Whau Valley Road</td>
</tr>
<tr>
<td></td>
<td>Ruddells Water Treatment Plant</td>
<td>Cemetery Road</td>
</tr>
<tr>
<td></td>
<td>Poroti Water Treatment Plant</td>
<td>Mangakahia Road</td>
</tr>
</tbody>
</table>
The supply of potable water is a critical service. The two major water supply areas, Whangarei and Bream Bay, have considerable resilience as both are serviced from multiple sources and treatment plants in various locations. In the event of a major failure at a treatment plant or contamination of a source, alternative means of supply are available. The treatment plants and critical pump stations have emergency power generators. Over 95% of customers are fed from reservoirs with at least two days of storage. The two smaller water supply areas, Mangapai and Maungakaramea, can be easily supplied by tankers from town if required.

### KEY INFRASTRUCTURE ISSUES

#### WATER

<table>
<thead>
<tr>
<th>Issue and Implications</th>
<th>Most Likely Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water treatment plants, in particular the Whau Valley plant, require continuous upgrading and ongoing expenditure in an effort to ensure continuous production and maintain water quality standards.</td>
<td>Council has elected to replace the city’s main treatment plant at Whau Valley and has identified alternative sites within the vicinity of the current dam water source. A new water source from the Wairua River has also been approved and new treatment plant upgrades at Poroti are scheduled to commence to support the current and new system in time of water shortage.</td>
</tr>
<tr>
<td>Many critical pumps and drives are past their expected lives and are now due for either replacement or refurbishment.</td>
<td>Where possible this is done as part of a plant upgrade or planned minor project. Electrical and control assets are generally replaced on failure. Further condition assessments are planned as part of business as usual.</td>
</tr>
<tr>
<td>The Ruddells raw water line is partially blocked and unable to operate at full capacity, thus limiting raw water delivery. In addition, ground movement causes frequent leakage which must be rectified.</td>
<td>Remedial repairs will be undertaken on an ‘as need be’ basis until allocated renewal funding in years 2017-18, is applied to replace this asset.</td>
</tr>
<tr>
<td>A large number of alkathene and the remaining galvanised steel rider mains are operating past their predicted life and are in poor condition, with leakage and breakage rates that directly contribute to higher than desirable unaccounted for water figures and maintenance costs. Much of the distribution mains are asbestos cement (AC) and are nearing the end of their predicted life. There is evidence of leakage and failures starting to occur on AC and PVC mains. Many of the cast iron trunk mains are now 100 years old.</td>
<td>A condition assessment and a renewal strategy are recommended for these critical assets. It is recognised that repairs for these items can be difficult and costly. A programme of lower water pressure has been implemented in some areas while still maintaining the required level of service. This serves to lessen strain on ageing pipes and reduce leakage until replacement can be implemented.</td>
</tr>
<tr>
<td>WATER</td>
<td>ISSUE AND IMPLICATIONS</td>
</tr>
<tr>
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<td>------------------------</td>
</tr>
<tr>
<td>The World Health Organisation states that destruction of water born microbial pathogens in drinking water through the use of disinfectants is essential for the protection of public health. However, they also acknowledge that there is by-product toxicity introduced through the disinfection process. It is likely that more stringent forms of disinfection and monitoring of introduced toxicity will be a future requirement of drinking water treatment, incurring increased expenditure for Council.</td>
<td>There is uncertainty around if and when this is likely to occur. Council has included some funding to comply with potential changes to drinking water standards. It is acknowledged that increased levels of water purity may require additional investment by Council which may be shared at some level with the community through targeted rates. However, at this time the extent of any potential investment for this purpose remains unknown.</td>
</tr>
<tr>
<td>Water fluoridation has been signaled in many areas of the country and has been a topic of debate. Should this become a Government requirement, increased funding will be needed for its implementation. Opposition may continue, and there is a risk this will cause delayed implementation and consequential costs.</td>
<td>Council has no plans to fluoridate water at this time. Should the community require it, and depending on the level of associated capital investment, the community may be required to share in this cost. It is uncertain if government subsidisation will be available for this action. Regardless, this would be sought to offset costs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WASTEWATER</th>
<th>ISSUE AND IMPLICATIONS</th>
<th>MOST LIKELY SCENARIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on current levels of forecast growth and Council’s 10-year LTP, infrastructure in Bream Bay (the Waipu and Ruakaka areas) and Whangarei Heads, will have limited capacity by year 11 of the Infrastructure Strategy. Investment in growth will be needed in Bream Bay to ensure a growing community is served. Failure to invest sufficiently will impact on development.</td>
<td>Growth will provide some level of funding through development contributions, but Council considers that this may be insufficient to fund required growth demand upgrades. To expand these assets, Council will need to fund this work through debt, community alliance funding or targeted rates, or a combination of all or any of these mechanisms. Limiting connections to the wastewater reticulation system is another option being considered.</td>
<td></td>
</tr>
<tr>
<td>Currently, no new wastewater systems are proposed in the 30-year Plan for Maungatapere, Maungakaramea, or Matapouri. If significant development occurs in these communities, the provision of new assets will need to be reviewed.</td>
<td>To build additional assets in these areas Council will fund this work through debt, targeted rates, deferring other projects – or a combination of all or any of these mechanisms.</td>
<td></td>
</tr>
<tr>
<td>There is potential for significant level of service investment in the Whangarei City treatment plant when the City’s consent is renewed in year 2021. This may affect treated effluent discharge standards, requiring Council to upgrade the treatment plant and possibly acquire more land.</td>
<td>Depending on the outcome of this process, a large capital investment may be needed to improve treatment levels. It is expected that this will come from borrowing and ultimately targeted rates.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STORMWATER</th>
<th>ISSUE AND IMPLICATIONS</th>
<th>MOST LIKELY SCENARIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme storm events have the potential to require greater capital expenditure depending on the extent of damage.</td>
<td>Council does not currently hold reserve funds to cover increased expenditure (capital and operating) arising from storm damage, and extreme storm events have the potential to significantly impact on the finances of the year in which the event occurs, and the following years depending on the extent of damage. Lack of funding provision for emergency works may result in reduced renewals as renewal funding gets diverted to fund flood damage repairs. For now this approach will continue, with Council reviewing how it manages flood damage in the future.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ROADING AND FOOTPATHS</th>
<th>ISSUE AND IMPLICATIONS</th>
<th>MOST LIKELY SCENARIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry traffic causes some damage to pavement and consumes around 20% of our pavement maintenance budget to maintain approximately 5% of our network. In struggling to maintain pavement renewals, deteriorating pavement condition will be reflected in increased pavement maintenance costs (e.g. pre-resell repairs have increased from an average $400,000 per year to $1.5 million per year in six years). This situation should improve over the next 10 years with re-investment in pavement renewals.</td>
<td>The forestry traffic and pavement replacement cycles will be addressed by the increase in pavement renewals funding. This is expected to improve the condition of our pavements. However, there may be a lag in the effect of this work which may see levels of service drop in the short term.</td>
<td></td>
</tr>
<tr>
<td>Flooding has caused damage in past years and has been funded by slowing down renewal programmes or deferring maintenance projects. Lack of funding for emergency works is a risk to the renewal programme as funding may need to be diverted to fund flood damage repairs. This approach will continue, with Council reviewing how it manages flood damage in the future.</td>
<td>Lack of funding provision for emergency works ($3 million per year on average) may result in reduced renewals as renewal funding gets diverted to fund flood damage repairs. For now this approach will continue, with Council reviewing how it manages flood damage in the future.</td>
<td></td>
</tr>
<tr>
<td>There is a risk that NZTA may change its subsidy funding policy in the future which could impact on Council’s ability to adhere to its current roading strategy. If subsidised funding becomes reduced or unavailable, Council would have to implement a reduced programme of works.</td>
<td>Due to the high level of ambiguity in predicting what other funding sources may or may not do in the future, Council considers it appropriate to review alternative options if and when this occurs.</td>
<td></td>
</tr>
</tbody>
</table>
FLOOD PROTECTION AND CONTROL WORKS

ISSUE AND IMPLICATIONS
With respect to debt, the flood control scheme will be in credit by the end of the 10-year Plan (2025) on the basis that pump replacements will be deferred beyond year 10 of the LTP. If this does not occur, Council will need to allocate additional funding to the scheme or risk increased flooding in the area, which will greatly affect the local agricultural economy.

MOST LIKELY SCENARIO
Council considers it prudent to keep rates at a higher level once back in credit and fund capital works through a depreciation fund rather than borrowing. These rates will need to be considered in light of affordability issues in farming on the scheme.

The level of service the current scheme provides will be affected by changing weather patterns as the scheme is designed to protect pasture in relatively small stormwater events (1 in 3.5-year return). If large cyclonic events are more regular, the investment in the scheme becomes less economic.

MOST LIKELY SCENARIO
Funding sources for the Hikurangi Swamp flood protection and control works are predominantly from targeted rates. The Hikurangi Swamp Major Scheme Rating District contributes approximately 89% percent of the total targeted rates, and the Hikurangi Swamp Drainage Rating District contributes the remaining 11% percent. Some minor additional revenue is provided from land rentals. Council will continue to monitor the financial, environmental and economic impact of increased flood events, and through a consultative process will evaluate how best to provide additional asset investment at such times as it is required.

SOLID WASTE

ISSUE AND IMPLICATIONS
Solid waste assets require a renewal and maintenance programme. If assets are not maintained or renewed their condition will deteriorate requiring greater overall spending and a decrease in performance related to public satisfaction. There is a shortfall of funding for solid waste major maintenance and renewal programmes in years one through 10, which may negatively influence levels of service and growth related projects.

MOST LIKELY SCENARIO
Council considers that its solid waste assets are generally in good to excellent condition with a large surplus of capacity (>40 years), therefore has chosen not to allocate any capital expenditure funding to its solid waste assets within the first 10 years of the Strategy. Should investment be required for major maintenance or renewal, Council will attempt to fund this through a combination of user charges and level of service funding.

PARKS AND RECREATION

ISSUE AND IMPLICATIONS
Trends and user expectations influence the demand for assets and service levels are budgeted for at the time these expectations are understood and planned for. Sports turf quality is an area which demands increasingly better quality, and some soils in Whangarei do not enable us to provide this level of service. The key issues are for growth communities and Council’s ability to provide adequate land for recreation and neighbourhood parks.

MOST LIKELY SCENARIO
Council will address these issues in consultation with the community as they arise, with funding options considered at that time and within future LTP programmes.

ASSUMPTIONS AND CAPITAL EXPENDITURE DRIVERS

When should infrastructure be replaced?

Asset renewal or replacement expenditure is major work that does not increase the asset’s design capacity but restores, rehabilitates, replaces or renews it to its original capacity. This includes reconstruction or rehabilitation works involving minor improvements and renewal and/or renovation of existing assets, restoring them to a new or fresh condition consistent with the original asset. It is generally accepted that it costs more to maintain an asset as it reaches the end of its economic life. In some cases, assets may be replaced prior to reaching the end of their economic lives due to capacity or performance issues.

The expected useful lives of Council’s assets are detailed in Council’s Statement of Accounting Policies (refer Appendix B on page 65).

In making these projections, Council has assumed that the current state of engineering technology remains unchanged. In reality, however, future technological advancements may enable Council to lower the cost of replacing assets or to significantly extend useful lives. Going forward, best practice asset management will incorporate these opportunities to ensure assets are managed appropriately and efficiently.
Renewals

All assets need to be replaced at the end of their useful lives, and every year we select part of our total asset base to renew, based on its condition. This takes up most of our capital expenditure. However, we also keep track of the ‘wear and tear’ of all assets, by allowing for annual depreciation of our entire asset base. Ideally, the amount we spend renewing some of our assets should roughly match the annual depreciation of all of our assets. This makes sure that we have adequate funding to renew all assets over the long term.

However, as the graph below shows there is a growing gap between the two for the next 10 years or so, with the average ratio of renewal expenditure to depreciation around 87% per year. The cumulative renewal spend catches up to depreciation again in later years. While we could close this gap by increasing debt or raising rates, we don’t believe this is necessary as our planned approach is prudent because it won’t compromise service levels in the years where renewals won’t match depreciation, and nor is it likely to lead to a significant backlog of asset replacements.

This approach does rely on the availability of funding for the renewal program in later years, but as long as future Councils keep rates in line with inflation after the next 10 years, our growing population should provide adequate income growth to fund the renewal programme required. If that doesn’t happen there could be reductions in service levels in later years, but there will be plenty of time to reassess the situation before then.

Cumulative forecast asset renewal expenditure to depreciation 2015-2045

WATER RENEWALS

Water assets are generally in a good serviceable condition and are operating within their design capacity and expected life. Renewals occur as either planned replacement or through maintenance, or repair.

Council considers that the expected water asset lives from current revaluation are correct, that an asset is in service from its installation date and that its expected life and condition deteriorates linearly from that time. It is assumed that ground conditions have only a minor effect on the life of reticulated watermain assets. Levels of service are being maintained with only 7% of assets past their expected lives or in backlog, which is considered normal. Some water-related buildings will require periodic maintenance and large civil structures will need rehabilitation to remain in service until the end of their expected lives. Pumps and equipment assets that are on standby or in stores may exceed their expected lives.

The management strategy for non-critical reticulation assets renewal is planned for a few years after expected end of life of the asset or when failures start to occur. Management of critical equipment and reticulation assets is addressed through a combination of preventative maintenance, condition assessment and planned renewal programmes. Non-critical equipment assets are managed by a ‘run to failure’ strategy at which time these assets are replaced as necessary.

The quality of the water supplied is integral in maintaining public health. The water supply complies with the New Zealand Drinking Water Standards, and Public Health Risk Management Plans (Water Safety Plans) are produced by Council’s Water Services and approved by Ministry of Health Drinking Water assessors. The standards and plans include procedures for dealing with non-compliant water and any public health issues.

Resource consent conditions apply to all water takes and discharges from treatment plants. Through monitoring and compliance with these consents adverse effects on the environment are minimised and dams and water catchments are enhanced and protected.

Water Demand Management Plans and Water Supply Bylaws are in place to minimise wastage of water and protect Council’s supplies.
WASTEWATER RENEWALS

Old buried pipe networks contribute to the majority of poor condition wastewater assets. These include the Hikurangi sewer network, old asbestos cement sewer mains, and some PVC pressure lines in Waipu. It is predicted that these will require replacement within 10 years. The District’s wastewater mechanical assets are generally in a reasonable condition.

The strategy for maintaining the District’s wastewater assets is to defer capital works projects until as late as possible by the close monitoring of assets and application of a diligent preventative maintenance and renewals programme.

Currently the wastewater activity’s debt level is decreasing and targeted rates are likely to be sufficient at predicted increases to meet expenditure for renewals, level of service maintenance and operations in the 30-year plan.

Public health protection is currently met through maintaining a sewage overflow mitigation programme. Managing ageing assets and meeting higher customer expectations will require more funding than currently budgeted to ensure that wastewater services adequately protect public health and mitigate environmental harm. Insufficient operational expenditure and lack of funding for asset renewals are identified as the highest risk to provide for satisfactory public health and environmental outcomes.

STORMWATER RENEWALS

There are 11 major Whangarei City stormwater catchments and a further 17 smaller settlements with stormwater networks comprising a combination of piped systems (pipes, manholes, sumps), open channels/drains, treatment devices and rivers or streams. Unlike wastewater and water assets, stormwater assets are employed intermittently, when it rains. Thus deterioration is more related to environmental causes over a long period of time than through constant use. Stormwater asset lives therefore tend to be long in comparison with other asset groups and therefore very little renewal driven by structural condition deterioration has been observed. There has been little service line or storm channel renewals forecast for the next 30 years and main line renewals only planned in years 2015-45.

Renewal profiles for stormwater assets are calculated on an age basis, with replacement funding generally allocated at end of asset life. This, however, is determined by the asset capacity to function rather than predictive modelling. It is recognised that this is a simplistic approach and Council is in the process of developing a predictive model for reticulated networks that takes into account factors such as condition, capacity and maintenance work orders to better allocate renewal funding against the piped assets.
Design approaches are employed to reduce peak flow storm runoff and provide stormwater quality treatment. This includes roadside swales, attenuation tanks and planted ponding areas to store and attenuate the peak flow of a storm. These techniques help mitigate the environmental impacts of stormwater discharges. The District Plan and WDC Environmental Engineering Standards 2010 recognise and encourage these engineering techniques as a means of mitigating peak flows and degradation of receiving water quality.

Increased demand for treatment of stormwater may arise in the future due to increased national and regional legislative constraints (e.g. National Environmental Standards, changes in consent conditions upon renewal).

FLOOD PROTECTION AND CONTROL WORKS RENEWALS

The flood protection and control works in the Hikurangi area are functioning adequately and earthworks have recently been completed to raise stop bank levels. Some concrete structures are showing signs of structural wear and will be costly to repair. It is proposed that these be maintained rather than replaced.

Council considers that there will be more environmental challenges in operating the flood scheme in the future. The viability of farming the flood plains is dependent on the scheme operating effectively. The more expensive it is to operate, or the lower the level of service it provides, makes farming in this flood prone area challenging for some farmers.

Assumptions are that the current asset life related to the flood control system is consistent with industry averages. This asset life is maximised through deferring capital works until as late as possible and by increased maintenance expenditure. A diligent monitoring programme ensures that the Scheme operates within consent compliance limits.

By operating the Scheme in accordance with its consent limits and facilitating discussion groups to allow integration of community environmental drivers within the operation of the Scheme, Council maintains public health and environmental outcomes while mitigating adverse effects on the assets and the environment.

The current focus for the Hikurangi Swamp Scheme is to undertake refurbishment of the existing Pleuger pumps rather than replace them, and as a result it is hoped that the Scheme will return to positive equity with regard to debt earlier than originally forecast in prior years.

The level of service the flood control scheme provides will be affected by changing weather patterns as the Scheme is designed to protect pasture in relatively small events (1 in 3.5-year return). If large cyclonic events become more regular the investment in the Scheme becomes less economic.
TRANSPORTATION RENEWALS

A step change in pavement renewal funding is expected to result in sustainable renewal costs going forward as depicted in the graph below. However, there is a risk that NZTA will reduce its level of co-funding if Council maintenance and renewal funding is not maintained at appropriate levels. NZTA subsidies for roading expenditure provides up to 54% of each project.

Council funding for roading renewals will be increased over the life of the Strategy. However, there is a possibility that funding levels for maintenance of the District’s roads is insufficient to retain the current levels of service and will result in reactive maintenance being undertaken.

Flood damage work has in the past been funded by slowing down renewal programmes or deferring maintenance projects. Lack of identified funding for emergency works is a risk to this renewals programme as funding may need to be diverted to fund flood damage repairs. This can have further downstream impacts by delaying key projects and deferring necessary renewals which results in increased maintenance costs to hold the asset position.

On unsealed roads the health and environmental benefits of sealing house frontages on heavy vehicles routes may be reduced by any significant reduction in this programme, and the health benefits of encouraging walking and cycling may be reduced by the deferral of the Kamo and Tikipunga cycleway routes.

SOLID WASTE RENEWALS

Most solid waste assets are in a relatively new condition. However, the sealed pavements and access roads to some transfer stations are ageing and will eventually need to be resurfaced. The impact of not funding planned maintenance and renewal programmes risks a higher whole of life asset cost and reduced levels of service.

Much of Council’s solid waste assets have a 30-year plus life capacity. However, assets such as the transfer station networks and litter bins are on a cyclical renewal programme. Priorities for the solid waste replacement programme are assessed in terms of frequency of asset failure, ability to meet service level standards and the risk of environmental damage. Due to deferred renewal funding as reflected in the graph below, higher levels of reactive maintenance may still be incurred within the first 10 years.

The useful life of transfer station depreciation varies with individual components, from between 20 and 50 years. Asset lives can be maintained or extended provided that the repair or replacement of damaged or failed components is carried out according to good practice. This includes fence replacement, barrier repair and pavement re-sealing. Lack of due asset maintenance will result in reduced asset life.

It is likely that in the short term asset condition will deteriorate but it is expected that future LTP planning cycles will recognise these needs at the appropriate time.

There is some risk to public health if maintenance is not up to a reasonable standard. Safety barriers will need to be maintained and trips and falls need to be avoided where there are potholes. Dust nuisance at the Uretiti transfer station will be ongoing in dry conditions until the access road is sealed.

Where applicable, resource consent conditions are monitored and complied with.
PARKS AND RESERVES RENEWALS

Overall asset conditions are average to good. Sport and recreation facilities have recently been upgraded and playgrounds are in good condition. However, many of these are of a similar age and careful planning of renewals is required. It is envisaged that with an initial increase in renewal expenditure in the first 10 years coupled with sustained level of service and growth expenditure across the 30-year period, Council’s renewal investment for parks over the following 20 years will average as depicted in the graph below.

Renewal of aged and poor condition assets will be carried out in such a way to ensure service level expectations are met to the highest possible standard within the resources provided. The most likely scenario is that demand will be met on existing assets rather than provision of new assets.

Operational funding of tree maintenance may be inadequate to meet desired maintenance programmes.

Provision of land in areas of growth will have significant impact on finances as buying land in the future to meet needs in an already developed environment requires increased levels of funding. Additionally the growth component is lesser and therefore a higher percentage of the land price is paid by Council versus development contributions, which could, if provided for, fund 100% of land requirements.

The lifecycle of assets is in line with industry best practice, occasionally altered to reflect local conditions, such as exposed coastlines or erosive conditions.

Consistent quality management and inspection regimes are in place through contracts in all areas. Regular auditing of assets is done by experienced staff who will continue to monitor levels of use and wear on assets.

Health and safety investigations are conducted monthly and environmental standards are inherent within this work under the Reserves Act as and when applicable.
Responding to growth (or decline) in demand

Council’s Growth Model (adopted in October 2014) provides an analysis of possible growth scenarios of short, medium and long term for the household and business sectors, based predominantly on Statistics New Zealand projections. This information assists Council with asset management, strategic planning and the funding of growth projects. The Growth Model is an evolving representation of the District and is continuously updated as new information is received.

Analysis has determined that the geographical locations in the District with the highest projected population increase over the 2015-2045 period are expected to be (in order of growth): Marsden Point/Ruakaka, Waipu, Hora Hora, Te Hihi and Tikipunga West. The areas of the District that are expected to increase the least in population over the 2015-2045 period are (in order of least growth): Kamo West, Western Hills, Springs Flat and Onerahi.

In establishing a medium growth forecast, the mean of high and low projections for estimated building consent numbers was considered. The medium growth projection for the Whangarei District is expected to average 0.95% per annum for the period 2015 to 2045.

The Sustainable Futures 30/50 Growth Strategy is the key strategy that informs our forward planning work. Adopted in 2010, it outlines a long-term, integrated framework and spatial plan which supports sustainable development of the District over the next 50 years. AMPs are developed taking into account the growth framework provided by the Strategy and associated implementation plan.

In terms of demand for infrastructure, the main determinant of demand for core infrastructure services is the growth in the number of households and businesses. The implications of growth on core infrastructure are as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ESTIMATED RESIDENT POPULATION</th>
<th>INCREASE</th>
<th>% INCREASE PER ANNUN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>84,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>87,590</td>
<td>3,190</td>
<td>0.9%</td>
</tr>
<tr>
<td>2023</td>
<td>91,790</td>
<td>4,200</td>
<td>1.0%</td>
</tr>
<tr>
<td>2028</td>
<td>96,050</td>
<td>4,260</td>
<td>0.9%</td>
</tr>
<tr>
<td>2033</td>
<td>100,500</td>
<td>4,450</td>
<td>0.9%</td>
</tr>
<tr>
<td>2038</td>
<td>105,160</td>
<td>4,660</td>
<td>0.9%</td>
</tr>
<tr>
<td>2043</td>
<td>110,030</td>
<td>4,870</td>
<td>0.9%</td>
</tr>
<tr>
<td>2048</td>
<td>115,130</td>
<td>5,100</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

WATER

Approximately 80% of our population accesses the water supply infrastructure, with the remainder accessing water from springs, bores, streams or rainwater. The District has four water supply areas – Whangarei, Bream Bay, Maungakaramea and Mangapai. It is expected that annual water consumption will increase from 7 million to around 8.2 million cubic metres annually by 2055. Upgrades to the Whau Valley dam and Poroti water source, and approval for a new water source from the Wairua River are considered adequate to meet this growth demand as well as provide contingency supply in times of drought.

WASTEWATER

Based on current levels of forecast, growth infrastructure in Bream Bay (Waipu, Ruakaka and Langs Beach/ Waipu Cove) and Whangarei Heads, will have limited spare capacity by year 11 of this Infrastructure Strategy. Investment in growth will be needed in Bream Bay to ensure a growing community is serviced. Failure to invest sufficiently will have an impact on development.

STORMWATER

There may be some long-term increase in demand for stormwater reticulation arising from growth. However, impact is anticipated to be minimal as Council requires peak flows from post development runoff to be no greater than those of pre-development runoff. Consequently, no increase in infrastructure capacity is required. Growth-related development impact is also managed through regulatory mechanisms, principally the Environmental Engineering Standards, which now require new stormwater infrastructure and developments to address climate change, property runoff and stormwater quality issues. Full details of the engineering requirements, including hydrology and assumptions, are given in Council’s Environmental Engineering Standards.

FLOOD PROTECTION AND CONTROL

Council has adopted the risk management of flood control relating to growth requirements put forward by NAMS until a corporate management policy/framework is operationalised. This is defined as “the systematic application of management policies, procedures and practices to the tasks of identifying, evaluating, treating and monitoring those risks that could prevent a local authority from achieving its strategic or operational objectives or from complying with its legal obligations”. The purpose of this process is to manage risk in a way that allows key business objectives and strategic goals to be consistently achieved.
ROADS AND FOOTPATHS

Roading growth demand is supported through planning mechanisms that ensure the provision of sufficient and appropriate transport networks for existing and future growth communities. Council has made significant investment in major roading projects over the past 15 years in response to future growth. The construction of the Te Matau a Pohe bridge (Lower Harbour River Crossing) and Dave Culham Drive completes the southern end of the Whangarei to Onerahi route, reducing congestion on the single river crossing on Riverside Drive. The Mill/Nixon/Kamo Road project has commenced, this being the last of the major capacity projects required in and around Whangarei District roads to manage congestion. State Highway 1 four laning is being continued into Whangarei District, which will be partially Council-funded. These reductions, coupled with past investment in solid waste facilities and services, sees a future capacity in excess of 40 years. Therefore minimal capital investment is required in this area to respond to growth.

SOLID WASTE

The generation of solid waste is closely linked to growth and industrial and commercial development. However, despite population growth, over the past several years there has been a steady reduction in the total waste tonnage going to landfill. These reductions, coupled with past investment in solid waste facilities and services, sees a future capacity in excess of 40 years. Therefore minimal capital investment is required in this area to respond to growth.

PARKS AND RESERVES

Our District has an extensive network of sportsfields, reserves, parks, coastal structures and walkways along with a number of partially Council-funded, community-based sporting facilities. We expect demand on these facilities to increase as our population grows. For this reason development of an urban park (a ‘second Kensington Park’) is planned in years 2040-41.

When should Council invest in improving the existing service?

The key reasons Council would need to improve existing infrastructure services are:

- responding to increasing environmental expectations
- responding to increasing legislative requirements
- managing the effects of climate change
- increasing resilience of infrastructure relating to natural hazards.

ENVIRONMENTAL EXPECTATIONS

Infrastructure has a high potential to negatively affect the environment and, in consideration of this, resource consents and subsequent compliance monitoring is sought for asset activities. However, consent requirements may, in certain cases, have the potential to attract unforeseen infrastructure expenditure as consent conditions change over time.

For example, Council’s wastewater activities operate under 10 resource consents. A schedule of the resource consents associated with the wastewater activity is maintained by Council and provision is made for the renewal of these consents as required. Monitoring of resource consents is undertaken by Wastewater Services as the consent holder and other consent administrators such as Northland Regional Council. However, should the requirements for wastewater discharge change to involve larger areas of land or greater levels of treatment under future consent conditions, Council would be required to accommodate these requirements through the purchase or lease of additional land and/or treatment investment. It is acknowledged that there is a level of uncertainty surrounding future consent conditions for all asset activities and that there is an embodied financial risk in this uncertainty.

LEGISLATIVE CHANGES

Amendments to legislation or standards (e.g. Building Act or Drinking Water Standards) have the potential to require Council to upgrade its infrastructure which may pose a financial risk to Council in the future. No provision is made above the existing requirements/standards at this time. However, should future amendments to legislation or standards require upgrades to its infrastructure, Council would incur additional costs and this may result in deferral of already planned works.

CLIMATE CHANGE

The Ministry for the Environment has issued information relating to the effects of climate change in “Preparing for Climate Change – A guide for local government in New Zealand” (2008). It is predicted that Northland will experience an annual average increase in temperature of 0.9 degrees by 2040. The average annual rainfall for the Whangarei region is expected to decrease by 4% at year 2040. These figures are based on a 1990 benchmark. Council recognises that there is a level of uncertainty surrounding the potential effects of climate change and the financial impact this is likely to have. Where Council is considering significant future investment in infrastructure, a risk assessment and cost-benefit analysis is completed with climate change implications taken into account. Allowances for climate change are accommodated in asset design to offset the risk of additional future investment and to maximise asset lifecycle under changing conditions. For example, the effects of global warming and asset risks due to rising sea levels are included in the wastewater network model.
INFRASTRUCTURE RESILIENCE

There is an increasing demand for the roading network to be resilient by reducing the incidences of roads being closed due to land instability or flooding. This type of demand can be controlled by carrying out preventative maintenance activities such as slip repairs. No provision is made beyond the industry design standard to resist potential earthquake damage at this time. However, should future design standards provide for increases in earthquake resilience, Council would incur additional costs which could result in already planned works being deferred to accommodate it.

Council considers that the rebuild of the Whau Valley Water Treatment Plant at a nearby location, at a cost of $17.6 million, is a better long-term solution than upgrades to the existing plant. In the last LTP Council planned $7 million of upgrades to comply with earthquake strengthening requirements and constraint issues at the current site. In planning for the new plant, Council has considered existing asset risk and future asset resilience.

Wastewater assets are monitored, in relation to their environmental risk and especially with plant and backup equipment. Funding has been allocated for limited plant upgrades to resist earthquake damage. However, as with all asset-related activities Council does not have a specific policy on earthquake damage control and funding should a significant event happen.

SIGNIFICANT VARIATIONS IN SANITARY ASSESSMENTS AND WASTE MINIMISATION

Recent changes to the Local Government Act 2002 now require Council to identify in the LTP any significant variation between the proposals in that Plan and Council’s assessment of water and sanitary services and its Waste Management and Minimisation Plan.

The following table sets out the relevant assessments and plans, and notes any significant variations with regard to the 2015-2025 LTP:

<table>
<thead>
<tr>
<th>ASSESSMENT/PLAN</th>
<th>LAST REVIEW</th>
<th>ITEM</th>
<th>VARIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply</td>
<td>2006</td>
<td>Extension of the public water supply to Ngunguru/Tutukaka, Matapouri, OAkura, Oceans Beach, Pataua North and Pataua South.</td>
<td>At this time there does not appear to be community support or demand for public water provision in these areas. These items have therefore not been planned for the 2015-2025 LTP period. This variation is not considered to be significant.</td>
</tr>
<tr>
<td>Wastewater</td>
<td>2006</td>
<td>No variations.</td>
<td></td>
</tr>
<tr>
<td>Stormwater</td>
<td>2006</td>
<td>No variations.</td>
<td></td>
</tr>
<tr>
<td>Cemeteries</td>
<td>2012</td>
<td>To develop a new cemetery facility in the Bream Bay area.</td>
<td>Public demand is increasing for a cemetery in this area. Council is investigating options for location and development. Funding has not been allocated to this project in the 2015-2025 LTP. This variation is not considered to be significant.</td>
</tr>
<tr>
<td>Crematoria</td>
<td>2012</td>
<td>No variations.</td>
<td></td>
</tr>
<tr>
<td>Waste management</td>
<td>2012</td>
<td>No variations.</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX A – LEVELS OF SERVICE

Water

Levels of service serve as the vital link between strategic direction, core values, consultation, and the functional delivery, and guide how assets should be managed. Two level of service statements were developed for water:

- Council will provide safe drinking water with adequate pressures to the residents of the District connected to the water supply system.
- the water supply system is managed in a sustainable way and in times of emergency there is adequate water supply available.

Local Government Mandatory Performance Measure (MPM)

Council will provide safe drinking water with adequate pressure to the residents of the District connected to the water supply system.

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<tr>
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<tbody>
<tr>
<td>Whangarei District’s water quality will comply with the Ministry of Health’s Drinking Water Standard for New Zealand requirements for bacterial monitoring.</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>The extent to which the local authority’s (LA) drinking water supply complies with: (a) part 5 of the drinking water standards (bacteria compliance criteria), and (b) part 5 of the drinking water standards (protozoal compliance criteria).</td>
<td>New MPM</td>
<td>Fully complies</td>
<td>Fully complies</td>
<td>Fully complies</td>
<td>Fully complies</td>
</tr>
<tr>
<td>Residents’ satisfaction with the water supply.</td>
<td>≥95%</td>
<td>≥95%</td>
<td>≥95%</td>
<td>≥95%</td>
<td>≥95%</td>
</tr>
<tr>
<td>The total number of complaints received by the LA about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply; and (f) the LA’s response to any of these issues expressed per 1000 connections to the LA’s networked reticulation system.</td>
<td>New MPM</td>
<td>≤17</td>
<td>≤17</td>
<td>≤17</td>
<td>≤17</td>
</tr>
<tr>
<td>The number of water main breaks (distribution and riders) per 100km of pipe per year will not increase beyond the target figure set.</td>
<td>≤35</td>
<td>≤30</td>
<td>≤30</td>
<td>≤30</td>
<td>≤30</td>
</tr>
<tr>
<td>Where the local authority attends a callout in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</td>
<td>New MPM</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
</tr>
<tr>
<td>(a) attendance for urgent callouts: from the time the LA received notification to the time service personnel reach the site</td>
<td>≤4 hrs</td>
<td>≤4 hrs</td>
<td>≤4 hrs</td>
<td>≤4 hrs</td>
<td></td>
</tr>
<tr>
<td>(b) resolution of urgent callouts: from the time the LA received notification to the time that service personnel confirm resolution of the fault or interruption</td>
<td>≤12 hrs</td>
<td>≤12 hrs</td>
<td>≤12 hrs</td>
<td>≤12 hrs</td>
<td></td>
</tr>
<tr>
<td>(c) attendance for non-urgent callouts: from the time that the LA receives notification to the time that service personnel reach the site; and</td>
<td>≤24 hrs</td>
<td>≤24 hrs</td>
<td>≤24 hrs</td>
<td>≤24 hrs</td>
<td></td>
</tr>
<tr>
<td>(d) resolution of non-urgent callouts: from the time that the LA receives notification to the time that service personnel confirm resolution of the fault or interruption.</td>
<td></td>
<td></td>
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</tbody>
</table>

Water supply is managed in a sustainable manner, and in times of emergency there is adequate water supply available.

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<tbody>
<tr>
<td>The amount of raw water available as a percentage of predicted demand during drought conditions.</td>
<td>≥79%</td>
<td>≥83%</td>
<td>≥81%</td>
<td>≥79%</td>
<td>≥79%</td>
</tr>
<tr>
<td>The percentage of real water loss from the local authority’s networked reticulation system (including a description of the methodology used to calculate this).</td>
<td>New MPM</td>
<td>≤25%</td>
<td>≤25%</td>
<td>≤25%</td>
<td>≤25%</td>
</tr>
<tr>
<td>The average consumption of drinking water per day per resident within the territorial authority district.</td>
<td>New MPM</td>
<td>≤500 litres</td>
<td>≤500 litres</td>
<td>≤500 litres</td>
<td>≤500 litres</td>
</tr>
</tbody>
</table>
Wastewater and Stormwater

CORE VALUE/SERVICE STATEMENT - RELIABILITY/ACCESSIBILITY

Under the chosen service option, breaks and blocks are effectively dealt with. Provision for growth is managed to ensure there is the capacity to meet demand and un-reticulated communities are identified and given support to connect to the network. Network models are developed and areas at risk of failure identified.

CORE VALUE/SERVICE STATEMENT - SUSTAINABLE/ENVIRONMENTAL

Under the chosen service option, the network will be managed to minimise the impact on the surrounding environment through monitoring of untreated discharges and implementation of mitigative measures. Design of new works and renewals are to make an allowance for climate change.

CORE VALUE/SERVICE STATEMENT – AFFORDABILITY/COST

Stakeholders are given options for affordability in service level delivery and understand the consequences/impacts of those options. Under the chosen service option, a whole-of-life approach is to be applied to project planning and a coordinated approach across Council to provide efficiency in procurement, construction or maintenance of the wastewater assets.

CORE VALUE/SERVICE STATEMENT – SAFETY/HEALTH

Under the chosen service option, respond in a timely and well managed way to any contamination, identify and monitor locations of wet weather overflows and develop a strategy to investigate the separation of cross connections. Ensure, through education and maintenance, the safety of both operators and the public.

CORE VALUE/SERVICE STATEMENT – QUALITY/QUANTITY

Under the chosen service option, the network will operate within the bounds of the engineering standards, consents and construction/maintenance standards to ensure infrastructure standards and deliverables are met.

Wastewater levels of service

Local Government Mandatory Performance Measure (MPM)

Council will collect, treat and dispose of wastewater through a reliable wastewater network which is managed to ensure blockages, breaks or spillages are kept to a minimum.

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<tbody>
<tr>
<td>Compliance with Territorial Authority (TA) resource consents for discharge from its sewerage system measured by the number of: (a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions.</td>
<td>New MPM</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>The number of dry weather sewerage overflows from the TA’s sewerage system, expressed per 1000 sewerage connections to that sewerage system.</td>
<td>New MPM</td>
<td>≤1.35</td>
<td>≤1.35</td>
<td>≤1.35</td>
<td>≤1.35</td>
</tr>
<tr>
<td>Residents’ satisfaction with sewerage reticulation, treatment and disposal services.</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>The total number of complaints received by the TA about any of the following: (a) sewage odour (b) sewerage system faults (c) sewerage system blockages; and (d) the TA’s response to issues with its sewerage system expressed per 1000 connections to the TA’s sewerage system.</td>
<td>New MPM</td>
<td>≤20</td>
<td>≤20</td>
<td>≤20</td>
<td>≤20</td>
</tr>
<tr>
<td>Where the TA attends to sewerage overflows resulting from a blockage or other fault in the TA’s sewerage system, the following median response times measured: (a) attendance time: from the time that the TA receives notification to the time that service personnel reach the site; and (b) resolution time: from the time that the TA receives notification to the time that service personnel confirm resolution of the blockage or other fault.</td>
<td>New MPM</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
</tr>
<tr>
<td></td>
<td>New MPM</td>
<td>≤7 hrs</td>
<td>≤7 hrs</td>
<td>≤7 hrs</td>
<td>≤7 hrs</td>
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Council will provide well maintained and accessible public toilets in high use areas.

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<tbody>
<tr>
<td>Residents satisfaction with public toilets.</td>
<td>≥75%</td>
<td>≥75%</td>
<td>≥75%</td>
<td>≥75%</td>
<td>≥75%</td>
</tr>
</tbody>
</table>
Stormwater Levels of Service

Local Government Mandatory Performance Measure (MPM)

Council will provide a stormwater network that minimises flood risks and environmental impacts.

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<tbody>
<tr>
<td>Compliance with the TA’s resource consents for discharge from its stormwater system, measured by the number of: (a) abatement notices (b) infringement notices (c) enforcement orders; and (d) convictions (e) received by the TA in relation to those resource consents</td>
<td>New MPM</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Residents’ satisfaction with stormwater drainage service.</td>
<td>&gt;70%</td>
<td>&gt;70%</td>
<td>&gt;70%</td>
<td>&gt;70%</td>
<td>&gt;70%</td>
</tr>
<tr>
<td>The number of complaints received by a TA about the performance of its stormwater system, expressed per 1000 properties connected to the TA’s stormwater system.</td>
<td>New MPM</td>
<td>≤400</td>
<td>≤400</td>
<td>≤400</td>
<td>≤400</td>
</tr>
<tr>
<td>(a) The number of flooding events that occur in a territorial authority district (b) For each flooding event, the number of habitable floors affected. Expressed per 1000 properties connected to the TA’s stormwater system.</td>
<td>New MPM</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>The median response time to attend a flooding event, measured from the time that the TA receives notification to the time that service personnel reach the site.</td>
<td>New MPM</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
<td>≤1 hr</td>
</tr>
</tbody>
</table>

Flood Protection and Control Works levels of service

Local Government Mandatory Performance Measure (MPM)

Council will provide a reliable and sustainable flood protection scheme which is managed to mitigate flooding within the Hikurangi Swamp Scheme area to an acceptable level.

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<tbody>
<tr>
<td>The major flood protection and control works that are maintained, repaired and renewed to the key standards defined in the local authority’s relevant planning documents (such as its, Asset Management Plan, annual works programme or LTP).</td>
<td>New MPM</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>The number of infringement or abatement notices issued by Northland Regional Council in relation to the scheme consent.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Roading and Footpaths levels of service

Local Government Mandatory Performance Measure (MPM)

The District’s roading network will be maintained in a satisfactory condition and in accordance with national safety and engineering standards.

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<tbody>
<tr>
<td>Percentage of road accidents with contributing roading factors.</td>
<td>≤9%</td>
<td>≤9%</td>
<td>≤9%</td>
<td>≤9%</td>
<td>≤9%</td>
</tr>
<tr>
<td>The change from the previous financial year in the number of fatalities and serious injury crashes on local road network, expressed as a number.</td>
<td>New MPM</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Residents’ satisfaction with the roading network.</td>
<td>≥60%</td>
<td>≥61%</td>
<td>≥61%</td>
<td>≥61%</td>
<td>≥61%</td>
</tr>
<tr>
<td>The average quality of ride on a sealed local road network, measured by smooth travel exposure.</td>
<td>New MPM</td>
<td>≥87%</td>
<td>≥87%</td>
<td>≥87%</td>
<td>≥87%</td>
</tr>
<tr>
<td>The percentage of the sealed local road network that is resurfaced.</td>
<td>New MPM</td>
<td>≥8%</td>
<td>≥8%</td>
<td>≥8%</td>
<td>≥8%</td>
</tr>
<tr>
<td>The average quality of ride on the unsealed local road network, measure by the % of road as smooth travel</td>
<td>New MPM</td>
<td>≥70%</td>
<td>≥72%</td>
<td>≥75%</td>
<td>≥75%</td>
</tr>
<tr>
<td>The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the time frame specified in the LTP.</td>
<td>New MPM</td>
<td>≥95%</td>
<td>≥95%</td>
<td>≥95%</td>
<td>≥95%</td>
</tr>
</tbody>
</table>

We will support alternative transport methods.

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<tbody>
<tr>
<td>The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority’s relevant document (such as its Annual Plan, Asset Management Plan, annual works program or LTP).</td>
<td>New MPM</td>
<td>≥80% in fair or better condition</td>
<td>≥80% in fair or better condition</td>
<td>≥80% in fair or better condition</td>
<td>≥80% in fair or better condition</td>
</tr>
<tr>
<td>Residents satisfaction with footpaths in urban areas.</td>
<td>≥74%</td>
<td>≥74%</td>
<td>≥74%</td>
<td>≥74%</td>
<td>≥74%</td>
</tr>
<tr>
<td>Length (km) of walking and cycling dedicated network built each year.</td>
<td>3.0km</td>
<td>1.8km</td>
<td>1km</td>
<td>1km</td>
<td>1km</td>
</tr>
<tr>
<td>Residents’ satisfaction with street lighting in urban areas.</td>
<td>≥82%</td>
<td>≥82%</td>
<td>≥82%</td>
<td>≥82%</td>
<td>≥82%</td>
</tr>
</tbody>
</table>

Travel times in and around the network will be predictable and disruptions to the network will be well managed and communicated.

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<tbody>
<tr>
<td>Residents’ satisfaction with the way the District is managing its morning and evening traffic flows.</td>
<td>≥55%</td>
<td>≥70%</td>
<td>≥70%</td>
<td>≥70%</td>
<td>≥70%</td>
</tr>
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</table>
Solid Waste levels of service

Council will provide kerbside refuse and recycling collection services to all properties in the District and transfer stations will be operated throughout the District.

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<tbody>
<tr>
<td>Residents’ satisfaction with solid waste collection and recycling services and transfer stations.</td>
<td>≥85%</td>
<td>≥85%</td>
<td>≥85%</td>
<td>≥85%</td>
<td>≥85%</td>
</tr>
</tbody>
</table>

Council will foster waste minimisation by supporting recycling and waste reduction practices so that a continued reduction in refuse sent to landfill occurs.

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<tbody>
<tr>
<td>Tonnage of refuse from within Council boundaries sent to landfill will reduce from the previous year.</td>
<td>New</td>
<td>≤2%</td>
<td>≤2%</td>
<td>≤2%</td>
<td>≤2%</td>
</tr>
<tr>
<td>Tonnage collected from Council recycling will increase from the previous year.</td>
<td>New</td>
<td>≥2%</td>
<td>≥2%</td>
<td>≥2%</td>
<td>≥2%</td>
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</tbody>
</table>

Council will provide and empty public rubbish bins and undertake litter control throughout public places in the District.

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<tbody>
<tr>
<td>Residents’ satisfaction with litter control.</td>
<td>≥75%</td>
<td>≥75%</td>
<td>≥75%</td>
<td>≥75%</td>
<td>≥75%</td>
</tr>
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</table>

Parks and Recreation

Council will provide and maintain outdoor sporting facilities to support and promote active recreation of the community through participation in both organised and informal sporting activities.

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<tbody>
<tr>
<td>Sports parks will be provided to meet the community’s needs.*</td>
<td>≥166 hrs</td>
<td>≥177 hrs</td>
<td>≥175 hrs</td>
<td>≥177 hrs</td>
<td>≥181 hrs</td>
</tr>
</tbody>
</table>

Council will provide and maintain a range of reserves, including built facilities, to meet the recreational and leisure needs of the community as well as protecting and enhancing the natural environment for its intrinsic value.

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<tbody>
<tr>
<td>Average satisfaction rating of sports codes with sports parks.</td>
<td>≥80%</td>
<td>≥80%</td>
<td>≥82%</td>
<td>≥82%</td>
<td>≥84%</td>
</tr>
<tr>
<td>Residents’ satisfaction with neighbourhood, civic space, cultural heritage, public gardens, and recreational and ecological linkages parks.</td>
<td>≥80%</td>
<td>≥80%</td>
<td>≥82%</td>
<td>≥82%</td>
<td>≥86%</td>
</tr>
</tbody>
</table>

Council will convert or upgrade identified existing open spaces to provide a wider range of high quality recreational and leisure opportunities within the District for our community and visitors.

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<tbody>
<tr>
<td>Hectares of open space land transformed.**</td>
<td>0.37 ha</td>
<td>1.2 ha</td>
<td>0.5 ha</td>
<td>0.5 ha</td>
<td>0.5 ha</td>
</tr>
<tr>
<td>Residents perception that Council is making sufficient investment in developing a strong sense of place for the District and its communities.</td>
<td>New</td>
<td>≥70%</td>
<td>≥70%</td>
<td>≥70%</td>
<td>≥70%</td>
</tr>
</tbody>
</table>

Council will provide and maintain cemeteries and a crematorium in a satisfactory manner.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents’ satisfaction with cemeteries.</td>
<td>≥90%</td>
<td>≥90%</td>
<td>≥90%</td>
<td>≥90%</td>
<td>≥90%</td>
</tr>
</tbody>
</table>

* This measure is expressed as the number of hours available at sports parks per 1000 members of the District population during the winter season.

** This measure relates to tracks constructed on, or connecting, reserve land in addition to any walk and cycleway tracks funded by the transportation activity.
APPENDIX B – USEFUL LIVES

From Council’s Statement of Accounting Policy:

Property, plant and equipment consists of operational assets, restricted assets and infrastructure assets. Property, plant and equipment items are shown at historical cost or valuation less accumulated depreciation and impairment losses. Depreciation is provided on all property, plant and equipment. The exceptions are those assets with undefined useful lives which are not depreciated. Depreciation is calculated on a straight line basis or diminishing value where appropriate, at rates which will allocate the cost or value of the asset (less any residual value) over its useful life. The estimated useful lives, in years, of the major classes of property, plant and equipment are as follows:

<table>
<thead>
<tr>
<th>INFRASTRUCTURAL ASSETS</th>
<th>YEARS</th>
<th>DEPRECIATION RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land under roads</td>
<td></td>
<td>Indefinite</td>
</tr>
<tr>
<td><strong>ROADING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bridges</td>
<td>50</td>
<td>2%</td>
</tr>
<tr>
<td>Carriageways</td>
<td>5-40</td>
<td>2.5%-40%</td>
</tr>
<tr>
<td>Culverts</td>
<td>50-99</td>
<td>1%-2%</td>
</tr>
<tr>
<td>Footpaths</td>
<td>10-25</td>
<td>4%-10%</td>
</tr>
<tr>
<td>Kerbs and channels</td>
<td>25</td>
<td>4%</td>
</tr>
<tr>
<td>Street and road signs</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td><strong>WATER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipes</td>
<td>40-116</td>
<td>0.9%-2.5%</td>
</tr>
<tr>
<td>Tanks</td>
<td>43-200</td>
<td>0.5%-1%</td>
</tr>
<tr>
<td>Valves</td>
<td>10-89</td>
<td>1.1%-10%</td>
</tr>
<tr>
<td>Treatment plant</td>
<td>30-80</td>
<td>1.25%-33%</td>
</tr>
<tr>
<td><strong>LIQUID WASTE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipes</td>
<td>40-130</td>
<td>0.8%-2.5%</td>
</tr>
<tr>
<td>Manholes</td>
<td>50-93</td>
<td>1%-2%</td>
</tr>
<tr>
<td><strong>STORMWATER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manholes</td>
<td>50-80</td>
<td>1.25%-2%</td>
</tr>
<tr>
<td>Pipes</td>
<td>40-112</td>
<td>1%-2.5%</td>
</tr>
<tr>
<td><strong>DRAINAGE NETWORK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pipes</td>
<td>50-80</td>
<td>1.25%-2%</td>
</tr>
<tr>
<td>Parks and reserves – walkways and sports parks</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>14</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Infrastructure assets’ residual values and useful lives are reviewed on a three yearly revaluation cycle and adjusted if appropriate.
Key assumptions have been made in defining the 30-year Infrastructure Strategy as follows:

**Growth projections:** growth will occur generally in line with Council’s projections. This reflects Council’s assumptions about demand for services i.e. that population growth increases demand for services for its infrastructure assets, and Council’s assumptions regarding growth in revenue. The farther out the projection, the higher degree of uncertainty there is

**New Zealand Transport Agency funding:** Council receives funding assistance from the New Zealand Transport Agency (NZTA) for roading and footpaths. It is assumed that the NZTA funding assistance will increase to match Council’s increased budget for maintaining and renewing its assets. Shortfalls in funding assistance from the NZTA will likely result in reduced levels of service.

**Levels of service:** it has been assumed that there will be no significant changes to the current levels of service. Some communities may wish to maintain a higher level of service than this. If there is widespread agreement for this Council could introduce targeted rates in selected areas.

**Legislation:** this Strategy has been prepared in line with current legislation and standards. Any significant changes in legislation may result in a change in level of service, or require additional funding.

**Revenue:** this Strategy has been prepared based on the preferred option of increasing total rates beyond inflation every year for the next 10 years. Any reduction in funding will likely result in assets being run down and/or much less being spent on community initiatives and recreational facilities, with a corresponding drop in levels of service.

**Asset Lives:** it is assumed that on average the asset lives in Appendix B – Useful Lives will be achieved. The condition of the assets will be monitored to assess their respective remaining lives against the predicted asset lives.

The above mentioned risks will be managed through periodic monitoring in line with the LTP review process.

### APPENDIX D – HISTORIC SPEND

#### Transportation

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
<th>Level of Service</th>
<th>Renewals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$15 million</td>
<td>$0</td>
<td>$0</td>
<td>$15 million</td>
</tr>
<tr>
<td>2012-13</td>
<td>$30 million</td>
<td>$0</td>
<td>$0</td>
<td>$30 million</td>
</tr>
</tbody>
</table>

#### Water

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
<th>Level of Service</th>
<th>Renewals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$1.6 million</td>
<td>$0</td>
<td>$0</td>
<td>$1.6 million</td>
</tr>
<tr>
<td>2012-13</td>
<td>$800,000</td>
<td>$0</td>
<td>$0</td>
<td>$800,000</td>
</tr>
</tbody>
</table>
Solid Waste

Wastewater

Stormwater

Flood Protection & Control Works

Community Facilities & Services (including Parks & Recreation)
Telling our stories 2018

Guide on consultation documents

Part of SOLGM’s suite of LTP guides

October 2016
Telling our stories 2018: Guide on consultation documents

October 2016

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WHAT IS THIS GUIDE?

This guide focuses on the long-term plan consultation document (CD). The CD is the statutory information source for supporting engagement with the community on an LTP. The CD presents the key issues and major matters that your council is proposing to include in the long-term plan (LTP) in a manner that is accessible to the public.

As with the LTP, the CD is grounded in the following six rules for successful long-term planning:

1. **Long-term planning needs an outward focus**: a successful long-term plan must be grounded in an understanding of the demographic, economic, environmental and social factors that shape the world around it. Some of these key issues such as the local economy and the council’s plans to foster development might well be an issue for inclusion in the CD.

2. **Long-term planning means long-term**: the horizon for a long-term plan is the useful life of assets, as opposed to the triennial cycle or even the legislative timeframe of ten years.

3. **Long-term planning presents the right debate**: a long-term plan engages the community in a debate that focuses on the balance between the community’s needs and aspirations, service realities and the community’s willingness to pay. This is sometimes referred to as the right debate. Many of the key issues from a CD will revolve around a choice or decision that the council and community face around a level of service, or the funding and financial implications of choices already made.

4. **Long-term planning tells one integrated story**: a long-term plan should tell a single overall story, each part of the story should line up in a way that supports and amplifies the other parts of this story. The CD presents the ‘highlights’ from the story, with a focus on the matters that your local authority is looking for feedback.

5. **Long-term planning is grounded in the present**: planning must proceed from a detailed understanding of the present, including the financials and fundamentals such as asset condition and performance.

6. **Long-term planning requires project management disciplines**: a long-term planning process contains a lot of moving parts. Successful long-term planning requires careful project planning and sequencing the right things in the right order.

This guide is in three parts. The first part introduces the CD – its purpose and its relationship with the LTP. This part also provides guidance on determining what should and shouldn’t be regarded as supporting information, and presenting this information to the community.

Part 2 of the guide considers the contents of a CD, including determining the key issues and major matters for inclusion in the CD, and the mandatory content of an LTP. This part of the guide provides advice on presenting these matters.

And finally, Part 3 turns to the processes for preparing an LTP CD.

Throughout the guide we draw on examples from some of the better CDs from the 2015 LTP round. The eight finalists can be all be found on the SOLGM website at: [http://www.solgm.co.nz/long-term-planning-resources#GreatCD](http://www.solgm.co.nz/long-term-planning-resources#GreatCD).
WHAT IS A CONSULTATION DOCUMENT?

A CD is a legal obligation under sections 93B and 93C of the Local Government Act 2002 (the Act).

The purpose of an LTP is to:

(a) describe the activities of the local authority; and
(b) describe the community outcomes of the local authority’s district or region; and
(c) provide integrated decision-making and co-ordination of the resources of the local authority; and
(d) provide a long-term focus for the decisions and activities of the local authority; and
(e) provide a basis for accountability of the local authority to the community

The purpose of a CD is to:

“provide an effective basis for public participation in local authority decision-making processes relating to the (LTP) by

(a) providing a fair representation of the matters that are proposed for inclusion in the long-term plan and presenting these in a way that-

(i) explains the overall objectives of the proposals and how rates, debt and levels of service might be affected; and

(ii) can be readily understood by interested or affected people; and
(b) identifying and explaining to the people of the district or region, significant or other important issues and choices facing the local authority and district or region, and the consequences of these choices; and
(c) informing discussions between the local authority and its communities about (above matters)”.¹

A CD is not a summary of the full range of contents of an LTP. A CD succinctly describes the key issues from the LTP as well as making the key choices and implications clear to your community. By focussing the reader’s attention on the key issues that your community faces and your local authority’s plans to address the issues, your CD is the key means for informing the right debate with your community.

¹ Section 93B, Local Government Act 2002.
THE RELATIONSHIP BETWEEN THE CD AND THE LTP

The CD is a recognition that the LTP can be a large, complex and occasionally technical document that can be difficult for many members of the community to engage with. The CD presents the key issues for consultation, and provides the reader with a signpost to further information (for example, this might include a link to a webpage).

The CD is the only lawful basis for the mandatory engagement with the community on the matters your local authority proposes to put in your LTP. The act expressly excludes the inclusion of the following in a CD, or the attachment of any of the following to a CD:

- a draft of the long-term plan
- a draft of the financial strategy or the infrastructure strategy
- a draft of any policy (for example, you can’t include a full draft of the revenue and financing policy into a CD, or attach a full draft to the CD).

In addition to the CD itself, your local authority will also need to prepare, adopt and make available, any information that the CD relies on. We’ll use the term supporting information as a shorthand descriptor.

The CD/supporting information model draws a clear line between:

- the document that provides the basis for the consultation process (the CD) and
- the document that serves as the basis for on-going accountability (the LTP adopted at the end of the process).

While the Act gives some steer (such as the key matters from the financial and infrastructure strategies), local authorities are given a lot of discretion as to what may or may not be included. At the same time the CD has to direct the reader to the information on which the CD relies.

Our view is that the required content of a CD is sufficiently wide enough that local authorities should prepare and adopt much of the information presently required under schedule 10 available before release of the CD. Although further guidance on this topic is provided in Jigsaw 2018: Piecing It Together, SOLGM’s view is that local authorities should have the following ready for adoption before adopting the CD:

- community outcome information
- groups of activities information – including the disclosures required under clause two of Schedule10, capital expenditure for the group, the group level Funding Impact Statement (FIS), and performance information. This is especially important for those groups that you have included in your infrastructure strategy, but don’t forget that you’ll have people wanting to know about parks and libraries
- the full financial strategy and infrastructure strategy – this may also necessitate a statement on the balanced budget (particularly if the prudence of your financial strategy is at issue)
- the forecast financial statements and other financial disclosures
- the full revenue and financing policy and local board funding policy (if you need one). If you are proposing significant changes to your policy on development contributions you may also need a full draft of this.
This list is not exhaustive, and will depend on the particular issues and situation your local authority faces. For example, information regarding Council-Controlled Organisation (CCO) might be information if a CCO is delivering significant services on behalf of your local authority, or a revenue stream from CCOs is a significant part of your financial strategy. As always though, some degree of judgement and discussion with your own legal advisors and auditors will be required.

Box 1.1 below shows how one council worked through what was regarded as supporting information in the context of the major matters it was taking to the community.

**Box 1.1: An example – Are we there yet? (Timaru District Council)**

Timaru District Council took the following four issues to consultation with the community:

1. How do we fund the shortfall in the roading area? How do we fund this?
2. Where are our regional cultural facilities going?
3. How much should each type of property contribute to the general rate?
4. How do we secure drinking water in the future for the Timaru and Temuka communities?

The council regarded the following as necessary information to support discussion of each of these issues:

- on road funding – the infrastructure strategy, the NZTA One Network Road Classification (as it appears on the NZTA website), and the council’s submission on the latest NZTA review of Financial Assistance Rates
- on regional facilities – a museum feasibility study and various reports to council
- on general rate funding – a QV study and various reports to council
- on drinking water – the infrastructure strategy and the water supply asset management plans.

In respect of other non-key issues and meeting other statutory requirements the council also regarded the following as supporting information:

- the financial strategy
- activity statements
- an economic development strategy
- a table of unfunded projects.

Your CD needs to set out where the public can go for further information. For example your CD might include links to the relevant page(s) on your website. The easier you make it for people to find the information, the easier you make it for yourselves in subsequent steps of the process.
There aren’t any right or wrong ways to make supporting information available on your website. You may:

• prepare a single draft LTP (we understand 26 local authorities took this approach in 2015)
• provide an ordered collation of documents in a manner that might resemble the sequencing of an LTP
• provide multiple links to information (we understand 44 local authorities took this approach, or a variant of it).

Generally speaking the smaller the collection of documents available on the website the easier it is to find things. Each link to a document should contain a brief description of each topic or item. For example don’t just say “The Finances” a statement such as “This section tells you all you need to know about our financials including our projected financial statements, the revenue and financing policy and an indicative level of rates for the 10 years”.

If you can, use the power of technology and include a hyperlinked table of contents with each document. This will enable people to quickly and easily navigate within each document. This points to preparing something that is sequenced in a coherent way, which might be a draft LTP.

Regardless of your choices for presenting the supporting information on your website it’s important to remember that all of the supporting information and any information necessary for the audit opinion must be adopted by the council before the CD.²

The LTP needs to comply with all the content requirements of Schedule 10 – ranging from community outcomes to the disclosure of information about local boards (if your local authority has them). The LTP also requires an auditor’s report. If your local authority has not undertaken significant steps to prepare a full LTP at the time the CD is released, you may be leaving yourself and your auditors with too much to do in May and June.

Tips for a great CD: Supporting information

Don’t let schedule 10 constrain your decisions as to what information might help a potential submitter. Documents such as papers to council and strategies may provide assistance. Presenting the supporting information in a coherent fashion makes it easier for potential submitters to locate what they want.

CONTENT

This part of the guidance discusses the content of an effective CD. It discusses:

• selecting material for the CD (that is identifying the significant issues and other matters of interest for inclusion in the CD)
• presenting the significant issues in the CD
• tips for presenting the mandatory financial and non-financial contents and
• some other tips for selecting and presenting contents for the CD.

A CD that serves as an effective basis for public participation is likely to:

• present the key issues and proposals clearly and in a balanced way
• set out key changes in funding (including rates and debt) and levels of service
• provide information on the consultation process and the ways in which people can get involved in the process.

Selecting contents for the CD

The purpose of a CD is to:

“provide an effective basis for public participation in local authority decision-making processes relating to the content of a long-term plan by –

(a) providing a fair representation of the matters that are proposed for inclusion in the long-term plan, and presenting these in a way that –

(i) explains the overall objectives of the proposals, and how rates, debt, and levels of service might be affected; and

(ii) can be readily understood by interested or affected people; and

(b) identifying and explaining to the people of the district or region, significant and other important issues and choices facing the local authority and district or region, and the consequences of those choices; and

(c) informing discussions between the local authority and its communities about the matters in paragraphs (a) and (b).”

The decision as to what goes into the CD is a decision for the elected members. Auditors will consider the reasonableness of these decisions as part of audit process, with reasonableness to the ‘ordinary person on the street’ the test (not reasonableness to the council).

The Act provides you with two criteria for determining what issues should be presented in your CD. You need to have regard to matters in your significance and engagement policy (in other words if you’ve said an issue is significant then the case for inclusion in the CD is strengthened). You also need to consider the importance of other matters in the LTP to the community.

Our guidance on significance and engagement policies recommends that local authorities consider their choice of criteria and thresholds, and think about how these might translate into the CD at the same time. That is, it’s generally a good idea to work backwards from the CD.

---

3 Section 93B, Local Government Act.
4 See SOLGM (2014), Significance and Engagement Policies for further detail.
Many of the current policies use combinations of the following criteria in determining the level of significance:

- **the cost of the decision** – the higher the cost the greater the degree of significance (to avoid confusion you might need to specify whether this is the total project cost or cost to council). This one lends itself to a carefully designed threshold.

- **reversibility** – once done, how easily could a decision be undone – the more difficult a decision is to reverse, generally the higher the significance.

- **community interest** – based on your knowledge of your community is this an issue where your community is likely to hold strong views (for example, the issue might be a current ‘bone of contention’ either in local media or in the correspondence or complaints your local authority is receiving). Generally, the higher the degree of community interest in a decision the greater the likely degree of significance.

- **the degree of impact on affected individuals and groups** – this one is useful because it points towards assessing the consequences of the decision, matter etc.

- **the degree to which the decision or proposal promotes community outcomes or other priorities of council** (and you might then identify what those are).

- **the degree to which a decision or action is consequential to, or promotes, a decision or action that has already been taken by council** – a decision or action that is the consequence of a decision that has already been taken is probably less significant. If you’ve already consulted on an issue then it is acceptable to ‘take it off the table’ as an issue e.g. we consulted on the new library in last year’s annual plan etc.

- **the impact on levels of service** – the greater the impact, the higher the likelihood that a particular decision or proposal will be significant (to provide further clarity your local authority might wish to direct this to the key levels of service disclosed in the LTP).

- **the impact on rates or debt** – the greater the impact, the higher the likelihood that a particular decision or proposal will be significant. This too, lends itself well to a carefully designed threshold.

- **does the decision involve a strategic asset?**

The CD also needs to present other matters of importance to the community – that is to say, issues that don’t necessarily qualify as significant, but may still be important to your community. If you haven’t already considered this as part of your analysis of the significance of issues then this is the point to determine what the level of community interest in particular issues or decisions might be. For example, a public toilet upgrade might not cost much, but in some communities the location of the new toilets can be a contentious issue.⁵

Some local authorities suggest that their plan was very much a ‘business as usual’ plan and that there were no issues to present to the community. It would be a rare local authority where there are no changes to levels of service planned, no changes to funding planned, no driver that creates a funding constraint and so on, and has a community that remains static for 10 years. And even if this is all true the community is still likely to have a view on the affordability of it all.

Elected members make the final decision about what should be included or excluded from the CD. It’s important to involve them in the process of identifying and evaluating the issues for inclusion, determining what the options are, and determining what the reasonably practicable options might be.

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⁵ This was an issue that featured in an actual 2015 CD.
And one final thought – the LTP is not a one-year plan. Your CD might need to cover issues from any
or all of the ten years (and some of the key matters from the infrastructure strategy might sit outside
the LTP timeframe). Producing a one or three year CD without the remaining information is unlikely
to meet the section 93B test that the CD be a reasonable coverage of the issues.

Tips for a great CD: Selecting issues

When selecting issues for inclusion in the CD apply the following three filters:

• is the issue significant?
• does your local authority want feedback on the issue?
• is the issue otherwise important to the community?

If you can’t answer ‘yes’ to at least one of these questions, the issue can probably be left
out of the CD.

Presenting issues

By definition, an issue for consultation has an associated decision or choice, which means that an issue
that makes it into a CD will almost always have two or more options (for example ‘do x’ or ‘don’t do
x’, various increments of service etc). How you present your analysis of options will play a key role in
determining the length and accessibility of the CD to the public.

In the rare cases where there genuinely are no reasonably practicable options then its best to note the
issue and why your local authority considers there are no other reasonably practicable options. For
example, local authorities that don’t comply with the New Zealand Drinking Water Standards can be
prosecuted, and on conviction can face a fine of $10,000 per day of non-compliance.

The Act sets out a legislative hierarchy for presenting key issues in the CD:

• state or describe the issue – what’s the issue that your local community or local authority face,
what’s the decision or choice that needs to be made
• set out the options that are available to resolve the issue – the CD doesn’t need to list all the
options, the focus is on the reasonably practicable or ‘genuine’ options
• provide an analysis of the financial and non-financial implications of each of the options.

When discussing the non-financial implications, look for impacts on levels of service (e.g. will levels
of service increase or decrease) or other non-financial impact (for example, with a planned change in
policy what’s the expected impact and why is this important).

Section 93C(2)(b)(iii) requires that local authorities describe the financial implications of the principal
options. In our view this means that local authorities should provide an estimate of the impacts on
rates and debt of all options, and not just the council’s preferred option (which is required by section
93C(2)(b)(iii)). It can be difficult to make cost information meaningful to the community, consider
presenting cost information on a per ratepayer or rating unit basis.
Legislation doesn’t require that the council have a preferred option, only that it identify any preferred option that it may have. In our view, the circumstances where there is no preferred option will be rare, especially as you’ll need a preferred option as the basis for preparing supporting information (such as the forecast financial statements).

The analysis of options does not need to, and should not be, lengthy – remember that the CD is for the general public. The more detailed analysis (for example the papers you presented to council for decision) might well be treated as supporting information.

A simple tabular format can often convey the message more than adequately. For example:

<table>
<thead>
<tr>
<th>Option</th>
<th>Impact on rates</th>
<th>Impact on debt</th>
<th>Impact on levels of service</th>
<th>Other impacts or comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The pages that follow show three examples of options analysis from the 2015 set of CDs (in this case from Timaru District Council, Western Bay of Plenty District Council and Tasman District Council). Each is a variant of the tabular format shown above.

Each of the examples:
• provides a clear and succinct statement of the such as providing a secure water supply
• clearly and succinctly sets out a level of service implication (for example in Timaru’s case that not funding the shortfall for roads ‘may see some roads revert to gravel’, in Western Bay’s case the minimal investment option ‘would not be very effective at generating the benefits we want’)
• provides an indicative cost for each of the options that are presented. Each clearly indicates a preferred option – either by using a different colour in the table, or ‘pulling the option out’ and providing more detail (or in Timaru’s case both)
• has one or two consultation questions associated with the issue
• points to relevant supporting information (Timaru’s does this particularly well).

6 Winner, 2015 SOLGM Great LTP Consultation Document Competition.
7 Highly commended, 2015 SOLGM Great LTP Consultation Document Competition.
8 Finalist, 2015 SOLGM Great LTP Consultation Document Competition.
Options analysis, Example 1: Timaru District Council

Funding the Future: Our Road Funding Shortfall

The Options

1. Don’t fund the shortfall and reduce the service provided for roading
   The shortfall would not be funded. This option would mean less money would be spent on maintaining and upgrading roads in the district. This would require us to change how we deliver some roading services. For example, sealed roads could be turned back into gravel roads or less road grading could occur.

2. Partially fund the shortfall, continue to advocate to government and reduce the service provided for roading
   Some of the shortfall would be covered, leading to an additional 1.2% increase in rates over three years. This option would likely mean some changes to how we deliver services would also be required. Of the estimated $400,000 - $1.2M annual shortfall, Council is proposing to fund between $300,000-$500,000 annually over the next ten years, at the lower end of the funding required.

3. Fully fund the shortfall in the next financial year and maintain the service provided for roading
   All of the shortfall would be funded and there would be no changes to the service provided. This could mean an additional 3% increase in rates compared to 2014/15.

Preferred Option

Option Two is the Council’s preferred option.

The Council is proposing to fund an additional $300,000 in 2015/16, $400,000 in 2016/17 and $500,000 in 2017/18. This means that Council is intending to set money aside to partially cover the shortfall. Changes in how the service is provided may also be required. At this time, due to the uncertainty over the level of the shortfall, the severity of these changes in service cannot be confirmed. Some examples could include reduced street cleaning, unsealed road grading or roadside moving. Any change in level of service has the potential to have an undesirable local impact.

Council will continue to actively pressure for government to restore the model of funding to an appropriate balance between local communities and government.

Council is investigating other ways of providing the service more efficiently and effectively and reducing overall costs or levels of service. For example, it will review whether we should continue to provide the same standard of service for something like footpath resurfacing. It is also part of the Mid-South Canterbury Roading Collaboration along with Ashburton, Mackenzie and Waimate districts. This group aims to provide opportunities to share resources, ideas and approaches, with the aim of ultimately reducing costs and improving levels of service for the respective district’s ratepayers. Currently, the group is working on a standard maintenance contract. Potentially in the future, savings and greater efficiencies could be created for the community through joint tendering of contracts.

What do you think?

What option do you prefer?

Supporting documents and links (check our website)

- TDC FAR review submission
- NZTA website – FAR review, One Network Road Classification
- TDC Infrastructure Strategy

Tracy Tierney

Four years on Council/Business Consultant/General Manager/Timaru

Why is the LTP important to you?

I see in my working life the absolute value of sound strategic planning whether for a business or not for profit group. Having a clear focus on what you are trying to achieve and a well-documented plan for how you want to get there increases the chance of success significantly. Which is why I think the LTP process is so important for our district’s future.

Why is community input important?

I really value hearing from as many people as possible who have a genuine interest in what they believe to be best for the district in whichever area they are interested in. We really do listen and I can vouch for the fact that individual ratepayer input can and has affected Council decision making.

“The range of services the council is responsible for is hugely wide and varied and affects every single one of us on a daily basis.”
## OPTIONS FOR PROVIDING A SECURE WATER SUPPLY

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>IMPLICATIONS</th>
<th>CONSEQUENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROPOSED OPTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contribute up to a maximum of $25 million towards the Waimea Community Dam.</strong></td>
<td>Greater water security for reticulated water supply users in urban centres that source water from the Waimea River system. Higher river flows will support a healthier environment. The 2014 NZIER report commissioned by the Nelson Regional Development Agency states that the difference on the regional Gross Domestic Product between not having a dam and having a dam could be between $71 million and $89 million dollars per annum.</td>
<td>The Council will need to collect an additional $101,000 in the first year through water charges; and $135,000 in the first year to fund environmental flows. Over subsequent years, increases in water rates will not cause Council to breach the 3% rates income increase limit. Council debt will increase by up to $25 million. Levels of service will be secured for reticulated water users that source water from the Waimea River system. Rural water users and irrigators will need to establish an acceptable funding model for the irrigation portion of funding.</td>
</tr>
<tr>
<td><strong>Secure external funds to pay for the remaining costs of the Dam.</strong></td>
<td>Greater water security for reticulated water supply users in urban centres that source water from the Waimea River system. Higher river flows will support a healthier environment. The 2014 NZIER report commissioned by the Nelson Regional Development Agency states that the difference on the regional Gross Domestic Product between not having a dam and having a dam could be between $71 million and $89 million dollars per annum.</td>
<td>The Council will need to collect an additional $101,000 in the first year through water charges; and $135,000 in the first year to fund environmental flows. Over subsequent years, increases in water rates will not cause Council to breach the 3% rates income increase limit. Council debt will increase by up to $25 million. Levels of service will be secured for reticulated water users that source water from the Waimea River system. Rural water users and irrigators will need to establish an acceptable funding model for the irrigation portion of funding.</td>
</tr>
<tr>
<td><strong>Review options to improve water conservation.</strong></td>
<td>Council would need to expand its demand management programme to ensure greater water conservation by water users. Alone, this option does not provide sufficient water savings to meet reticulated water demands in periods of dry weather.</td>
<td>No significant impact on rates. Increases to operational expenditure if water conservation methods are to be promoted effectively. No direct impact on debt.</td>
</tr>
<tr>
<td><strong>Do nothing (live without the Dam).</strong></td>
<td>Greater water rationing for residents, businesses, and irrigators would be required most years. Significant reduction to the amount of water allocated from the Waimea River and its aquifers. Council would need to adopt a work programme to ensure greater water conservation. Should the Waimea Community Dam not proceed, the Council will need to manage the impact of the new TRMP rules on the urban water supply. Does not provide sufficiently for population growth. The viability of this option is uncertain.</td>
<td>No significant impact on rates. Increases to operational expenditure if water conservation methods are to be promoted effectively. No direct impact on debt.</td>
</tr>
<tr>
<td><strong>ALTERNATIVE OPTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>If the Waimea Community Dam does not proceed, a portion of the $25 million (which had been allocated for the Dam) will be used to find alternative water supplies or develop alternative water storage facilities for the reticulated water network that is currently supplied by the Waimea River system (i.e. augment the reticulated water supply to meet most or all of the likely reductions in Council’s water take under the new planning rules).</strong></td>
<td>A range of possible alternative sources have been considered. The alternatives must be capable of supplying approximately 4000m³ per day, have good security of supply, and be feasible in terms of costs, technical challenges and environmental impacts. There are uncertainties associated with the alternatives, such as water treatment costs and potentially significant hurdles in getting resource consent. The exact amount of the increase is uncertain until alternative viable options have been reviewed and costing undertaken. Low volume alternatives do not provide sufficient water security in periods of dry weather as the population grows and water demand increases.</td>
<td>Water rates and charges will likely rise. The rise in targeted rates will depend on the cost of the final option selected. No anticipated change to general rates as water supplies are currently funded through targeted rates, and no increase in rates to fund environmental flows. Levels of service are likely to drop as alternative water sources are also likely to be restricted in dry weather. Potentially severe regional economic impacts.</td>
</tr>
<tr>
<td><strong>No significant impact on rates.</strong></td>
<td>Increases to operational expenditure if water conservation methods are to be promoted effectively. No direct impact on debt.</td>
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<td></td>
</tr>
</tbody>
</table>

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**PROPOSED OPTIONS**

**Contribute up to a maximum of $25 million towards the Waimea Community Dam.** The funding is only to be used to secure water for Council’s reticulated water supply users and contribute to the environmental health of the Waimea River. Secure external funds to pay for the remaining costs of the Dam.

- Contributing $25 million towards the Waimea Community Dam will provide greater water security for reticulated water supply users in urban centres that source water from the Waimea River system.
- Higher river flows will support a healthier environment.
- The Council will need to collect an additional $101,000 in the first year through water charges; and $135,000 in the first year to fund environmental flows. Over subsequent years, increases in water rates will not cause Council to breach the 3% rates income increase limit.
- Council debt will increase by up to $25 million.
- Levels of service will be secured for reticulated water users that source water from the Waimea River system.
- Rural water users and irrigators will need to establish an acceptable funding model for the irrigation portion of funding.

**SECURITY OF WATER SUPPLY**

- The 2014 NZIER report commissioned by the Nelson Regional Development Agency states that the difference on the regional Gross Domestic Product between not having a dam and having a dam could be between $71 million and $89 million dollars per annum.

**IMPLICATIONS**

- Greater water security for reticulated water supply users in urban centres that source water from the Waimea River system.
- Higher river flows will support a healthier environment.
- The Council will need to collect an additional $101,000 in the first year through water charges; and $135,000 in the first year to fund environmental flows. Over subsequent years, increases in water rates will not cause Council to breach the 3% rates income increase limit.
- Council debt will increase by up to $25 million.
- Levels of service will be secured for reticulated water users that source water from the Waimea River system.
- Rural water users and irrigators will need to establish an acceptable funding model for the irrigation portion of funding.

**ALTERNATIVE OPTIONS**

- **If the Waimea Community Dam does not proceed, a portion of the $25 million (which had been allocated for the Dam) will be used to find alternative water supplies or develop alternative water storage facilities for the reticulated water network that is currently supplied by the Waimea River system (i.e. augment the reticulated water supply to meet most or all of the likely reductions in Council’s water take under the new planning rules).**
- A range of possible alternative sources have been considered. The alternatives must be capable of supplying approximately 4000m³ per day, have good security of supply, and be feasible in terms of costs, technical challenges and environmental impacts.
- There are uncertainties associated with the alternatives, such as water treatment costs and potentially significant hurdles in getting resource consent. The exact amount of the increase is uncertain until alternative viable options have been reviewed and costing undertaken.
- Low volume alternatives do not provide sufficient water security in periods of dry weather as the population grows and water demand increases.
- This option does not address environmental flows. These will be managed through the Tasman Resource Management Plan and associated water allocation rules.

**IMPLICATIONS**

- Water rates and charges will likely rise. The rise in targeted rates will depend on the cost of the final option selected.
- No anticipated change to general rates as water supplies are currently funded through targeted rates, and no increase in rates to fund environmental flows.
- Levels of service are likely to drop as alternative water sources are also likely to be restricted in dry weather.
- Potentially severe regional economic impacts.
TAURANGA MOANA COASTAL CYCLE TRAIL

Cycleways offer a lot of benefits to the community.

They provide a safe place for cycling, and can encourage people to leave their cars at home and cycle or walk to work. There are health and fitness benefits, as well as recreation opportunities. Cycleways have also been shown to bring in tourists who spend money at local businesses. We think that this is a good investment for our District. In response to community requests, we’re planning to start work on three cycle routes in our District.

1. Omokoroa to Tauranga along a coastal route
2. Tauranga Eastern Link, from Kaituna Road to Maketu and Paengaroa
3. Waihi to Waihi Beach

These will eventually form part of the Tauranga Moana Coastal Cycle Trail, which will extend from Waihi Beach around the edge of Tauranga Harbour to Tauranga and Maketu, then inland to Paengaroa. This will link with cycleways in the Hauraki District and Tauranga City. The three planned routes will cost about $6 million over ten years. We’ve considered a number of alternatives around whether we provide funding, and if so how much.

<table>
<thead>
<tr>
<th>OPTION DETAILS</th>
<th>COST (2015-25)</th>
<th>ANNUAL IMPACT ON RATEPAYERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do nothing. There would be no cost to ratepayers, but also no health, safety or economic benefits.</td>
<td>$0</td>
<td>No impact</td>
</tr>
<tr>
<td>2. Minimal investment. This would allow us to link up a few existing trails but would not be very effective in achieving the benefits we want.</td>
<td>$250,000</td>
<td>No impact – funded through existing rates</td>
</tr>
<tr>
<td>3. Implement the three planned cycle routes in partnership with central government, other local authorities and community funding trusts.</td>
<td>$5 million (with a further $5 million from partners)</td>
<td>$500K property = $19.80 $1.5m property = $59.40</td>
</tr>
<tr>
<td>4. Implement the three planned cycle routes, but with all funding provided by Council.</td>
<td>$6 million</td>
<td>$500K property = $39.60 $1.5m property = $118.81</td>
</tr>
</tbody>
</table>

Our Preferred Option

3. On balance, we think going ahead with the three cycle routes through a joint funding approach (option three) is the best. Our analysis shows that this investment would result in substantial benefits from tourist spending, as well as the health and recreation benefits mentioned above. If the funding is not received from other partners then the cycle trails will be built at a slower rate.

DO YOU AGREE WITH OUR PROPOSED INVESTMENT IN CYCLE TRAILS?
Please let us know your thoughts.

More information on our cycleway plans can be found here on our website: www.westernbay.govt.nz

LONG TERM PLAN 2015-2025

SOLGM October 2016
Telling our stories 2018

16
Tips for a great CD: Presenting options

Provide a clear statement of what the issue or option is.

In reality there are few issues or decisions that do not have at least two genuine options. There is a hierarchy of presentation: the issue, the options and analysis of the issues and options.

Your approach to presenting and analysing options should be consistent across all of the issues. Your analysis must include both the financial and non-financial implications of the issue.

Present a preferred option for each of the issues – you’ll need one to prepare other contents such as the forecast financial statements.

Financial information

Overall funding requirements can be a key issue, but can have wider implications on other issues. Section 93C requires the disclosure of the following financial information:

- matters of public interest from the financial strategy, including limits on rates, rates increases and debt
- any significant changes that are proposed to the way the local authority funds its operating and capital expenditure requirements, including changes to the rating system
- using graphs or charts to illustrate the direction and scale of changes to the local authority's rates and debt levels
- the sample rate models from the Funding Impact Statement.

Financial strategy

The key elements of your local authority’s financial strategy must be presented in your CD (don’t forget that the full strategy cannot be included in the CD). Avoid cutting and pasting from the financial strategy.

While the key elements of a financial strategy vary from local authority to local authority, the following might be a place to start:

- the position your local authority starts from and an honest assessment of whether this is sustainable in the long-term
- the desired end position and what about that position is desirable or important (for example, several local authorities with relatively high levels of debt emphasised the importance of keeping their debt below a certain level and why this was important)

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9 Further information about financial strategies can be found in the SOLGM’s guide Dollars and Sense 2018: Financial and Infrastructure Considerations for the LTP.
• the key financial aggregates – your CD does not have to comply with generally accepted accounting practice (such as PBE FRS 43 Summary Financial Statements). Financials can be presented in as little as five lines (revenue, expenses, surplus/deficit, assets and liabilities) but some communities may want to separate rates and other revenue, and likewise separate public debt and other liabilities.

• your limits on rates, rates increases and debt shown using graphs and charts (both the inclusion of this information and the graphical presentation are mandatory requirements). Also don’t forget that there are three limits required under legislation – in 2015 local authorities have missed the limit on rates (choosing to focus on the limit on rates increases)10.

• key drivers of cost and revenue

• your local authority’s sources of, and policy approach to non-rates income (if any).

The information you present on the financial strategy should align with the infrastructure strategy. That is to say that the key issues and decisions that get signalled in the infrastructure strategy are likely to be key drivers of cost, both are related to one another.

The best of the 2015 CDs used the key matters from both the infrastructure and financial strategies as a framework for some of the key issues for consultation – that is to say this significant decision in our infrastructure strategy has this impact on levels of service and on the overall levels of rates and debt that we’ve signalled in the financial strategy.

The CD need only present the matters of public interest. If your council has more than one limit for its debt (and many do) you need not show them all – choose the limit that you feel best tells the overall story. Don’t overdo it with the graphs. Explain what each graph shows and why it’s important to the reader. Graphs on their own do not make for a financial strategy.

The example on the following page shows how Auckland Council put much of their key financial information into a single infographic (this format was picked up and used in other CDs).

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10 At the time of writing the Government was consulting on an exposure draft of the Local Government Regulatory Systems Bill that would remove the requirement to show a limit on the absolute level of rates. It was uncertain whether this Bill will be enacted before the 2018 LTPs start development.
### Example presentation of financial information: Auckland Council

#### Draft 10-year budget at a glance

<table>
<thead>
<tr>
<th>Area of spend</th>
<th>Capital spend 2015-2025</th>
<th>Operating spend 2015-2025</th>
<th>How operating costs are funded</th>
<th>Rates value per $100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$17.2bn</td>
<td>$39.7bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auckland Development</td>
<td>$1bn</td>
<td>$2.2bn</td>
<td>Rates 60%</td>
<td>$7</td>
</tr>
<tr>
<td>Economic and Cultural Development</td>
<td>$0.4bn</td>
<td>$2.2bn</td>
<td>Rates 69%</td>
<td>$8</td>
</tr>
<tr>
<td>Environmental Management and Regulation</td>
<td>$1bn</td>
<td>$4.3bn</td>
<td>Rates 51%</td>
<td>$11</td>
</tr>
<tr>
<td>Governance and Support</td>
<td>$1.1bn</td>
<td>$6.1bn</td>
<td>Rates 48%</td>
<td>$18</td>
</tr>
<tr>
<td>Parks, Community and Lifestyle</td>
<td>$2.1bn</td>
<td>$5.3bn</td>
<td>Rates 85%</td>
<td>$22</td>
</tr>
<tr>
<td>Transport</td>
<td>$6.9bn</td>
<td>$13bn</td>
<td>Rates 58%</td>
<td>$34</td>
</tr>
<tr>
<td>Water Supply and Wastewater</td>
<td>$4.7bn</td>
<td>$6.6bn</td>
<td>Rates 0%</td>
<td>$0</td>
</tr>
</tbody>
</table>

- **Capital spend**: $17.2bn, $0.4bn, $1bn, $1.1bn, $2.1bn, $6.9bn, $4.7bn
- **Operating spend**: $39.7bn, $2.2bn, $4.3bn, $6.1bn, $5.3bn, $13bn, $6.6bn
- **Rates value per $100**: $7, $8, $11, $18, $22, $34, $0
- **Other, including fees and charges**: 40%, 31%, 49%, 52%, 15%, 42%, 100%

*Note: Rates value per $100 is an illustrative example.*
Tips for a great CD: Financial strategy

The information you present on financial strategies should highlight the key matters of interest from the strategy. This is not the same thing as a summary.

A few well-chosen graphs amplify and make the financial strategy easy to understand. Don't leave them to stand on their own, and don't overdo them.

The starting point and desired end points for the strategy provide important context – explain what about these constrain your choices or why it's important.

Use the key matters from the financial and infrastructure strategies to frame the issues up for consultation.

Changes in funding arrangements

Your CD also has to disclose any significant changes in its approach to funding operating and capital expenditure. This disclosure focuses on changes in the incidence of your rates and charges – that is to say how the burden is distributed across your community.

This requires disclosure of significant changes in your revenue and financing policy. Here you are looking for:

a) significant changes to the rating system – for example, a change from land to capital value as the base for a general rate is bound to be a significant issue; introduction of a new targeted rate or a significant change to a rate

b) significant changes to development contributions and/or financial contributions (those local authorities that make significant use of the latter should note that the Resource Legislation Amendment Bill, before Parliament at the time of writing, repeals financial contributions. This may necessitate a change that needs disclosure in the CD)

c) significant changes to your application of the intergenerational equity principle and consequent changes to borrowing policy – are you planning significant changes to the limits on debt?

d) significant changes to other charges.

Your presentation of a change of this nature should:

• discuss the intent of the change, and why you are proposing to make it
• direct readers to the revenue and financing policy, funding impact statement, and any other policy that is changing
• provide examples of the effect of the intended change – both before and after. Tie this to your presentations with the rating models.

Tips for a great CD: Changes in funding arrangements

When presenting significant changes in funding arrangements discuss the change and why you intend to make it, and tie the change to your presentation of rating models.
Rating models

You’ll also need to include examples of the impact of rating proposals on different categories of rateable land with a range of property values from your funding impact statement. SOLGM’s guide, 
*Dollars and Sense 2018*, provides more information on the selection of sample rate models.

You only need to show the impact of the rating proposals for the first year of the LTP. You might consider whether showing the movement over the entire ten years adds to the reader’s understanding of the plan.

This requirement is different from the rates calculators that some local authorities included in their CDs or as supporting information to their CDs. These allow individual ratepayers to estimate their ‘personal’ liability but in themselves do not meet the requirements of the Act. The rates calculators might be better used as a tool to support engagement.

Tips for a great CD: Presenting financials

Other useful techniques for presenting financial information:

- illustrate the breakdown of where your revenue comes from – it shows that rates are not the only funding source. A pie chart will usually show this well
- don’t forget that showing the previous year’s data is now a required part of some financial statements
- similarly illustrate where the money is spent – by group of activity not by cost type (it links the financials better to what the ratepayer actually gets – the value proposition). Again a pie chart will usually show this well
- you might also consider a comparison with other common types of household expenditure (utilities, pay TV, newspaper etc). Comparatives like these make the demonstration of value to the community more readily apparent.
- text bubbles can be used to define any financial terms for the layperson (although ‘accountant speak’ should be kept to a minimum).

Non-financial information

**Infrastructure strategy**

Your CD must include the key matters of public interest from your local authority’s infrastructure strategy.11

Some examples of matters from an infrastructure strategy that might warrant inclusion in the CD include:

- the significant decisions that your local authority is facing and what the infrastructural consequences might be

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11 Further information about financial strategies can be found in the SOLGM guidance *Dollars and Sense 2018*. 
• significant changes in levels of service – which often will be linked to some of the key issues for consultation. In the CD you’re not looking to disclose every planned change in levels of service – there’ll be too many of them. (And don’t forget to show the intended direction using graphs or charts)

• key drivers of expenditure and funding implications – for example is your local authority intending to change its approach to the funding of renewals

• major areas of risk and consequence.

Don’t forget that the infrastructure strategy has a 30-year life, and that some of the matters of public interest may well fall outside the 10-year horizon for the LTP; this may include an issue such as climate change that poses challenges for infrastructure protection, infrastructure funding and (in some cases) the location of communities. In some cases these issues will arise within the life of the current infrastructure strategy – many local authorities are (or at least should be) thinking about these challenges now. Yet, in most instances, the impacts will only manifest themselves towards the end of lifespan of the current strategies.

Many of the better 2015 CDs wove text and graphical presentations of this information together. The example on the following pages from Hamilton City Council was picked up in a number of other CDs. It clearly shows the big ticket expenditure items colour coded by group of activity, and when the project falls.
Levels of service

Your CD is not just a financial document. Having the right debate with your community also necessitates presenting the significant changes in levels of service. In this way the community can see not just how much they pay, but what additional benefit they will receive.

Here you are looking for those changes in levels of service that are associated with significant changes in:

- cost – having to upgrade sewage disposal to comply with consent conditions is a ‘textbook’ example
- impact on the community
- impact on the achievement of council objectives.

Some levels of service can be a little ‘esoteric’ even with customer focused levels of service (see Your Side of the deal 2018: Performance Management and the LTP). If it is practicable, you must use a graph or a chart to show the movement in levels of service. And don’t forget this applies equally to both increases and decreases in levels of service!

Other important matters

Processes

The other important component of your CD is the information about the consultative process.

Your CD must state where the public could get access to the information that the CD has relied on. This could be either in hard copy, or links to an electronic version of documents on your website.

Changes to the special consultative procedure have deemphasised the formal reliance on a ‘written submission and hearing’ approach to engaging. In particular, written submissions are no longer the only means for making feedback and lodging a written submission is no longer required before a submitter can request a hearing.

Your local authority should consider how your local authority will provide the community with opportunities to present their views to the local authority. This includes an opportunity to present views using spoken (on sign language) interaction. Some practical issues to consider include:

- differences in views and preferences between differing parts of the community as to methods of engagement.12 Be wary of ‘one-size fits all’ approaches
- is there a place for written expressions of views?
- how will you capture views delivered using spoken means or sign language? (Much of the current technology for managing ‘submissions’ relies on documents in written formats)
- will you rely on just the one opportunity to provide views using spoken means - it may be desirable to schedule one or more opportunities during the formal engagement period and one nearer the decision-making process (so that decision-makers have had some opportunities to take advice, consider issues, and respond with considered questions or points)
- whether and how will your local authority use the option of attendance by audio/audio-visual link for the community, elected members or both (including what will you need to do to ‘test’ the technology, and what contingencies are in place if the technology fails).

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12 For example, in 2015 some communities and elected members expressed a strong preference for the formal ‘submission plus a hearing’ model.
It is still acceptable to provide opportunities for the community to make comments in writing. If you choose to do so then a well designed feedback form or questionnaire helps focus the community on significant issues and provides structure to the feedback. Be sure to leave room for the community to comment on any issues of importance to them.

Your local authority cannot rely solely on formal written comments or submissions. The practical implication is that thought must be given to an engagement method or methods, and the practicalities of engaging in those ways, at an early point in the process. Double check your planned approach to engagement for consistency with the contents of your significance and engagement policy.

Whatever method you choose to use, you’ll need to ensure information about the engagement period (and the one month minimum still applies), and the ways in which the community can make views known to your council is publicly available. Be sure to check these aspects have been included – failure to do so could invalidate your consultation before it’s even begun.

**Tips for a great CD: Process information**

- Telling people when and where they can interact with representatives and when the process closes are ‘must haves’.
- Some submitters will want to make comments in writing – take the time to design a feedback form that is easy to follow and return.

**Audit opinion**

Your auditor is required to audit the CD. The audit opinion will provide an opinion on:

- whether your CD is fit for purpose (that is has the CD is effective basis for public participation) and
- the quality of the information and assumptions underlying the information presented in the CD (which also includes that information required by Schedule 10).

Your CD must include the full auditor’s report, regardless of the result. This will help the reader make a quick assessment of the overall plan, including any issues with the robustness of the plan, or other matters they should be aware of.

**Neutrality of content**

While the CD supports a political process, it will always include some elements of a policy nature, and because it indicates a council’s preferred option or preliminary view of an issue will always have a ‘political’ underpinning.

Despite this the CD should be as apolitical as possible. The CD should state matters where the council has a preferred option or working plan, it is not an opportunity for individual elected members to market themselves or their individual views. Take care to write the document in a politically neutral and factual way.

One area to pay particular attention to is in your presentation of issues and assumptions around central government involvement in the funding and delivery of the work programmes signalled in the plan. A CD is not an opportunity to lobby. CDs must reflect reasonable assumptions of commitments that have been made at the time of the CD. Where there is significant uncertainty about this, then make
the best assumption, and make some estimates of the likely impact of ‘real life’ being different from assumption.

Tips for a great CD: Neutrality
Take care to write the document in a politically neutral and factual way.

Length
There is no legal maximum or minimum for a CD – whatever is necessary to present the key messages completely, coherently, and cogently is the right length.

We understand that the average length of the 2015 CDs was 32 pages, with the shortest being 13 pages and the longest some 102 pages. Many of the CDs that received recognition in the SOLGM Great CD competition sat between 20 and 30 pages in length.\(^\text{13}\)

Tips for a great CD: Length
Don’t let the quest for a short CD compromise the message – and especially your presentation of the significant issues.

Other media and document formats
Some local authorities invested considerable effort into preparing summaries of their CD or additional presentation media. For example a household summary that was used as the basis for a mail drop across the community. Another developed a cartoon that was used as one of the tools to support the engagement process.

Using other media or multiple documents to support the CD can add to the “reach” of your engagement processes. But the CD is the only lawful basis for engaging on a CD, any other document or presentation media must point to the CD and should advise that it’s for information purposes only.

Some local authorities that prepared multiple documents encountered issues later in their LTP processes that centred on how much information about some contentious issues had been included in these documents as opposed to the CD itself. If you are going to issue multiple documents or use alternative media then ensure that:
these media or documents contain a clear direction to the CD and
that the discussion of the key issues in media or document is consistent with the CD, and that no details about the issues are left out.

SOLGM’s advice on this is that alternative media and multiple documents can be useful but the time and resource spent on these is often better used developing an effective CD. If your local authority wants to produce other documents or put the CD into alternate media then ensure that this is planned from the start of the LTP process and that these receive the same level of quality assurance as the CD.

\(^\text{13}\) The winning entry and both highly commended entries were 24 pages in length. Again, being able to present issues clearly and cogently is the biggest step to keeping the CD concise.
Tips for a great CD: Other media and document formats

Alternative media and multiple documents can be useful but the time and resource spent on these is often better used developing an effective CD and promotion of the opportunities to participate.
“Camel: a horse designed by committee”

An anonymous civil servant

Resources

Your CD is not ‘just another glossy’, it is one of your most important communications and as such needs to be properly resourced and factored into the overall project plan for your LTP.

Input will be needed from across the local authority to identify the key issues and provide quality assurance (not for taking a group approach to the drafting). Elected members must be involved in the process to identify significant issues at an early point – it’s their plan.

The first draft of the CD is likely to be a one person job, ideally someone not intimately involved in the ‘detail’ of the LTP – but who can stand back. There is not necessarily a ‘right place’ in the organisation where this responsibility should sit, but whoever the final author(s) may be, they should ideally:

- be skilled in plain English writing
- have a reasonable understanding of the range of content in the LTP without being overly focussed on the detail (the term ‘helicopter view’ is an accurate description of the sort of person you would be looking for) and
- have a reasonable knowledge of the local community.

These skill sets are most likely to reside in your ‘communications’ area. (For those local authorities that have communications resources, drafting the CD is core business for that department.) If your council does not have the right capabilities then your executive needs to decide if you are going to bring in an external resource or free up an appropriately skilled internal resource.

Representatives from the wider organisation should get to input into the CD after the first draft. The purpose of a peer review should not be to redraft or make editorials. Rather the purpose of a peer review is to identify any unaddressed issues, or any issues of consistency or clarity. In other words this review is to check the reasonableness of the matters in the LTP.

After making amendments from the peer review of the first draft, we suggest bringing a sample group of people from outside the process together to view the final draft. This will provide a clear indication of how the CD will be perceived by the public and any major queries/issues they may have as a result. Address these issues, make amendments and review final draft.

Finally, don’t forget that the chances of the general public actually reading your CD will improve if the document is visually attractive, and clearly laid out. External publications/printing services may be able to help enhance the look of the document.

Tips for a great CD: Resources

Avoid drafting the CD by committee – the first draft should be left to one or two people.

Plan and budget for the use of external communications and design services.
Process

Identify the key issues (and the council’s response or range of potential responses or options) at an early point in the process. This discussion feeds into the set of policy and service delivery choices, and into your overall communications plan. Ideally your council would do this no later than May or June of the year preceding adoption of the LTP.

It is generally a good idea to assemble a group of people from, different parts of your local authority to check that none of the key issues have been missed in the discussions that council had.

Your CD is one part of your overall LTP communications and cannot be developed in isolation from your overall communications plan. How and when you communicate with the media, with staff, with key interest groups (such as the Resident’s Association, or the local branch of Federated Farmers) will shape your presentation of the CD.

Once this has been done its usually best to let the ‘designated author(s)’ get on with writing the first draft. All the clichés about camels and too many cooks apply to writing a CD.

Assuming that you begin the task at an early point, and write as you go, the last weeks should be for checking the overall message, and turning a word processing file into something that’s lively, eye-catching and easy to understand.

Tips for a great CD: Process

Plan the CD as if it were a project in its own right.
Start early – the last weeks before issuing a CD should be checking the message and design.
PRESENTATION

Your local authority could put together a CD in a word processing package, copy it onto standard A4 printer paper and comply with the letter of the legislation. But such an approach is unlikely to encourage anyone other than the interest groups, and the occasional retired accountant to get involved in the process.

In addition to conveying the right message, your CD needs to be presented in the right way. This doesn’t mean that you have to produce something that’s produced on glossy paper, and looks like a cross between Fletcher Challenge’s annual report and a travel brochure. But it does mean that your local authority should strive to produce something that tells the story in as simple a fashion as possible, and is designed to catch the reader’s attention.

Language

Your main audience will be lay readers so the CD should be readily understood by these readers rather than informed readers such as analysts or professionals or specialists (in other words people who could understand the LTP), so:

• keep the sentences short – ideally no more than ten words, and no more than one idea per sentence
• wherever possible, try to use words and terms that explain concepts in a ways that tell the reader “what’s in it for them”
• avoid the financial, policy and engineering ‘jargon’ – where it is necessary to use a term then use ‘satellite’ explanatory boxes (not footnotes) to explain the term
• use an attractive, easily readable, and generous font (10 point is really the minimum size for documents like these).

Branding

There is a delicate balance to be struck with branding the CD. On the one hand something that isn’t ultimately branded as a council document might struggle to distinguish itself from pizza vouchers, Warehouse catalogues and other things of that nature. On the other hand, something that is too clearly a council document might likewise get binned.

You should also explain what the CD is, how it relates to the LTP, and why you are doing the CD and LTP in terms that will mean something to the readers.

Never simply put in “the council is required to have an LTP under section 93 of the Local Government Act (or similar)” – as it sends a message that your local authority is doing the LTP simply out of compliance, and (potentially) that the document means little beyond that.

Layout

The reader’s interest will be held by making the CD ‘easy on the eye’. Try to avoid blocks of text dominating by:

• using lots of blank space (bullet points and section breaks work well for this)
• use infographics
• using relevant images or photos with short captions (as a rule, try to avoid a predominance of posed type photos and/or using photos for photo’s sake)

• trying graphs rather than tables (this works especially well with financial information)

• using colour to catch attention, and help readers step through the document (for example, by highlighting a preferred option). Don’t go overboard with the colour, too much can distract from a key message – the examples presented elsewhere tend to avoid more than three or four colours (other than in charts).

This means some thought will be needed in terms of the overall design and layout. Once again, the last weeks are for refining these aspects of the CD not for writing the actual message.

Your CD should be easy to navigate and use. Provide an index with a plain English list of topics, so for example instead of ‘financial strategy’ you might try saying ‘the dollars’, ‘our rates and debt’ or similar.