



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Council Workshop

Thursday, 1 February 2024

9.00am

Council Chambers,

28-32 Ruataniwha Street, Waipawa

Together we thrive! E ora ngātahi ana!

Order Of Business

2 3 Year Plan Budget Workshop 3

2 3 YEAR PLAN BUDGET WORKSHOP



PURPOSE

These slides were presented to Council in an open workshop on 1 February 2024. They formed the basis for discussion and feedback from Elected Members as we work to further develop the budget for the 3 Year Plan 2024 – 2027.

The feedback and further information requests from this workshop are being presented back to Council at its further open workshop on 8 February 2024.



3 Year Plan Budget Workshop

1 February 2024



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1 February 2024 – Open Workshop

These slides were presented to Council in an open workshop on 8 February 2024. They formed the basis for discussion and feedback from Elected Members as we work to further develop the budget for the 3 Year Plan 2024 – 2027.

The feedback and further information requests from this workshop are being presented back to Council at its further open workshop on 8 February 2024.



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Agenda

9.00am	Workshop commences
	Introduction slides and updates
10.30am	Morning Tea
10.45am	Introduction slides continued/workbook
12.30pm	Lunch
1.00pm	Workbook continuation
	Next steps – further information



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Overview

- Refresher of the Three-Year Plan Budget Workbook – how did we get here?
- Elected Member Priorities
- ELT Reflections and other things to consider
- What other levers do we have?
- Elected Member Breakaway Day - Reflections
- Keeping focus on the proposed budget options – stepping through the workbook
- Consultation options
- Wrap up and next steps

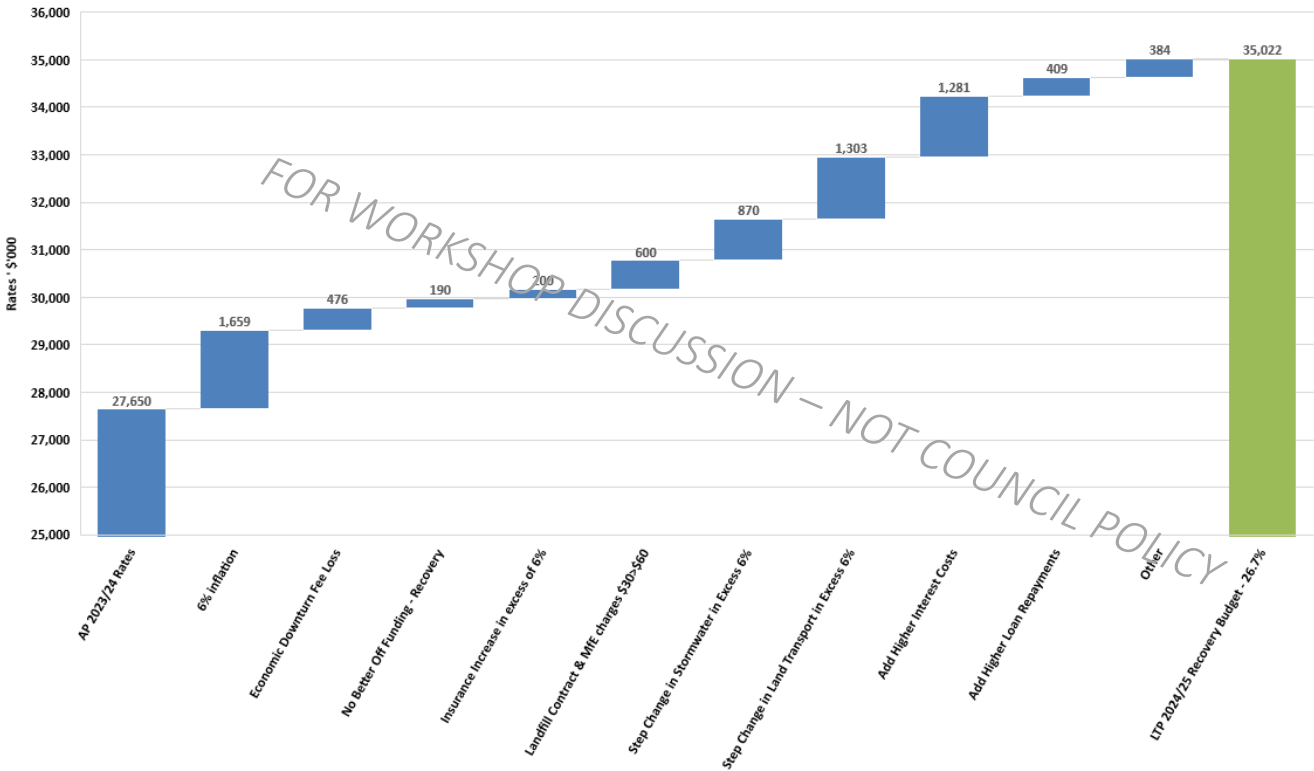


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The big drivers of cost

We have again remodelled the key drivers of cost in the below water fall graph. This is graph based on the Option 1 Model (26.7%).



Elected Member Priorities

The foundations of Project Thrive remain at the heart of the future of Central Hawke's Bay. For the 2022 – 2025 Triennium, Elected Members have identified the following focus areas and big moves to continue to deliver on the outcomes of Project Thrive.

Our Focus Areas

We've identified three focus areas as Elected Members that will be our specific focus across all of our activities for this Triennium:

#1 – Partnership and Localism	#2 – Right sized for the future	#3 – Climate Change and Resilience
<p>We continue to grow our emerging partnership with Mana wāhanga through all that we do as well as the local voice of community in all of our activities.</p> <p>We'll achieve this focus area by:</p> <ul style="list-style-type: none"> Establishing the Tamatea Partnership Committee. Completing a representation review, including opportunities to devolve local decision making to communities. Continue to promote the implementation of Tōhono mai Tōhono eke – Council's Urban Engagement Strategy. Continue to support our network of networks by implementing the Social Development Strategic Framework. 	<p>Despite our ambition, we need to ensure the level of expectation reflects the ability of our community to afford and sustainably deliver on that ambition.</p> <p>We'll achieve this focus area by:</p> <ul style="list-style-type: none"> Completing an Assessment of Future Affordability for our District as part of the Long Term Plan 2024. Reviewing the Financial Strategy and associated financial tools, available as part of the Long Term Plan 2024. Completing a substantial Levels of Service review, as part of the Long Term Plan 2024. Retain oversight of Council's Section 17a Review Programme and approve reviews as they fall due. Continuing to implement the External Funding Strategy. 	<p>Having taken away lessons from Cyclone Gabrielle, we've applied a future focused climate change and resilience focus to our decision making and future planning.</p> <p>We'll achieve this focus area by:</p> <ul style="list-style-type: none"> Developing a local understanding of climate change and resilience, the priorities and its impacts across our networks and infrastructure. Supporting the development of the Hawke's Bay Regional Spatial Plan and integrated hazard and risk planning. Working with the Regional Climate Action Committee to understand the local opportunities for the reduction and adaptation to climate change.

Our Big Moves

Council have identified five big moves, following the impacts of Cyclone Gabrielle, to deliver on the long term future of Central Hawke's Bay.

1. Accountable Delivery	2. Resilient Rooding	3. Community Activation	4. Social Infrastructure	5. Secure Water
<p>We have delivered a new approach to accountability across our community and council, that focuses on our Three Ds and results in a tangible uplift in community outcomes.</p> <p>We'll achieve this big move by delivering on:</p> <ul style="list-style-type: none"> Complete a review of our Contract Management Policy, specifically focusing on its successful cultural and leadership mobilisation across Council and its contractors. Reinvigorate Community Action and Care Groups, for community clean ups and beautification. Establish and improve organisational reporting, including key outcome data to demonstrate assurance in our services. 	<p>We have developed a prioritised approach and plan for investment in our roading networks, including a hierarchy of priority roads and routes for delivery in the Long Term Plan.</p> <p>We'll achieve this big move by delivering on:</p> <ul style="list-style-type: none"> Complete a substantial review of the Land Transport Strategic Framework, focussing on establishing key routes of resilience and levels of service. Strategically plan, fund and deliver on our Reading Recovery Programme following the effects of Cyclone Gabrielle. Reposition the Transport activity in the wider sense to including the relationship to the Regional Land Transport Committee, Roadway Efficiency Group and other forums. 	<p>We have developed a plan to address the challenges and opportunities we have in our Wāpukurau and Wāpukurau Town Centres, including addressing issues like the Wāpukurau Library and have enabled community ownership of our great place.</p> <p>We'll achieve this big move by delivering on:</p> <ul style="list-style-type: none"> Deliver on our Better off Funding Community Property and Civics Project. Continue to identify opportunities through our External Funding Strategy that will accelerate our ability to deliver the 'nice to have' projects. Deliver the Wāpukurau Main Street Streets for People project. 	<p>We have enabled the social infrastructure that our community needs for long term housing and economic outcomes, through the delivery of our Better off Funding Projects.</p> <p>We'll achieve this big move by delivering on:</p> <ul style="list-style-type: none"> Deliver on the Better off Funding Housing Project. Continue to focus on the long term implementation of the Economic Action Plan. Continue to facilitate the Wāpukurau South Growth Precinct. Continue to support the Tamatea Housing Taskforce. Deliver the Thriving Places and Spaces Quick Wins Project. Continue with the development and implementation of Community Plans. 	<p>We have successfully navigated through three waters reform, including continuing to progress with our Regenerative and Regenerative along have developed a Long Term Plan for stormwater and continued to improve water security for Central Hawke's Bay.</p> <p>We'll achieve this big move by delivering on:</p> <ul style="list-style-type: none"> Prioritising the Hawke's Bay/ Tararua Affordable Water Reform Programme. Regenerative and Regenerative are delivered to provide long term improvements. Develop a Regenerative in response to Cyclone Gabrielle, to be supported for future funding and delivery. Work with Water Holdings H&B and H&B Settlement Trust on ownership and partnership opportunities for Water Security.



Organisational Performance Focus

As an organisation, to enable the wider culture that we need to successfully deliver on Project Thrive for the future and Councils priorities for this Triennium, we will be focussing on:

High Performing Local Government Organisation

We are delivering on a plan to retain our AA CouncilARK rating and to continue to lift this overall performance and maturity of the organisation.

Community outcome led and responsive

We will work to be known as an organisation that enables local outcomes, by supporting and enabling local voices, knowledge and remaining responsive to community need.

Embedding Value for Citizens

Through a refreshed approach to accountable delivery community will see a visible step change in the value from the services we deliver.

Enabling Local Success to occur

While we'll be an active national and regional contributor to initiatives and activities, our primary focus will be on leading and enabling the success of Central Hawke's Bay.

Proposed budget options 1 & 2 ensure that:

- That we continue to deliver on “Project Thrive”
- Keeps the focus on:
 - Accountable Delivery
 - Building resiliency in Rooding
 - 3 Waters
 - Recovery



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Budget Options

The two-budget option approaches that Council endorsed at its meeting of 14 December 2023 are outlined below:

i. Recovery Budget (3 year)

This budget model is currently sitting at 26.7%

This proposed budget will present the current base model Officers have developed, which will substantially retain all of Council's services in their current operating format, albeit Officers will continue to hold a highly restrained approach to the inclusion of any new funding and will carefully consider all existing funding.

This model recognises that Council wants to retain the long-term vision and outcomes sought through Project Thrive, meaning progress to these outcomes will be achieved, albeit new investment and activity will be deferred for at least a three-year period for Council to work through this period of Recovery uncertainty.

This means there will be no substantial changes to Council's services, operating levels of service or maintenance, however, budget option this still requires a significantly higher new rating requirement to fund increases in inflation and the cost of operation primarily only.

Any significant new capital funding that is new or retained will be related to two primary areas, being Land Transport Asset Improvement and Critical Three Waters Asset replacements and upgrades to support growth.

All other funding for other key activities will be deferred for at least three years to provide for these areas to be prioritised through this recovery period.

ii. Extended Recovery Budget (5 year)

This budget model is currently sitting at 23.3% with the recommended changes, proposing \$1m of operational savings

This proposed budget will take a stronger view of financial restraint and will substantially reduce levels of service and operation in Year 1 of the Three Year Plan, and gradually increase levels of service and operation back to the current position over a five-year period.

This budget will again recognise that Council wants to retain the long-term vision and outcomes sought through Project Thrive, however this will now be through a much longer-term lens.

This budget approach means that Council will not stop or close activities, only reduce levels of service and operations. These levels of service again will be reintroduced over a five-year period. This would include options like reducing mowing frequencies, opening hours and slowing existing programmes of work.

Any significant capital funding that is new or retained, will still be related to two primary areas only, being Land Transport Asset Improvement and Critical Three Waters Asset replacements and upgrades to support growth.

All other funding for other key activities will be deferred for at least five years to provide for these areas to be prioritised through this recovery period.



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3 Year Plan Timeline

February 24	March 24	April 24
1 February Council Workshop	6 March Council Workshop	4 April Council Meeting
Formation of budget position risks/trade offs		Adoption of Consultation Document in advance of Consultation and Engagement starting
8 February Council Workshop	14 March Council Meeting	4 April – 5 May Consultation and Engagement Period
Continuation of formation of budget position risks/trade offs	Adoption of Significant Forecasting Assumptions LTP Programme Update Adopt Financial Strategy Adopt Infrastructure Strategy Adopt Significance and Engagement Policy	Key dates to be confirmed around public meetings
15 February Council Meeting	19 March Risk and Assurance Workshop	
Seek formal approval of draft budget position to assist in preparation of consultation document Revenue and Financing Policy for Adoption Treasury Management Policy for Adoption	Present draft Consultation Document	
29 February Council Workshop	20 March Council Workshop	
Financial Strategy Infrastructure Strategy Development Contributions Policy Updated Levels of Service 3 Waters Bylaws Solid Waste Bylaws Significance and Engagement Policy	Present draft Consultation Document	



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3 Year Plan Timeline continued

May 24	June 24
22 May Council Meeting	13 June Council Meeting
3 Year Plan Hearings	Adoption of 3 Year Plan
30 May Council Meeting	27 June Council Meeting
3 Year Plan Deliberations	Striking of Rates



ELT reflections over the break?

- Is the balance of hard savings against community impact and risk right?
 - What impact will \$100k reduction in open spaces have vs roading
- Did we focus our attention on the activities creating the most impact?
 - Further deferring/phasing roading and waters
 - Acknowledging what other options are for Solid Waste
- Will our proposed savings actually deliver the outcomes we are after?
 - Are we compromising our long-term strategy in some activities eg Economic Development



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Not just about cost



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What financial levers do we have?

1. Smoothing
2. External Funding
3. Capital Delivery Program
 - Funding Mechanisms
 - Speed of Delivery
4. Changes to Levels of Service

FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY



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1. Rates Smoothing – Option 1

- Projected rates increases

	23/24	24/25	Change	25/26	Change
General	10,031	11,860	18.2%	12,390	4.5%
Land Transport	7,780	9,772	25.6%	11,232	14.9%
Targeted	9,840	13,390	36.1%	14,705	9.8%
Total	27,651	35,022	26.7%	38,327	9.4%

- Could smooth the targeted rate by \$1m through debt for a year

	23/24	24/25	Change	25/26	Change
Targeted	9,840	12,390	25.9%	15,705	26.8%
Total	27,651	34,022	23.0%	39,327	15.6%

- The above example is very simplistic, in reality there will be about a \$60k interest cost in doing this
- Could do something similar with the Land Transport Rate



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2. External Funding

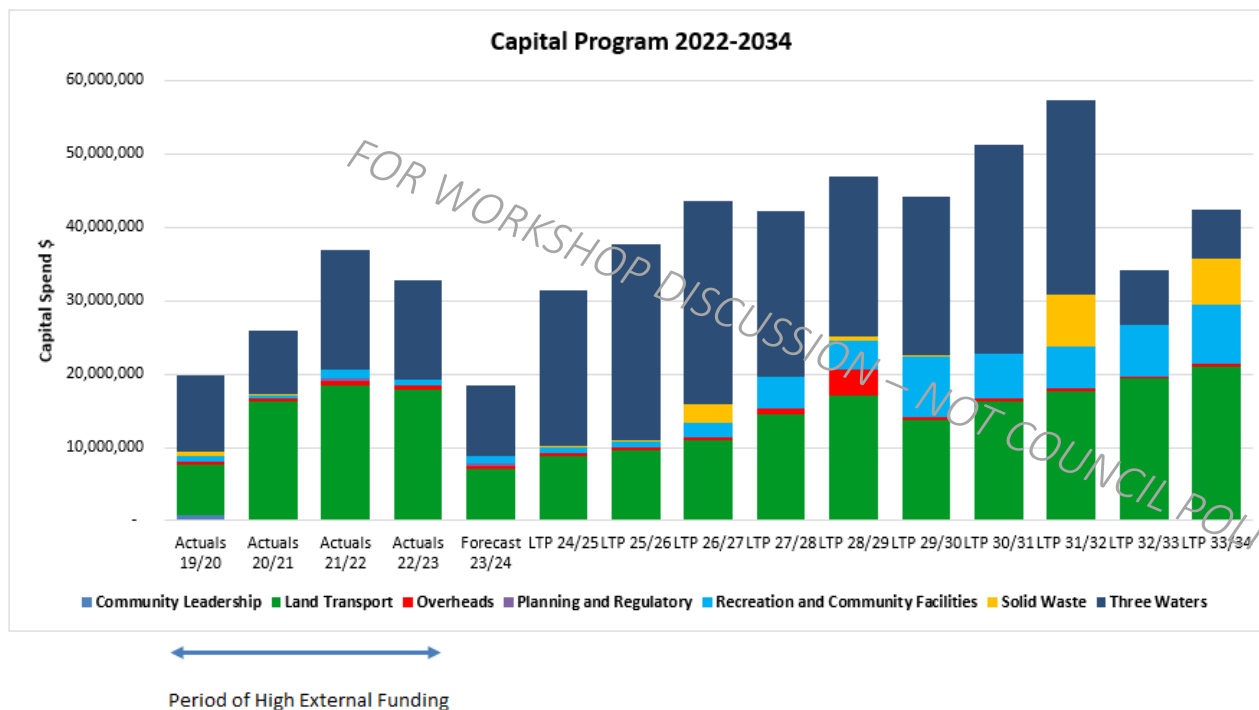
- At the moment the main sources of external funding in the budget are:
 - Waka Kotahi – standard FAR for BAU (quantum yet to be confirmed by Waka Kotahi). Additional support for recovery is implied but not quantified. Budget only records Councils share of recovery (both income and costs)
 - IAF – Income and capital budgets are included in the LTP where there is co-funding.
 - Better Off Funding – Only proportion to be used for recovery is captured (both revenue and cost)
- What's not in the budget
 - Waka Kotahi – Recovery Co-Funding
 - IAF – fully funded IAF Stormwater (approx. \$3m)
 - Better Off – outside of recovery
 - Resilience Funding – Waipawa Water Treatment Stopbank
 - Coalition \$1.2b Regional Infrastructure Fund – any future applications



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3. Capital Delivery - Speed



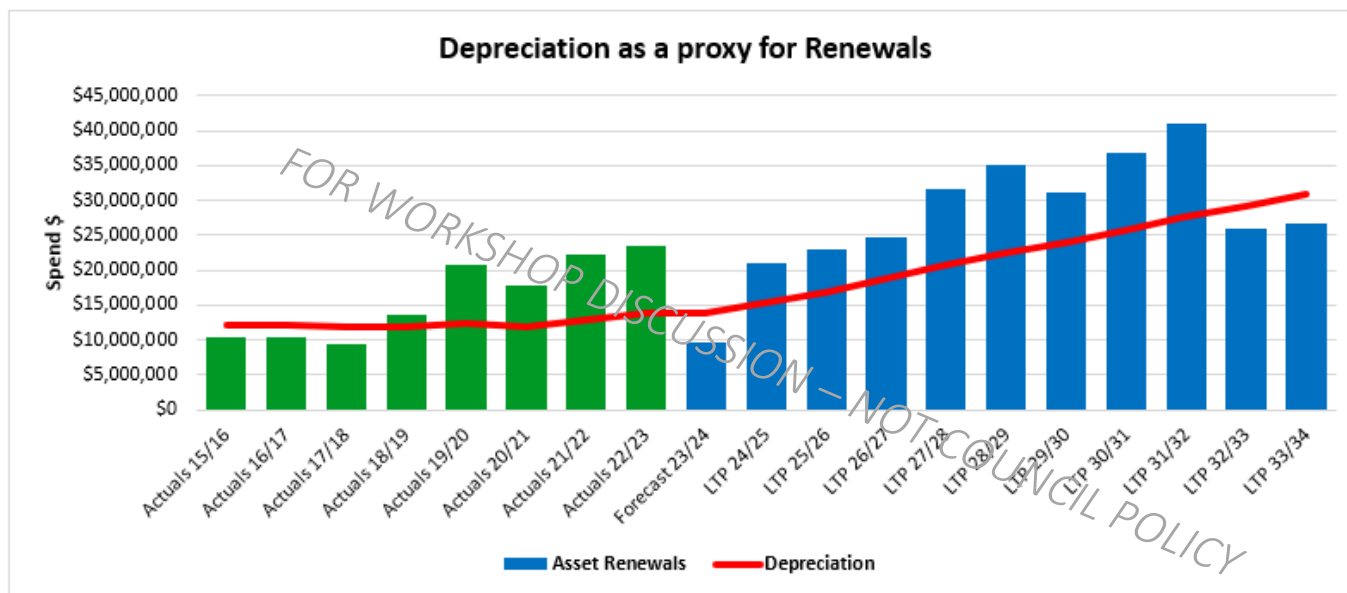
- Planning to deliver more than ever before (partly related to inflation and size of projects)
- Minimal External Funding Assistance



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3. Capital Delivery – Younger Assets



- Council will be replacing assets faster than they wear out leading to younger, more resilient assets
- Flipside is asset base is more valuable, causing depreciation to rise meaning the need for higher rates to maintain this momentum into the future



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3. Capital Delivery - Funders

Who are the funders?

- Ratepayers
- Debt (still needs to be serviced by ratepayers)
- Development Contributions
- Trade Waste Fees (Capital Contribution)
- Ratepayer Capital Contribution

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3. Capital Delivery - Funders

Debt – Key Assumptions

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 +
Weighted Average Interest Rate	5.0%	5.5%	5.25%	5.0%	4.75%	4.5%	4.0%

Unless a loan is on a floating rate, a fall in interest rates can take some time to filter through interest costs. That is the existing fixed loan period must expire first.

Asset Class	Loan Length	Asset Class	Loan Length
District Plan	10 Years	Landfill Cell Extension	6 Years
Buildings	25 Years	3 Waters Reticulation	35 Years
Land Transport - Recovery	10 Years	Reservoir Replacement	35 Years
Reserve Purchase	25 Years	Wastewater Treatment Plant	35 Years
Community Hall Upgrades	25 Years	Playgrounds	20 Years
Public Toilets	20 Years	Swimming Pools	20 Years

Loan Lengths are generally matched to the asset life, but the maximum loan length is capped at 35 years



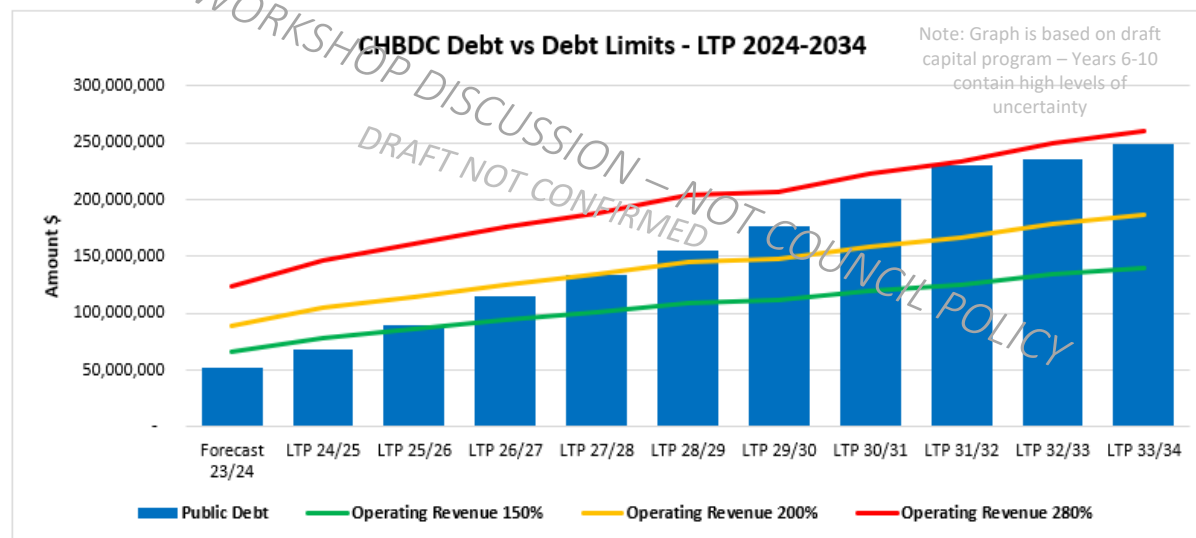
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3. Capital Delivery - Funders

Debt

- Council's debt limits are largely linked to its ability to raise revenue. The proposed higher rates gives Council more debt headroom.
- Council can get through Year1 without a credit rating, but will require one for years 2-3. At year 4 it'll need to revised its treasury policy again.
- Credit Rating Agencies won't like our forward projections of going all the way to 280% in year 8. Is this prudent or affordable?



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3. Capital Delivery - Funders

Development Contributions - What are they and how does it work?

- Development contributions are the fees payable to Council for capital expenditure planned to be provided, or already constructed, for additional community facilities (such as stormwater, roads, reserves and public amenities) required to service growth.
- In simplistic terms you take the projected cost of the construction of the growth assets divided by the projected number of new houses (or equivalent) to arrive at a capital contribution required from the developer per new house to fund Council infrastructure upgrades/development.
- Relies on Council to be able to identify percentage asset that is growth related (easy when it's a new asset, harder when it's a replacement), and project accurately where and when growth will occur.



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3. Capital Delivery - Funders

Development Contributions – Growth projections

- The Squillions report gave us population growth projections.
- Officers have allocated this to townships, and the applied a ration of 2.3 people to arrive at household growth.

	2023 Population	2033 Population	Growth	Growth Pop	Growth Houses
Otane	780	975	25%	195	85
Waipawa	2,400	2960	23%	560	243
Waipukurau	4,750	5850	23%	1,100	478
Takapau	680	825	21%	145	63
Porangahau	150	175	17%	25	11
Rural/Lifestyle	7,460	9025	21%	1,565	680
District	16,220	19,810	22%	3,590	1,561



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3. Capital Delivery - Funders

Development Contributions – Capital Spend Projections

- Across the next 10 years Council has \$234m of capital expenditure that has been identified as containing at least some component of growth
- It is estimated that \$34m of this is growth driven

	Capital Spend	Growth Share \$	Ext Funded	DC Funded
Parks & Reserves	9,955,476	3,128,009	-	3,128,009
Stormwater	5,892,590	2,119,438	335,033	1,784,405
Drinking Water	70,007,519	12,055,251	2,486,069	9,569,182
Waste Water	122,823,426	11,137,425	2,354,309	8,783,115
Land Transport	5,587,849	3,911,494	558,785	3,352,709
Community Facilities	5,826,062	535,617	-	535,617
Solid Waste	13,687,700	924,490	-	924,490
	233,780,622	33,811,724	5,734,196	28,077,528

- \$5.7m of this can be covered by IAF capital contributions
- The balance of \$28.1m will need to be collected through DC's



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3. Capital Delivery - Funders

Development Contributions – Allocation by township

- The capital expenditure and external-funding has been allocated based on the benefiting township
- This along with the population growth by location has informed the proposed DC's by township below

	Capital Spend	Growth Share \$	DC Funded	HUE Growth	2021 DC	2024 DC	Change
Districtwide	\$20,743,746	\$2,137,151	\$2,137,151	1,561	\$1,410	\$1,369	(\$41)
Otane	\$16,243,256	\$2,345,358	\$1,861,320	85	\$24,802	\$23,323	(\$1,479)
Takapau	\$6,929,983	\$494,783	\$494,783	63	\$7,545	\$9,217	\$1,672
Porangahau	\$26,134,252	\$261,343	\$261,343	11	\$20,226	\$25,413	\$5,187
Waipawa	\$52,597,864	\$7,949,369	\$6,497,255	243	\$24,802	\$28,054	\$3,252
Waipukurau	\$111,131,522	\$20,623,721	\$16,825,676	478	\$24,802	\$36,550	\$11,748



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3. Capital Delivery - Funders

Trade Waste - What are they and how does it work?

- Council has 4 main industrial users connected to our wastewater network
- They pay a volumetric charge based on the quantity and makeup of their discharges
- This volumetric charge is made up of both a treatment charge and a capital contribution to our wastewater upgrade program
- With the increase in costs (particularly in the WOW program) it is time review these charges to reflect updated costs



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3. Capital Delivery - Funders

Trade Waste - What are the new proposed rates and what does this mean?

	Old	New	% Increase
Flow	2.36	2.74	16%
BOD	1.44	2.95	104%
ISS	0.03	0.08	132%
VSS	0.14	0.31	132%
N	2.62	5.69	117%
P	6.31	17.07	170%

	Ovation	Farmers	Stephenson's	Medallion	
Original Revenue	\$ 511,736	\$ 205,606	\$ 93,371	\$ 46,690	
Updated Revenue	\$ 682,919	\$ 268,981	\$ 122,147	\$ 59,089	
Difference	\$ 171,183	\$ 63,375	\$ 28,776	\$ 12,399	\$ 275,733



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3. Capital Delivery - Funders

Future Development – Rate Payer Assistance Scheme

- New proposal being investigated by Cameron Partners, Russell McVeagh, PwC, LGFA, LGNZ, Tauranga City Council, and Central Government
- Sets up new entity to offer ratepayer funding (like a reverse mortgage but at LGFA rates) to fund Rates Postponement, Deferred Development Contributions, and Property Improvement Loans
- Lending will occur through the new entity and won't impact Council's Balance Sheet
- Still at business case stage (12-18 months to establishment)
- Estimated to require \$25m in seed funding from Councils as shareholders



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4. Levels of Service

- Levels of service are connected to funding and budgets
- Any potential implications to draft LOS will be presented on 8 February
- Workbook feedback will help steer any further levels of service changes.

FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY



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Elected Member Breakaway Day

Priorities and focus areas



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Working through the Budget Workbook

- Intent is to work through each activity
- Focus has to be on the most significant activities
- Working to establish is the option significant, a possibility or minor?
- 'Park' some ideas or issues for Officers to do further work and present these back at February workshop



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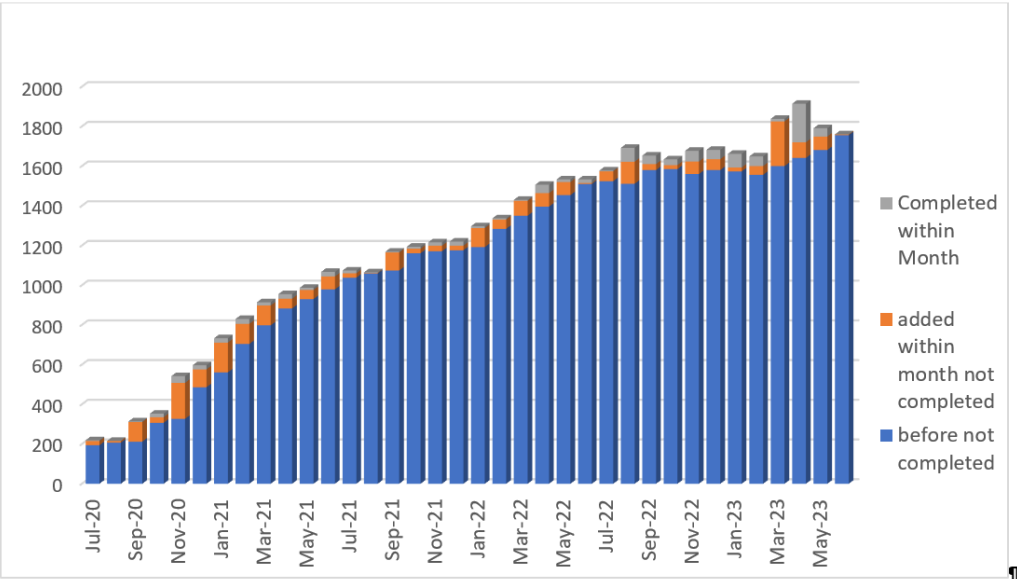
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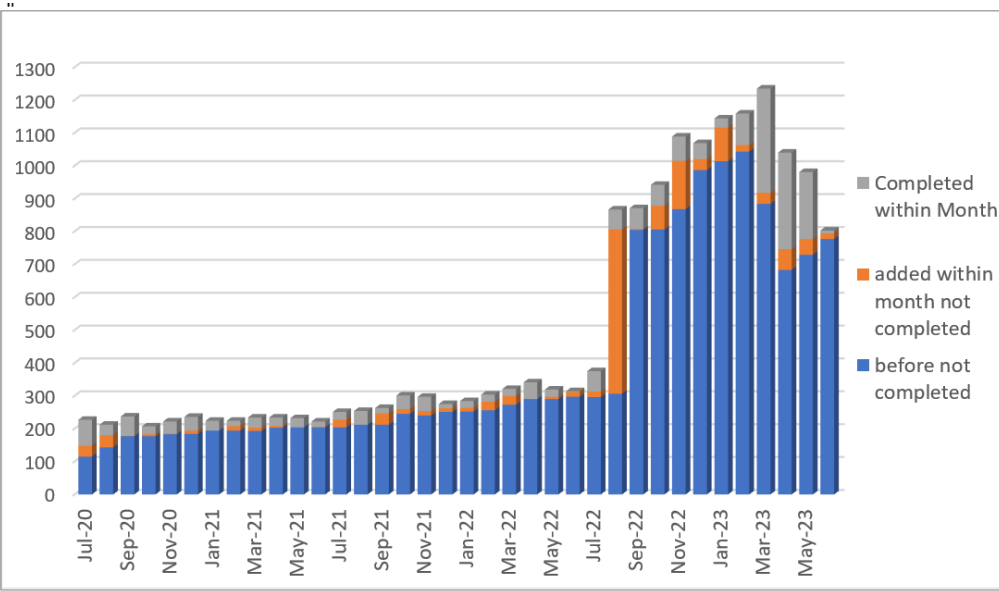
Land Transport



Drainage Backlog



Pavement Maintenance

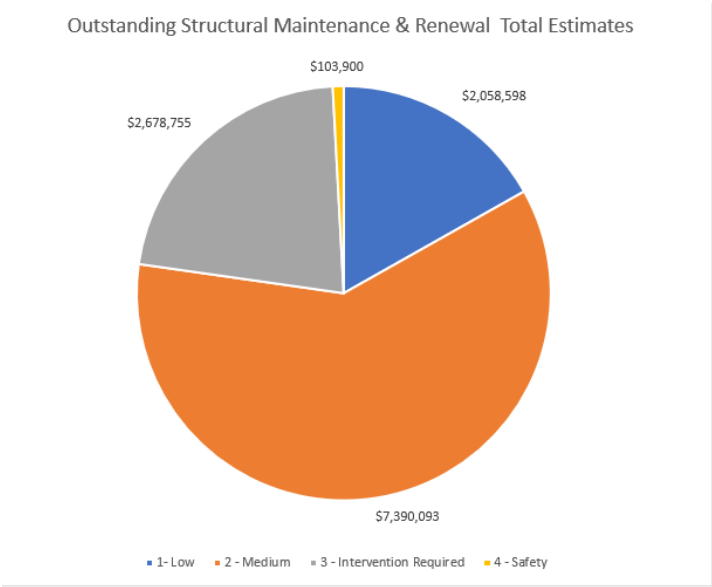


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Structural Maintenance & Renewals

Currently fund nearly \$1.3 million a year – which is not addressing the backlog



Cost Escalations – 3 year trend

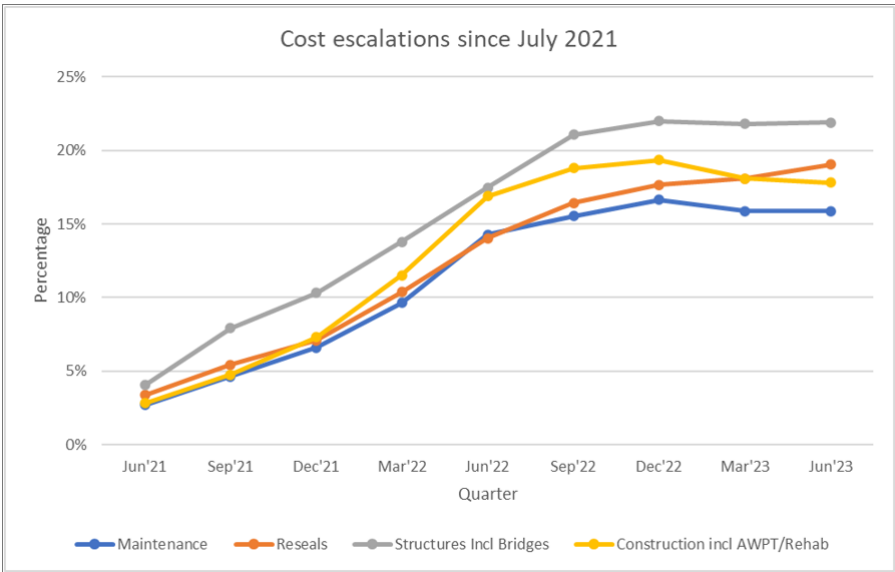


Figure 4-15: Cost escalations (three year trend)

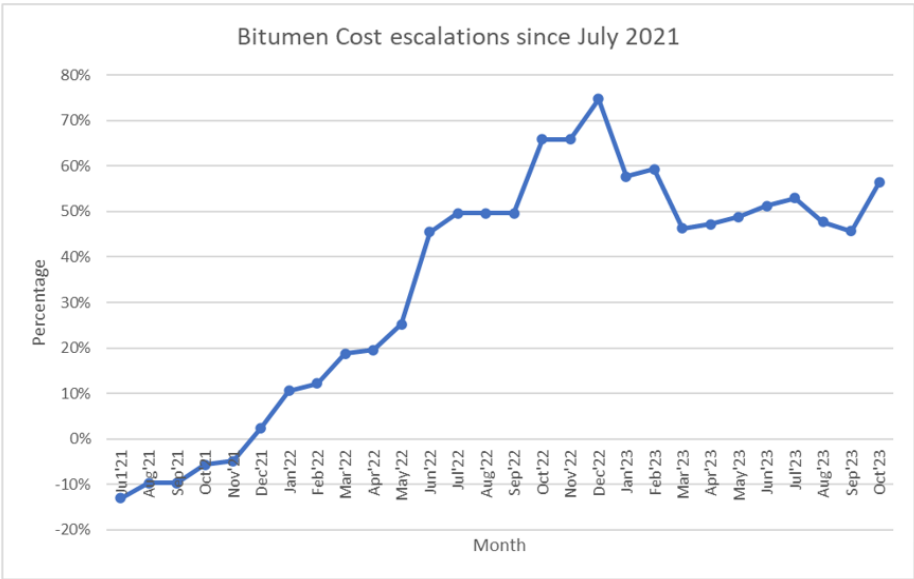
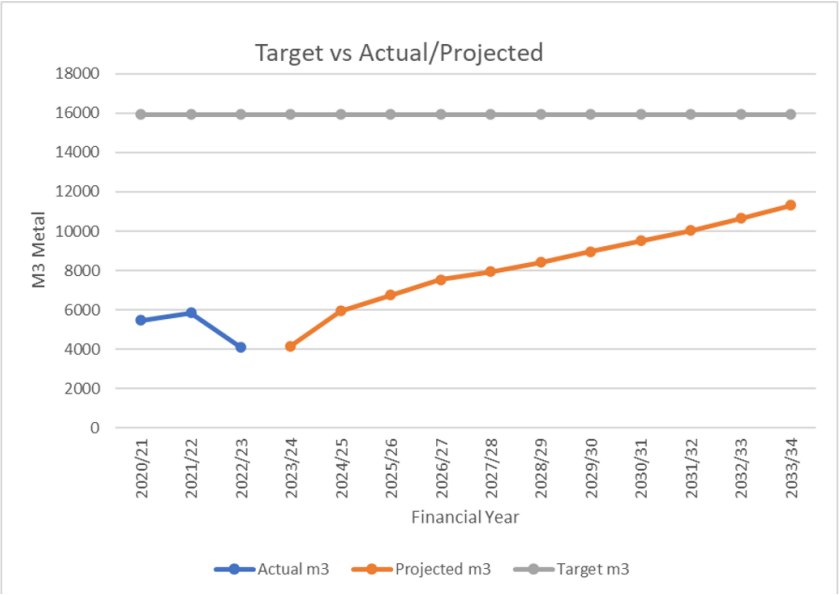


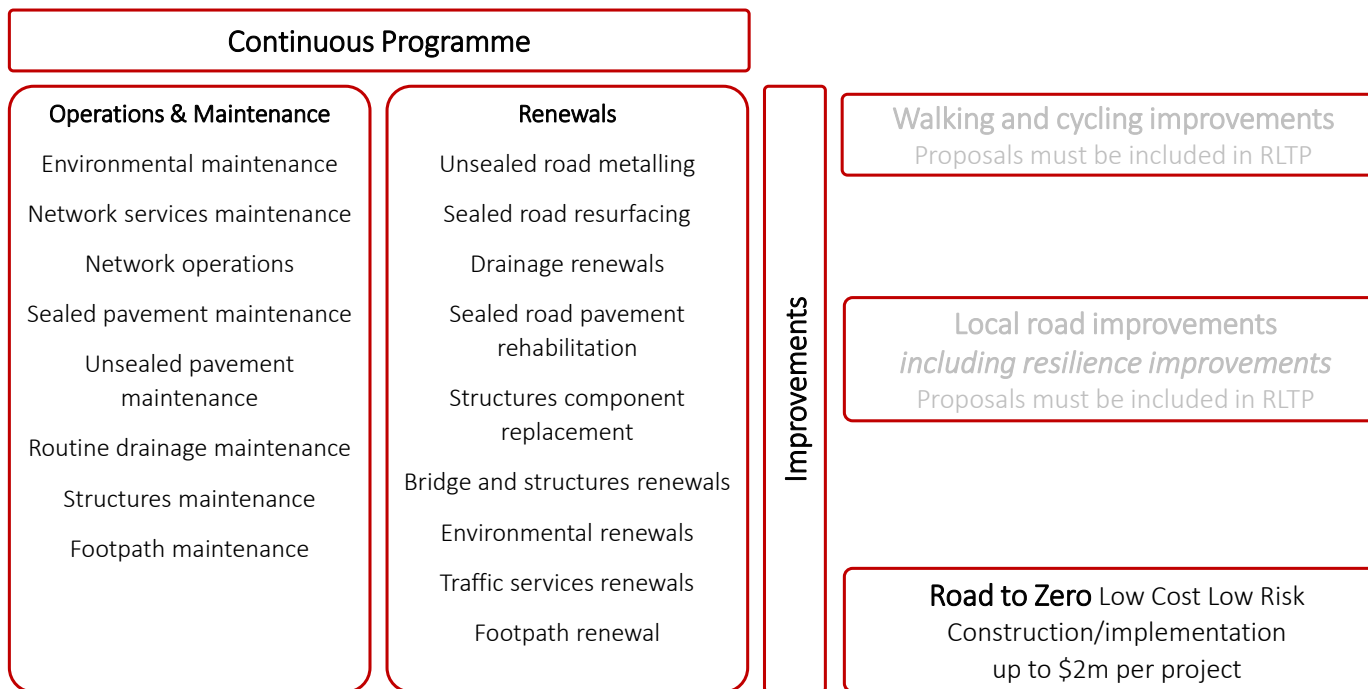
Figure 4-16: Bitumen cost escalations (three year trend)

Metalling in Cubic Metres



NLTP

Activity classes and Work categories



Land Transport

A reminder of the investment already out of the budget:

- No new footpaths
- No seal extensions/addressing dust
- No bridge replacements or provision for major repairs

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Land Transport – What smoothing has already occurred

29 November - 35% Rates Model

- We were working on a 10 year profile to flatten the curve/begin to address backlog of maintenance

Option 1 - 26.7% Rates Model

- Proposed reduction extended the profile by 2 years to 12 years
- Year 1 – (reduced by \$750k gross, \$308k rates)
- Year 2 – (reduced by \$500k gross, \$205k rates)
- Year 3 – (reduced by \$250K gross, \$103k rates)



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Achieving a reduction in the Land Transport Rate

- A 2% further Land Transport rates decrease is \$195k, which equates to a work program decrease of \$475k
- A 5% further Land Transport rates decrease is \$489k, which equates to a work program decrease of \$1,193k

Still a key assumption that Waka Kotahi will fund what we are asking for even in a reduced budget option.



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Drivers of the \$1.3m increase?

Category	Total increase (000's)	Rates requirement (000's)
Drainage Maintenance & Renewals	\$322	\$130
Increase in minor events fund	\$130	\$53
New Category – Structural Replacement (eg retaining wall replacement)	\$780	\$319
Sealed Pavement Maintenance	\$478	\$196
Reseals	\$262	\$107
AWPT/Rehabilitation	\$510	\$209
Structural Maintenance and Renewals	\$157	\$64
Unsealed Maintenance and Renewals	\$548	\$225
Total	\$3,187	\$1,303



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What does the funding increase get us?

- Not transformational increases
- The increase requested will enable us to compile a yearly program that will put us on track to cover:
 - 20% - 25% Cost escalations for BAU
 - Begin to enhance the safety of the network by concentrating on pothole filling, crack sealing and other road surface activities
 - Start to minimise the deterioration of the network leading to more expensive repairs like AWPT's, Structural component replacements
 - Some additional coverage for weather events
 - Begin to enhance metaling across unsealed roads (1/3rd of the network)
 - Begin replacement existing structures – eg retaining walls
 - Begin to reduce flooding under normal rainfall events (culvert and drain clearing)
 - Increase the amount of km's sealed each year to preserve the road pavements and ensure proper traction for safety to preserve the pavement



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Land Transport

Deferring or reducing investment - What's not recommended?

- Any reduction in culvert draining and drain cleaning
 - Small weather events will flood sections of road
- Reducing reseals
 - Achieving 4% coverage is already challenging
 - More pavement failures leading to more costly repairs
- Reducing structural maintenance (e.g. bridges)
 - Leading to more deterioration of assets, decreasing resilience and increasing risk.
- Reduction of activities will extend the timeline to try to catch up on backlog of work
 - Increasing backlog of work, which will cost more to repair in the long term.



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Land Transport – Investment/phasing options

- **Could reduce low cost/low risk - minor improvements & safety program**
 - Replicates current government policy approach
 - Total Programme is \$1m.
 - Could reduce upwards of \$500k investment – achieve a \$205k rates saving
 - Could pause the programme entirely or reduce and phase in again
 - Has been used for tree dangerous tree removal in the past (costs would need to fall elsewhere)
 - Does not reduce risk on network and no improvements
- **Defer new Structural Replacement Funding - \$780k - \$319k rates saving**
 - Introduce in Year 2 or later
 - Not addressing structural assets that are due to replacement (already \$12m of maintenance and renewal backlog)



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Land Transport – Other opportunities

- Increased FAR across district or key transport routes
- Application to the Regional Infrastructure Fund when it opens
- Use of Loan Funding
- Lobby for further Recovery funding from Central Govt

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Land Transport – Recovery

- Years 1-3 of the LTP contains \$2m pa of Council contribution to recovery (funded through reserves, loans, and rates)
- At this stage co-funding from Waka Kotahi is uncertain so no revenue, nor expenditure has been built into the budget
- The remaining roading recovery outstanding to get back to pre-cyclone LOS is approximately \$120m
- No funding has been set aside for bridge replacements (other than Cyclone damaged ones) such as Makaramu



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3 Waters



3 Waters Capital Delivery – What's driving the rates

	AP 2023/24	LTP 2024/25	Change \$	Change %
Operating Costs	4,870,114	5,947,713	1,077,599	22%
Finance Costs	1,684,869	2,615,144	930,275	55%
Overheads	2,103,377	2,784,066	680,689	32%
Loan Repayments	812,637	1,196,716	384,079	47%
Total	9,470,997	12,543,639	3,072,642	32%

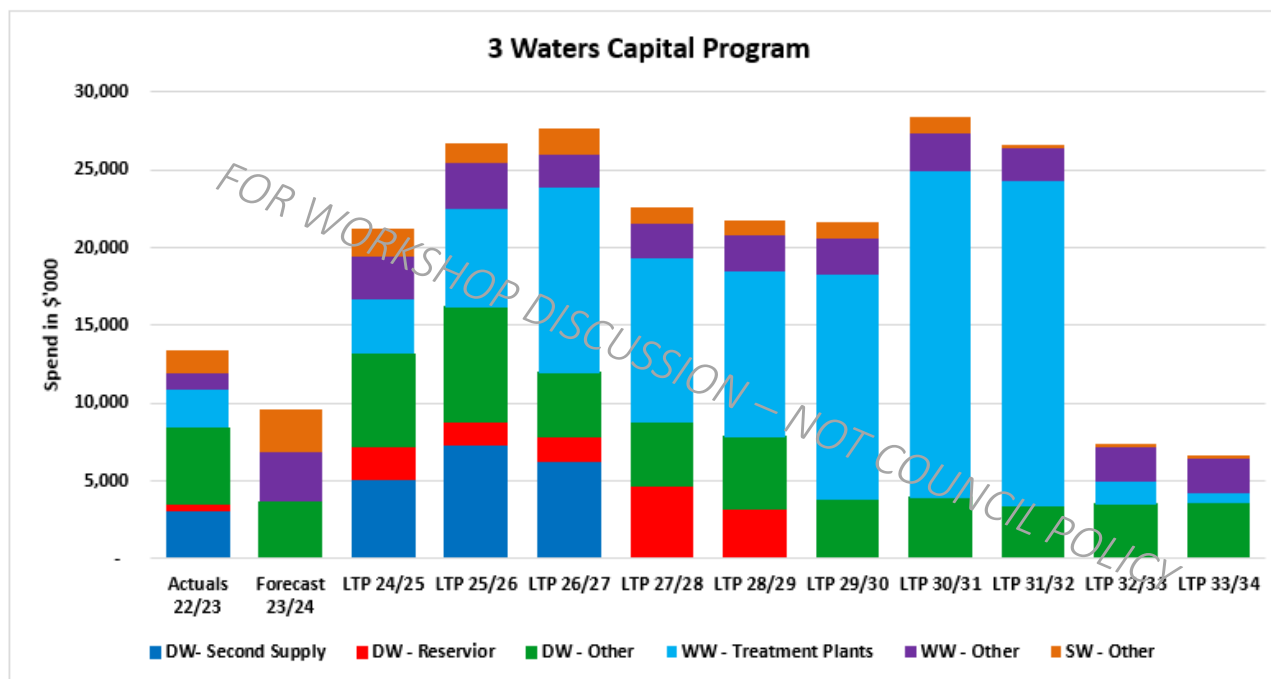
- Operating Costs are growing faster than inflation (\$200k insurance, balance operating contracts including stormwater step change)
- Interest and Loan Repayments reflect prior year capital program, and rising interest rates
- Capital Program for the period of the LTP fully loan funded so doesn't drive rates until the year after construction and loan draw down



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3 Waters Capital Delivery – What and When



- Early years dominated by 2nd Water Supply and Reservoir Replacement, and outer years by Waste Water Treatment Plant Upgrades. Further work is required in years 6-10 in the model.



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Early Consultation Options



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Early consultation options

- Option 1 – Smoothing the increase
 - Smoothing or not smoothing
 - Resulting cost implications and risks
- Option 2 – Land Transport Investment
 - Defining further options to slow investment rates
- Option 3 – Three Waters
 - Taking a high or low risk approach to investment



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Early consultation options

- Other consultation topics
 - Proposed reductions to LOS
 - Development Contribution Policy
 - Other Associated Policies and Plans

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