



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Risk & Assurance Committee Agenda

Tuesday, 19 March 2024

9.00am

Council Chambers,
28-32 Ruataniwha Street, Waipawa

Together we thrive! E ora ngātahi ana!

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- 1 **WELCOME / KARAKIA / NOTICE**
- 2 **APOLOGIES**
- 3 **DECLARATIONS OF CONFLICTS OF INTEREST**
- 4 **STANDING ORDERS**

RECOMMENDATION

That the following standing orders are suspended for the duration of the meeting:

- 21.2 Time limits on speakers
- 21.5 Members may speak only once
- 21.6 Limits on number of speakers

And that Option C under section 22 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

5 CONFIRMATION OF MINUTES

Risk and Assurance Committee Meeting - 7 December 2023.

RECOMMENDATION

That the minutes of the Risk and Assurance Committee Meeting held on 7 December 2023 as circulated, be confirmed as true and correct.

**MINUTES OF CENTRAL HAWKES BAY DISTRICT COUNCIL
RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON THURSDAY, 7 DECEMBER 2023 AT 9.00AM**

Unconfirmed

PRESENT: Chairperson Neil Bain (Chair)
Cr Pip Burne
Cr Gerard Minehan
Mayor Alex Walker

IN ATTENDANCE: Doug Tate (Chief Executive)
Nicola Bousfield (Group Manager, People and Business Enablement)
Brent Chamberlain (Chief Financial Officer)
Dennise Elers (Group Manager Community Partnerships)
Dylan Muggeridge (Group Manager Strategic Planning & Development)

Matt Boggs (Morrison Low)
Miles O'Connor (Bancorp)
Suresh Ranchod (Bancorp)
Adrienne Martin (People and Capability Manager)
Michelle Annand (Health & Safety Advisor)
Annelie Roets (Governance Lead)

1 WELCOME/ KARAKIA/ NOTICES

The meeting started at 9.10am.

The Chair, Neil Bain welcomed everyone to the meeting and Mayor Alex Walker opened with a karakia.

2 APOLOGIES

RESOLVED: 23.30

Moved: Mr Neil Bain

Seconded: Cr Pip Burne

That the apologies for Councillor Tim Aitken be received.

CARRIED

3 DECLARATIONS OF CONFLICTS OF INTEREST

There were no Declarations of Conflicts of Interest received.

4 STANDING ORDERS

RESOLVED: 23.31

Moved: Cr Gerard Minehan

Seconded: Cr Pip Burne

That the following standing orders are suspended for the duration of the meeting:

- **21.2 Time limits on speakers**
- **21.5 Members may speak only once**
- **21.6 Limits on number of speakers**

And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

CARRIED

5 CONFIRMATION OF MINUTES

RESOLVED: 23.32

Moved: Mayor Alex Walker

Seconded: Chairperson Neil Bain

That the minutes the Extraordinary Risk and Assurance Committee Meeting held on 4 October 2023 as circulated, be confirmed as true and correct.

CARRIED

6 REPORT SECTION

6.1 RESOLUTION & ACTION MONITORING REPORT

PURPOSE

The purpose of this report is to present to the Committee the Risk and Assurance Committee Resolution Monitoring Report. This report seeks to ensure the Committee has visibility over work that is progressing, following resolutions made by the Committee.

COMMITTEE RESOLUTION : 23.33

Moved: Chairperson Neil Bain

Seconded: Cr Gerard Minehan

That the report be noted.

CARRIED

The report was taken as read.

6.2 RISK MATURITY REVIEW REPORT

PURPOSE

The matter for considerations is to report to the Risk and Assurance Committee (the Committee) the findings and recommended areas for improvement from the Risk Maturity Review.

COMMITTEE RESOLUTION : 23.34

Moved: Chairperson Neil Bain

Seconded: Cr Pip Burne

1. **That the report is received.**
2. **That the Committee recommend to Council the proposed changes to the Risk and Assurance Committee Terms of Reference noting the proposed Committee Membership changes.**
3. **That the Committee endorse the Risk Maturity Report and recommend the proposed changes to Councils risk appetite settings to Council.**

CARRIED

The report was introduced by Nicola Bousfield & Matt Boggs (online) (Morrison Low) with discussions noting:

- From the Risk Maturity Report, a number of findings and identified areas for improvements proposed, one of being the Risk and Assurance Committee's Terms of Reference changes.
- Ms Bousfield gave a high level background on the Risk Maturity Findings and summary as well as spoke on the report recommended improvements to risk at Council and also recommending Council's risk appetite settings.
- Options for the committee to consider the proposed changes to the R&A Committee Terms of Reference with particular focus on risk management and increase the meeting frequency from 4 to 5 meetings per year.
- More regular review of R&A Committee membership proposed.
- The chair acknowledged the work officers have done and propose that this report be formally presented to council.
- Next steps in terms of Risk Appetite settings – re-look at risk appetite again to ensure the right questions are asked around the Governance table.

6.3 RISK STATUS REPORT

PURPOSE

The purpose of this paper is to report to the Risk and Assurance Committee (the Committee) on Council's risk landscape, risk management work in progress and to continue a discussion with the Committee about risk.

COMMITTEE RESOLUTION : 23.35

Moved: Chairperson Neil Bain

Seconded: Cr Gerard Minehan

That the report be noted.

CARRIED

The report was introduced by Nicola Bousfield and Matt Boggs (Morrison Low) with discussions

noting:

- Ms Bousfield gave a high level update on the key changes from the risk maturity review undertaken and noted that the risk appetite settings was undertaken with Elected Members in a workshop setting.
- From this workshop, officers updated the operational risk register to align the risks with “Our Strategy Direction” and make the risks more specific to our Council context.
- A proposed new template for this Risk Status Report has been produced and it brings the risk discussion into focus. Officers will set out to discuss only the risks where the current situations doesn’t align with the Elected Members’ risk appetite settings.
- The reporting template has been implemented and officers sought feedback from the committee around it’s benefit.
- Ms Bousfield gave a background and summary on the attachments noting that no new risks were identified since the last Risk & Assurance Committee meeting.
- Proposed visibility over financial strategy (how levers changes over time, including challenges over time)? – Ms Bousfield will work with CE to see how this can be incorporated into the report.
- There would be a benefit in seeing different trends over time – trend analysis will allow great discussions.

6.4 REVIEW OF TREASURY MANAGEMENT POLICY

PURPOSE

The matter for consideration by the Council is the review of its Treasury Management Policy ahead of setting the Long Term Plan budgets.

COMMITTEE RESOLUTION : 23.36

Moved: Chairperson Neil Bain

Seconded: Mayor Alex Walker

- 1. That Risk and Assurance endorse the revised Treasury Policy (incorporating Investment and Liability policies).**
- 2. That a revised version of the Treasury Management Policy be brought back to Council meeting to be held on 15 February 2024 for further consideration and adoption.**
- 3. Approves the policy changes as recommended.**

CARRIED

The report was introduced by Brent Chamberlain and introduced two members from BanCorp (Suresh Ranchod and Miles O’Connor) who attended in person. Further discussions traversed:

- The paper recommends that the Treasury Management Policy be reviewed ahead of setting the 2024 – 2034 Long Term Plan budgets.
- The only substantial change being recommended is to allow a change in allowable debt ceilings if and when Council choses to get a credit rating.
- The Treasury Management Policy was last reviewed during the last Long Term Plan and has ever since undergone minor revision since then.
- Since then, council has undertaken an ambitious upgrade of its drinking water and wastewater network which had been underinvested and as a result being borrowing to fund the capital programme.
- This programme will continue into the new LTP as Council develops it and will require council to continue borrowing into the future.

- If these projects do eventuate, it will require council to obtain a credit rating and a lift in Council's current debt limit imposed by its existing Treasury Policy.
- Council might have to consider the timing of obtaining a credit rating.
- Mr Chamberlain explained the benefits of a obtaining a credit rating which will effectively grant Council access to cheaper funds.
- Recommendation to extend council's debt limit from 150% to 200 %.
- When council obtains a credit rating, the debt limit can be increased to 200%.
- Early discussions with LGFA have been held regarding credit ratings. Early indications are that Council could expect a credit rating of AA-.
- Proposed that review of any changes to the Treasury Management Policy documents should be presented to R&A Committee every three years regardless of any changes.
- Feedback and recommendations from committee today will be taken onboard and will come back with a revised version of the Policy at the March Risk & Assurance Committee meeting.
- Council consider interest rate options as proposed by the independent advisors.
- BanCorp gave a presentation around the pros and cons around getting a credit rating, financial markets and taking advantages of some of the movements in interest rates recently.
- Discussion regarding the property investment section - requested that this be further reviewed for a future revision of the policy.

6.5 TREASURY MANAGEMENT MONITORING REPORT

PURPOSE

The purpose of this report is to provide an update on Treasury Management and Policy Compliance.

COMMITTEE RESOLUTION : 23.37

Moved: Chairperson Neil Bain

Seconded: Cr Pip Burne

That the report be noted.

CARRIED

The report was introduced by Brent Chamberlain which was taken as read:

- The policy is being reviewed as part of the next LTP.
- Gave a brief summary on council's investments, borrowing, debt profile, debt ratio, carbon credits and OCR Rate forecasts.
- Council's cash position deteriorated with \$2.8m in funds on call.
- 3 Waters debt accounts for 84% of Council's total debt.
- The latest revision of the Treasury Policy introduced a benchmark for council's cost of funds showing that council is achieving slightly worse than the expected benchmark due to the majority of council's debt being drawn recently weighting the average cost of funds toward the highest current market rates.
- Officers are working closely with Bancorp to identify opportunities to use market movements to lock in lower interest costs for Council.
- Proposed that BanCorp's tables on Cash and Investment Position and Debt Maturity be incorporated into this report as one consolidated graphs.

The committee adjourned at 11.07am for morning tea and reconvened at 11.25am.

6.6 HEALTH & SAFETY REPORT: 1 AUGUST - 31 OCTOBER 2023

PURPOSE

To provide the Risk and Assurance Committee with health, safety and wellbeing information and insight, and to update the committee on key health and safety initiatives for the period 1 August – 31 October 2023.

COMMITTEE RESOLUTION : 23.38

Moved: Chairperson Neil Bain

Seconded: Cr Pip Burne

That the report is noted.

CARRIED

The report was introduced by Adrienne Martin and Michelle Annand which was taken as read:

- The Mayor thanked the team for their hard work over the last 12 months specifically during Cyclone Gabrielle.
- Risk manager – new reporting to roll out next month.

6.7 INSURANCE RENEWAL UPDATE AND INSURANCE STRATEGY DEVELOPMENT

PURPOSE

The matter for consideration by the Council is to receive an update on the insurance renewal process, and to consider the first draft of a newly written insurance strategy.

COMMITTEE RESOLUTION : 23.39

Moved: Mayor Alex Walker

Seconded: Cr Pip Burne

1. **That the Risk and Assurance committee receive this update on the annual insurance placement for the 2023/2024 year.**
2. **That the Risk and Assurance committee receive the draft Insurance Strategy and provide feedback to allow for further work on the strategy to be undertaken and brought back for this committee's endorsement at the next meeting.**

CARRIED

The report was introduced by Brent Chamberlain who gave an update on the insurance renewal process and a newly written insurance strategy. Discussions noted:

- This paper are presented in 2 parts following on from the last R&A Committee meeting where Council had AON present to present on the insurance renewal process
- 2 Types of insurance cover namely (1) Liability cover renewed every July; and (2) Material damage cover, renewed every November which AON looks after.
- A renewal happened after the last R&A Committee meeting and this meeting and has had a significant increase in cost.
- Mr Chamberlain gave a background and overview on the different types of insurance covers and why premiums increases, types of increases and the need to develop an insurance strategy to match the type of cover to the asset class.
- Below the ground assets will cost council 76% more to insure this year than last year, with Above the ground assets being a 48% increase.

- The underwriter has written a loss cap into the policy for flooding events and increased the excess deductible for such events. These being a loss cap of \$20m and an excess of \$100k, compared to a \$10k excess for a non-flooding or earthquake event.
- The proposed insurance strategy looks at the types and frequency of losses Council incur and also looks at the critically of the asset class and recommends difference levels of cover dependant on the asset class.
- It proposes the creation of a self-insurance reserve to cover any insurance cover shortfalls and excess deductibles – similar to Council's catastrophic fund.
- Note that insurance premium is calculated by rate per dollar of cover x value cover. For every \$1m of reduction in value of cover will save Council approximately \$2,500 in premium.
- Propose for AON to do loss modelling on the actual risk profiles.
- What are the actual savings going to be and the trade-offs.
- Looking at the criticality of assets.
- Needs a wider conversation than this table, then council and community hall groups and consultation.
- Creating a self-insurance fund similar to the catastrophic fund.

6.8 2024 - 2034 LONG TERM PLAN UPDATE

PURPOSE

The purpose of this report is to provide the Risk and Assurance Committee with an update on the Long Term Plan Programme.

COMMITTEE RESOLUTION : 23.40

Moved: Chairperson Neil Bain

Seconded: Mayor Alex Walker

That the report be noted.

CARRIED

The report was introduced by Doug Tate who gave an update on the LTP programme with discussions noted:

- This LTP will be presented to Councillors in workshop setting on the 29th of November 2023.
- Working in providing draft budget options for council to consider over the Christmas break.
- Two planned workshops scheduled on 1 and 8 February 2024 and a first planned Council meeting to be held on 15 February 2024: Budget option analysis, completion of key policies and any early engagement.
- Formal report to council on 15 December Council meeting on progress on draft budget, emerging issues and themes.

6.9 ELECTED MEMBERS EXPENSES FOR AUGUST-OCTOBER 2023

PURPOSE

The purpose of this report is to update the Committee on the Elected Members' Expenses for the two months covering the period from 1 August 2023 to 31 October 2023.

COMMITTEE RESOLUTION : 23.41

Moved: Chairperson Neil Bain

Seconded: Cr Gerard Minehan

1. That the Elected Members Expenses for August to October 2023 report be noted.

2. CARRIED

The report was taken as read.

7 DATE OF NEXT MEETING

COMMITTEE RESOLUTION : 23.42

Moved: Chairperson Neil Bain

Seconded: Cr Pip Burne

That the next meeting of the Risk & Assurance be held on 19 March 2024.

CARRIED

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION : 23.43

Moved: Chairperson Neil Bain

Seconded: Cr Gerard Minehan

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
8.1 - Internal review of financial controls and process for capital projects	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
8.2 - Emerging Risks and Issues - Forum Discussion	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information

	s7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment	for which good reason for withholding would exist under section 6 or section 7
8.3 - Cyber Security Update	<p>s7(2)(b)(i) - the withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret</p> <p>s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p>	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

COMMITTEE RESOLUTION :23.44

Moved: Chairperson Neil Bain

Seconded: Cr Gerard Minehan

That Council moves into Public Excluded business at 12.20pm.**CARRIED**

The meeting adjourned for lunch at 12.20pm and reconvened in Public Excluded business at 1pm.

COMMITTEE RESOLUTION : 23.45

Moved: Cr Pip Burne

Seconded: Cr Gerard Minehan

That Council moves out of Public Excluded business at 2.19pm.**CARRIED****9 TIME OF CLOSURE**

The Meeting closed at 2.20pm.

The minutes of this meeting will be confirmed at the next ordinary Risk & Assurance Committee meeting on 19 March 2024.

.....
CHAIRPERSON

6 REPORT SECTION

6.1 RESOLUTION & ACTION MONITORING REPORT

File Number: COU1-1408

Author: Annelie Roets, Governance Lead

Authoriser: Doug Tate, Chief Executive

Attachments: 1. Resolution and Action Monitoring Report [↓](#)

PURPOSE

The purpose of this report is to present to the Committee the Risk and Assurance Committee Resolution Monitoring Report. This report seeks to ensure the Committee has visibility over work that is progressing, following resolutions made by the Committee.

RECOMMENDATION

That the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

DISCUSSION

The Resolution & Action Monitoring Report is attached and includes the Committee Action Monitoring Report.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help 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.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That the report be noted.



Resolution Monitoring Report for 19 March 2024

Key	
Completed	Green
On Track	Yellow
Off Track	Red

Item Number	Item	Council Resolution	Resolution Date	Responsible Officer	Progress Report	
1	6.2	Risk Maturity Review Report	1.That the report is received. 2.That the Committee recommend to Council the proposed changes to the Risk and Assurance Committee Terms of Reference noting the proposed Committee Membership changes. 3.That the Committee endorse the Risk Maturity Report and recommend the proposed changes to Councils risk appetite settings to Council.	7/12/2023	Nicola Bousfield	Completed - Report to Council in the 14 March 2024 meeting
2	6.4	Review of Treasury Management Policy	1.That Risk and Assurance endorse the revised Treasury Policy (incorporating Investment and Liability policies). 2.That a revised version of the Treasury Management Policy be brought back to Council meeting to be held on 15 February 2024 for further consideration and adoption. 3.Approves the policy changes as recommended.	7/12/2022	Brent Chamberlain	Completed - Council endorsed policy at March Council meeting
3	6.7	Insurance Renewal Upate and Insurance Strategy Development	1.That the Risk and Assurance committee receive this update on the annual insurance placement for the 2023/2024 year. 2.That the Risk and Assurance committee receive the draft Insurance Strategy and provide feedback to allow for further work on the strategy to be undertaken and brought back for this committee's endorsement at the next meeting.	7/12/2023	Brent Chamberlain	On Track - Officers working with AON on options and proposed changes

Action Monitoring Report for 19 March 2024

Item Number	Meeting Date	Item	Action	Responsible Officer	Progress	
1.	6.3	27 April 2023	Treasury Management, Policy Settings, and Treasury Risk Management	Further update to be provided at the next meeting on forecasting and projections for the Long Term Plan on Revenue and Finance Policy.	Brent Chamberlain	Completed - Update on LTP included in this agenda
2.		22 September 2022		A review on the Treasury policy before the next Annual Plan to ensure it is fit to minimise the treasury risk for scenarios of 3 waters proceeding or not proceeding.	Brent Chamberlain	Completed - Policy endorsed at March Council Meeting
3	6.2	7 Dec 2023	Risk Maturity Review Report	The R&A Committee Chair recommended that this report be formally presented to Council.	Nicola Bousfield	Completed. Report presented to Council 14/3/24 that included the Risk Maturity Report, to adopt the Council risk appetite statements and the proposed changes to the Risk & Assurance Committee Terms of Reference.
4	6.4	7 Dec 2023	Review of Treasury Management Policy	•Proposed that review of any changes to the Treasury Management Policy documents should be presented to R&A Committee every three years regardless of any changes.	Brent Chamberlain	Completed. Legislative requirement under Local Government Act 2002 to be reviewed as part of the Long Term Plan development.
				•Discussion regarding the property investment section requested that this be further reviewed for a future revision of the policy	Brent Chamberlain	On Track - Officers working on a investment strategy
5	6.5	7 Dec 2023	Treasury Management Monitoring Report	•Proposed that BanCorp’s tables on Cash and Investment Position and Debt Maturity be incorporated into this report as one consolidated graphs.	Brent Chamberlain	Complete - Bancorps Graphs included in Treasury Report.
6	6.7	7 Dec 2023	Insurance Renewal Update and Insurance Strategy Development	•Propose for AON to do loss modelling on the actual risk profiles and what the actual savings going to be / trade-offs.	Brent Chamberlain	On Track - Officers working with AON on options and proposed changes
7	6.8	7 Dec 2023	2024-2034 Long Term Plan Update	•Normal report to council on 15 December Council meeting on progress on draft budget, emerging issues and themes	Doug Tate	Completed.

6.2 RISK STATUS REPORT

File Number:**Author:** Nicola Bousfield, Group Manager - People & Business Enablement**Authoriser:** Doug Tate, Chief Executive**Attachments:** 1. Quarterly Risk Register Update March 2024 [↓](#)

RECOMMENDATION

That the report be noted.

PURPOSE

The purpose of this paper is to report to the Risk and Assurance Committee (the Committee) on Council's risk landscape, risk management work in progress and to continue a discussion with the Committee about risk.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as of some significance, noting the key risk issues being reported.

BACKGROUND

The Risk Status Report is part of regular and routine reporting designed to provide governance with oversight and input into the way that identified risks are being managed within Council.

As noted in the December 2023 Committee meeting, the Risk Maturity Review resulted in a number of findings and areas identified for improvement, that has subsequently proposed changes to how officers report on risk for discussion with the Risk & Assurance Committee (the Committee).

A review of the risk appetite settings was undertaken with Elected Members, which guides officers' assessment of risk. Following this workshop with Elected Members, officers updated the operational risk register to align the risks with "Our Strategic Direction" and make the risks more specific to our Council context. It is anticipated Council will adopt the proposed Risk Appetite Settings in the 14 March 2024 Council meeting, along with the proposed changes to the Risk & Assurance Terms of Reference.

DISCUSSION

Risk Status Report

Following the Risk Maturity Review, the proposed new template for this Risk Status Report was used in the December 2023 Committee meeting. Feedback was provided by the Committee and officers have made changes to the template that are designed to clearly set out each of the risks in the risk register and which risk the comments relate. Officers will continue to refine the risk register template based on feedback as required, please see attached for the Quarter 3 Risk Register Update.

This template brings the risk discussion into focus, where rather than discussing all risks, Officers will set out to discuss only the risks where the current situations doesn't align with the Elected Member's risk appetite settings. This will focus the risk conversation and will show trends over the year. The narrative for each risk where the current state does not align with the risk appetite setting is included within the attached report.

Officers note that the Risk Maturity review recommended taking the Committee through the Risk Register in more detail (one quarter of risks planned for discussion each meeting) which is scheduled in this Risk & Assurance meeting. That is an opportunity for the Committee to provide feedback on the current risk appetite settings of Council on each of the risks, and if they think the risk appetite of Council has changed.

Risk Reporting to Council

At the December 2023 Risk & Assurance Committee meeting, the Committee discussed the options for reporting “up” to Council. The Risk Maturity Report recommended that for risks that trend outside of Council’s risk appetite for 2 quarters or more, should be reported “up” to Council. As the trends have developed, Officers note that as at today’s Committee meeting, Council now has risks that are trending outside of appetite for two quarters and as such, this has triggered reporting “up” and Officers will report on these risks at the next Council meeting.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help 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.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That the report be noted.



Risk and Assurance Committee: 19 March 2024
Risk Register Update – Quarter 3 – 2024

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Correct as at	11 March 2024
Prepared by	Nicola Bousfield
Sponsor	Doug Tate

Proud District - Central Hawke's Bay is proud of its identity and place							
Risk Title	Appetite	Risk Subcategories	Trend				Narrative for those risks outside of Risk Appetite settings
			Q1	Q2	Q3	Q4	
Council loses or reduces its credibility or social licence to operate		N/A					
Connected Citizens							
Risk Title	Appetite	Risk Subcategories	Trend				Narrative for those risks outside of Risk Appetite settings
			Q1	Q2	Q3	Q4	
Council's business is significantly interrupted affecting its ability to operate		Business interruption					
		Cyber Security interruption					
Inadequate civil defence response		Inadequate civil defence response					
		The risk of Tsunami					
		The risk of a flooding event					



Risk and Assurance Committee: 19 March 2024

Risk Register Update – Quarter 3 – 2024

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Correct as at	11 March 2024
Prepared by	Nicola Bousfield
Sponsor	Doug Tate

Prosperous District – is attractive to businesses, households and whānau that are actively engaged in, and contribute, to our thriving district.						
Risk Title	Appetite	Risk Subcategories	Trend			
			Q1	Q2	Q3	Q4
Unknown ongoing impact of Cyclone Gabrielle impacting Council		Unknown impact to Council				
		Unknown impact to community (Porangahau)				
Inability to demonstrate value for money to the rate payer		Inability to demonstrate value for money to the rate payer				
Central government funding uncertainty		Central government funding uncertainty				
		Road funding uncertainty				
Council is unable to deliver Crown-funded projects		Council is unable to deliver Crown-funded projects				
That rate increases are above forecast levels		That rate increases are above forecast levels				

Council has already experienced the impact of funding decision from the new Government. The Transport Choices (from the Climate Emergency Response Fund) was cancelled by the new Government in January 2024, leading to funding being lost for the building of footpaths in Otane and Porangahau. While funding has been maintained for the Streets for People project in Waipawa, new Government direction has had an impact on the delivery of the programme.

Action: The mitigation for this risk is for officers to work closely with Government officials to keep abreast of decision and continue to work within funding criteria decided by the Crown. This is particularly true for programmes of work Council has funding for, including the Infrastructure Acceleration Fund for the Waipukurau South Growth Precinct, the Better-Off Funding, the post-Cyclone funding for 4 key roading recovery projects, and the Flood Resilience Fund for the protection of the Waipawa Water Treatment Plant.

Budgets continue to be refined and are currently at a 24% increase at the time of writing. Many other Councils are also signalling similar increases, albeit off lower base rates.

Action: Comms to community to give an early indication of what they should be expecting as a potential rate raise – in CHS Mail Rattling The Chains. An affordability forum has been held with Fed Farmers, citizens advise, budget services, food banks, Te Taiwhenua o Tamatea and Central Hawke's Bay College to hear from community on their feedback.



Risk and Assurance Committee: 19 March 2024

Risk Register Update – Quarter 3 – 2024

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Correct as at	11 March 2024
Prepared by	Nicola Bousfield
Sponsor	Doug Tate

Strong Communities							
Risk Title	Appetite	Risk Subcategories	Trend				Narrative for those risks outside of Risk Appetite settings
			Q1	Q2	Q3	Q4	
Inadequate staffing capacity and capability to deliver Council's objectives		Inadequate staffing capacity and capability to deliver Council's objectives					
		Inability to recruit business critical roles - specifically at ELT or 3rd tier management level			↑		Vacancies in key management roles has meant the organisation accepts there is more risk, specifically with some roles remaining vacant for a long period of time. Key management roles currently vacant are the GM-QID, and 3rd Tier roles - Comms Manager, Waters Manager, Land Transport Manager and Resource Consents Manager. <u>Action:</u> This risk is continued to be mitigated by appointing internal support and contractor support. Specialised recruitment resources are being utilised to support current the recruitment drive to mitigate the financial impacts of current reliance on short term options.
Health & Safety - Failure to create and maintain safe council facilities and a safe environment for the community and staff		Failure to create and maintain safe council facilities and a safe environment for the community and staff					
Unknown ongoing viability of community assets - Centralines Aquatic Centre		Unknown ongoing viability of community assets - Centralines Aquatic Centre					



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Smart Growth							
Risk Title	Appetite	Risk Subcategories	Trend				Narrative for those risks outside of Risk Appetite settings
			Q1	Q2	Q3	Q4	
Inability to enable growth and development		Inability to enable growth and development					
		Inability to service development that then hinders or reduces growth					
		Inability to deliver the water capital works programme					
		Growth projections aren't realised as planned for in the LTP					
Contracts value for money/performance is not achieved		Contracts value for money/performance is not achieved					
		Uncontrollable contractor challenges					
Environmentally Responsible							
Risk Title	Appetite	Risk Description	Trend				Narrative for those risks outside of Risk Appetite settings
			Q1	Q2	Q3	Q4	
Council's inability meet its regulatory, legal or moral obligations		Council's inability meet its regulatory, legal or moral obligations					
		Failure to achieve drinking water legislative requirements					
		Failure to meet wastewater consent conditions - discharge into waterways					



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Durable Infrastructure							
Risk Title	Appetite	Risk Subcategories	Trend				Narrative for those risks outside of Risk Appetite settings
			Q1	Q2	Q3	Q4	
Critical asset failure		Critical asset failure					
		Failure of drinking water main Takapau Road, Waipukurau					
		Failure of water reservoirs in Waipawa and Waipukurau					
		Failure of Tikokino Road (Waipawa) Drinking Water Plant due to flood			→		\$2.5m has been allocated by the Crown through the Cyclone Recovery Unit for a project to rebuild a stop bank to protect the treatment plant. <u>Action:</u> The scope of works and contract has been completed and signed by the contractor for the first phase of flood protection works to build the "like for like" stop bank under section 330 of the RMA. This will create historic levels of flood protection to the water treatment plant.
		Failure of State Highway 2 bore field			↑		While the situation itself hasn't changed, the time we have taken (much longer than anticipated) has increased the risk. The project to upgrade the State Highway 2 bore field, that produces the water to service the Waipukurau township has operational risk with the current infrastructure being unable to be taken offline for servicing, as it is required to run continuously in order to supply the expected level of service. <u>Action:</u> This risk has been re-escalated to the ELT and CE with actions to scope the risk in detail to better understand likelihood, consequence and mitigations.
Water resilience		Water resilience					
		Waipukurau drinking water resilience			→		<u>Waipukurau drinking water resilience</u> Project planned to increase resilience in Waipukurau's drinking water has been rephased due to affordability. The recent water outage event in Waipukurau reinforces the need for the capital works programme and these kind of events will continue until the required renewals and upgrades are completed. <u>Action:</u> Project rephasing continues, after workshopping and further discussions with elected members there is agreement drinking water resilience is a top priority.
		Pouerere Beach water resilience			NEW →		<u>Pouerere Beach water resilience</u> The water supply servicing the Pouerere Campground does not meet the requirements of the new Draft Drinking Water Quality Assurance Rules, due to inadequate infrastructure to meet these rules. <u>Action:</u> to provide thorough briefing to council in coming months. Discussion with Taumata Arowai ongoing.



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Risk Register Update – Quarter 3 – 2024

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6 OF 6**

Correct as at	11 March 2024
Prepared by	Nicola Bousfield
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Durable Infrastructure							
Risk Title	Appetite	Risk Subcategories	Trend				Narrative for those risks outside of Risk Appetite settings
			Q1	Q2	Q3	Q4	
Disruption of essential services		Disruption of essential services					
		Bridge failure (no alternate route or route of significance)					<u>Bridge failure (no alternate route or route of significance)</u> 1. New bridge added: Makaramu Bridge (Beach Road over Porangahau River) has potential lifeline link risk to Te Paerahi Beach. January 2024 inspection noted cracking to deck beam and deck pulled away from bridge portal. Makaramu Bridge has interim measures while design preparation currently underway, pier location is also difficult for contracting equipment to reach. 2. New: Patangata Bridge over Tukituki River on Elsthorpe Road has identified minor damage from February 2024 inspection. A cracked corbel structural element requires semi-urgent repairs. Risk is further deterioration in short term where a weight restriction may become warranted for heavy traffic. 3. Douglas Cutting - now into construction phase with a planned completion at the end of June 2024. 4. Titoki Bridge - design for a temporary solution has been completed. Currently awaiting further funding confirmation from Waka Kotahi before a contract can be awarded. At this stage its looking likely that funding will be approved, but awaiting formal confirmation. <u>Actions:</u> 1. Makaramu Bridge: design preparation and repair works to begin in March and expected to be completed within 12 weeks. 2. Patangata Bridge: has maintained its posted limit and still safely able to carry 44 tonne heavy weight limit. Douglas Cutting: Management of the construction contract to complete works will continue to ensure delivery by the end of June 2024. 3. Titoki Bridge: Officers are currently and will continue to work with Waka Kotahi to advocate for access to further Emergency Response funding.
		Routes significantly damaged by weather events					<u>Routes significantly damaged by weather events</u> There are a number of routes that have been significantly impacted by either Cyclone Gabrielle or previous weather events and access is limited with high risk of deterioration or the alternative route is significant - this includes Cooks Tooth Road, Wimbledon Road, Tourere Road and Gwawas Road. <u>Action:</u> A further funding application has been provided to Waka Kotahi and is currently available for review. Collaboration with the Regional Recovery Agency is underway to generate a forward programme which can be presented to the Crown for further funding. In April through work with the Regional Recovery Agency a meeting is planned with the PMO where the Mayor and Chief Executive Officer, along with partners from across the region will be able to advocate for further funding assistance. At-risk sites have been weight-restricted, closed and or temporary repairs implemented where possible. Monitoring and repair of sites where possible under funding restrictions.
		Road asset damage due to weather					<u>Road asset damage due to weather</u> As well as the damage sustained in Gabrielle, large parts of the roading network remain damaged from 2022 events. Combined, this creates a significant impact for our road users as well as a significant challenge for our teams of staff and contractors to recover from. Limited maintenance contracts that don't and can't account for the scale of repairs required. <u>Action:</u> The 3 Year Plan consultation document including the level of service and the preferred funding/financial management options leading to an adopted 3 Year Plan. Anticipate that the Rooding Recovery additional funding (\$129mil) FAR (NZTA funding assistance rate) will be confirmed.

6.3 HEALTH & SAFETY REPORT: 1 NOVEMBER 2023 TO 31 JANUARY 2024

File Number:**Author:** Michelle Annand, Health and Safety Advisor**Authoriser:** Adrienne Martin, People and Capability Manager**Attachments:**

1. Governance Health & Safety Dashboard [↓](#)
2. Council's Incidents and near miss linked to redefined Critical Risks – 1 March 2023 to 31 January 2024.pdf [↓](#)
3. Critical Risk Framework [↓](#)
4. Draft "Physical Violence" Critical Risk Standard [↓](#)

RECOMMENDATION

That the report is noted.

PURPOSE

To provide the Risk and Assurance Committee with health, safety and wellbeing information and insight, and to update the committee on key health and safety initiatives for the period 1 November 2023 – 31 January 2024.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Elected members, as 'Officers' under the Health and Safety at Work Act 2015 (HSWA), are expected to undertake due diligence on health and safety matters.

The Health and Safety at Work Act requires those in governance roles, and senior management to have a greater understanding of their organisation's health and safety activities. Under the Health and Safety at Work Act 2015, all elected members are deemed 'Officers' and must exercise a duty of diligence in relation to health and safety. These reports provide information to assist elected members to carry out that role and provides the health and safety information it needs to be aware of to meet its responsibilities under the Act.

DISCUSSION

Governance Health & Safety Dashboard

Officers have refined the Health & Safety Report to the Risk & Assurance Committee, to streamline information this covering report is a summary, with the full information now outlined in the attached Governance Health & Safety Dashboard. The items included in the Dashboard is as follows:

1. Gap Analysis – Project Update
2. Critical Risks – Project Update
3. Lead & Lag Indicators
 - a. Roding Contractors – H&S Partnership in Action
4. Council and Contractor event reporting

Critical Risk Framework and Standard example for discussion

In the December 2023 Risk and Assurance meeting the committee requested an example of a Critical Risk Standard to be included in this report to enable discussion and to provide an insight into the Critical Risk Framework and how the Critical Risk Standards are delivered and implemented operationally. Please see attached for a copy of the framework itself and an example of a standard the draft “Physical Violence” Critical Risk Standard. Officers note that this standard is yet to be finalised and will be done after the completion of a workshop in the upcoming months.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help 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.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

To continue to progress Council Health & Safety work programme priorities.

RECOMMENDATION

That the report is noted.



Risk and Assurance Committee

Health and Safety Governance

Dashboard

1 November 2023 – 31 January 2024



OVERVIEW

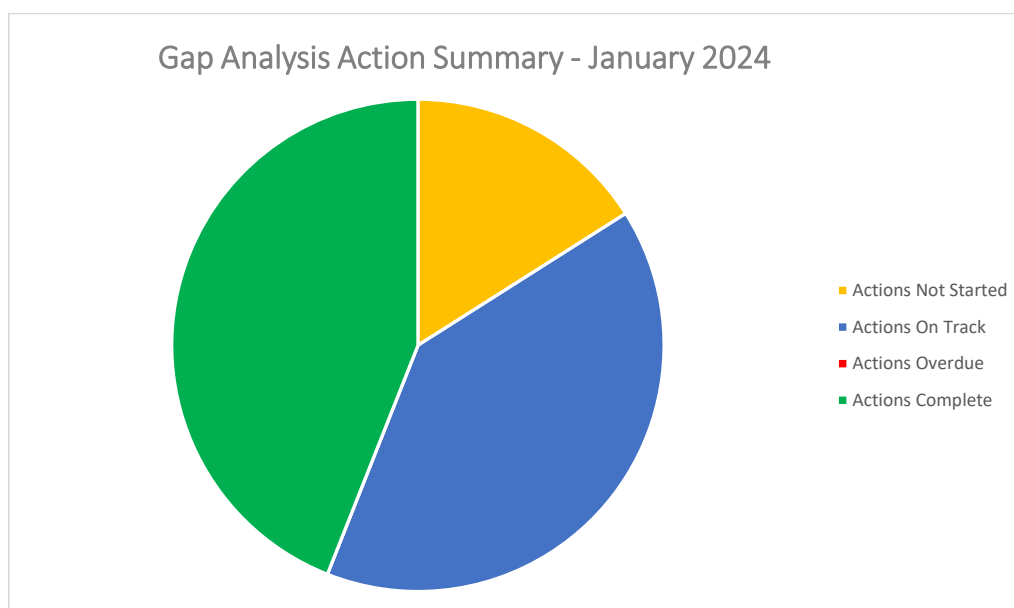
The Health and Safety Governance Dashboard accompanies the Health & Safety Report to the Risk & Assurance Committee.

The Dashboard is intended as a “snapshot” to Elected Members of officer’s progress in the health and safety work programme (Gap Analysis Project) and event reporting for both Council and Contracting partners. The event reporting includes both “lead” and “lag” reporting.

GAP ANALYSIS PROJECT

The priorities for officers in coming months include:

- Continuous implementation of the Critical Risk Framework and related standards
- Implementation of Councils updated health and safety report with our contracting partners.
- Development of a formalised plan for Health and Safety Representatives for undertaking H&S activities within the organisation aligning with Council’s updated Critical Risks.
- Updating our Event reporting module in Risk Manager to reflect Council’s redefined Critical Risks that will in turn provide a specific set of measurable data.



CRITICAL RISKS – PROJECT UPDATE

Staff have endorsed the identified 11 Critical Risks and have prioritised those that pose the greatest risk to Council staff to progress first. These are set out in the table below, including a progress update on the development of each. One of the Critical Risks (Priority 4) has been further redefined as it was identified in the bow-tie workshop that a manmade body of water was as significant standalone risk that required controls that were not already identified within the other identified risks.

To be included later in the programme, will be the critical risks standards that the contractor’s control and are largely already managed through contractor processes. These critical risk standards will be less complex with

Council simply needing to outline its minimum expectations - that the contractor manages that critical risk and Council to check semi-regularly they are doing so.

The prioritised critical risks are progressing as follows:

Priority	Critical risk title	Context	Council or Contractor focus	Progress
1	Driving	Driving a passenger vehicle for work purposes.	Both	Draft standard controls being reviewed.
2	Public Interactions	Threat of physical assault (when public enters Council premises). When Council workers enter other premises including dealing with aggressive dogs.	Both	Standard reviewed and controls agreed. For review post Customer Conflict Training
3	Transport Corridor	Being hit by a road vehicle when on foot or in a car.	Both	Draft standard for review
4	Unauthorised Access to a Site Containing a Significant Man-made Body of Water	Unauthorised member of the public enters a site and drowns within a manmade body of water e.g., treatment plant, swimming pool	Both	Re-defined. Draft standard for review
5	Hazardous Energy	Electrical work and hot work at Council sites & gas where present (typically bottled gas).	Both	Draft standard for review.
6	Working at Heights	Working with the risk of fall greater than 2m.	Both	Draft standard for review.
7	Confined Spaces	A worker inhales toxic substances or airborne contaminants or experiences unsafe levels of oxygen while in a confined space.	Both	Draft standard for review.
8	Fixed Plant & Machinery	Operation of fixed plant & machinery.	Contractor	Draft standard for review.

Priority	Critical risk title	Context	Council or Contractor focus	Progress
9	Mobile Plant and Equipment	Operation of mobile plant & equipment.	Contractor	Draft standard for review.
10	Excavations (including trenches)	A worker suffocates and/or is crushed in an excavation collapse.	Contractor	Draft standard for review.
11	Hazardous Substances	Storage & use of hazardous substances.	Contractor	Draft standard for review.

LEAD AND LAG INDICATORS

Officers continue to include both “lead” and “lag” indicators in this dashboard.

“Lag” indicators measure the occurrence and frequency of events that occurred in the past, such as the number or rate of injuries, or the existence of a hazard.

“Lead” indicators are proactive and preventative measures to keep our people safe and well, in which the Risk & Assurance Committee can gain assurance about the effectiveness of safety and health activities such as safety observations, training and audits and the control in place to mitigate harm are effective.

LEAD INDICATORS

Lead indicators reported during this period:

- **Roading Contractors - H&S Partnership in Action** – Early after the cyclone, Council realised that with a multitude of contractors working on our network the risk of accidents was much higher than normal especially with the speed with which work was progressing. Officers decided to set up a working safety group with Councils main contracting partners’ top health and safety advisors to share experiences and learnings. This has been a unique experience which has proven extremely beneficial to all companies and CHBDC in our efforts to prevent serious accidents. We are finding that the experiences from one company are being discussed amongst other companies at toolbox meetings and other safety discussions. The staff that were nominated to attend these meetings are very knowledgeable and very passionate about health & safety in not only their company but across the wide spectrum of the work we are doing. Going forward Officers have invited a nominated Manager to attend on a quarterly basis to show support for their health and safety representatives and to their crews. This has had a very positive response from Contracting Managers.
- **Customer Conflict Training** – this training has been identified as a priority across Council and is designed to provide our people with the appropriate skills to effectively manage and stay safe in challenging situations. Officers engaged with an external provider “FearFree” and this training will be provided to Council officers over the next two months.
- **First Aid Training** – 100% of all staff who hold first aid certificates have been revalidated.
- **Audits/Site Assessments undertaken by Council** – Traffic Management audits are being undertaken by a Land Transport contractor. Council Officers in PMO undertake monthly site inspections. These provide

assurance that safe work is being undertaken and provides quick identification of unsafe work/procedures/sites and remedial action.

- **Fire Evacuation Review** - Fire Evacuation Trials have been carried out across Council. Improvements have been identified and actioned.
- **Critical Risks Project** – Officers continue to progress the critical risk work programme. Bow Tie workshops have now been completed, and the information is being formulated into critical risk standards. Five critical risks have not required a Bow Tie workshop and drafts of these standards have been written and are ready for review. One critical risk has been further re-defined and specific controls identified. Work will continue to progress for each of the identified critical risk as set out in the work programme.
- **Risk Manager Project** – Risk Manager review has been completed and has gone live. The contractor monthly H&S report has been redesigned in line with the Risk Manager update and with contractor input. This is providing more consistent insightful data to identify trends and focus on what matters. This is an on-going process and data in his reporting period reflects these changes.
- **Regular Check-ins with Manager** - these catch ups continue and are to talk through any potential work or wellbeing issues that may be appearing within teams – this enables coaching opportunities to best support staff.
- **Day in the Life presentations** – These presentations are designed to give staff an opportunity to showcase the important work they do, break down the silos and to promote their team. These will be recorded and available for staff.

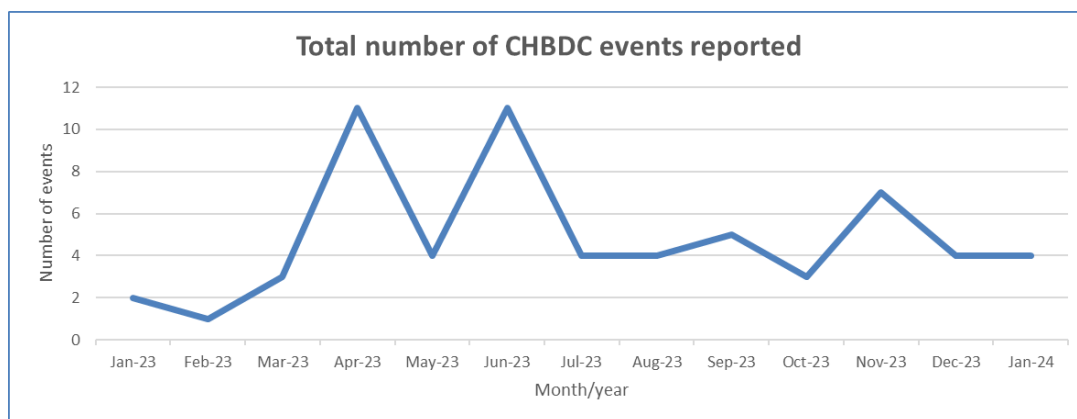
LAG INDICATORS - COUNCIL REPORTING

Over the last 12 months, Council has reported on average 5 events each month, these are inclusive of incidents, near misses and safety observations/initiative/conversations.

For this reporting period 1 November 2023 – 31 January 2024, 15 events which is up slightly from last month.

There were 12 incidents, with five (5) requiring first aid treatment and two (2) resulted in damage to property. Two (2) near misses – both involving interactions with public. One (1) safety observation involving a vehicle.

The 3 top hazards relating to the work done for this reporting period are: reported for this reporting period involved contact with an electrical source (25%) surface/ground conditions & changes of level resulting in fall (25%), interacting with members of the public/animals (25%).



LAG INDICATOR – COUNCIL EVENTS LINKED TO CRITICAL RISKS

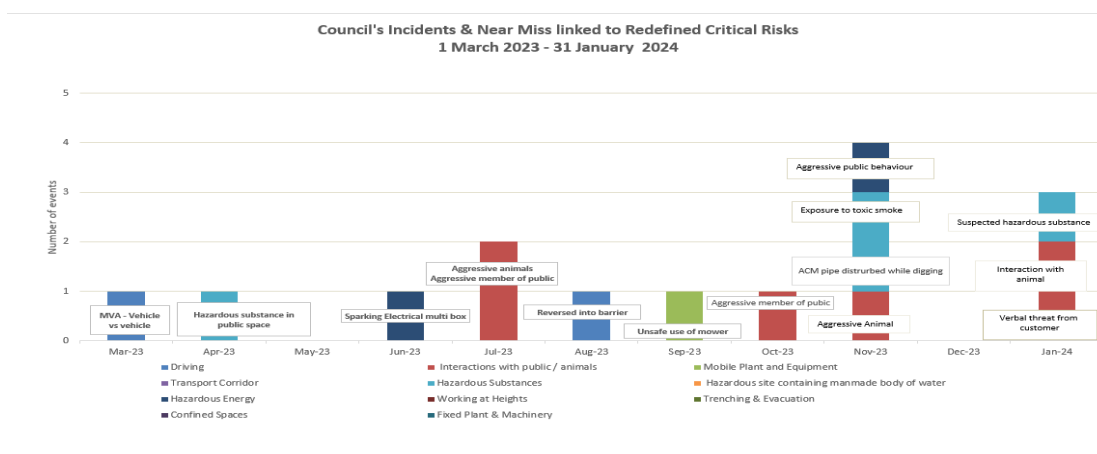
Incidents linked to Critical Risks:

Number of CHBDC incidents linked to Councils redefined critical risks in the reporting period:

Due to change in critical risks, the previously reported incidents related to critical risks no longer apply.

Seven (7) events related to Councils new Critical Risks during this reporting period. There were two (2) injuries that required first aid treatment.

Critical risk work being undertaken were: Interacting with members of public, interacting with animals, working with hazardous substance and exposure to toxic smoke. All these events have been reviewed and appropriate mitigating controls have been actioned and are in place. The suspected hazardous substance was appropriately tested and found not to be hazardous. Refer to separate attachment for a clearer graph.

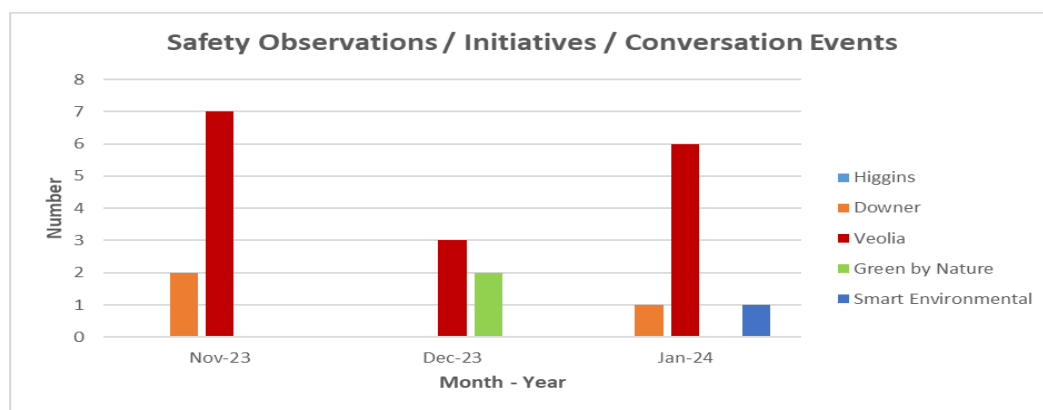


LAG INDICATOR - CONTRACTOR REPORTING

Notifiable Incidents: 0

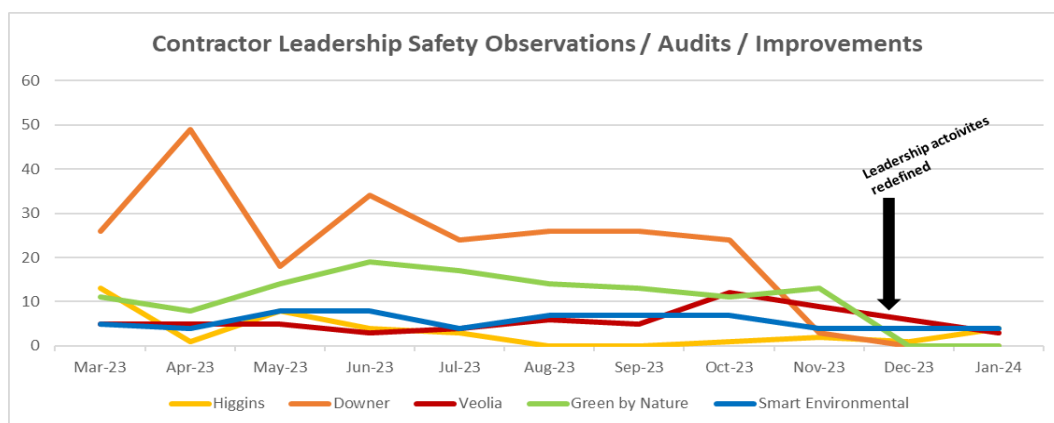
There were no events that required formal notification to WorkSafe NZ. Two contractors did report two significant separate incidents involving operating a heavy vehicle. There were no injuries and full investigations have been undertaken by the contractors and reviewed by Council Officers.

Safety Observations / Initiative / Conversation (recording of a worker's positive or negative safety behaviour or observation of an absent or failing control e.g., not wearing correct PPE, inappropriate Traffic Management set-up)



Following the changes that Officers have made to standardise the H&S event definitions and more narrative reporting requirements for all contractors, we have confidence that contractor data is now more accurate, and Officers are able to get a better understanding of the hazards and risk of the actual work that is being done. The above data is indicative of the positive recording of identified hazards that have resulted in a change of the work being done to mitigate harm to worker. E.g. stopping work around water due to slippery surface conditions.

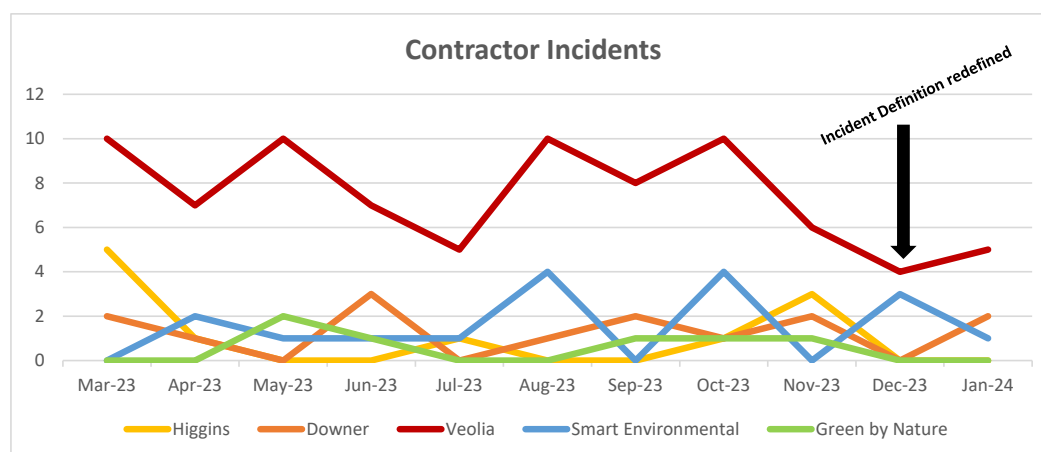
Leadership Activities (inclusive of site visit assessments, critical risk audits, and any improvements to work



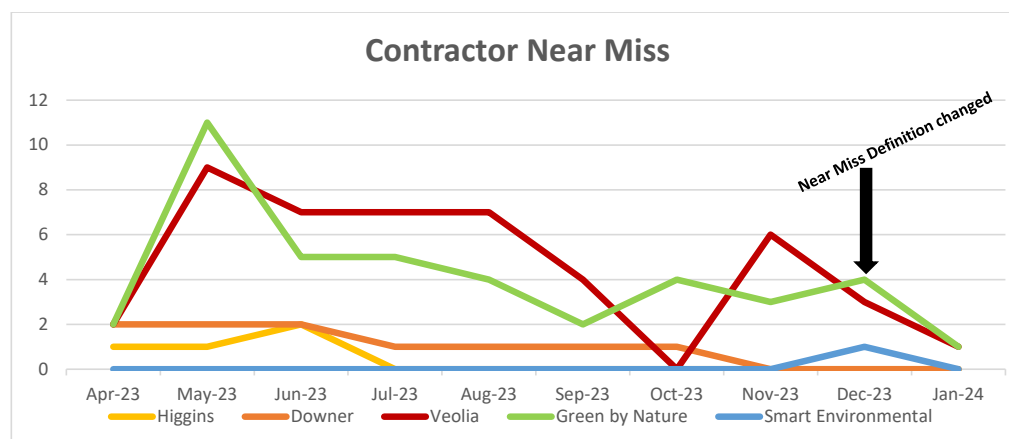
undertaken by Contractor)

Contractors are now required to specify the leadership actions, observations, audits and H&S improvements each month. The qualitative data requirement provides a better insight into the work and risks of the work being undertaken by contractors to enable Officers to focus on what really matters and identify and share trends across our contracting network. This is being done through the Contractor H&S Partnership monthly meetings, site visits to where work is being done and observing the work that is being done and talking with workers who are doing the work, attending contractor toolbox meetings.

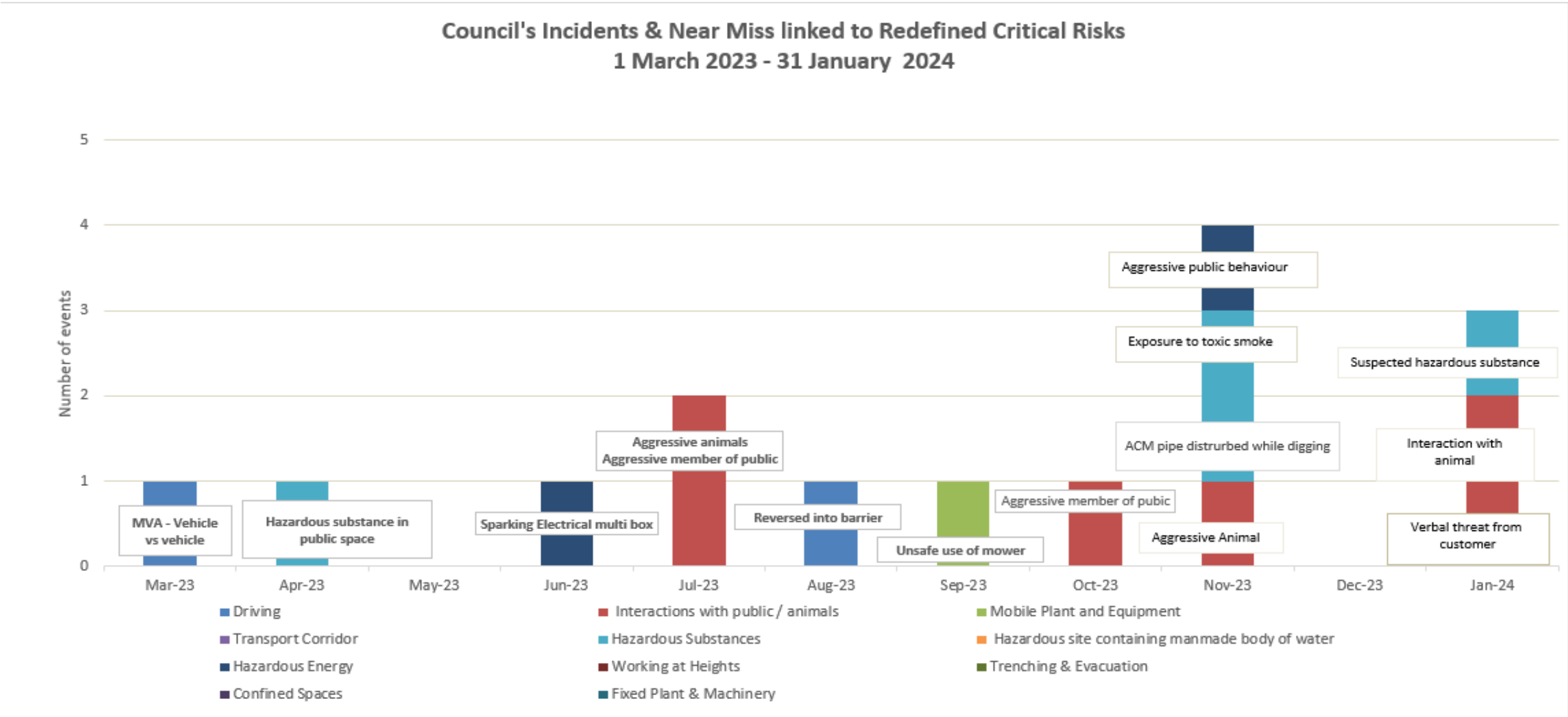
Contractor Incidents (any unplanned event where there has been some consequence such as injury, illness or damage).



Contractor Near Misses (Where an unplanned event has occurred without consequence (e.g. injury, illness or damage). However, there was the potential for injury, illness, or damage to occur).



Council’s Incidents and near miss linked to redefined Critical Risks – 1 March 2023 to 31 January 2024





**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL



CRITICAL RISK FRAMEWORK

October 2023

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1 PURPOSE

The purpose of the Critical Risk Framework is to provide a system for the identification, assessment, control and monitoring of Central Hawke's Bay District Council's (Council) critical risks. The Critical Risk Framework and the programme it defines is an integrated part of Council's overall Safety Management System which is designed to effectively manage the organisation's health and safety performance.

Critical hazards are those hazards which exist within the Council that have an associated risk/s that may result in significant harm to a worker or to others in and around its work.

A critical risk to safety is one that has the credible potential of a fatality or life-changing (permanent disability) injury involving workers (employees, contractors, subcontractors) and visitors.

The key objective of this framework is the minimisation of the likelihood of a fatality or life-changing injury.

The two categories of critical risks to safety within the Council are:

Council Employees & Contractor Shared Safety Risks	<p>Risks that are related to work activities undertaken by both employees and contractors/subcontractors.</p> <p>Examples include loss of control of a light vehicle, physical assault, a fall from height or unauthorised entry into a hazardous site</p>
Contractor-only Safety Risks	<p>A risk that relates to work only undertaken by contractors/subcontractors.</p> <p>Examples include inhalation or absorption of a hazardous substance, being struck by a work mobile plant, or the collapse of a trench or excavation</p>

2 SCOPE

This Critical Risk Framework applies to all Council sites and operations where there are environments, processes and activities that include critical health and safety risk.

When the Council engages in any project that is managed by any third party, it will ensure that the standards, procedures, and policies of the controlling "person conducting a business or undertaking" (PCBU) are consistent with those of Council. The Council will consult, communicate, and coordinate with other PCBUs and stakeholders as required to ensure that the appropriate standards relating to the relevant critical risks are understood and adhered to.

3 CRITICAL RISK MANAGEMENT STANDARD OVERVIEW

All critical health and safety risks will be managed formally through the Executive Leadership Team (ELT). The ELT will ensure the key actions of the Critical Risk Framework are implemented and completed across the organisation.

3.1 Managing Critical Risks – A Simplified Overview

The proactive management of critical risks will allow the organisation to:

- Identify the most significant health and safety critical risks that currently exist
- Determine standardised controls to minimise these critical risk/s
- Gain accurate information on the effectiveness and performance of the management of the critical risks
- Have confidence that critical risks are managed, and that business operations, equipment, and work environments are safe, so far as reasonably practicable
- Establish a mechanism to continuously improve safety across the worksites.

There are 6 key steps to the critical risk management process, the steps within the process include:

1. Identification of the critical hazards and associated risks and definition of the incident event/s associated with these.
2. Determination of the likely conditions (threats) that could lead to the critical risk resulting in an incident/s, and the controls (barriers) that either prevent the critical risk from occurring or mitigate its consequences.
3. Classification of the controls to determine which are critical and assessment that the controls adequate.
4. Documentation of the controls within a Critical Risk Standard that relates to each of the critical risks identified.
5. Description of the performance and reporting criteria for the critical control (i.e. how do we expect the critical control to perform and how will we measure its effectiveness).
6. Verification and reporting of the effectiveness of critical controls and an appropriate response is instigated when a critical control is underperforming to bring it back into target performance.

:



4 ROLES AND RESPONSIBILITIES

Role	Responsibility
The Risk & Assurance Committee	<ul style="list-style-type: none"> Ensure the Critical Risk Framework is in place, appropriately resourced, and functioning effectively Take reasonable steps through exercising due diligence to satisfy themselves that workplace hazards and risks are being identified, assessed, eliminated, or controlled Receive and review reporting on incident trends, and investigation outcomes relating to critical control failures. Regularly review critical control effectiveness verification and assurance dashboard
Executive Leadership Team (ELT)	<ul style="list-style-type: none"> Take ownership of the Critical Risk Management Framework Ensure Critical Risk Sponsors and Owners are assigned and effectively resourced Ensure the development of Critical Risk Standards Review & approval of the Critical Risk Standards Promote the implementation of the Critical Risk Management Framework across all Council operations and sites Nominate appropriate critical risk owners from within the organisation Review findings and recommendations from internal and external audits of the Critical Risk Framework. Determine the critical control monitoring frequency for each critical risk Review any audit and conformance checks on the Critical Risk Management Framework and processes

Document Owner: Michelle Annand: People & Capability
 Adopted Date: 05/12/23. Review Date:12 /26. Document Approver: Adrienne Martin

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	<ul style="list-style-type: none"> • Lead the review and approval of any suggested amendments to the Critical Risk Standards • Act as Critical Risk Sponsors for specific critical risks • Regularly review critical control effectiveness verification and assurance dashboard • Receive and review reporting on incident trends, and investigation outcomes relating to Critical Control failures. • Assessment of any recommendations coming from the Risk Owner around amendments to the controls contained within the standard • Review of the critical risk management performance
Critical Risk Sponsor	<ul style="list-style-type: none"> • Members of the ELT will be allocated a specific critical risk or risks, relevant to their group activity(s) acting as the Critical Risk Sponsor. In doing so they accept the accountability for the management of the specific critical risk. • Accept accountability for specific critical risks • Ensure that critical safety controls as defined in the critical risk standards are implemented fully so to drive safety improvements across the Council operations • Ensure monitoring activities are undertaken as determined by the ELT.
Critical Risk Owners	<ul style="list-style-type: none"> • Responsible for ensuring the implementation and maintenance of the critical risk standard across the relevant parts of the Council • Through the H&S Advisor, report to the ELT on critical control effectiveness monthly, including critical control performance highlighted by incident data • Ensure all ongoing actions determined by the ELT are implemented effectively • Lead discussions with workers regarding clarifications, application, and recommendations of critical risk controls • Escalate any recommendations for changes or additions to the critical risk controls to the ELT for review • Provide active and visible leadership to the Critical Risk Programme. • Ensuring the controls (with a focus on critical controls) are implemented, and their ongoing monitoring is completed. • Drafting any key recommendations to be escalated to the ELT via the H&S Advisor, relating to the control's ongoing application and any further control recommendations. • Ensuring the relevant teams are responsible for the implementation of the new or existing controls as described in the standards.

Health & Safety Committee	<ul style="list-style-type: none"> • Provide worker input into the identification of critical risks and possible controls • Escalate any critical risk control issues to the appropriate Critical Risk Owner • Receive and review reporting on incident trends, and investigation outcomes relating to critical control failures • Provide active and visible leadership to the Critical Risk Programme within in H&S workplan.
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5 THE CRITICAL RISK MANAGEMENT REQUIREMENTS

Effective critical risk management is at the core of a health and safety management system and requires following process steps to build an effective and continuously improving management cycle.

5.1 Identification of Critical Hazards & Associated Critical Safety Risks

Council will evaluate its environments, processes, and activities continuously to accurately identify hazards that have an associated critical risk.

For a health or safety risk to be classified as critical it must meet the following criteria:

- A health or safety risk when in an uncontrolled state there is a probable consequence of a fatality or life-changing (permanent disability) injury.

Critical Health and Safety Risks will be identified through:

1. Periodic review of hazard and risk registers
2. Risk assessment when new processes or plant and equipment are introduced
3. Risk assessments following a change in how work is completed
4. Trend information from incidents/near misses reported across the organisation
5. Consultation with internal and external subject matter experts
6. Relevant industry trends and alerts.

Following the identification process a list of critical safety risks will be documented and maintained as part of this Critical Risk Framework. This will be updated when new critical risks are identified from within Council. Descriptors of critical health and safety risks will be recorded in the Risk Module within Council's incident management system -Risk Manager.

For each identified critical risk an appropriate Critical Risk Owner will be nominated and appointed by the ELT. A Critical Risk Standard will be developed that outlines the nature of the critical risk and the controls to be applied to mitigate the risk. Each standard will be presented to the ELT for review and approval.

5.2 Critical Risk Analysis

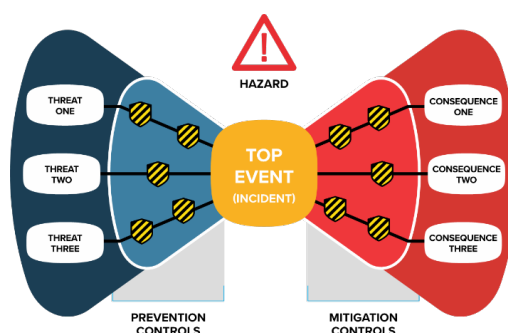
Council will assess its critical safety risks using the "bow tie" methodology. The bow tie method provides a visualisation of the causes of a potential loss of control of a hazard (described as

threats), the potential outcomes to the business and the preventative and mitigating controls (described as barriers) that can be put in place. At the centre of the bow tie is a top event, this describes the loss of control incident involving the hazard e.g. loss of control of a light vehicle. The completed diagram that is created, looks like a bow tie and provides a framework for assessing and demonstrating effective control of the risk.

Controls will be determined utilising the hierarchy of controls to reduce the risk to a “so far as is reasonably practicable” standard.

Selection of each control will be:

- Designed to either prevent or mitigate the consequence of a risk
- Specified, observable, measurable and auditable
- Able to be assessed for effectiveness.



5.3 Critical Control Identification

Council will focus in the first instance on the identification of Critical Controls and the application of checks and measures to provide assurance on their ongoing implementation and effectiveness.

A control will be identified as critical if it meets one or more of the following criteria:

- Only control: It is the only control that either prevents or mitigates an event and its consequence
- Performance-based control: Its absence would significantly increase the likelihood or the consequence of an event
- Multi control: It is a control that is used across several “threats” within a bowtie/critical risk or is a control across several bow ties/critical risks.

5.4 Critical Risk Standard

Critical Risk Standards will be developed for each identified critical risk within the Critical Risk Framework. These standards will provide a detailed overview of the specific controls that will be applied to each unique critical risk. The standards will contain the details required to manage the identified critical risk through the implementation of the required controls/barriers as per regulatory and industry best practices.

All Critical Risk Standards will include:

- Identification of the hazardous environment, process, and/or activity that may result in a critical risk

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- Identification of required controls associated with managing the health and safety risks presented by the hazardous environment, process, and/or activity
- Identification of critical controls associated with the hazardous environment, process, or and/or activity
- Identification of key performance requirements and measures that must be completed and reported so to monitor the critical control effectiveness.

5.5 Implementation

The ELT will own the Critical Risk Framework and be accountable for its application and ensure it continues to be fit for purpose for the organisation.

Once the Critical Risk Standard has been implemented, the ELT will cover the topics set out in the roles and responsibilities section within its regular meeting structure.

The workflow for implementation of a new standard is displayed in Appendix 1.

5.6 Critical Health and Safety Hazards & Associated Risks

The current Critical Safety Hazards and associated risk statements identified at Council are as follows:

Critical Hazards & Associated Risk	Risk Sponsor
Light Vehicles <i>A worker loses control of a passenger vehicle being driven for work purposes.</i>	
Violence Through Public Interactions <i>A worker is physically assaulted by a member of the public.</i>	
Work in the Transport Corridor <i>A worker is struck by a vehicle when on foot or in a vehicle when in the transport corridor.</i>	
Uncontrolled Access to Hazardous Sites <i>An unauthorised member of the public enters a Council controlled hazardous site.</i>	
Hazardous Energy <i>A fire in a plant or building ignites because of hot work, electrical work, or stored gas.</i>	
Work at Height <i>A worker falls from a height greater than 2 metres.</i>	
Fixed Plant & Machinery <i>A worker is trapped, entangled, impacted, hit by a projectile, or suffers an electrical shock when operating a fixed plant or machinery.</i>	

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Confined Space Entry <i>A worker inhales toxic substances or airborne contaminants or experiences unsafe levels of oxygen while in a confined space.</i>	
Hazardous Substances <i>A worker inhales or absorbs a hazardous substance.</i>	
Mobile Plant & Equipment <i>A worker is struck by a working mobile plant or equipment.</i>	
Excavations (including trenches) <i>A worker suffocates and/or is crushed due to an excavation collapse.</i>	

Risks which are not identified as critical risks for the organisation but could cause harm to workers will be managed through the normal hazard/risk management procedures or processes. Any new risk that has the credible potential to result in a fatality or life-changing (permanent disability) injury to workers or others will be added to the Critical Risk Framework and will be work flowed using the process defined within this document.

Critical Control Effectiveness

Once identified and implemented into Council each critical control will be monitored on an ongoing basis to determine its effectiveness. Critical control effectiveness is based on the ability of the control to function as required, and the availability and use of the control when required.

This can be described as ensuring the control is in place, working, on time, every time. This will ensure the control does not fail or become absent in the workplace.

Measures will be defined to assess the critical control effectiveness. A monitoring schedule will be established in which selected critical controls will be assessed against a measurement criteria. The frequency of the monitoring for each critical risk will be defined by the critical risk standard. On a regular basis, all critical controls must be monitored. This monitoring will check and provide assurance that the critical controls are present and performing as required.

5.7 Critical Risk Assurance

This is the seeking of information or evidence that is intended to provide the required level of assurance that the system is fit for purpose and is being implemented correctly and effectively.

Assurance that the critical risks are being managed will include, but are not limited to the following processes:

- Ongoing audit and inspection programmes assessing the effectiveness of critical controls
- Regular reporting of critical control metrics via a dashboard provided to the ELT, and the Risk and Assurance Committee
- Active reporting of critical events in the form of incidents or near misses due to failed/absent critical controls. This is to be driven and supported by all levels of Council leadership

- Ongoing review and response to trends indicated in incident reporting. This is to be undertaken by the H&S Committee, Critical Risk Owner, ELT and the Risk and Assurance Committee
- External audit of the Critical Risk Framework and its implementation
- A full review of Critical Risks and their controls on a regular frequency. The target is to review 2 to 3 per year.

6 RECORDS/FORMS

6.1 Internal Documents and Records

- Critical Risk Bowties
- Critical Risk Standards
- Hazard Registers
- Hazard Reports
- Critical Risk Records

7 ASSOCIATED DOCUMENTS

- Hazard and Risk Management Procedure (currently being developed)
- Incident Reporting and Investigation Procedure (currently being developed)

8 REFERENCES

Relevant Legislation

Legislation available at <http://www.legislation.govt.nz>

- Health and Safety at Work Act 2015
- Health and Safety at Work (General Risk and Workplace Management) Regulations 2016
- Health and Safety at Work (Worker Engagement, Participation and Representation) Regulations 2016
- Health and Safety at Work (Hazardous Substances) Regulations 2017

9 DEFINITIONS & ABBREVIATIONS

Term	Definition
Bowtie Analysis	An analytical method for identifying and reviewing controls intended to prevent or mitigate a specific unwanted event.
Critical Risk Standard	Documentation of the controls for each critical risk.
Critical Health and Safety Risk	A health or safety risk associated with an environment, process, or activity with a probable uncontrolled consequence of fatal or life-changing (permanent disability) injury or illness.

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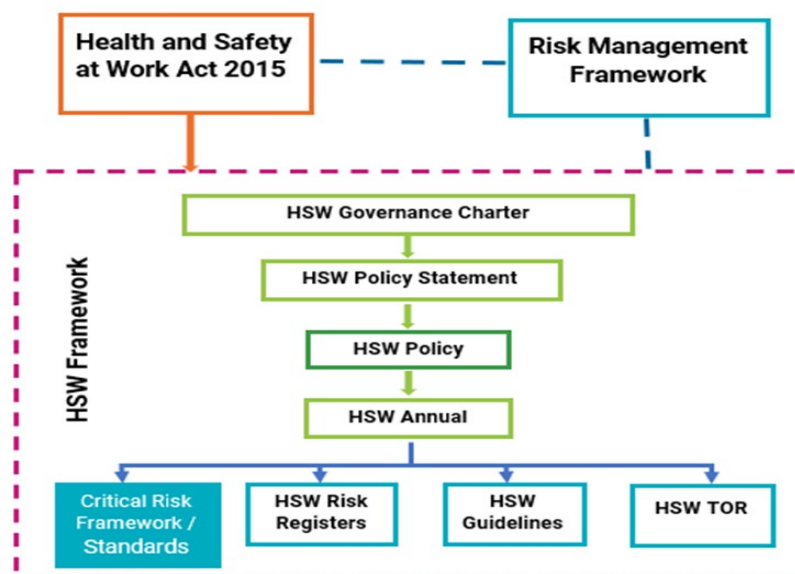
Risk Management	The process of evaluating the level of risk by assessing the likelihood of illness or an injury that will result from exposure to an identified hazard or hazards and managing those risks accordingly by way of both threat controls (proactive) and recovery controls (reactive).
SFAIRP	Risks should be managed so that the risk is reduced "so far as is reasonably practicable".
Critical Risk Standard	Documentation of the controls for each critical risk.

10 REVIEW

This document will be reviewed every 12 months or after any critical event associated with it. The review will be performed ELT in consultation with key stakeholders.

11 INTERANAL CONTEXT OF THIS FRAMEWORK

Figure 2: The relationships between elements of HSW governance and management Stakeholders

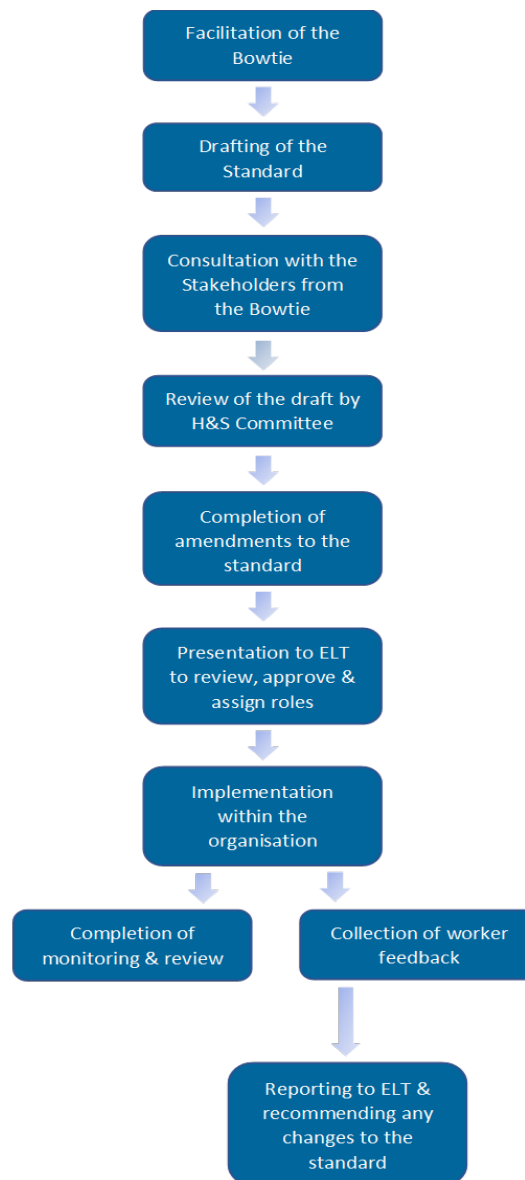


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12 APPENDICES

Appendix 1: Summary of Critical Risk Standard Implementation





Physical Violence Critical Risk Standard

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1. PURPOSE

This standard is designed to minimise the risk of loss of self-control incidents by members of the public who then threaten physical violence while interacting with workers from Central Hawke's Bay District Council (referred to as CHBDC). This is to protect the health and safety of employees, contractors, and other individuals present in all business operations and worksites.

2. SCOPE

CHBDC workers interact with members of the public within both CHBDC-owned and operated physical sites and when CHBDC workers visit third party-owned or controlled sites. This standard applies to all CHBDC sites and operations where there are environments, processes and activities that include interaction with the public.

3. RISK DESCRIPTIONS

This standard has been developed following a structured analysis using the Bowtie Risk Evaluation Method, which included a Bowtie Workshop to identify critical hazards, risk descriptions, the controls, and those controls that are critical.

The following risk description has been identified for this critical hazard:

- **Loss of self-control by a member of the public who threatens physical violence toward a worker at either a CHBDC site or at a third-party site.**

4. AUTHORITIES AND RESPONSIBILITIES

Role	Responsibilities
The Company (PCBU) & Officers	<p>The PCBU & Officers of CHBDC have a responsibility to:</p> <ul style="list-style-type: none"> • Understand the associated risks with the organisation's operation and manage these so far as is reasonably practicable • Ensure that the requirements of this Standard are met at all sites and across all operations • Seek assurance that the associated risks are being managed • Respond to any incident involving the critical risk and review the controls within the appropriate standard.
Senior Leadership Team	<p>Senior Managers are responsible for:</p> <ul style="list-style-type: none"> • Ensuring the requirements of this standard are adhered to • Ensuring that adequate resources are available to ensure the full implementation of this standard.

Critical Risk Owner	<p>The Critical Risk Owner is responsible for:</p> <ul style="list-style-type: none"> • Ensuring this standard is implemented, kept up to date, and reported on • Reporting on critical control effectiveness within the worksites and across operations • Escalating any recommendations for changes or additions to the critical risk controls • Providing coaching to managers as required.
Managers	<p>Managers have a responsibility to:</p> <ul style="list-style-type: none"> • Ensure the requirements of this standard are met within their area of responsibility • Champion accurate incident reporting within their teams • Escalating any incidents involving this critical risk immediately • Participate in high-level incident investigations involving the critical risk.
Workers	<p>Workers have a responsibility to:</p> <ul style="list-style-type: none"> • Ensure the requirements of this Standard are applied where relevant to their roles • Report all incidents involving the critical risk • Provide input into the suitability of the controls to manage the critical risk.

5. CONTROLS

The controls stipulated in this standard have been developed through the application of the hierarchy of controls. Following this, the controls which have been determined as being critical to the management of the risk have been identified. These are the controls which are:

- The only control that either prevents or mitigates an event and its consequence.
- A performance-based control in which its absence would significantly increase the likelihood or the consequence of an event.
- A control that is used across several "Threats" within a Bowtie/Critical Risk or is a control across several Bowties/Critical Risks.

This document should be read as the minimum standard to apply. It is acceptable to add controls at a local level beyond what is prescribed here. However, at no point may controls be removed or substituted without the expressed written permission of the Critical Risk Owner.

The critical controls are those shown in **Bold**

What	Control Requirements
Physical Environment	
Physical Security	<p>The design of reception areas will incorporate safety in design features to prevent customers from easily accessing behind the desk area, this includes:</p> <ul style="list-style-type: none"> • A suitable height of the counter to limit the ability to jump up and over the desk into a restricted area • No footholds or easily accessible handgrips • A desk width that prevents a customer from being able to reach, stab, grab or punch workers • A safe withdrawal exit point for workers to a restricted area • Restricted access for customers to areas where non-front-of-house workers are located • All doors between the restricted and front of the house have automatic closing mechanisms. <p>Desks for customer service areas should be sufficiently large to prevent being picked up or overturned easily; a good practice suggestion is no less than 1750mm in length and 900 mm in width or if smaller these are anchored.</p> <p>Computer alert process will be established to indicate to other workers assistance is required with a client.</p> <p>Specific meeting rooms will be allocated for hosting interactions which may potentially become volatile. This room will have:</p> <ul style="list-style-type: none"> • A desk of the recommended size or an anchored desk • Wheeled chairs • No items or surplus furniture that could be used as a weapon • A viewing window within the door • Soundproofing to provide enough privacy but will allow heated discussions to be identified. <p>Common space where workers and customers interact will be laid out to minimise unsighted areas where other team members do not have a line of sight to.</p> <p>CHBDC employees are to be provided with and use specific bathroom facilities so as not to be in an unmonitored space with a customer.</p> <p>Outdoor areas surrounding the buildings will be kept clean and tidy and are periodically checked to ensure there are no items that could be used as a weapon.</p>
People	
Care & Support	<p>The Fatigue Management Framework will assist in identifying and managing a worker who may be suffering from fatigue which could result in them being less tolerant and resilient.</p>

	<p>Staff rosters and rotation patterns will be monitored to reduce the total exposure so as to reduce cumulative psychological effects. This will assist workers in managing stressful situations as they arise more effectively.</p> <p>Front-line client-facing workers will be provided with training on skills to deliver services effectively and securely, these include how to:</p> <ul style="list-style-type: none"> • Identify a client who may be under the influence of drugs & alcohol or experiencing mental health issues • De-escalated verbal aggression or points of contention or frustration • Situational awareness • Terminate an interaction in a manner that does not escalate the situation • Be culturally sensitive and respectful of Tikanga. <p>Nominated staff will be identified within Council to assist clients who may be experiencing frustrations with completing service requirements. These staff members will however work within the controls described within this standard.</p> <p>An organisational counselling provider (EAP) will be available to assist workers who may need assistance to build resilience from client-facing demands or post an incident with a client that they were involved in.</p> <p>All sites will have a current list of support agencies that can be used to refer a client or worker too that can assist them to work through challenges.</p> <p>Financial payment plans and options that can be offered to customers to assist with rate payments, service fees and penalties.</p>
Procedures	
Business Systems	<p>The organisation will design client-centric systems to minimise customer frustrations and to support the provision of excellent service delivery including:</p> <ul style="list-style-type: none"> • Training all client-facing workers in customer care and appropriate communication strategies in accordance with the Final Customer Excellence Action Plan • Utilising communication methods that include diverse channels to increase the coverage and accessibility for customers • Providing accessible and user-friendly information to educate and inform customers • Ensuring timely communications to customers if there is an outage or reduction in services • Employing change management processes that establish appropriate lead times to inform customers if there is a significant change to a process • Consulting with either individuals/groups or the community as a whole to share information about the level of services to be provided to help establish and manage expectations

	<ul style="list-style-type: none"> • Creating continuous feedback processes around the levels of service provided e.g. resident surveys & pulse surveys • Promoting methods to escalate problems and the formal complaints process around the levels of service or a specific process • Determining a set of alternative service methods for the delivery of services to customers who have been denied access to service areas for example online tools, virtual meetings or the use of a nominated staff member.
Data & Intelligence	<p>The organisation will record (in accordance with Privacy Act 2020 requirements) and share accurate information internally with workers to be utilised for the risk assessment process before contact with a customer is undertaken. This will include:</p> <ul style="list-style-type: none"> • Formal records of previous interactions that may have been problematic • Tagged physical addresses that should not be entered at all or entered only with an accompanying staff member or a police escort • Utilising Memorandum of Understandings with other agencies to check on specific individuals. <p>There is a clear procedure and process for internally sharing information about an individual who is subject to a trespass or harassment order to all relevant teams or operations.</p>
Pre-Meeting Planning	<p>All pre-planned meetings will be recorded in the worker's Outlook diary including the location of the meeting.</p> <p>Ideally, meetings will be prearranged and in consultation with the customer so as to be held at a suitable time for both parties.</p> <p>Before the meeting, a file review will be completed to understand any flagged issues during previous contacts with the customer or the presence of potentially high-risk dogs (either numbers, specific breeds or prior contact records)</p> <p>Significant or contentious decisions will be escalated to senior staff with appropriate knowledge and seniority if the primary point of contact worker has concerns.</p> <p>An initial risk assessment of any potential meetings at third-party sites will be completed using the Before Visiting a Property Guideline. This will consider the:</p> <ul style="list-style-type: none"> • Previous contact experience sourced from the file review • Location of the meeting • Experience level of the worker & any prior history with the customer • Nature of the meeting. <p>If the risk assessment indicates a potentially significant risk (Possible or above on the Risk Matrix) a team leader will be involved in discussions with the involved worker to determine an appropriate minimisation strategy to be used for the planned interaction. These include:</p> <ul style="list-style-type: none"> • Notification to your Line Manager

	<ul style="list-style-type: none"> • A third-party site visit will not occur and the client will be asked to attend a meeting at the designated meeting room at the CHBDC offices • A second CHBDC worker will also attend • A virtual meeting or phone discussion will be held instead • A police escort will be arranged. <p>Inhouse Meetings will be held in designated meeting spaces and workers will implement the Meeting Procedure. This includes positioning themselves so they have a clear escape route.</p> <p>Prior to entering a third-party location a site drive-by will be completed to scope the location first, noting any indicators of increased risk such as dogs, large numbers of people on site and behaviour they may be demonstrating. If factors such as these indicate an elevated risk the site entry is to be abandoned.</p> <p>Ensure the CHB DC vehicle is parked to allow easy egress from the site.</p>
Prior to Starting the Meeting	<p>Directly prior to starting the meeting an informal safety check will be completed. This check will evaluate any factors that may escalate the risk and indicate a potentially hazardous person or situation. This will include identifying any or a number of the following:</p> <ul style="list-style-type: none"> • Early threat indicators of the influence of drugs and alcohol or mental health issues • Physical intimidating behaviour demonstrated • Large group gatherings • Threatening animals present. <p>If the workers believes any of these factors raises the likelihood of physical violence occurring they are to withdraw from starting the meeting.</p>
Monitoring	<p>Effective worker monitoring strategies will be utilised to assist in the identification of a CHBDC worker who may be in a situation where there is elevated risk. Location and threat detection tools will include:</p> <ul style="list-style-type: none"> • Update to Line Manager on completion of meeting • GPS location of vehicles • Lone worker devices including a duress function • CCTV systems • On-body cameras for Animal Control workers • Worker location records within Outlook diaries • The use of police escorts. <p>Performance data will include:</p> <ul style="list-style-type: none"> • Measurements of individual employees customer service performance based on the Customer Experience Procedure • Results from resident surveys and pulse surveys • Data from the formal complaints process • Data from the incident management tool (Risk Manager).

Threat Response	<p>CHBDC will have a clear policy position on restricting access to and removing customers who are:</p> <ul style="list-style-type: none"> • Under the influence of drugs and alcohol • Hostile or aggressive • Subject to a trespass or harassment order. <p>The Meeting Procedure stipulates that if a worker believes there is a likelihood of physical violence occurring they are to instigate measures to protect themselves. These measures include:</p> <ul style="list-style-type: none"> • Staging a managed withdrawal process away from a potential conflict • A pre-determined team word to trigger other workers to call for police assistance • Utilising the panic button on the lone worker device or the duress alarm within physical sites • Requesting an individual to be removed from a site by the police • Trespassing of a customer from a site. <p>If any of the above measures are utilised the incident will be recorded within the Incident Management tool (Risk Manager).</p> <p>If there is an incident that has resulted in a fatality or an injury that has required the worker/s to be admitted to the hospital the Critical Incident Procedure will be initiated.</p>
Equipment	<p>Equipment within vehicles will include:</p> <ul style="list-style-type: none"> • First aid kits • An onboard GPS tracking tool • RTs and phones. <p>Sites that are risk assessed as high risk will include:</p> <ul style="list-style-type: none"> • CCTV systems and prominent signage informing customers of the use of the tool • A specific meeting room set up as described above <p>A duress alarm at reception areas for sites that undertake interactions that elevate the risk level as indicated by a risk assessment.</p> <p>Workers who undertake interactions that have elevated risk levels as indicated by a risk assessment will be provided with:</p> <ul style="list-style-type: none"> • Lone worker device with a panic button • Body Cameras for Animal Services and Compliance Officers • Any lanyards worn by CHBDC staff will be 'breakaway lanyards' which disconnect under pressure to eliminate choking or strangulation risks.

6. MONITORING AND REVIEW

Monitoring and review processes must be performed on a regular basis as deemed appropriate to the nature of the hazard. The frequency of such will be dictated by the level of exposure, the sensitivity and reliability of the control strategies employed.

6.1. Audits and Inspections

This standard and the controls described within it are to be reviewed for applicability and effectiveness when:

- The regular review period is due, this standard is to be reviewed every 24 months by the Critical Risk Panel
- Work has changed and the risk or the controls may longer be relevant (this may be highlighted by audit and inspection results)
- Critical Risk Owners escalate recommendations or changes to the standard.
- There has been an incident involving this critical risk and the following investigation recommends an additional control.

6.2. Standard Review

This standard and the controls described within it are to be reviewed for applicability and effectiveness when:

- The regular review period is due, this standard is to be reviewed every 24 months by the Critical Risk Panel
- Work has changed and the risk or the controls may longer be relevant (this may be highlighted by audit and inspection results)
- Critical Risk Owners escalate recommendations or changes to the standard.
- There has been a critical event.

7. ASSOCIATED DOCUMENTS

- Critical Risk Standard
- Hazard & Risk Management Procedure

8. REFERENCES

8.1. Relevant Legislation

Legislation available at <http://www.legislation.govt.nz>

- Health and Safety at Work Act 2015

- Health and Safety at Work (General Risk and Workplace Management) Regulations 2016
- Health and Safety at Work (Worker Engagement, Participation and Representation) Regulations 2016

8.2. Other documents

- Social Sector Safety Forum Report, Government Health & Safety Lead
- Good Practice Guide, Basic Physical Security Fit-out (Front of House), Government Health & Safety Lead
- Good Practice Guide, Dealing with Customer-initiated Aggression & Violence, Government Health & Safety Lead
- Violence at Work; Customer service areas, WorkSafe

9. DEFINITIONS & ABBREVIATIONS

Term	Definition
Competent Operator	A person who has acquired through training, qualification, experience or a combination of these, the knowledge and skill enabling that person to correctly perform the required task.
Contract Owner	The CHBDC manager who engages the contractor to complete activities on behalf of the Council
Critical Control	A control which meets one or more of the following criteria: <ul style="list-style-type: none"> • Only control: It is the only control that either prevents or mitigates an event and its consequence. • Performance-based control: Its absence would significantly increase the likelihood or the consequence of an event. • Multi control: It is a control that is used across several "Treats"
HSWA Act	Health and Safety at Work Act 2015
Monitoring	Planned and scheduled activities to assess if the risks are accurately identified and the controls are in place and effective.
Officers	People within the PCBU who have significant influences over the management of the business or undertaking.
Others	Someone at the workplace who is not a worker or an officer of the PCBU.
PCBU	Person (legal entity) conducting a business or undertaking.
Review	Evaluation of the risk assessment to ensure it is still accurate, relevant, and up to date for the work context. A review will be triggered by: <ul style="list-style-type: none"> • A designated period

	<ul style="list-style-type: none">• An incident• Significant change to people, equipment, environment, procedures, or organisation.
Third-Party owned or controlled sites	A site that is not owned by CHBDC or is a worksite that is primarily controlled by CHBDC.
Workers	A person who carries out work in any capacity for the PCBU.

10. REVISION HISTORY

6.4 TREASURY MANAGEMENT MONITORING REPORT

File Number: COU1-1408

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Doug Tate, Chief Executive

Attachments: Nil

RECOMMENDATION

That the report be noted.

PURPOSE

The purpose of this report is to provide an update on Treasury Management and Policy Compliance.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Council is required under the Local Government Act 2002 to have three policies:

- Treasury Management Policy
- Liability Management Policy, and
- Investment Policy.

The rationale for the policies is to ensure prudent use of public funds, manage investment returns, borrowing costs, and to minimise the risk of loss of public funds.

In practice Central Hawke's Bay District Council has combined them into a single policy covering all three topics.

This current policy was adopted on 14 March 2024, following a review by Bancorp Treasury ahead of the preparation of the Three-Year Plan.

DISCUSSION

Investments

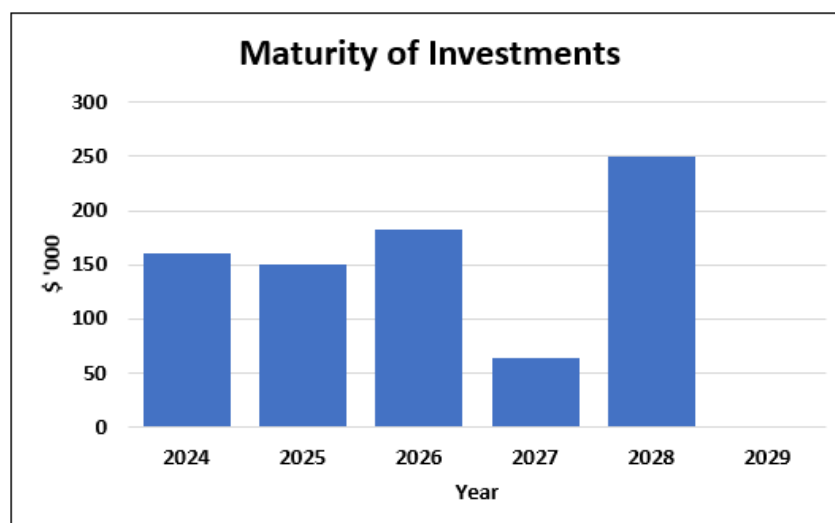
As at 29 February 2024, Council was holding \$9.6m in funds on call (up from \$6.2m from 30 June 2023). This reflects the collection of rates instalment three on 20 February 2024.

In addition, Council was holding \$Nil (\$955k as at 30 June 2023) in bank bonds and \$806k (\$806k as at 30 June 2023) in LGFA bonds.

These investments are listed below:

	Maturity Date	Int Rate (Face)	Int Rate (Actual)	Amount 30/06/2023	Amount Now	Movement
<u>ANZ Cheque and Call Accounts</u>				9,063,927	9,640,895	576,968
LGFA Notes	25/08/2025	3.54%	3.54%	32,000	32,000	0
LGFA Notes	15/04/2024	1.79%	1.79%	160,000	160,000	0
LGFA Notes	15/04/2027	1.63%	1.63%	64,000	64,000	0
LGFA Notes	15/07/2024	4.84%	5.66%	75,000	75,000	0
LGFA Notes	15/04/2026	5.03%	5.85%	75,000	75,000	0
LGFA Notes	15/05/2028	4.87%	4.87%	50,000	50,000	0
LGFA Notes	15/04/2025	5.76%	5.76%	75,000	75,000	0
LGFA Notes	15/04/2026	5.89%	5.89%	75,000	75,000	0
LGFA Notes	15/04/2028	6.10%	6.10%	50,000	50,000	0
LGFA Notes	15/05/2028	5.30%	5.30%	150,000	150,000	0
ANZ Bond	1/09/2023	3.71%	3.71%	355,000	-	(355,000)
ASB Bond	7/09/2023	3.33%	3.33%	600,000	-	(600,000)
Total Investments				1,761,000	806,000	(955,000)
<u>Total Cash and Investments Held</u>				10,824,927	10,446,895	(378,032)

The table below shows the maturity of these investments.



Borrowing

As at 29 February 2024 Council had \$43m of external debt drawn (\$42m 30 June 2023).

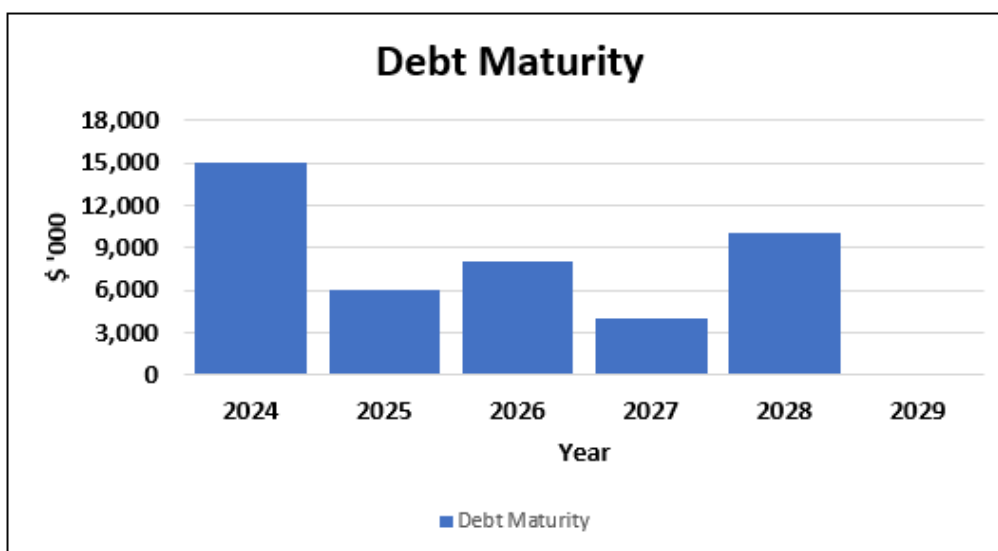
Council has temporarily paused some its large 3 Waters capital programs while it deals with Cyclone Recovery and seeks clarity concerning the new Government's position on 3 Waters reform. This has meant that Council has not had to increase its borrowings as much as originally signalled in the Annual Plan.

Council has \$10m of debt maturing on the 15 April 2024. At this stage the intention is to roll over this debt. Unfortunately, the current loan is at a fixed rate of 2.19% pa and is likely to be replaced with new debt at closer to 6.0% pa.

The table below shows the details of Council's current debt portfolio:

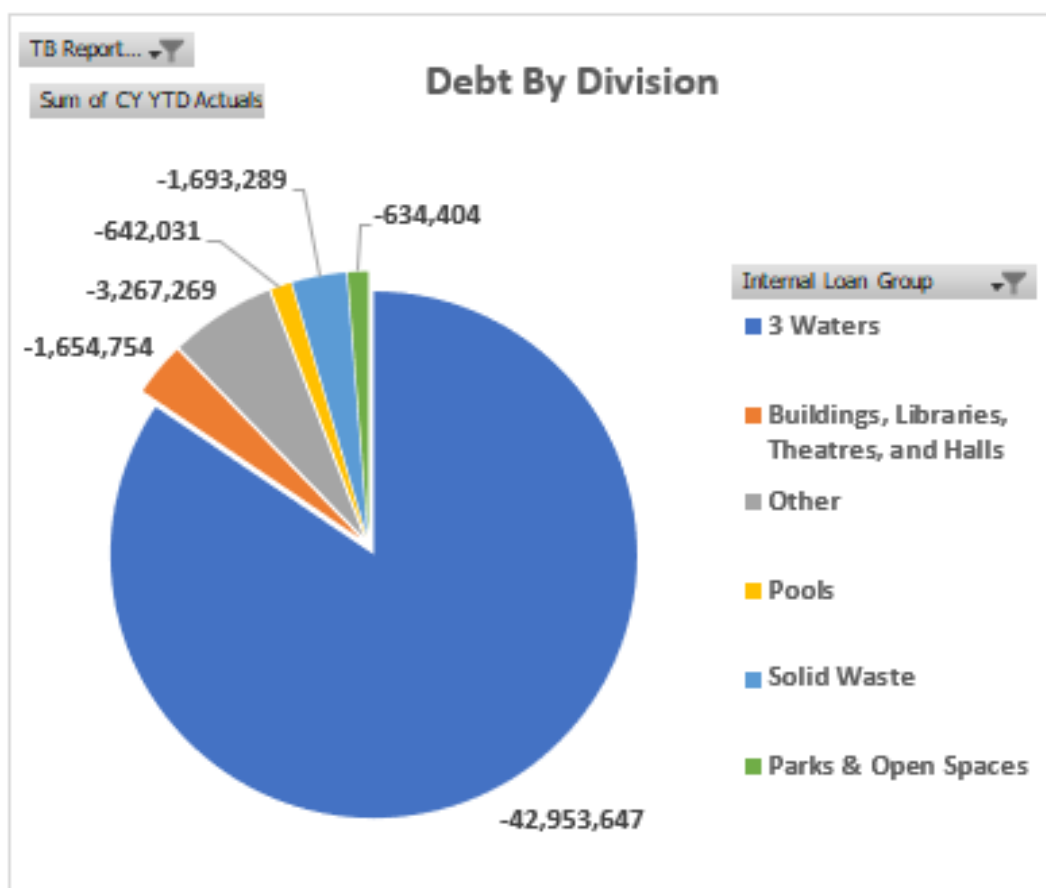
Debt Position	Draw Date	Maturity Date	Interest Rate	Amount 30/06/2023	Amount Now	Movement
LGFA - Fixed Rate	17/10/2022	16/10/2023	5.10%	1,000,000	-	(1,000,000)
LGFA - Fixed Rate	17/04/2023	16/10/2023	5.80%	3,000,000	-	(3,000,000)
LGFA - Fixed Rate	16/01/2024	16/07/2024	5.78%	-	5,000,000	5,000,000
LGFA - Fixed Rate	22/07/2019	15/04/2024	2.19%	10,000,000	10,000,000	-
LGFA - Floating Rate	11/07/2022	15/07/2024	6.06%	3,000,000	3,000,000	-
LGFA - Floating Rate	17/04/2023	15/04/2025	6.16%	3,000,000	3,000,000	-
LGFA - Fixed Rate	28/08/2017	25/08/2025	3.85%	2,000,000	2,000,000	-
LGFA - Floating Rate	10/08/2022	15/04/2026	6.25%	3,000,000	3,000,000	-
LGFA - Floating Rate	17/04/2023	15/04/2026	6.29%	3,000,000	3,000,000	-
LGFA - Fixed Rate	16/03/2020	15/04/2027	2.03%	4,000,000	4,000,000	-
LGFA - Floating Rate	17/04/2023	15/05/2028	6.50%	2,000,000	2,000,000	-
LGFA - Fixed Rate	14/12/2022	15/05/2028	5.27%	2,000,000	2,000,000	-
LGFA - Fixed Rate	6/03/2023	15/05/2028	5.70%	6,000,000	6,000,000	-
ANZ Seasonal Facility (\$1,500,000)				-	-	-
Total Debt			4.62%	42,000,000	43,000,000	1,000,000

The graph and table below show the maturity of this debt, and how this compares to Council's treasury policy. The debt maturity was front weighted to 2023/24 as this was the original date the 3 Waters debt was to be transferred to the new Waters Entity being set up by the crown. This won't now occur meaning the Council will need to refinance all of this 2023/24 maturity.

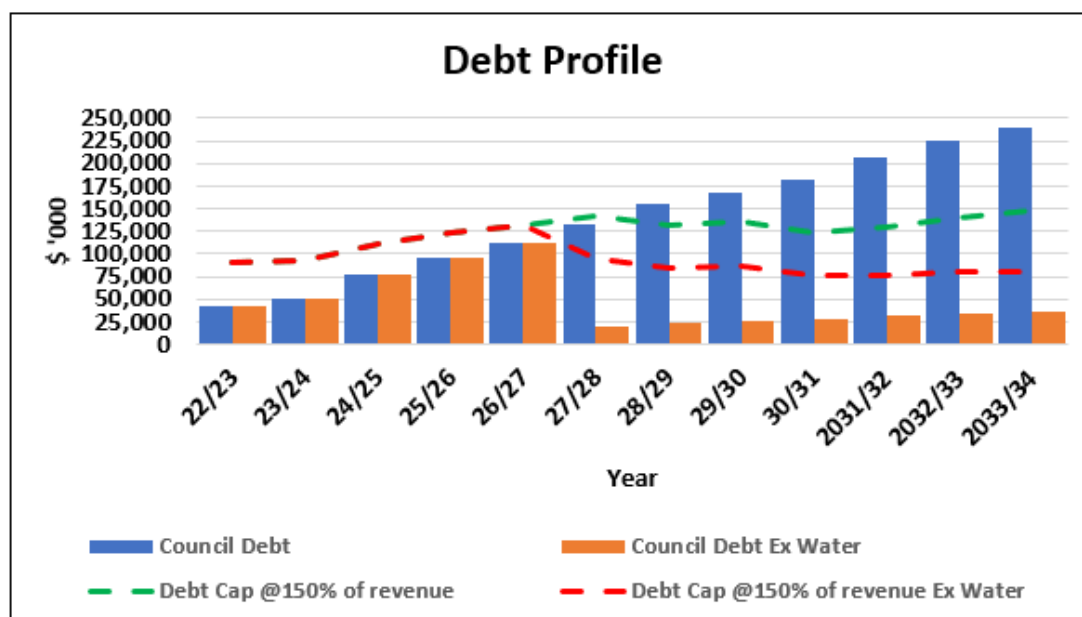


	2023	2024	2025	2026	2027	2028	2029
Actual	35%	14%	19%	9%	23%	0%	0%
Policy	35%	35%	35%	35%	35%	35%	35%
Met	Y	Y	Y	Y	Y	Y	Y

At 30 June 2023 Council's 3 Waters debt accounted for 84% of Council's total debt as presented by this pie chart (which is against total debt which is greater than external debt):



The graph below shows Council's forecast debt utilising the figures from Council's forecast for this year and the current draft Three Year Plan for future years. The blue bars represent the status quo, that is Council retains the 3 waters activity, and the orange bars present the 3 waters debt, in the event that 3 Waters debt is handed to a regional entity such as the new Hawkes Bay entity in 2027/28.

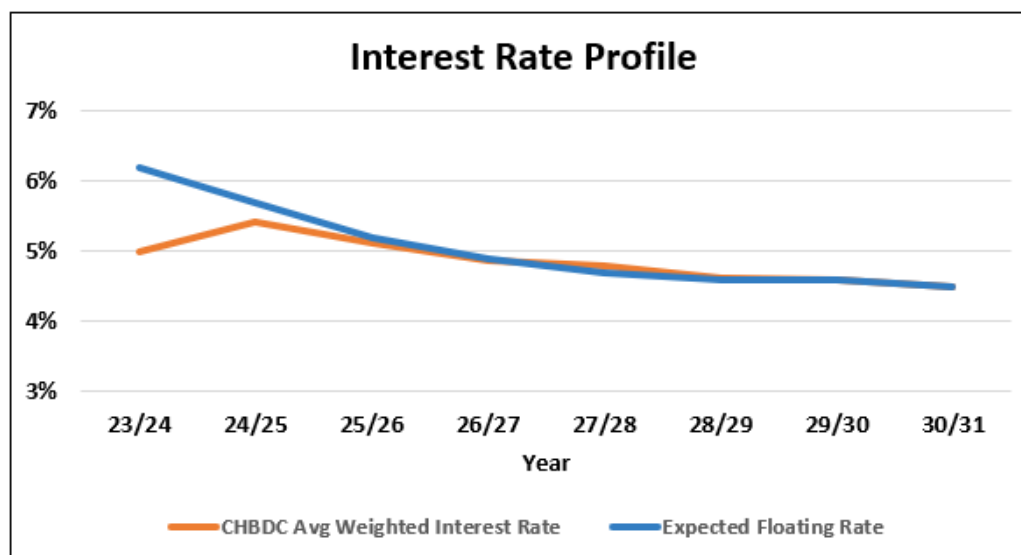


The latest revision of the Treasury Policy introduced a benchmark for Council's average cost of funds. The resultant benchmark calculations are detailed below:

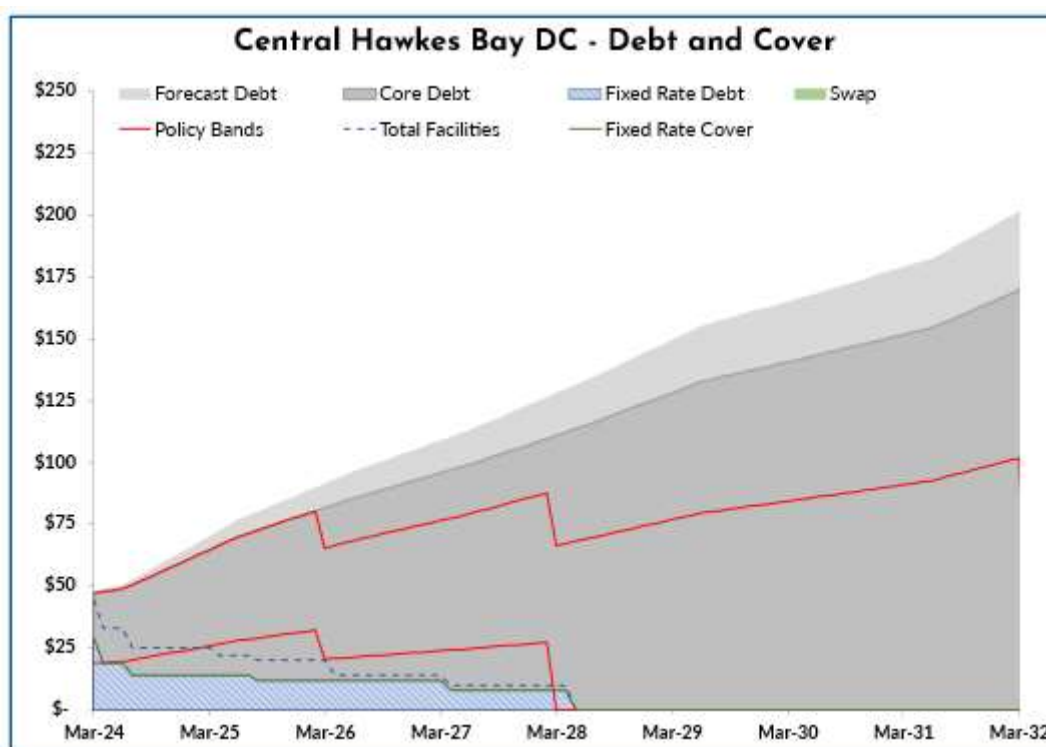
	Rate	Weighting	Weighted Rate	
Average 90 day bill rate for reporting month	5.64%	30%	1.69%	
2 Year Swap Rate at end of reporting month	4.98%	10%	0.50%	
2 Year Swap Rate, 2 years ago	2.75%	10%	0.28%	
4 Year Swap Rate at end of reporting month	4.52%	10%	0.45%	
4 Year Swap Rate, 4 years ago	0.88%	10%	0.09%	
7 Year Swap Rate at end of reporting month *	4.46%	15%	0.67%	
7 Year Swap Rate, 4 years ago *	3.22%	15%	0.48%	
Benchmark Targeted Rate			4.16%	
Council Achieved Weighted Average Cost of Funds			4.62%	
* 7 Year Swap rate was used instead of 8 Year rate due to the 8 year rate not being reported on by RBNZ				

This shows that Council is achieving slightly lower than the expected benchmark due to the majority of Council's debt being drawn recently, weighting the average cost of funds towards the highest current market rates.

The graph below shows Council's expected average cost of funds compared to the expected floating rate. What this shows the savings that the current fixed rates are providing, and that over the next 12-18 months these savings disappear as the loans are reset.



What this indicates that Council needs to consider more fixed cover. Below is a different view of this, showing that as Council's debt increases so must its interest rate cover. In April Council will be rolling over \$10m of fixed interest debt, and will need consider how it replaces this.



At present the interest rate yield curve is inverted (see chart below showing longer term interest rates are lower than the floating rate). This is because the markets are pricing in interest rate cuts.



Both Officers and Bancorp are monitoring the interest swap rates and will look to take some more fixed rate cover as opportunities arise. Bancorp considers 3.75% to 3.25% to be the target range, and as can be from ASB's screen grab below (taken on 8 March 2024) you can see some forward start swaps falling in to the high 3% to low 4% range which is not too far above their suggested target range.

Forward Curve Matrix [1]

NZD (vs. 1M NFIX1FRA) **Graph**

NZD (vs. 1M NFIX1FRA)
 ■ **Two Curve Spreads**
 Select a curve under "Curve List" for two curre...

Spot

Tenors	Coupon	3Mo	6Mo	1Yr	2Yr	3Yr	4Yr	5Yr
1Yr	5.4544	5.2590	5.0001	4.4453	3.9755	3.9173	3.9980	4.1532
2Yr	4.9616	4.7503	4.5446	4.2151	3.9469	3.9564	4.0743	4.2404
3Yr	4.6467	4.4979	4.3525	4.1192	3.9630	4.0190	4.1565	4.3045
4Yr	4.4742	4.3654	4.2597	4.0907	4.0075	4.0922	4.2239	4.3673
5Yr	4.3867	4.3049	4.2256	4.1020	4.0670	4.1562	4.2873	4.4078
8Yr	4.3589	4.3164	4.2758	4.2173	4.2233	4.3105	4.4115	4.5324

Below is a list of Council's debt ratios as per the existing policy:

<u>Treasury Compliance with Policy</u>		
<u>Liquidity (Liquid Assets + Debt / Debt)</u>		
	Policy Limit	Actual
✓	>115%	126%
<u>Finance Costs / Total Revenue</u>		
	Policy Limit	Actual
✓	<20%	3.2%
<u>Finance Costs / Total Rates Revenue</u>		
	Policy Limit	Actual
✓	<25%	7.0%
<u>Debt to Operating Revenue</u>		
	Policy Limit	Actual
✓	<150%	64.6%

At the end of February, Council was fully compliant with these ratios.

The only caveat on the above ratios is that operating revenue currently is distorted due to the Waka Kotahi emergency repairs subsidy Council is receiving, making the debt to revenue ratio look much better than if you excluded this one-off revenue stream (\$12.3m, which would make the BAU debt to revenue ratio 89.3% which is still compliant).

Carbon Credits

Council is required to account for its Landfill emissions (mainly methane gas) through the Emissions Trading Scheme. This requires Council to buy and surrender carbon credits based on the volumes reported going through the landfill during the calendar year, to be settled the May following. Carbon credits are bought and sold on the open market and the price fluctuates over time.

Below is a copy of the latest ETS return covering January-December 2023:

Emissions from operating a disposal facility

Disposal facility	Class	Waste entering the site (A) (tonnes)	Waste diverted (B) (tonnes)	Emissions factor (C)	Emissions (tonnes CO ₂ e)
Central Hawke's Bay District Landfill	All waste	12660	0	1.023	12951.18

Total emissions for activity

Total emissions (TE) (tonnes CO ₂ e)	12951
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This shows that Council received 12.7 tonne of refuse into its landfill, which will result in Council having to surrender 12,951 carbon credits in May 2024.

Council's current Carbon Credit Position is:

	Units	Unit Price	Dollars
Owens	8,080	\$80.41	\$649,712
Forward Contract 14/05/24	7,000	\$84.55	\$591,850
Subtotal	15,080	\$82.33	\$1,241,562
Surrender 31/05/24	(12,951)	(\$82.33)	(\$1,066,256)
Residual	2,129	\$82.33	\$175,284

In addition to the table above Council also has the following future dated forward contracts:

Forward Contract	Units	Unit Price	Dollars
14/05/2025	7,000	\$75.45	\$528,150
14/05/2025	4,000	\$73.89	\$295,560
Subtotal	11,000	\$74.88	\$823,710

The current forward rate for April 2026 is currently sitting at \$76.62 (which will be the next unfunded liability Council will have).

OCR Rate forecasts

On 28 February 2024 the Reserve Bank held its Official Cash Rate (OCR) at 5.5% but softened its language about future direction – “Core inflation and most measures of inflation expectations have declined, and the risks to the inflation outlook have become more balanced.”

ASB chief economist Nick Tuffley said “The OCR track was revised down slightly in the near term to a peak of 5.6 per cent [previously 5.69 per cent] but was little changed over the longer term. The

track still implies some chance of an OCR hike over the remainder of 2024 and is consistent with OCR cuts from around [the second quarter] 2025.”

This view is consistent with the yield curve graphs shown in an earlier section of the paper. While short dated debt in New Zealand is closely linked to the OCR, much of New Zealand's longer dated debt is funded offshore and follows more closely to those markets which are ahead of New Zealand in the downward interest rate cycle.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Any decisions made will help 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.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue to provide quarterly updates on Treasury Management.

RECOMMENDATION

That the report be noted.

6.5 THREE YEAR PLAN - ASSURANCE AND IMPLIED RISKS

File Number:

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Doug Tate, Chief Executive

Attachments:

1. Infrastructure Strategy [↓](#)
2. Financial Strategy [↓](#)
3. Key Forecasting Assumptions [↓](#)

PURPOSE

The matter for consideration by the Council is the key assumptions contained in the draft Three Year Plan.

RECOMMENDATION

That having considered all matters raised in the report:

1. That the report be noted.

EXECUTIVE SUMMARY

Every three years Council are required to produce a 10 Year Long Term Plan. Due to Cyclone Gabrielle Council has been given specific legislative dispensation to reduce this to a 3 Year Plan due to the uncertainty caused by Cyclone Recovery.

This report looks at three of the key inputs to the Three-Year Plan, and inherent risks contained in the plan.

BACKGROUND

Every three years Council are required to produce a 10 Year Long Term Plan that contains a 10 year budget (both at a Council level and a activity level), a description of the levels of service to be delivered, a financial strategy (how Council is going to pay for things), a infrastructure strategy (how Council is going to look after its assets), and a number of financial and rating policies.

Due to Cyclone Gabrielle Council has been given legal dispensation (through a piece of legislation called an Order in Council) to reduce this to an unaudited Three-Year Plan due to the uncertainty caused by Cyclone Recovery.

In Councils agenda of 14 March 2023 available [here](#), are a number of key inputs that have been endorsed by Council. For completeness and context, these should be referred to and include:

- Better Off Funding inputs
- Three Year Plan Options Endorsement
- Draft Financial Strategy 2024
- Draft Infrastructure Strategy 2024
- Draft Development Contributions Policy 2024
- Draft Significant Assumptions
- Activity Levels of Service and performance measures
- Significance and Engagement Policy

The key inputs and inherent remaining risks are presented to the Committee for further analysis and consideration as part of the development of the Three Year Plan. 2024-2027.

DISCUSSION

In order to develop a three-year plan, Council officers have to prepare a number of strategies and budgets underpinned by assumptions on environment Council will be operating in for the next three years.

Attached are three key documents that have been endorsed by Council at its 14 March 2024 meeting:

1. Infrastructure Strategy
2. Financial Strategy
3. Key Forecasting Assumptions.

What's Changed since the last Long Term Plan?

The key focus in the 2021 Long Term Plan was a 12-year program of water and wastewater upgrades commencing. Through a combination of rates, debt, and central government funding Council is now three years through this program, with a further nine years of works ahead of us.

Due to debt constraints, price escalations, and changes to the three waters reform programme, and most notably the physical impact of Cyclone Gabrielle introducing new risks and uncertainty to some programmes, the significant water upgrade programs have been rephased from the original programme of having all wastewater out of rivers by 2033. Council continues to work with the other Hawke's Bay Councils to explore the merits of forming a Hawke's Bay Council Controlled Entity to deliver 3 Waters across the entire Hawke's Bay District, but this three-year plan assumes Central Hawke's Bay District Council continues to deliver 3 Waters services throughout the life of this plan.

As the country experiences the tail of the economic impacts of Covid-19, while some supply constraints are beginning to ease, pricing of construction projects are not returning to pre-covid levels, exacerbated also by Cyclone Gabrielle. This means that all planned construction has increased in cost by approximately 25% in the past two years meaning Council can only deliver part of what it forecast three years ago for the same money.

Cyclone Gabrielle has also had a significant impact on the Council and was unforeseen when setting the Long Term Plan three years ago. Nearly 12 months on Council still faces uncertainty about the funding assistance for its roading repairs, is bearing additional recovery costs, and the flood protection and final land categorisations for the township of Pōrangahau yet to be completed. There also remain significant future uncertainty relating to the long term impacts of Cyclone Gabrielle on the resilience of many of our Wastewater sites for the current operations and future resilience investment.

Key Assumptions

The key assumptions and risks that are built into Councils three-year plan include:

Assumption	Risk	Mitigation
Rates Setting and Collection	<p>Due to previous cost escalations (contract, construction, interest rates) Council is proposing to impose rate increases of 20%+ year 1.</p> <p>Households are already facing a cost-of-living crisis, and this will</p>	<p>Council has reviewed its rates postponement and remission policies as part of developing its three-year plan.</p> <p>This includes a new postponement policy for those on national superannuation.</p>

Assumption	Risk	Mitigation
	add to their financial pressure.	Council rates are also legislatively protected to ensure payment.
Population and Housing Growth	<p>The three-year plan assumes a moderate population increase over the next three years.</p> <p>This feeds into the expected growth in demand on infrastructure (which influences Councils capital program) and Councils Development Contribution budgets.</p> <p>A higher population growth would necessitate infrastructure upgrades earlier, while slower growth would necessitate it later.</p>	<p>Council engaged Squillions to provided population forecasts.</p> <p>If Council ends up building infrastructure ahead of co-funding from developers, then it has the ability to debt fund the timing differences. Therefore, Council officers must retain sufficient debt headroom for such a scenario.</p>
Interest Rates & inflation	<p>Council has assumed its average cost of funds for 2024-2026 will be between 5.25% pa and 4.75% pa.</p> <p>Council has assumed that inflation will average between 3.4% pa and 3.2% pa for 2024-2026.</p> <p>Higher inflation and interest costs will increase Councils cost of doing business, while lower inflation and interest costs will see a savings to Councils proposed budgets.</p>	<p>Councils' inflation and interest assumptions have been developed in conjunction with BERL and Bancorp Treasury.</p> <p>Council uses fixed term loans and interest rate swaps to mitigate the risk of rising interest rates.</p>
Insurance	<p>Council's cost of insurance has risen faster than inflation over the past couple of years.</p> <p>This is driven by both premium increases and increase in replacement values of assets.</p> <p>It is likely that this trend will continue.</p>	Council's budget includes provisions for insurance inflationary pressures.
Treasury Management Settings	<p>Council's treasury policy and its banker (LGFA) both have maximum borrowing/lending limits.</p> <p>Depending on Council's revenue and capital programs over the next three years, Council may exceed its current lending limits.</p>	<p>Council has reviewed its treasury policy and lifted its borrowing limits once it gets an external credit rating. This would also lift the LGFA's lending limits.</p> <p>Officers will continue to monitor Council's lending limits and will arrange for an external credit rating before it's lending facilities are exhausted.</p>
NZTA Funding (both BAU and Recovery)	<p>Council agrees every three years on a program of BAU works with NZTA and the three-year funding envelop it'll receive. While Council knows what its funding request to NZTA has been, it</p>	<p>Council's BAU budgets have assumed that not all of its funding request will be granted, and that it'll be paired back.</p> <p>The Hawke's Bay Regions</p>

Assumption	Risk	Mitigation
	<p>won't be confirmed till after the government budgets are finalised that Council is going to be funded to this level. This creates a timing mismatch with Councils three-year plan timetable.</p> <p>Likewise, Council still has \$129m of Cyclone damage to its roading network and is uncertain on the level of NZTA support it'll receive as co-funding to undertake these repairs. The draft three-year plan assumes the repairs will be undertaken over a 6 year period with 95% NZTA co-funding.</p>	<p>officials continue to lobby the government on the need for further Cyclone Recovery funding, especially for roading repairs.</p> <p>Council has budgeted \$2.2m of ratepayer funds every year for the life of the plan for its share of the roading recovery program of works.</p>
Capital Delivery	<p>Council's draft three-year plan contains significant capital construction programs.</p> <p>There is a risk that Council won't be able to manage the program or procure sufficient resources to deliver this program.</p>	<p>Council has been purposely raising the level of project management sophistication and rigour in the organisation over the last three years to prepare for the anticipated major increases in capital expenditure in this Three-Year Plan.</p> <p>If the project does fall behind the schedule contained in the Three-Year Plan, Council could revise the speed of delivery in future annual plans, and alter rating, development contributions and borrowing assumptions at that time. Any money already collected can be carried forward to a later year to be used at the point of construction.</p> <p>The use of Regional Prioritisation and Programming through the Regional Recovery Agency will be an important mitigating factor in the first three years of the plan relating to recovery resource.</p> <p>At a local level, Council is supporting industry through skills and talent opportunities to bridge these gaps. We are procuring and implementing long-standing professional services arrangements with key providers.</p>
Asset Failure	<p>The asset management plan reviews asset conditions and expected lives to assist with planned replacement.</p> <p>Despite this, Council holds a number of critical assets that have reached the end of their economic life, including reservoirs.</p>	<p>The renewal programme is reviewed annually.</p> <p>Nevertheless, these assets could fail before their replacement resulting in a significant loss of service.</p> <p>While contingency plans have been developed, the scale of failure will be relative to the practicality of the plan's</p>

Assumption	Risk	Mitigation
		implementation.
ETS	Council is required to buy and surrender carbon credits in arrears based on tonnage of waste being received by its landfill operation. These carbon credits are subject to market pricing.	Council has the ability to enter into forward exchange contracts to lock in certainty on pricing, but this does reduce the ability to react to market declines.
Another weather event; climate change; earthquake	Council has assumed that there will be no significant natural disasters such as storms, floods, earthquakes, and volcanic eruptions that damage the districts infrastructure.	Provision is being made to adapt infrastructure for climate change, given the long-life cycle of assets. The key approach is to ensure the Financial Strategy retains a portion of available debt headroom of approximately \$10m for unplanned events where possible. The assumption is that if the event of sufficient magnitude, then NEMA and insurance assistance would also be available in addition to this debt headroom.
Legislative Change	It has been assumed there will be no unexpected changes to legislation or other external factors that alter the nature of services provided by Council.	Officers will keep abreast of legislative and regulatory change will provide advice to Council on how to respond when change occurs.
3 Waters Reform	The government has repealed the 3 Waters Reform program and replaced it with "local water done well".	The Hawke's Bay Water Model is again being considered and, Central Hawke's Bay could form part of a regional water services entity as early as 2027. While there are details to work through, Council's budgets reflect a continuation of local delivery and funding of this service.

For a fuller look at Council's key assumptions contained in the Three-Year Plan, see the attachments to this report.

RISK ASSESSMENT AND MITIGATION

Any future planning of Council's operations is always reliant on assumptions of what might happen in the future. This report, and its attachments, detail how these risks were considered and what mitigations have been put into place to minimise where practical these risks for the period of the three year plan.

FOUR WELLBEINGS

Council three-year plan impacts all of Councils wellbeing's, whether it be financial with the setting of rates, environmental and cultural with the continuation of working towards getting wastewater out of rivers, or social through setting levels of service to the community. Each decision point in the plan has had this wellbeing lens applied to the decision.

DELEGATIONS OR AUTHORITY

This report is coming to Risk and Assurance as owner of the risk portfolio to provide an independent eye over the proposed plan and assumptions and risk contained with it.

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, these assumptions and the three plan are of community interest and will be consulted on in April 2024.

NEXT STEPS

Council Officer will consider any feedback from the Risk and Assurance committee as it prepares the three-year plan consultation documents.

In finalising the next steps, the Committee may want to provide further feedback Council to consider the key risks, when finalising the three year plan consultation document and supporting information also.

RECOMMENDATION

That having considered all matters raised in the report:

1. **That the report be noted.**





About the Strategy

Purpose

The purpose of the Infrastructure Strategy (the Strategy) is to identify significant infrastructure challenges for Central Hawke's Bay District Council (the Council), and to identify the principal options for managing those challenges and the implications of those options.

This strategy however is different to the 2018 and 2021 strategies due to the impact of extreme weather events in 2022 and 2023 that have had tremendous impacts on the Central Hawke's Bay community and on Councils infrastructure. Due to this damage, it is necessary to prioritise resources and funds into recovery efforts repairing damaged infrastructure and preparing for the long term impacts Cyclone Gabrielle has had on our assets resilience. Special Severe Weather legislation permits an alternate approach regarding the strategy and planning of activities in the short term.

After the severe weather events of early 2023, the Severe Weather Emergency Recovery Legislation Act was enacted. This Act allows for laws to be changed to help communities continue with their recovery via an Order in Council.

Affected Councils advocated for an Order in Council approach to change their requirements in preparing the 2024 Long Term Plan and associated documents, including the Infrastructure Strategy. The Order in Council regarding Long Term Plans was gazetted on 4 September 2023. Key points for the Infrastructure Strategy are:

- There is no requirement for the strategy to be 30 years. At a minimum it must be the period of the plan (three years)
- Content requirements are different to reflect the level of uncertainty faced by the Councils who are exempted from the requirements.

There is a focus on providing information on:

- Significant infrastructure issues
- Principal options for managing issues
- Implications of the principal options
- Major capital projects proposed or mid-implementing (including recovery projects)
- Likely funding options for projects
- Implications of the funding options for rates and debt

This Strategy is prepared to cover a 10 year period and applies to Councils management of infrastructure supporting the delivery of three waters, land transport, solid waste and parks and property services across Central Hawke's Bay.

Context

Response, Recovery and Resilience

This strategy has been developed in a period where Council is busy repairing infrastructure damaged in Cyclone Gabrielle and the record-wet winter of 2022. Council also remains deep in a planning phase whereby there is still much work to do to determine when, how or if some damaged infrastructure can be funded and repaired.



While the damage from severe weather has shaped aspects of this strategy, it is not the entire focus of it, rather it adds important context in which the strategy has been developed and must be delivered. The focus areas listed within this strategy, and if delivered upon, will ensure that Council and community recover from the impacts of recent weather events, and are better prepared to face future events.

The strategy contains a range of projects and programmes designed specifically to repair and recover infrastructure from weather damage, while trying to improve their resilience for future events. One of six focus areas in the strategy specifically targets resilience and recovery works and all focus areas, projects and programmes, consider the impacts of climate.

To plan for and enable resilience, it is important to define what it is. With respect to infrastructure, this strategy considers resilience to be:

"The capacity of infrastructure to adapt, withstand, and recover from shocks or stresses, while maintaining essential functions, and providing service to customers. It involves anticipating and preparing for disruptions, absorbing impacts, and rapidly recovering to a state of stability and functionality."

While a range of infrastructure was damaged in the series of weather events, it is Council's roading infrastructure that was most badly damaged and where the most known impact is. At the time of writing this strategy, Council remains in a phase of completing urgent and response works to a range of sites under an initially 100% NZTA-funded programme of work totalling \$36 million. A further estimated \$129 million worth of other critical repairs (recovery) is known to be required across the road network. Council is prioritising engagement with NZTA and Central government to seek additional funding to cover this work beyond the normal Funding Assistance Rate for emergency work (80%). While this engagement with NZTA and government continues, there remains uncertainty about how this work will be funded and therefore when or if it will be delivered.

A significant assumption at the time of preparing this strategy, is the unknown long term impact to Council's waters infrastructure – in particular wastewater, as a result of Cyclone Gabrielle. Currently many projects are on hold until the impacts from Cyclone Gabrielle on future event return periods can be determined. Also many of Council's current and future sites for Wastewater were significantly impacted by Cyclone Gabrielle. A Focus area of this strategy is Responding to Cyclone Gabrielle and Improving Infrastructure Resilience, providing fuller detail on the challenges and work programmes that are designed to restore assets to service from the damage experienced (recovery) and to improve assets ability to withstand future events (resilience).

Climate Change

Beyond responding to and recovering from the immediate impacts of recent weather events, to build resilience into assets and networks for the future, Council must proactively address the risks brought on by a changing climate. In New Zealand, changes in climate, such as temperature and rainfall, are already occurring. These changes will occur to differing extents in different places.

Climate change is considered as part of the Council's long-term asset management planning processes within relevant asset and activity management plans. Current models predict storms of greater frequency and intensity in the future for much of New Zealand and we are already experiencing these in our district with particularly noticeable impacts on our roading assets. Beyond roading, climate and environmental change will particularly impact the Council's water, wastewater and stormwater assets.

The recent extreme weather events have provided valuable information to Council to understand the effects of climate on infrastructure. Council has incorporated learnings from these recent events into plans and programmes of work covered in this strategy, and further work is occurring still to better understand the impacts of climate on infrastructure. New hydro models for stormwater and wastewater networks are being



provided that will further influence future plans, as will new modelling on river flows that will impact many assets classes, in particular roads.

Water Reform

The Councils of Hawke's Bay have together been leaders for reforming the delivery of 3 waters services for almost a decade. Much work has been completed in the Region, collaboratively, to understand the costs and benefits of various types of reform options.

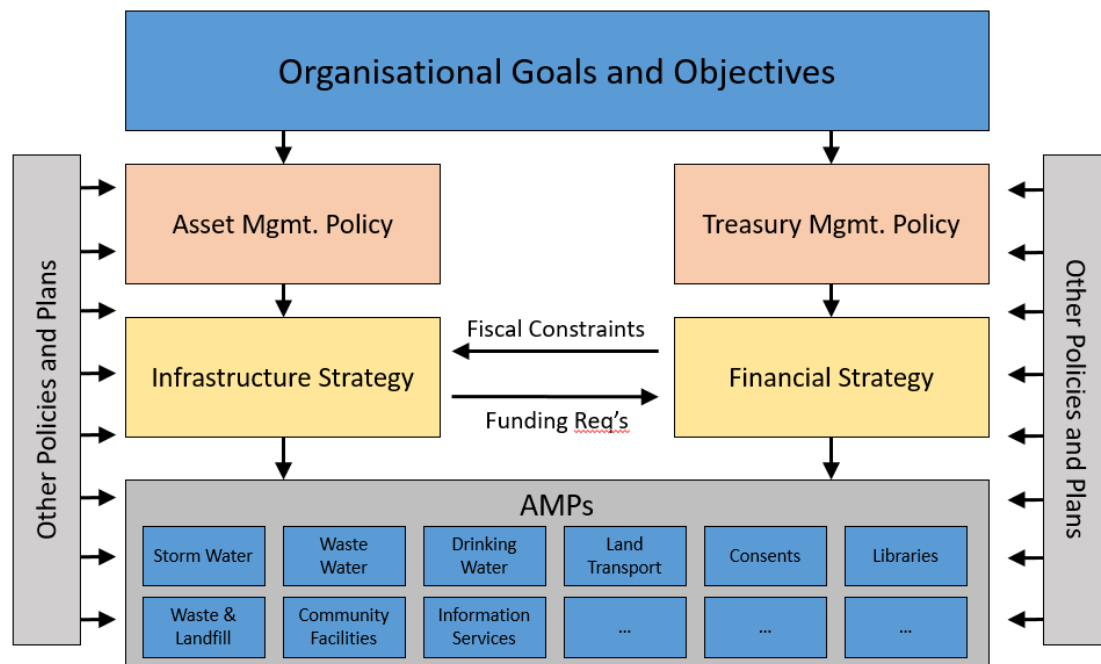
The recent repealing of 3 Waters legislation and the reform of central government-led workstreams, has left many New Zealand councils uncertain about what next with respect to reform. The new Government announced on 14 December 2023 a new direction for water services – 'Local Water Done Well'.

In a Hawke's Bay context, returning to prioritising the implementation of the Hawke's Bay Water Model must now be the priority, to address the long term issues for the benefit of Central Hawke's Bay, and the broader Hawke's Bay Region.

This strategy contains work programmes developed to manage Council 3 waters infrastructure to ensure it meets the requirements of connected users and meets compliance standards. The strategy, and the programmes of work within it, are premised on the assumption that Council will manage and afford its own 3 waters assets for the period of the Strategy (10yrs). Accordingly, projects and programmes have in some cases been phased over a longer period than they would be if Council had access to greater funding that could be afforded through a larger post-reform entity.

Strategic Context and Relationship to Other Documents

This strategy has not been created or designed to operate in isolation. It is part of Councils broader planning and direction-setting framework and the relationships between it and other artefacts of that framework are illustrated below.



Important in the architecture drawn above, is the relationship between the Financial Strategy and Infrastructure Strategy. These two strategies are often in opposition with respect to wants/needs to address challenges (infrastructure strategy), and ability to deliver and afford (financial strategy). It is the integration of these two strategies, that are developed together, that produce agreed work programmes and future budget requirements.



Projects / Programmes in Planning

A number of the challenges and opportunities with infrastructure in Central Hawke's Bay, highlighted in this Strategy, are impacted by some form of uncertainty or are requiring further information to finalise important detail. Nevertheless, it is prudent to include these projects/programmes in this strategy, in their imperfect state, to be clear about infrastructure risks and opportunities that they seek to address, and to place-hold valuable resource and funds. Because of this uncertainty, a range of projects or programmes have been tagged as requiring further work before final decisions are made. These projects/programmes are described in the table below.

Project / Programme	Infrastructure challenge/opportunity	Planned investment	Uncertainty	Decisions to be made
Road Network Recovery	Full recovery of road assets from the damage caused by Cyclones Gabrielle and Hale	~\$129M in total, to be delivered over a 5-10year programme	Uncertainty about when or if funding will be made available by NZTA and/or Central Government means Council has been unable to fully plan and schedule this work	There is not clarity about when a decision about funding will be made. Council are hopeful that an announcement will accompany the release of the 2024 Budget on May 30.
Customer Water Meters	Water meters installed at customer connections to better understand demand/usage and losses and to enable better choice for customers about their water use	~\$2.6M in years 4 to 8 of the strategy	The benefits of meters compared with the cost of installation, ongoing maintenance and the acceptance of water users to become metered	Council need to further investigate the use of meters, and work with water users to understand the costs and benefits before any decision is made. A business case will be developed in 2026
Landfill extension	Creation of a new cell at the District Landfill	~\$9.27M in years 3 and 10 of the strategy	Volumes of waste coming to landfill heavily influence the cost-effectiveness of running the facility and the viability of it as a commercial operation.	Prior to making significant investment in extending the landfill, the full economics of the site and the activity will be reviewed. A business case will be developed in 2025
New transfer station and	Develop a purpose-built transfer station	~\$7.16M in year 8 of the strategy	What facility will best meet the needs of users, in	Prior to the investment, Council will work



Project / Programme	Infrastructure challenge/opportunity	Planned investment	Uncertainty	Decisions to be made
recovery facility creation	and re-use & recovery centre		market conditions of the time	with the community, and experts, to test options for the facility before it is committed to. A business case will be developed in 2029

Principles

In setting the Strategy, Council commit to the below listed principles for managing infrastructure. These principles are intended to guide decision making at a strategic and operational level and most importantly provide clarity to Asset Managers in creating their unique Asset Management Plans for respective asset classes.

At times, it is necessary to make trade-offs or to make decisions to carefully and purposefully balance outcomes against these principles. For example, it is currently a major focus of Council to balance principles and objectives for delivery and action, against the principle of fiscal responsibility. This does not mean that one principle is more or less important than the other, but that they are all considered in decision making.

Principle 1 – Dig Once

Council will seek to optimise and integrate its various infrastructure investment programs so that disruption to our residents is minimised and that projects or programmes of work are as cost effective as possible. In simple terms this means that Council will take every effort to ensure that through its careful planning we are not sealing a road one year and digging it up the next to replace a pipe.

Principle 2 – No Band Aids

If a job is worth doing it is worth doing right. Investing ratepayer's funds to repair, renew or upgrade infrastructure carries a burden of responsibility. Council will ensure that infrastructure investment decisions do not chase a quick or easy fix but instead provide a long-term solution to identified challenges.

Principle 3 – Enabling Smart Growth

Growth is a critical component of Central Hawke's Bays current success. Council, through its investments in infrastructure wish to enable and support growth where possible. 'Smart' growth is the term that Council have given to describe growth that makes sense for Central Hawke's Bay in the broadest of terms. This means growth that supports our residents, supports the environment, supports the economy and is deliverable with our infrastructure. Enabling this growth means removing barriers and planning ahead collaboratively.

Principle 4 – Community and Environmental Bottom Lines



Council have committed to delivering infrastructure that is beyond the minimum requirements of our various regulating bodies in many cases. Regulatory compliance is a must, but Council will exceed this where possible to meet community and environmental requirements and ambitions through its investment in infrastructure.

Principle 5 – Fiscal Responsibility

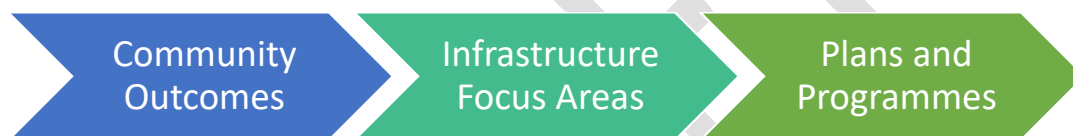
Council will act within its own financial means and ensure that infrastructure investment decisions are financially sustainable for Council and its community.

Principle 6 – Innovation and Technology

Council will leverage innovation and new technology to improve levels of service and reduce cost through its investments in infrastructure.

Design of this Strategy

This Strategy is configured in a logical flow progressing in detail and specificity. It begins with an acknowledgement of targeted community outcomes ex Project THRIVE and then discusses key areas of focus for infrastructure investment and planning and then details at a high level the programmes of investment over the 30year period.





Community Outcomes

Council's project THRIVE has become synonymous with all things related to Council's vision, values and the direct translation of community aspirations into Council action. Project THRIVE has resulted in the creation and clarification of listed outcomes and intent for Council that are embodied in this Strategy and the way in which Council manages its infrastructure. The Community Outcomes that are supported by the effective strategic management of infrastructure are:

The outcomes we want to achieve - Our Objectives -



- A proud district.
- A prosperous district.
- Strong communities.
- Connected citizens.
- Smart growth.
- Environmentally responsible.
- Durable infrastructure.



Infrastructure Focus Areas

To meet the challenges identified with managing Council infrastructure, to achieve listed Community Outcomes, Council has committed to prioritising the following Focus Areas for infrastructure planning and investment:

Objectives

- A Proud & Prosperous District
- Strong Connected Citizens
- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Focus Areas

Focus Area 1:

Responding to Cyclone Gabrielle and Improving Infrastructure Resilience

Focus Area 2

Delivering the Renewal Programme

Focus Area 3

Meeting Compliance Standards

Focus Area 4

Planning for and Responding to Growth

Focus Area 5

Delivering Against Current and Future Levels of Service

Focus Area 6

Prioritising Community Centred and Partnership Opportunities

Each focus area is discussed in the following sections of this Strategy. The discussion identifies significant capital decisions that are anticipated over the next 30 years and options that will need to be considered as part of these decisions. The key external factors that may impact infrastructure investment opportunities and timing are discussed in the External Factors section. Examples of types of partnerships and the challenges and opportunities that the Council faces using them for delivery of infrastructure is discussed in the Using Partnership Opportunities section.



Focus Area 1: Responding to Cyclone Gabrielle and Improving Infrastructure Resilience

For infrastructure, Council defines resilience as:

"The capacity of infrastructure to adapt, withstand, and recover from shocks or stresses, while maintaining essential functions, and providing service to customers. It involves anticipating and preparing for disruptions, absorbing impacts, and rapidly recovering to a state of stability and functionality."

During the winter of 2022 and then the devastating Cyclone Gabrielle in February 2023, Council infrastructure was badly damaged, and in some cases destroyed and swept away. While devastating, this has provided valuable information to Councils asset managers and decision makers about the level of resilience in Council assets to withstand these sorts of weather events. Accordingly, a large amount of work has been undertaken by planning teams to review existing infrastructure plans, and create new ones to more prudently account for the effects of a changing climate and the increase in severity and frequency of weather events.

Response Work

Water, wastewater and road assets were badly damaged in the weather events of 2022 and 2023. The majority of urgent repair works to return basic levels of service to Central Hawke's Bay residents has been completed with the remaining urgent works classified in the 'response' phase scheduled to be completed by 30 June 2024. These works have included:

3 Waters

- major repairs to the Waipawa Tikokino Rd water extraction and treatment plant
- major repairs to the Waipawa Johnson St water treatment plant
- major repairs to the Waipawa Wastewater Treatment plant
- minor repairs to the Waipukurau wastewater treatment plant
- minor repairs to the Porangahau wastewater treatment plant
- major repairs and clearance of open stormwater drains

Transport (Note update closer to the final adoption of the CD with other projects completed)

- Clearance of >1,000 minor slip/debris sites
- Repairs of XX bridges
- Vegetation clearance
- Drainage and culvert clearance
- Road retreats to avoid slip sites
- Channel clearance and bridge abutment armouring

Recovery Work

While a large amount of work has been completed, or is nearing completion, under the 'response' phase, even more work is still required to return transport assets to their pre-damaged state. Estimates put remaining work to repair transport assets at \$129 million.

Detail on the extent of recovery work achieved can be found on Councils website in our regular monthly reporting to Council on recovery which can be found [here](#).

This work to fully recover the transport network to its pre-damaged state, is currently not funded via the available funding NZTA funding mechanisms.



It is a priority of Council to seek funding, to the maximum value possible, to enable these works to be completed. Council is actively working with NZTA, the Regional Recovery Agency and directly with Government to ensure funding is made available, at pace, to enable works to occur begin. For now, little can be done on these damaged sites and therefore the priority of Councils asset managers and contractors is to keep the sites safe and secure and be ready to commence repairs as soon as funding becomes available.

In this Strategy, Council have made an assumption that NZTA or Government will fund 95% of the required recovery works and that Council will fund the remainder. The recovery works have been phased over an indicative 6 year period with a heavier loading in the first 4 years. When funding is confirmed by NZTA/Government, Council will revisit these assumptions about the programme which may result in a rephrasing of works.

Improving Resilience

The majority of works described above, both completed and still to be commenced/completed, will return assets to their previous levels of service and in most cases their previous levels of resilience. Through the extreme weather events of 2022 and 2023, and subsequent feedback, investigations, analysis and modelling, Council has become aware of asset resilience challenges that it previously did not fully understand.

A significant assumption and risk through the Three Year Plan and this Strategy relates to the unknown potential for the return periods from Cyclone Gabrielle to significantly impact currently planned investment and ultimately the strategic direction of current investment. Again this is not known, but has the potential to significantly impact the overall future programmes of Council. Addressing this in the long term will need to be a key focus for all of Councils assets.

This strategy contains a significant amount of planned work to begin to address some of these resilience challenges within the period of the strategy, recognising however there are many unknowns yet to be confirmed. In line with Councils definition of resilience, efforts to address infrastructure shortfalls are not always about building higher or stronger, but may involve moving assets, installing additional monitoring and warning equipment, building back-up or alternate assets or travel routes, or informing assets users how to be more resilient themselves if and when assets do fail.

Significant investment (>\$250,000) identified to improve the resilience of infrastructure in the term of this strategy are listed in the table below. The 'financial category' represents the category recorded in Councils financial management system. Many projects / programmes have multiple drivers for investment. For example, a project to replace old worn-out pipe with new larger pipe has drivers for renewal and for demand.

Project / Programme	Financial Category	Activity	Expenditure (yrs 1-10)
Transport Recovery Programme	Renewals	Transport	129,000,000
Waipukurau Second Supply	Levels of Service	Drinking Water	18,671,942
Customer water meters (Demand Management)	Levels of Service	Drinking Water	2,607,517
Waipukurau water mains	Levels of Service	Drinking Water	1,237,750
Waipawa water mains	Levels of Service	Drinking Water	465,250
Reticulation renewal including pipes & other retic Loan Fund	Renewals	Drinking Water	18,617,566
Reticulation renewal including pipes & other retic Rate Fund	Renewals	Drinking Water	12,295,825

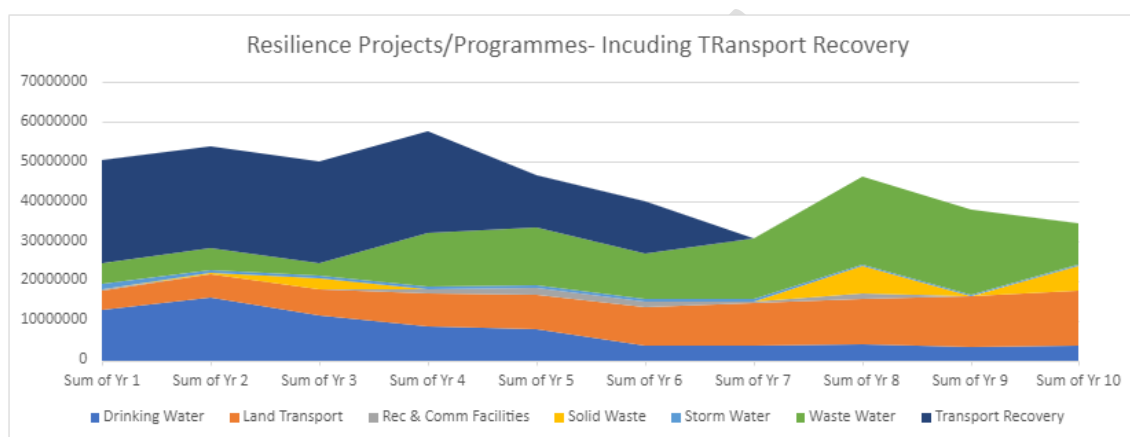


Project / Programme	Financial Category	Activity	Expenditure (yrs 1-10)
Pukeora Reservoir Replacement	Renewals	Drinking Water	7,759,732
Waipawa Reservoir Replacement	Renewals	Drinking Water	3,693,800
Great North Rd - High St Main Replacement	Renewals	Drinking Water	2,575,000
SH2 Replacement AC Main (Risk)	Renewals	Drinking Water	2,482,285
Hunter Park Reservoir Replacement	Renewals	Drinking Water	1,598,224
Waipukurau fire fighting improvements	Renewals	Drinking Water	932,745
Waipawa fire fighting improvements	Renewals	Drinking Water	650,592
LT Sub Sealed Road Resurfacing	Renewals	Land Transport	29,591,255
LT Sub Sealed Road Rehab	Renewals	Land Transport	25,019,523
LT Sub Unsealed Road Metalling	Renewals	Land Transport	16,861,709
LT Sub Drainage Renewal	Renewals	Land Transport	13,235,793
LT Sub Bridge and Structural renewals	Renewals	Land Transport	9,090,781
Pourerere Resilience Planning	Levels of Service	Rec & Comm Facilities	1,650,000
CHB Municipal Theatre EQ Strengthening	Levels of Service	Rec & Comm Facilities	1,286,880
Waipukurau Memorial Hall EQ Strengthening	Levels of Service	Rec & Comm Facilities	1,155,420
Community Halls Districtwide Renewals	Renewals	Rec & Comm Facilities	647,270
Takapau Hall Renewals	Renewals	Rec & Comm Facilities	262,580
District Landfill New cell for Landfill extension	Levels of Service	Solid Waste	8,885,600
Tfr Station Building of a replacement station WPK&WPA	Levels of Service	Solid Waste	4,802,100
Recycling Building of the first phase of a CHB Re-use/Recovery centre	Levels of Service	Solid Waste	2,358,000
Otane Shortfalls in existing assets	Demand	Storm Water	382,895
Waipukurau CBD Flooding Upgrade	Demand	Storm Water	350,000
Reticulation renewal including pipes & other retic Rate Fund	Renewals	Storm Water	1,340,604
Waipukurau Shortfalls in existing assets Loan Funded	Renewals	Storm Water	1,340,132
Proactive open drain performance improvements Loan Funded	Renewals	Storm Water	1,148,684
Reticulation renewal including pipes & other retic Loan Fund	Renewals	Storm Water	949,277
Below ground asset reactive renewals Rate Funded	Renewals	Storm Water	556,469
Waipawa Shortfalls in existing assets Loan Funded	Renewals	Storm Water	382,895
TEP / PHU wastewater treatment and discharge upgrade	Levels of Service	Waste Water	26,134,248
TKP wastewater treatment and discharge upgrade	Levels of Service	Waste Water	6,212,805



Project / Programme	Financial Category	Activity	Expenditure (yrs 1-10)
WPK WPA OTN wastewater treatment and discharge upgrade	Renewals	Waste Water	68,441,865
Reticulation renewal including pipes and other retic	Renewals	Waste Water	19,463,987
District I&I Project	Renewals	Waste Water	2,297,369

Total planned investment on projects and programmes that will improve resilience is shown in the chart below for the period of the Strategy.



The following approaches are used across Councils key asset classes to ensure that infrastructure is resilient:

Approach	Description
Renewals	Assets are routinely condition assessed and renewed to reduce the likelihood of failure in service. This supports resilience whereby poor conditioned assets are often more likely to fail during adverse events or when they are challenged.
Operations and Maintenance	It is often through effective maintenance and operations procedures that asset managers, operators or engineers learn most about our infrastructure. Effective procedures and approaches to maintenance and operations can ensure that when something goes wrong, the mechanisms are in place to respond quickly and effectively.
Asset Design	Each asset should be designed in a way that it will not fail but if it does that the impact is minimised as far as practicable. This can be as simple as ensuring that spare parts are readily available or that assets are located in places where they are not exposed to undue risk. The best available information about climate, hazards and other external influences on infrastructure should be used in designing assets.
Network Design	Networks or hierarchies of assets should be designed to add resilience to 'the system'. This can be installing redundant or duty spares, alternate routes etc.



Focus Area 2: Delivering the Renewals Programme

Assets need to be replaced when they reach the end of their useful lives and can no longer continue to perform their intended function reliably, safely or within set parameters or compliance requirements. For some asset classes this is typically represented by a physical and sometimes catastrophic failure (e.g. the bursting of an aged water pipe).

For other asset classes it can be less obvious and less dramatic (e.g. the degradation of a pump over time meaning it is no longer reliable and poses intolerable risk to the achievement of objectives).

Renewals are applicable to all asset classes covered within the scope of the Strategy and typically include:

Asset Class	Typical Renewal Activities
3 Waters Assets	Replacement of aged pipes, pumps and valves
Transport Assets	Repair damaged assets from 2022 and 2023 weather events. Renewal of pavements through re-sealing or area wide treatments and the replacement of aged structures
Landfill and Solid Waste Assets	Replacement of hard surfaces at landfill and transfer station sites and replacement of large bins/containers.
Places and Open Spaces Assets	Renewal of aged and deteriorating public assets including buildings, halls, swimming pools or playground equipment.

The determining driver for renewal is asset performance against performance standards or objectives. Simply put, if the asset is not performing to any one of many required criteria, then it should be replaced or another intervention taken as necessary (e.g. refurbishment/rehabilitation). While measuring the actual performance of individual assets is typically only possible retrospectively, it is possible and commonplace to use proxies to determine the future performance of assets. The most common proxy used to determine current or future asset performance is asset age. While not perfect, age is an identified and widely used indicator of asset condition and performance. Key asset age data is provided below:

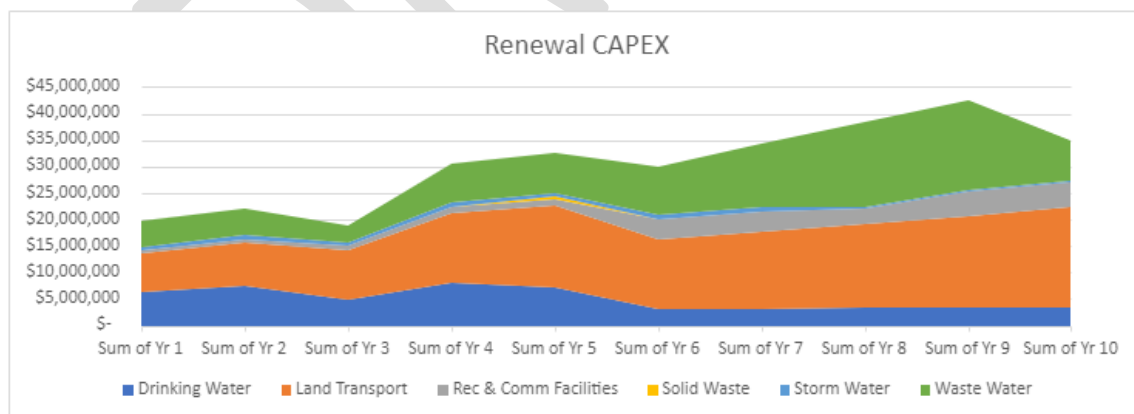
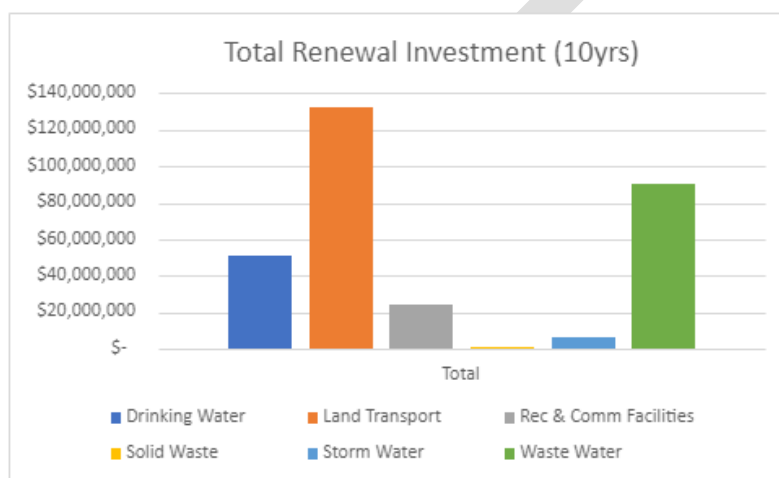
Asset Class		Average Asset Age (yrs)	Average Asset Remaining Useful Life (yrs)
Drinking Water Reticulation		40	44
Waste Water Reticulation		52	41
Storm Water Reticulation		39	53
Transport Assets	Drainage	25	35
	Footpaths	33	25
	Sealed Surfaces	8	4
	Sealed First Coats	26	36
	Sealed Base Course	27	36
	Sealed Sub Base	28	35
	Unsealed Wearing Course	4.5	0.5
	Unsealed Pavement	NA	NA
	Bridges	56	50



	Culverts	38	34
Landfill and Solid Waste Assets		Not Measured	
Parks and Property assets		Not Measured	

It is often the case that organisations struggle to match funding with the continuing degradation of assets and the need to renew them. Council is no exception to this and historically has failed to invest appropriate amounts to match the degradation of assets. Asset and Activity Management Plans prepared for the 2024 3 Year Plan, and to inform this Strategy, have sought to provide a bottom-up view of asset risk and have developed programmes of renewal to manage that risk.

The baseline renewal requirements for each asset class are shown in the chart below.

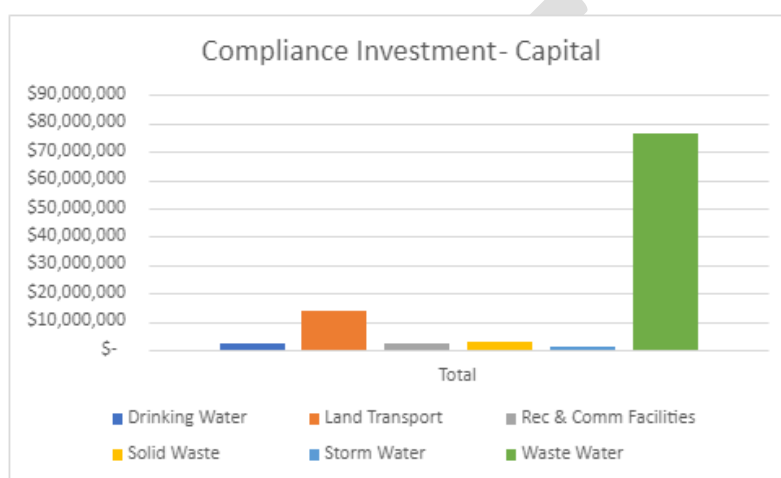




Focus Area 3 : Meeting New and Existing Compliance Standards

The costs to comply with new and existing standards continue to place strain on Councils resources. Council has chosen to make every effort to comply with standards in all cases and the Strategy provides the outline of continued investment in infrastructure to continue to comply.

The impact of compliance related costs is felt most heavily with respect to 3 waters infrastructure. While 'compliance' is not a typically reported against category at a project or programme level, it is possible to split out compliance related projects for these activities. The chart below shows the split between compliance-driven and non compliance-driven investment for the three waters activities over the 10year period.



Drinking Water Standards

The Drinking Water Standards for New Zealand (revised 2018) prescribe the availability of safe drinking-water for all New Zealanders, irrespective of where they live, as a fundamental requirement for public health. The Drinking-Water Standards for New Zealand provide requirements for drinking-water safety by specifying the:

- maximum amounts of substances or organisms or contaminants or residues that may be present in drinking-water
- criteria for demonstrating compliance with the Standards
- remedial action to be taken in the event of non-compliance with the different aspects of the Standards.

These standards supersede previous versions and follow the outfall of the 2016 Havelock North Water Crisis. The new standards represent a step-change in terms of compliance thresholds by promoting a multi-barrier approach and by requiring significant increases in the need to demonstrate compliance. Council focusses heavily on its own compliance with these standards as evidenced through the investment in treatment infrastructure and capability during the period of the previous LTP. This Strategy continues to prioritise investment in the provision of safe drinking water and demonstrable compliance with existing and forecasted standards.



Halls and Campgrounds

Council has targeted investment in this Strategy to upgrade the drinking water supplies at its halls and campgrounds that must, in time, meet the requirements of the new drinking water standards. In most cases this will require the design and installation of new treatment equipment at relevant sites, such as UV treatment and filtration. The sites will also require ongoing monitoring and reporting against drinking water compliance standards.

Resource Consent Conditions

Council own and operate several primary assets that are required to comply with the conditions of allocated resource consents. These assets span drinking water, waste water, storm water as well as the operative and closed landfills.

Council consider that all assets/activities that require resource consent are largely already consented in some form. That is, Council does not plan in this Strategy or other Strategies/Plans to invest significantly in new consents for activities that are not already consented. With that said however, the nature of consents and consented activities is changing rapidly and as Councils existing activities continue to grow in scale and scope, the complexity of consenting is growing in turn.

The following table provides an overview of Councils consents where activity (renewal or change) is planned within the period of this strategy:

Consent	Action Planned
District landfill	Consent renewal required at 2030
Waipukurau Wastewater Discharge Consent Renewal	Consent renewal required at 2029. Will be impacted as a result of Cyclone Gabrielle.
Porangahau Wastewater Discharge Consent Renewal	New consent has been applied for – currently operating under section 124 of RMA. Will be impacted as a result of Cyclone Gabrielle.
Te Paerahi Wastewater Discharge Consent Renewal	
Waipawa Wastewater Discharge Consent Renewal	Consent varied in 2022 to accept Otane flows. Further variation to consent expected to be lodged in 2026, full consent renewal required in 2029. Will be impacted as a result of Cyclone Gabrielle.
Otane Wastewater Discharge Consent Renewal	Consent to be changed in 2024 – recognising shift of discharge to Waipawa.
Takapau Wastewater Discharge Consent Renewal	Consent variation required in 2024 to reflect new plant upgrade timeframes. Variation/extension required as a result of Cyclone Gabrielle.

Seismic Performance

Provisions under the Building Act 2004 require Council (like any building owner), to ensure its buildings are compliant with new standards for seismic resilience. Council are continuing to work through a programme of



engineering assessments of relevant buildings prioritised based on risk. This strategy contains planned investment to upgrade drinking water reservoirs that are at the end of their useful/design life (a renewal driver), however the new reservoirs will be required to meet new building standards for earthquake strength. This strategy also contains planned work to upgrade the following sites for the purposes of earthquake strengthening:

- the Central Hawke's Bay Municipal Theatre
- the Waipukurau Memorial Hall

DRAFT



Focus Area 4: Planning for and Responding to Growth Opportunities

Central Hawke's Bay experienced a cycle of rapid growth during the period of the previous strategy (2021-2024). Significant infrastructure work was undertaken by Council to accommodate this growth and to plan for future growth with 3 waters infrastructure requiring the most significant upgrades and investment.

The culmination of this planning work is the partnering of Council with Kainga Ora to utilise funds made available by the Infrastructure Acceleration Fund to expedite the improvements to 3 waters infrastructure in an area of Waipukurau now labelled the Waipukurau South Growth Precinct. This precinct, once infrastructure is upgraded, will be capable of accommodating up to 950 new homes.

In 2020 Council completed a holistic revision of its existing planning approaches relating specifically to growth. A project, the Integrated Spatial Plan (ISP), was designed to fill gaps and build bridges between existing work in the business that connected to growth. The ISP work connected existing infrastructure plans, joined up and guided sporadic modelling and data sets, completed community-led focussed analysis and design of town centres and comprehensively revised numerical growth projections for the District. The ISP remains a relevant and useful planning document that continues to guide investment and activity with respect to growth.

The ISP and its context is depicted below:



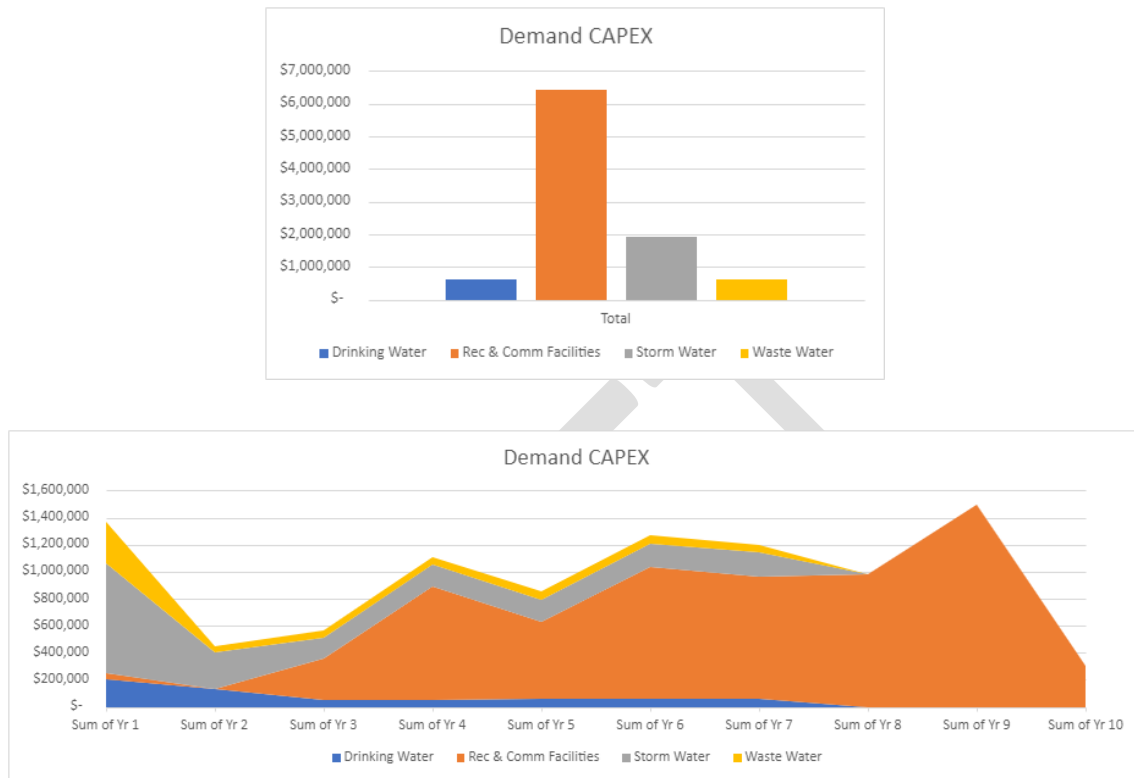
The ISP work contained three primary growth scenarios that could be utilised for further modelling, analysis and planning.

Council in its most recent growth assumptions have adopted the 'medium' growth scenario, which still sees growth a higher than long term historical levels. These are detail in our key assumptions that form part of the Three Year Plan.

This scenario has been used to inform detailed planning at an activity-level within Council and importantly has informed infrastructure needs to service and accommodate growth. The ISP work largely focussed on the Districts three main urban centres (Otane, Waipawa and Waipukurau) beyond these however, the growth projections are more widely applicable.



The charts below shows planned infrastructure investment to accommodate growth (referred to as Demand in Councils financial reporting system) over the 10 year period.

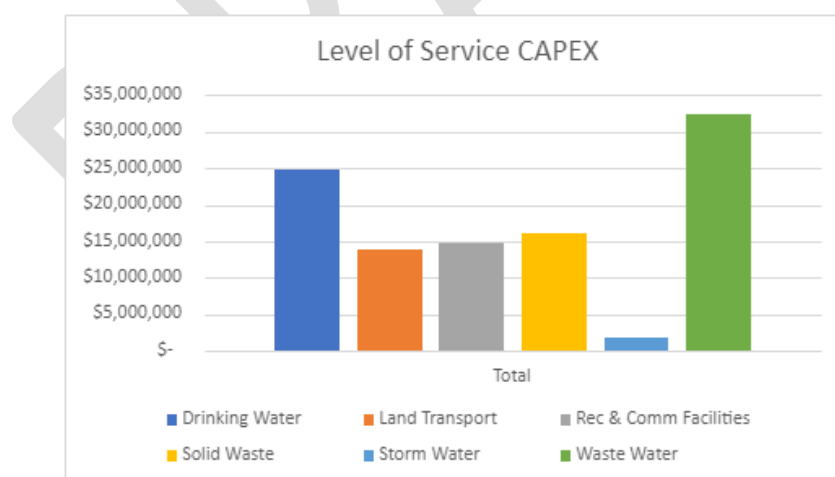
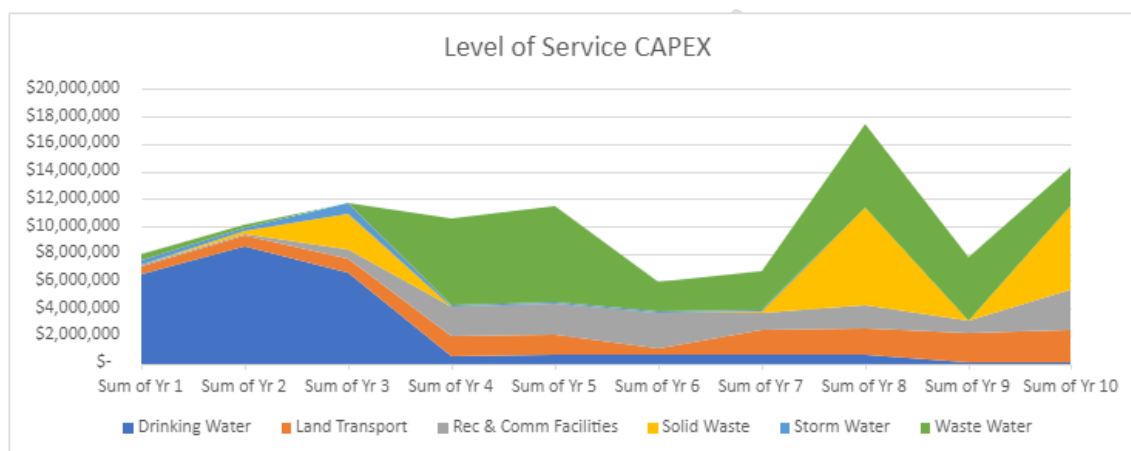




Focus Area 5: Delivering Against Current and Future Levels of Service

Councils Long Term Plan (this year the 3yr Plan) sets out the levels of service that customers can expect from the numerous activities delivered by Council. These levels of service in essence are an agreement between Council and the users of its services about what can reasonably be expected, based on the investment put into the various activities. Further, the levels of service make clear to Councils asset managers what their assets need to deliver/facilitate, and this in turn is a key input into asset management planning and decision-making processes.

The capital expenditure requirements to maintain or improve levels of service, for each activity, are shown in the charts below.



The most significant investment areas are in drinking water and wastewater with this driven by the work planned to improve the Waipukurau and Waipawa drinking water supplies and upgrade the various wastewater treatment and discharge schemes across the District.



Focus Area 6: Prioritising Community-Centred and Partnership Opportunities

Council's strength is in its partnerships. Enshrined in Councils driving vision of 'E ora nga tahi ana' (together we Thrive), Council knows that in order to succeed it cannot go it alone. This has specific relevance to the way in which Council manages its infrastructure.

From setting levels of service specifically to ensure that end-users needs are met, to designing, building and operating assets with stakeholders and industry experts. Council is steadfast in its drive to partner and engage in all facets of its management of infrastructure.

Below are examples of practical applications of partnering creating community value specific to infrastructure as set against a typical asset lifecycle.

Asset Lifecycle Stage	Partnering Approach	Community Outcomes
Design	Assets are designed with end-users in mind, often collaboratively, to meet specified levels of service that in turn are also often established in partnership with stakeholders.	Assets designed to meet end-users needs
Procure	When procuring works (physical or otherwise), Council seeks to find partners rather than fly-in and fly-out contractors. By partnering, giving and taking, Council is often able to provide better infrastructure and community outcomes.	Partners engaged who understand Councils and Communities values and expectations
Construct	Council leverages the skills, expertise and resources of numerous service providers to construct physical assets. Council seeks to work with all partners in a collaborative fashion.	Assets built with community outcomes in mind.
Operate/Maintain	Assets are operated and maintained by relevant trained and skilled operators from Council or many of its partner organisations. Council ensures that at all times the operation of assets is carried out to ensure that community outcomes are at the centre.	Assets being used to deliver value to community.

The section below details Councils strategic approach to working with partners to support the effective delivery of infrastructure services.

Mana Whenua

Mana whenua are a strong and vital part of the Tamatea Central Hawke's Bay community. Council prioritises partnership with Tangata Whenua across all organisational activities and engages directly with respect to a number of key infrastructure issues and opportunities. Council has developed a Māori Development Strategy (Tūhono Mai Tūhono Atu) that seeks to ensure that as a Local Authority Council are acting as a key enabler in supporting Tangata Whenua to achieve their aspirations. The strategy provides a framework for



priorities that contribute toward aspirations for cultural development (both internally as an organisation and outward facing to the community).

While the Tūhono Mai Tūhono Atu strategy guides a programme of cultural development actions, and provides a framework and guidance to engagement and partnership approaches in general, Council are directly and purposefully seeking partnership with Tangata Whenua on the following significant infrastructure challenges that are conversed in this Infrastructure Strategy:

- Wastewater treatment and discharge upgrades
- Waipukurau Second Water Supply Project
- Road recovery programme

Community Organisations

Council partners with numerous groups who represent parts of the community in order to drive understanding and collaboration both ways with respect to all Council activities and specifically infrastructure. Council partners with community groups and sometimes forms groups (e.g. wastewater community reference group) to workshop infrastructure management issues and activities.

Developers

Growth in the District remains positive, despite slowing on previous record years. Council works with those at the centre of much of the growth (Land Developers) to influence and understand current and future pressures on infrastructure. Examples of current partnering with Developers include work on the District Plan and the Integrated Spatial Plan as well as specific development agreements (including funding) made with developers for infrastructure upgrades at development sites.

Other Local Authorities

Council work particularly close with the other Hawke's Bay Councils to leverage resources and ideas. Beyond Hawke's Bay Council are involved in numerous National and sub-National working groups and forums to promote collaboration and innovation and the sharing of ideas. For infrastructure it is common for Council to leverage the work of others with respect to procurement or design and construction. A key priority for partnership with other Councils remains the focus on moving forward with options to reform the 3 waters sector, including specifically fully investigating the options of a Hawke's Bay shared entity model.

Road Recovery Networks

Following the damage to road assets through 2022 and 2023, Council has worked to improve its knowledge of and relationships with road users, particularly those in rural areas who rely heavily on road infrastructure to remain connected. In the recent response to the extreme damage of Cyclone Gabrielle, Council has begun to form community/area based groups of road users who it is engaging with to inform and prioritise immediate response and recovery work. Council plans to continue to build on the relationship with these groups of road users with respect to understanding future needs and options for road assets.



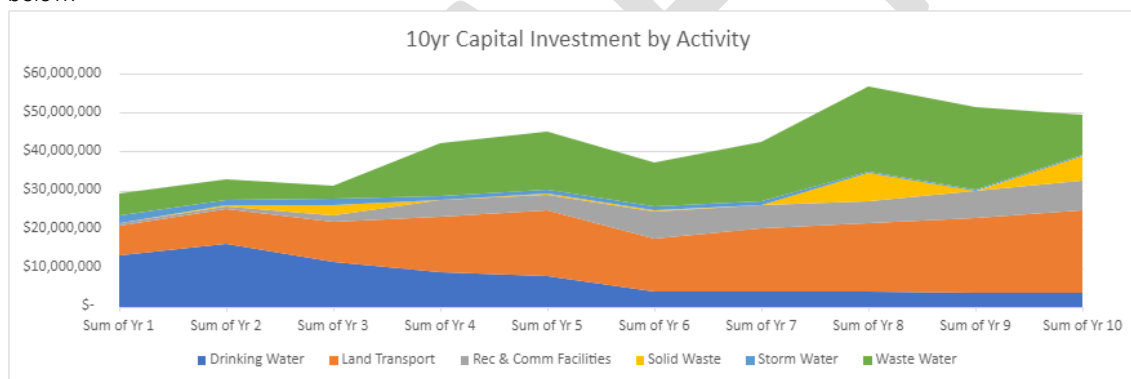
Asset Class Plans

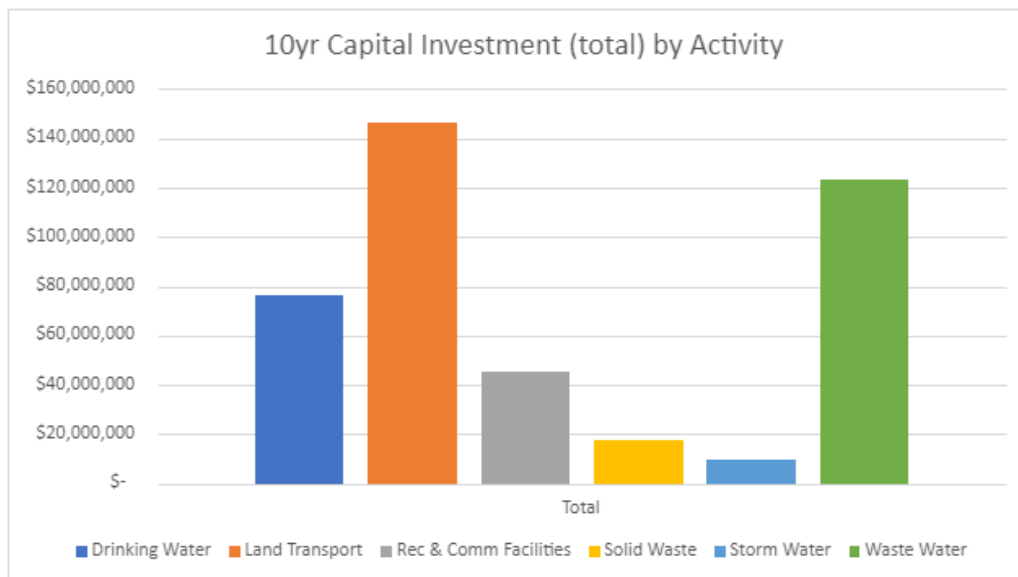
This strategy provides the overview of Council's most likely scenario for the management of its infrastructure. This scenario has been determined by:

- Including the funded capital and operating budget forecasts from the draft 2024-27 3 Year Plan. The timing of projects and budget provisions have been informed by the 30-Year AMPs.
- Identifying projects through the 3 Year Plan that are unable to fit within the financial provision set by the Financial strategy. These projects are assumed to be required in the future and this is reflected in the Financial Strategy.
- Using the assumptions for levels of service, demand and renewals as outlined in each activities AMPs.
- Incorporating known work required on assets to restore levels of service following the impacts of 2022 weather, Cyclone Hale and Cyclone Gabrielle.

The plans and forecasts for the first 3 years have the most detail and confidence as the greatest amount of planning has taken place. The investments identified between 4 and 10 years are an outline and have a reasonable degree of confidence.

The estimated requirement for capital investment over the next 10 years has been prepared and is shown below.





The chart below compares forecast spend, as per the direction of this Strategy over the 10yr period, with historic capital spend over the previous 6 years. This is a useful comparison when considering Council, and its contracted partners, ability to deliver against the capital programme.

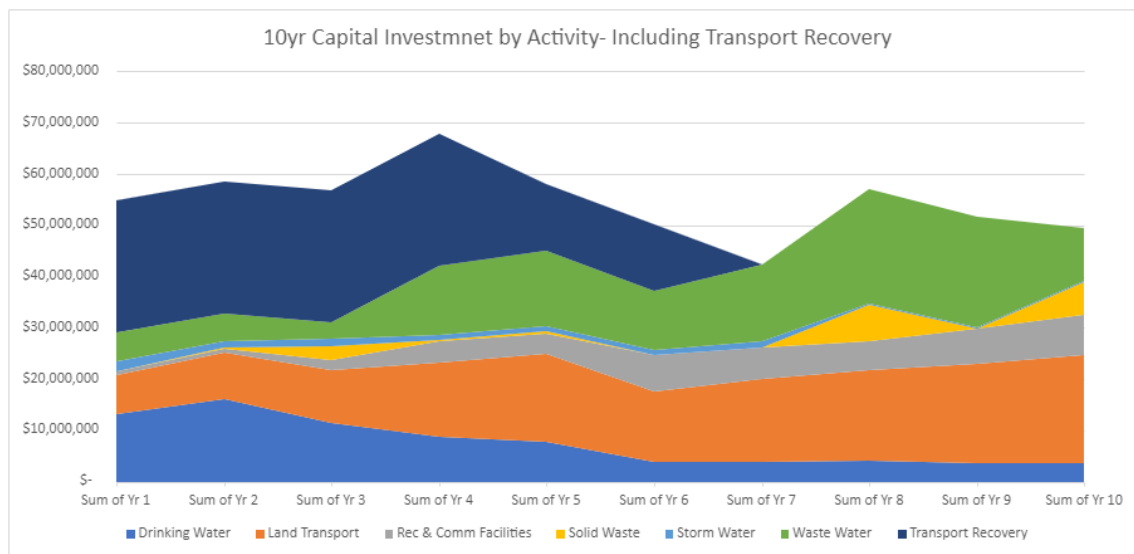


The forecasted expenditure from 2024 to 2034 represents a period of significant investment that during the period, begins to exceed previous levels of investment. The most significant contributors to investment during the period are the wastewater treatment and discharge scheme upgrades, improvements to the Waipukurau and Waipawa drinking water supplies, and investment in the transport network.



It is important to note that these charts show planned capital expenditure on infrastructure only. They do not therefore show significant planned operational investment in the stormwater open drain network, nor do they show unbudgeted expenditure to fully recover the transport network from the impacts of weather damage (estimated to total ~\$129M).

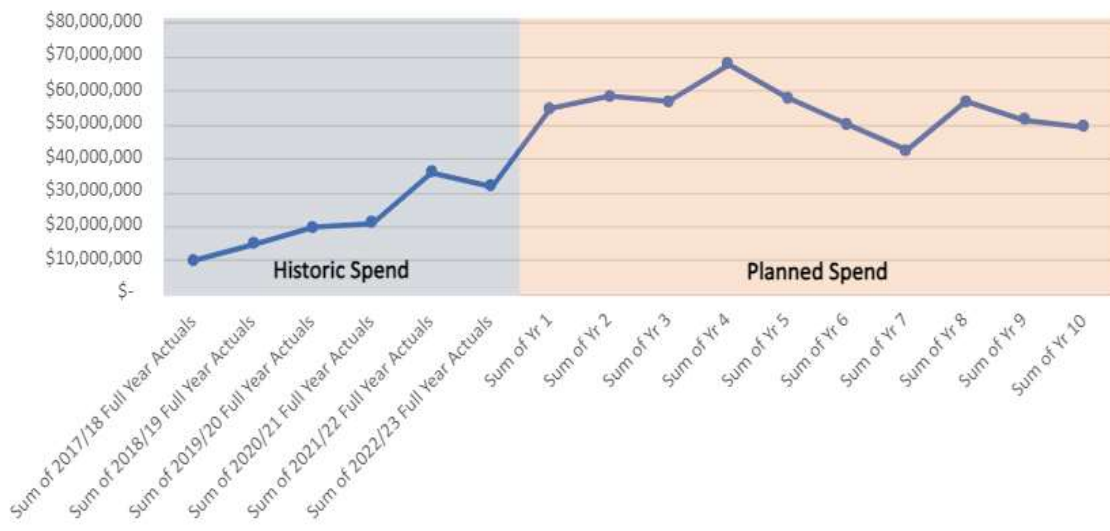
The chart below shows a potential phasing of the required transport recovery works over the first 6 years of the plan with a 2-1 weighting in the first 4 years of delivery compared with the final 2.



The impact of the \$129 million transport recovery works is plain to see and will challenge Council and its contractors to deliver. The chart below shows total capex requirements for the 10yr period of the Strategy, against historic expenditure totals, including the 6yr phased transport recovery works, against historical expenditure/delivery.



Total CAPEX by Year- Including Transport Recovery & Historic Spend



Council's Financial Strategy has been updated through the development of the 2024-27 3 year plan alongside the development of this Infrastructure Strategy. The Financial Strategy has a 10-Year horizon and helps the Council and the community to understand the long-term financial impacts and sustainability of the Council's budget and plans. The Financial Strategy describes the impact on debt and rates of the Council's budget.



WATER

There are seven registered public water supply systems in the district; Otane, Waipawa, Waipukurau, Takapau, Porangahau, Te Paerahi and Kairakau. The Otane and Waipawa schemes share 2 extraction points and treatment plants and a common reservoir and are sometimes referred as one supply. This is the same for Porangahau and Te Paerahi as they are fed from the same extraction point and treatment plant.

Reticulation

Water supply reticulation includes water mains, submains, hydrants, valves, fittings and connections. Historically asset management effort has focussed on mains and submains as these make up the majority of the value of the reticulation network. Valves, hydrants, fittings and other auxiliary assets connected to the mains and submains generally last as long as the main or submain and are renewed as part of a main or submain renewal – however Council has experienced a growing number of highly critical valves failing in service or not being able to be used when required. Accordingly, this strategy contains work to replace strategic valves across key parts of the water network to ensure their reliability.

The following criteria are assessed for each pipe in the Councils asset information system to inform future renewal requirements:

- Likelihood of Failure
- Consequences of Failure
- Failure Risk
- Replacement cost

The output of the renewal framework is used for two separate purposes.

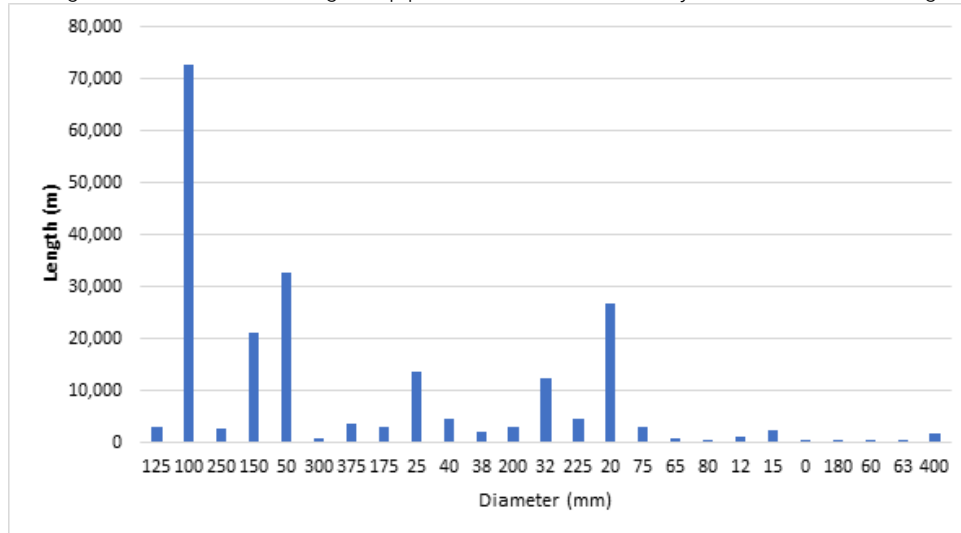
1. to set an appropriate long-term reticulation renewal budget
2. to provide a prioritised list of renewal candidates on a pipe by pipe basis

Reticulation key issues

Key Issue	Priority for this Plan
Large proportion of pipes at the end of their estimated useful life (particularly AC pipes)	Addressing the renewal of pipes at the end of their useful lives, focussing on high failure risk
Ensuring water supply works are coordinated with other works (stormwater, wastewater and roading)	Overlay areas of priority water renewal with areas showing other works to identify where combined projects will deliver better outcomes
Reducing water consumption	Implementing pressure management and increased focus on leak detection. Installing water meters to track water use
Reducing reactive maintenance	Prioritising pipe renewal based on risk and begin collecting maintenance data in a form that supports renewal decisions
Increase maturity and transparency of investment decision-making	Use the risk based outputs of the renewal criteria and integrate with growth and improvement criteria
Additional Water meters	Replacing standard meters with smart meters when submains are renewed

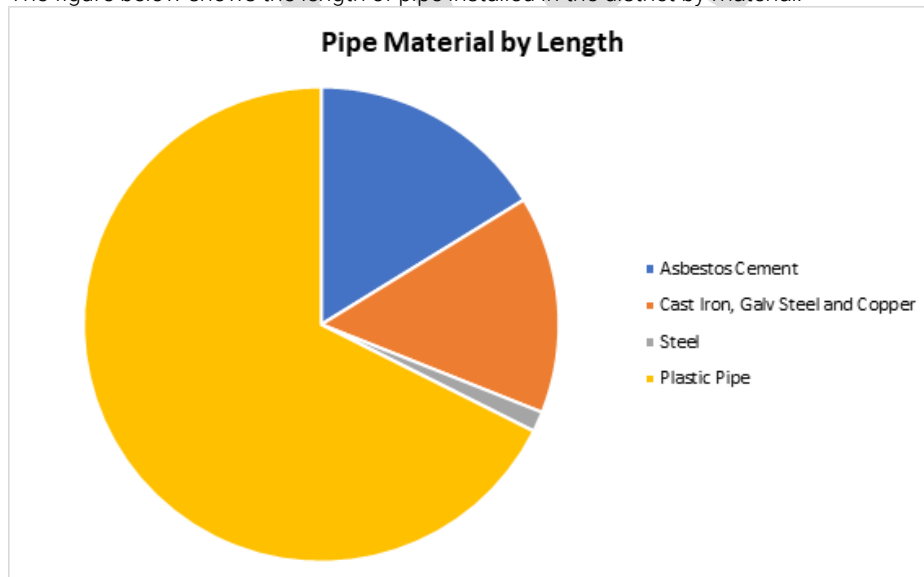


The figure below shows the length of pipe installed in the district by diameter. The total length of pipe is 203km.

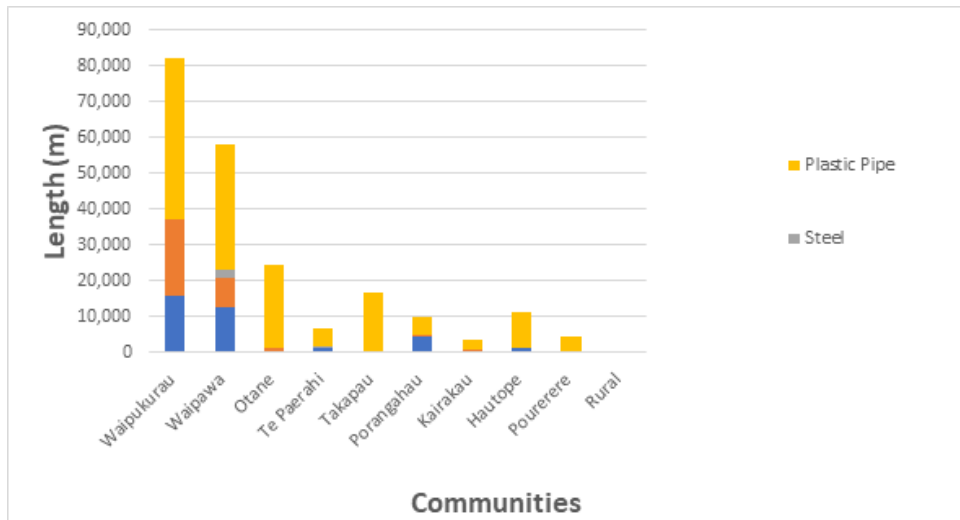


The largest cohort of pipe is 100 mm diameter. There are also significant lengths of pipes smaller than 100 mm diameter pipe that are used for service connections. This is typical for smaller schemes each individually servicing a community.

The figure below shows the length of pipe installed in the district by material.

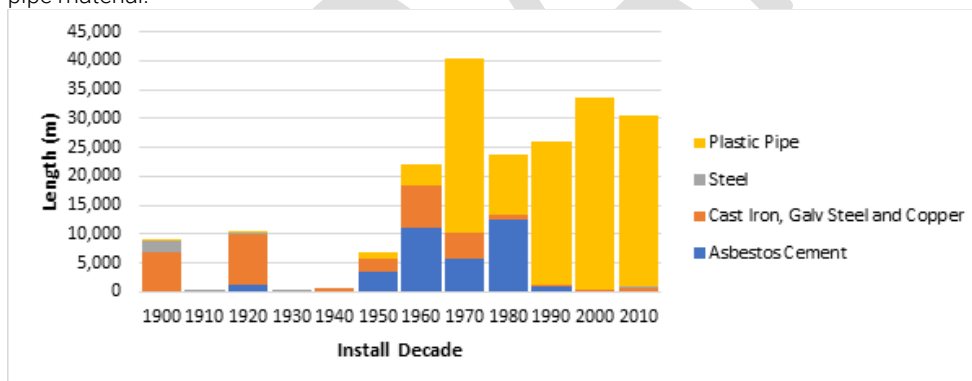


Over half of the pipe network is UPVC or MDPE. The proportions of the network likely to have condition-related performance issues are cast iron (CAST I), asbestos cement (AC, AC-E and AC-F), and galvanised steel (GI). The figure below shows the distribution of pipes between each scheme.



As described in this Strategy, Council currently uses asset age as a proxy for determining the likelihood of failure of many assets.

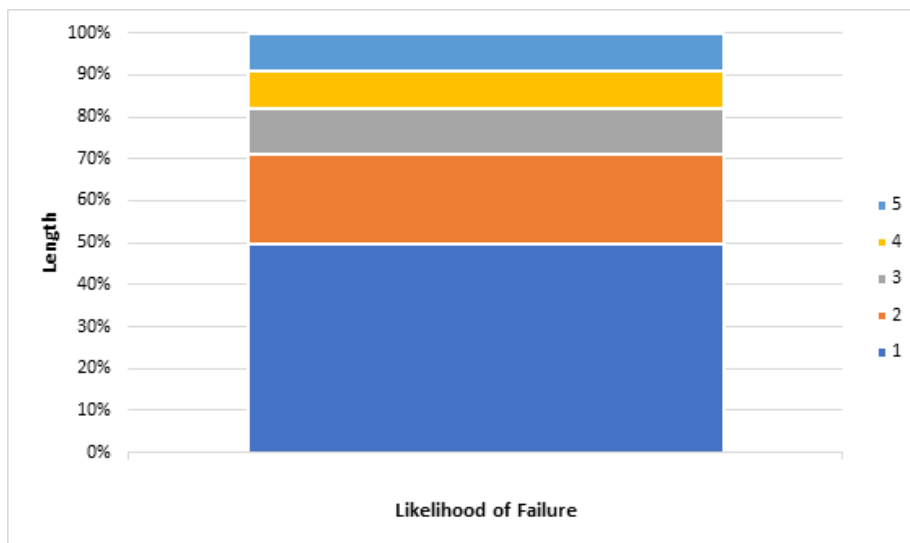
The figure below shows the length of pipe installed during different decades and is coloured according to the pipe material.



This shows the cast iron pipe installed in 1900 - 1930, the period of asbestos cement pipe installation in 1950 - 1980 and the increased use of plastic pipes from 1960 onwards.

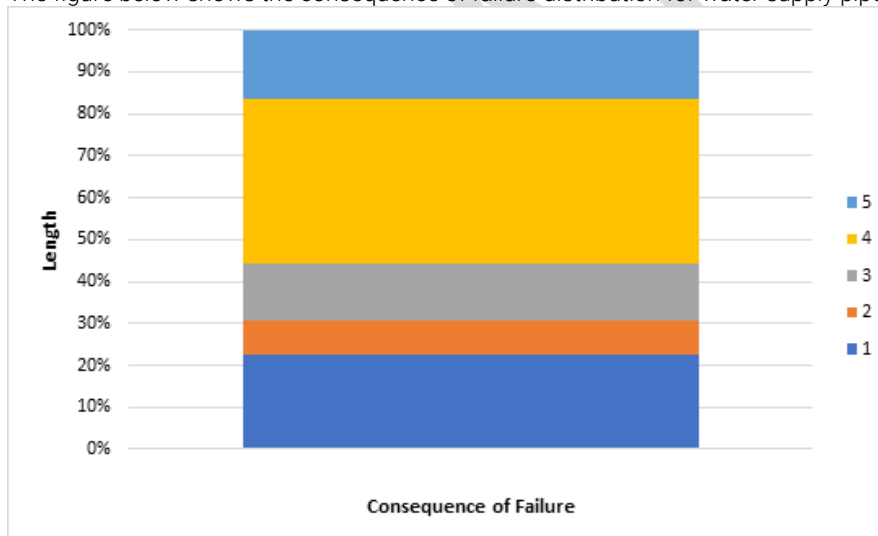
Council currently uses asset age and pipe type as key metrics for determining the likelihood of failure of reticulation assets.

The figure below shows the likelihood of failure distribution for water supply pipes.

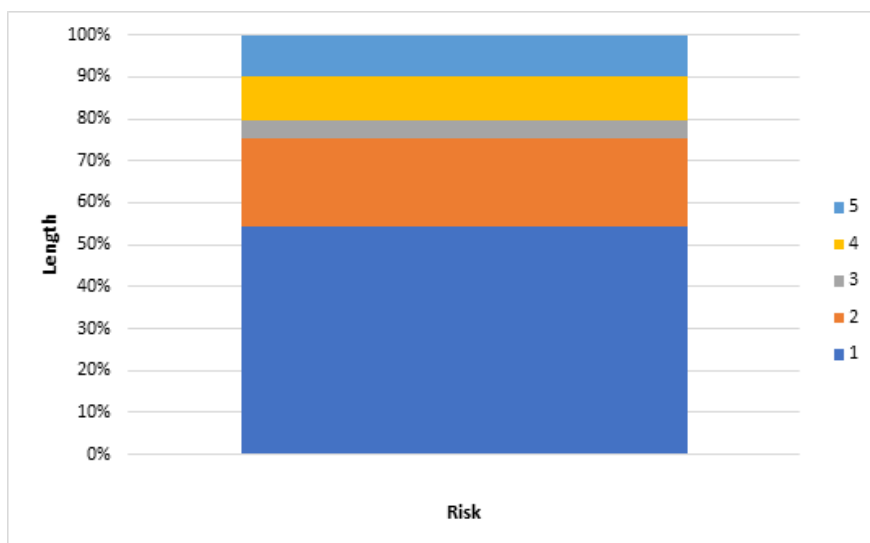


Council's criticality framework has been applied to determine the consequence of failure for each asset.

The figure below shows the consequence of failure distribution for water supply pipes.

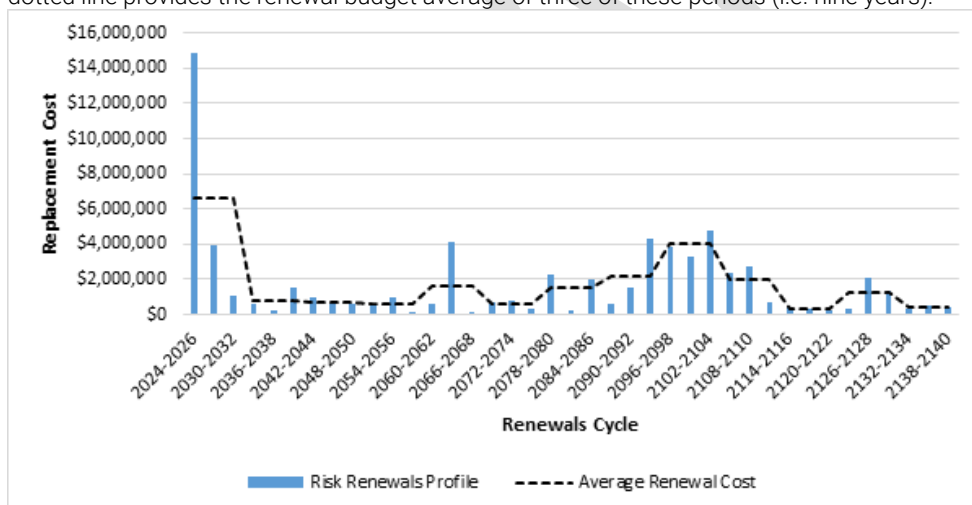


The risk score is calculated by multiplying the LoF score and the CoF for each asset. The figure below shows the failure risk profile for water supply pipes.



Renewal investment profiles and risk.

There is a significant portion of assets that have already exceeded their theoretical useful lives and this is represented in the large spike in costs for the first period. Budgets are presented in three year periods. The dotted line provides the renewal budget average of three of these periods (i.e. nine years).



Investing in renewal at the level indicated by the dotted average renewal cost line works out at \$2.7M per 3 year on average. This investment level is determined to be sufficient to maintain average asset age and risk and to keep on top of high-risk assets through a targeted replacement programme.

Pumping storage and treatment

The pumping, storage and treatment assets are grouped by the following operational sites:



Waipawa & Otane

- Johnson Street WSTP
- Otane Water Supply Reservoirs
- Tikokino Road WSTP
- Waipawa Water Supply Reservoirs

Waipukurau

- Waipukurau Water Pumping Stations
- Waipukurau Water Supply Reservoirs
- Waipukurau WSTP

Takapau

- Takapau Water Supply Reservoirs
- Takapau WSTP

Porangahau & Te-paerahi

- Porangahau Water Supply Reservoirs
- Porangahau WSTP

Kairakau

- Kairakau Water Supply Reservoirs
- Kairakau WSTP

Pumping storage and treatment key issues

Key Issue	Priority for this Plan
Vulnerability and low resilience levels for critical treatment water extraction and treatment assets with respect to climate change and weather events.	The Waipawa supply extraction and treatment assets, particularly those at Tikokino Rd, are prioritised for improvement to remove from or protect from flood hazards.
Several reservoirs and suction tanks are in very poor condition and pose water safety and seismic vulnerability concerns. Of the greatest concern is the Pukeora reservoir, the Hunter Park reservoir and the Waipawa (Abbotsford) reservoir	Assessment, refurbishment and replacement on a prioritised basis, in line with other planned works to improve the water supplies for Waipukurau and Waipawa. These others works are required to enable the reservoirs to be taken offline for repair or replacement.
Pump failures	Prioritise replacement of the older more critical pumps. Prioritise renewal budget spending to accumulate a set of critical spare parts.
Asset data for stations is poor. Current O&M data is not easily useful for long term decision-making	Resourcing to: a) collect and update inventory data that supports asset management planning, b) refine and update valuation process and how costs are applied, c) collect O&M data that can be analysed network-wide to determine strategy for proactive/reactive split
Instrumentation renewal needs to account for increased regulatory monitoring requirements	Replacement and upgrade of instrumentation to latest regulatory standards



Several pumping and treatment assets require replacement or upgrade due to non-renewal drivers. Works on these sites needs to be optimised with respect to the future upgrades and capital works	Identify crossover issues where renewal needs to either be brought forward or delayed due to interaction with other planned upgrades or capital works
Security of Council SCADA system	Dedicated programme for upgrading SCADA data security

WASTE WATER

The provision of wastewater services ensures public and environmental health outcomes for Central Hawke's Bay. Managing the infrastructure that underpins this activity is guided by the 2020 adopted Waste Water Strategy that sets out the long term aspirations and plans for the upgrade of treatment and discharge schemes, and by effective asset management and renewal planning which primarily focuses on the reticulation network.

There are six wastewater schemes in the district: Otane, Waipawa, Waipukurau, Takapau, Porangahau, and Te Paerahi. All schemes operate using an aerobic pond as a minimum with Waipawa and Waipukurau schemes having additional tertiary (mechanical and chemical) treatment processes. Otane's waste is now piped to Waipawa for treatment and discharge following the completion of a pipe installation project in 2023.

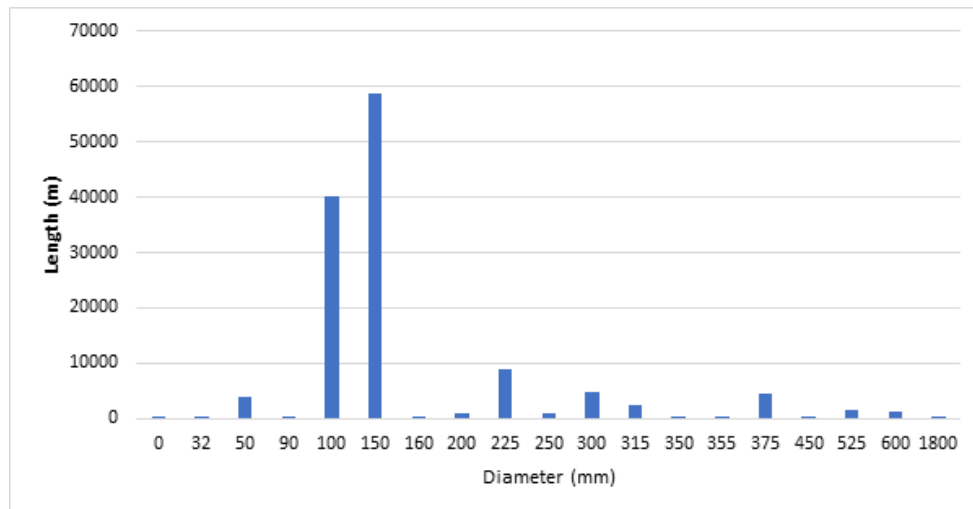
Reticulation

Wastewater reticulation includes mains, lateral, manholes and valves. Asset management effort focusses on mains as these make up the majority of the value of the reticulation network. Laterals, manholes, valves and other auxiliary assets connected to the mains generally last as long as the main and are renewed as part of a main renewal.

Key Issue	Priority for this Plan
Pipes at the end of their estimated useful life (particularly earthenware pipes)	Addressing the renewal of pipes at the end of their useful lives, focussing on high failure risk. Pipe renewal will be optimised by using CCTV assessment to confirm condition and apply trenchless lining for pipe renewal (already used successfully in parts of the network to refurbish earthenware pipes).
Reducing inflow and infiltration due to network condition	Targeting asset renewal at locations where pipe replacement will reduce or eliminate the downstream impacts of inflow and infiltration
Low seismic resilience	Target asset renewal at locations to replace older brittle materials with new flexible materials and jointing systems
Reducing reactive maintenance	Prioritising pipe renewal based on risk and begin collecting maintenance data in a form that supports renewal decisions
Increase maturity and transparency of investment decision-making	Use the risk based outputs of the renewal criteria and integrate with growth and improvement criteria
Relying on age-based condition assessment criteria for decision-making	Targeting CCTV inspection to increase the evidence base for specific renewal project decisions

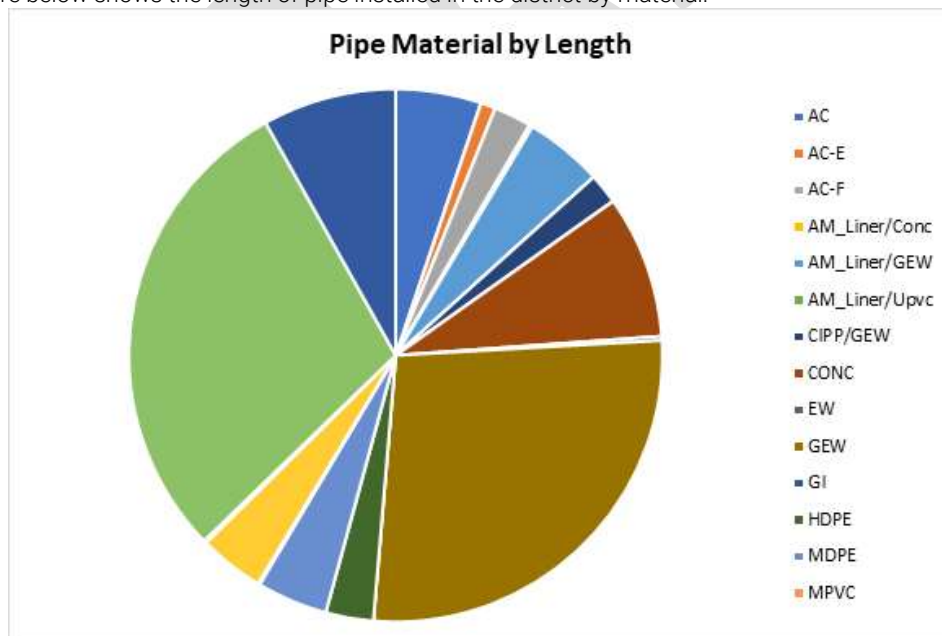


The figure below shows the length of pipe installed in the district by diameter. The total length of pipe is 128 km.



The largest cohort of pipes are 100 or 150 mm diameter. This is typical for smaller schemes each individually servicing a community.

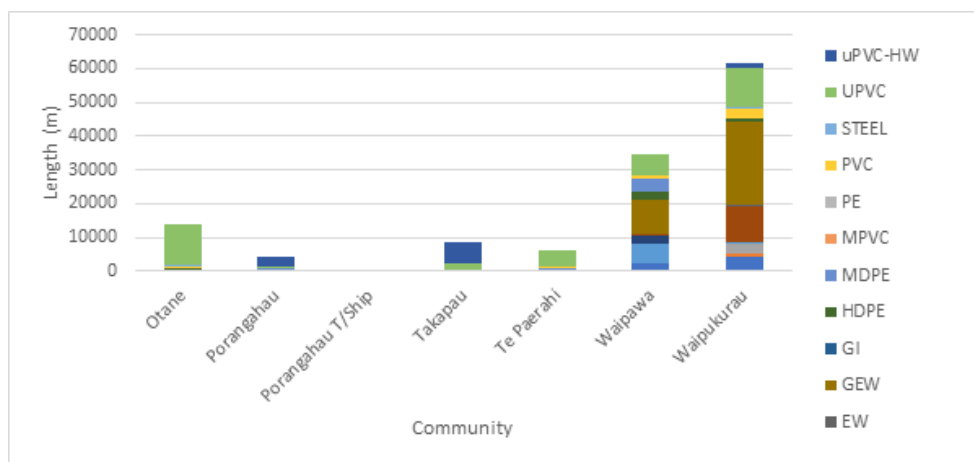
The figure below shows the length of pipe installed in the district by material.



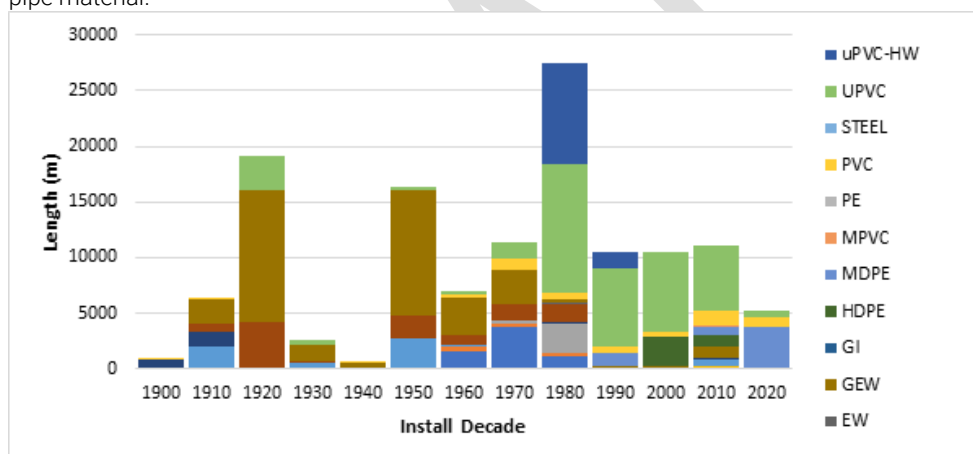
The network is split approximately 50/50 between flexible materials (plastic pipe and liner) and brittle materials. The proportions of the network likely to have condition-related performance issues are earthenware (GEW and EW), asbestos cement (AC, AC-E and AC-F), and some concrete (CONC).



The figure shows the distribution of pipes between each community scheme.



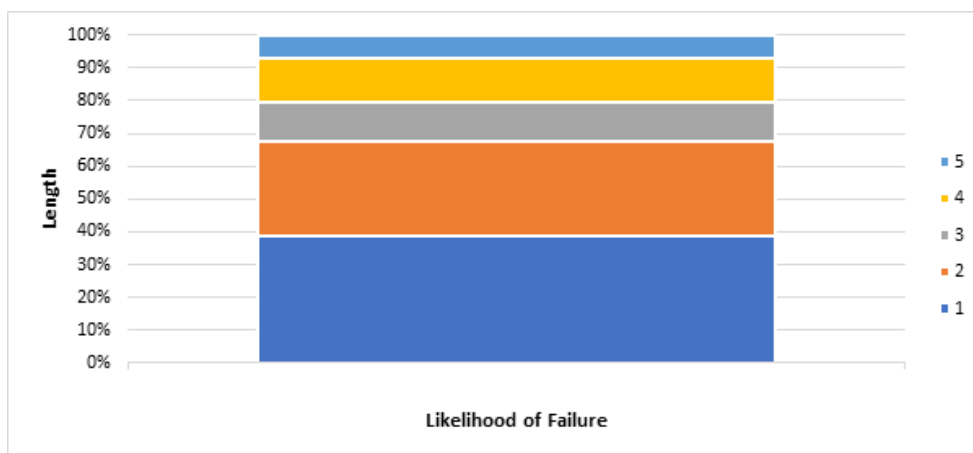
The figure below shows the length of pipe installed during different decades and is coloured according to the pipe material.



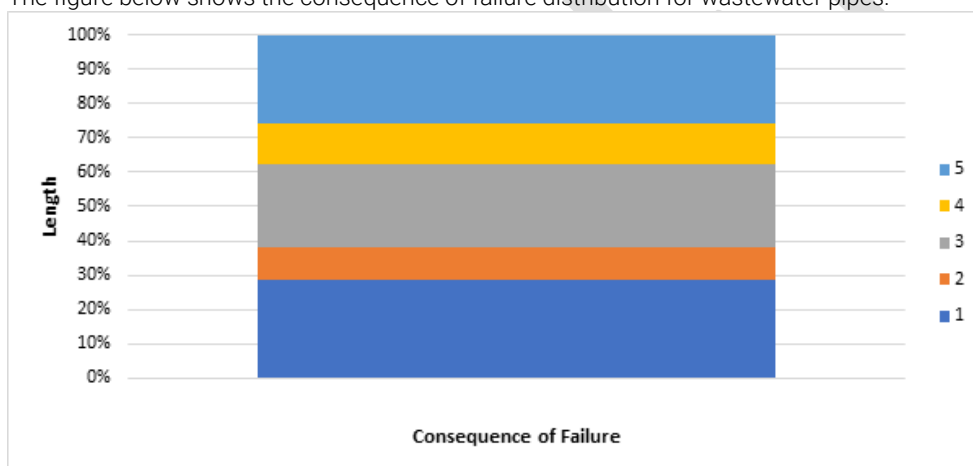
This shows significant lengths of earthenware pipe installed in the 1920s and 1950s. Some of this pipe has now been lined (labelled as CIPP/GEW and AM_Liner/GEW). Steel was used heavily during between 1960 and 1980. UPVC pipe has been used as the predominant material from 1980 onwards. Some further pipe material data validation is required to remove the anomaly of plastic pipe shown above for the 1920 decade.

Council currently uses asset age and pipe type as key metrics for determining the likelihood of failure of reticulation assets.

The figure below shows the likelihood of failure distribution for wastewater pipes.

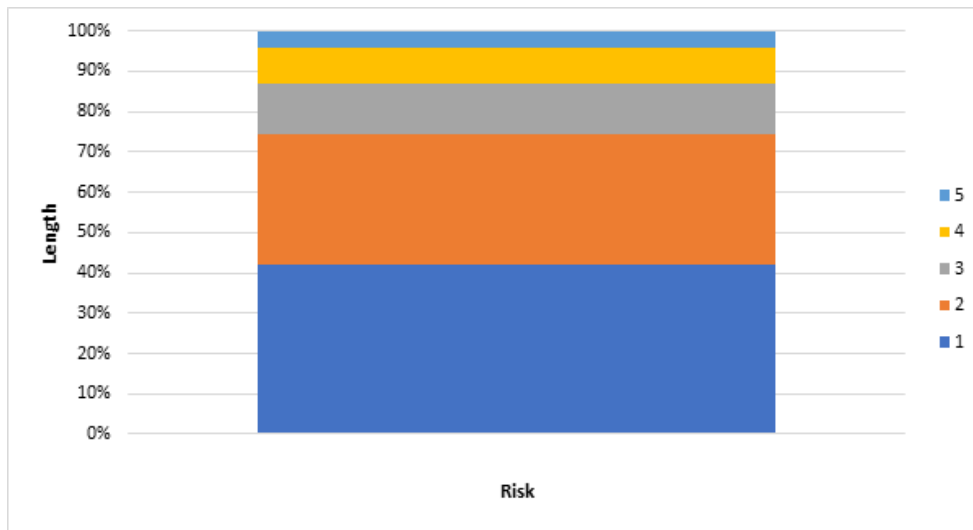


Councils risk criticality framework has been used to determine the CoF for each asset. The figure below shows the consequence of failure distribution for wastewater pipes.

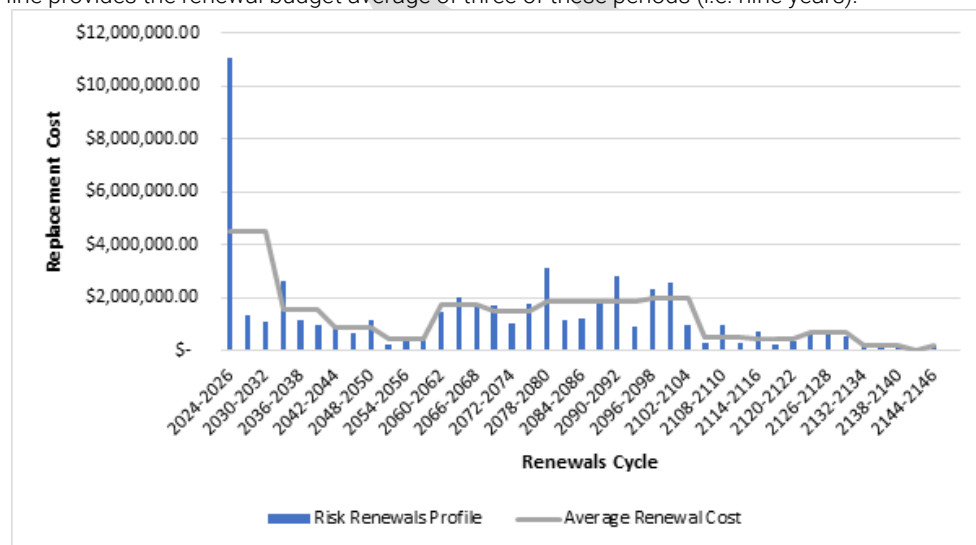


The risk score is calculated by multiplying the LoF score and the CoF for each asset.

The figure below shows the failure risk profile for wastewater pipes.



There is a significant portion of assets that have already exceeded their theoretical useful lives and this is represented in the large spike in costs for the first period. Budgets are presented in three year periods. The dotted line provides the renewal budget average of three of these periods (i.e. nine years).



Investing in renewal at the level indicated by the dotted average renewal cost line works out at \$1.7M per 3 year on average. This investment level is determined to be sufficient to maintain average asset age and risk and to keep on top of high-risk assets through a targeted replacement programme.

Pumping, Storage and Treatment/Discharge

The pumping, storage and treatment assets are grouped by the following operational sites:

Otane and Waipawa



- Otane WWTP
- Waipawa Wastewater Pumping Stations
- Waipawa WWTP

Porangahau

- Porangahau Wastewater Pumping Stations
- Porangahau WWTP

Takapau

- Takapau Wastewater Pumping Stations
- Takapau WWTP

Te Paerahi

- Te Paerahi Beach Wastewater Pumping Stations
- Te Paerahi WWTP

Waipukurau

- Waipukurau Wastewater Pumping Stations
- Waipukurau WWTP

Key Issue	Priority for this Plan
Ability of Councils treatment plants and discharge schemes to meet consent requirements and community aspirations.	Prioritise the investment in long-term, transformational upgrades for all 6 wastewater treatment plants and discharge schemes as per the adopted Wastewater Strategy. These upgrades are in various states of progress already with consent renewals and changes in progress or complete for many of the plants and physical works underway.
Pump failures	Prioritise replacement of the older more critical pumps. Prioritise renewal budget spending to accumulate a set of critical spare parts.
High pumping and treatment flows during wet weather	Target I&I reduction to offset the cost of having to design and maintain pumping and treatment infrastructure capacity for extremely high wet weather flows
Asset data for stations is poor. Current O&M data is not easily useful for long term decision-making	Resourcing to: a) collect and update inventory data that supports asset management planning, b) refine and update valuation process and how costs are applied, c) collect O&M data that can be analysed network-wide to determine strategy for proactive/reactive split
Some high value assets such as civil structures pose risk of failure and require more detailed assessment	Condition assessment of civil structures



Instrumentation renewal needs to account for increased regulatory monitoring requirements	Replacement and upgrade of instrumentation to latest regulatory standards
Several pumping and treatment assets require replacement or upgrade due to non-renewal drivers. Works on these sites needs to be optimised with respect to the future upgrades and capital works	Identify crossover issues where renewal needs to either be brought forward or delayed due to interaction with other planned upgrades or capital works
Security of Council SCADA system	Dedicated programme for upgrading SCADA data security

Upgrade of systems/schemes

The upgrade of existing schemes is guided by Councils adopted Wastewater Strategy 2020 which outlines the need for investment to accommodate growth, meet existing and new consent/compliance requirements and importantly to meet the aspirations of the community at large with a special focus on lwi and tangata whenua needs.

It is important to note that while the Wastewater Strategy 2020 remains Councils long term direction for Wastewater, this has been significantly impacted by Cyclone Gabrielle. Cyclone Gabrielle caused significant damage to a number of wastewater sites as well as to wastewater-connected communities. It also provided significant amounts of valuable flood data that can be incorporated into plans for the upgrades of the wastewater treatment and discharge schemes across the District. Key changes to the wastewater programme, resulting from the impacts of Cyclone Gabrielle and the opportunity are:

- Delaying the Pōrangahau/Te Paerahi Wastewater Project, noting both the current wastewater site is expected to be impacted as a result of current flood mitigation planning for the township of Pōrangahau which is still categorised as 2A, and the new treatment and irrigation site being flooded during Cyclone Gabrielle.
- Delaying the Takapau Wastewater irrigation project. This site was severely eroded by the Makaretu river and further work needs to be completed to understand the resilience of the site, including the resilience of a new retention pond to be located next to the river.
- The Waipawa, Otāne and Waipukurau (WOW) Wastewater project needs to see the completion of the Upper Tukituki Scheme Review before further work progresses. This follows both the Waipawa and Waipukurau Wastewater Plants being inundated and the site for the new Treatment Plant in Waipawa and irrigation field in Walker Road being under many metres of water. This review also impacts the timing and financial impact of the Tukituki (Tarewa) Swingbridge replacement which will support Wastewater Growth in Waipukurau.

With respect to the above changes, brought about by Cyclone Gabrielle, the Strategy sets out 5 key projects which are outlined below with the most likely options/scenarios for each.

1. Otane, Waipawa and Waipukurau upgrades

Short term – less than 2 years

- Reticulate Otane to Waipawa (complete)
- Minor treatment plant upgrades



Medium term – 2 to 10 years

- Establish rapid infiltration system at Waipawa
- If appropriate design and build pipeline from Waipukurau to Waipawa

Longer term – 10 to 15 years

- If appropriate, build new treatment plant
- Decommission Otane treatment plant
- Decommission of old treatment facilities

2. Takapau upgrades

Short term – less than 2 years

- Vary consent to account for updated project timeframes

Medium term – 2 to 5 years

- Minor treatment upgrades
- Develop irrigation system

Longer term – 5 to 10 years

- Provide storage

3. Te Paerahi and Porangahau upgrades

Short term – less than 2 years

- Finalise existing application for consent

Medium term – 2 to 5 years

- Acquire land for irrigation
- If appropriate, build a new treatment plant
- Pipe Te Paerahi wastewater to a new irrigation site
- Establish irrigation for Te Paerahi
- Cease discharge to Te Paerahi sand dunes

Longer term – 5 to 10 years

- Build storage
- Pipe Porangahau wastewater to new treatment plant
- Reduce discharges to the Porangahau River
- Develop alternative wet weather discharge
- Decommission unused infrastructure

4. Residuals

A focus of the discussion to date, and with the wider community, has been with managing the treated water. Running in parallel is a critical, and equally important, design discussion about managing residual products that can be generated from the treatment systems. This includes sludge from the bottom of ponds, sludge from new treatment plants, screenings and grit.

More sophisticated treatment systems may produce greater residuals, and potentially require different ways for it to be managed. As with the treated water, there are opportunities to manage the residual as a resource,



which is in contrast with current practices that see it stockpiled with no intended use or landfilled. The forward options look to use the residual material as a resource.

The development of Project 4 is divided into current programmes and future programmes.

Current programmes:

Remove current dewatered sludge stockpile at Waipawa and Waipukurau – ideally applied to land.

- Desludge Waipawa and Waipukurau ponds (complete)
- Develop a dedicated residual management strategy (complete)
- Vary consents as needed.

Future programmes:

- Plan for bio-solids production from residuals at new and upgraded treatment plants.
- Identify future end use/disposal pathways and hence alignment of residual handling technology to suit.
- Interface with tradewaste review project to manage contaminants that would be detrimental to future reuse options.
- Decommission ponds systems as new treatment plants come online.
- Base case solution is assumed to be creation and management of a dewatered biosolids monofill cell on site at Waipawa.
- Apply for consents as needed.

5. Loading and Flow Management

A key aspect in managing wastewater is managing what needs to be treated and then discharged; and this is achieved by knowing and controlling what is coming into a treatment plant. Volume and composition are two key groups of parameters that help to decide what the treatment plant does and how it operates. While the treatment can modify the composition, knowing the volume is essential as it helps to inform the nature of discharge opportunities.

Key influences of volume and composition (Loadings and Flow Management) are:

- Reticulation management, and particularly the management of infiltration and ingress (I and I) i.e. leakage into the sewer network; and
- Trade waste contributions, which include industrial contributions and the likes of septage reception (septic tank sludges).

All community wastewater systems must manage reticulation and trade waste impacts. Understanding their nature determines the treatment required and discharge impacts. This can change over time, as communities grow and sewer networks expand, and as industry is attracted to communities.

All of the six Central Hawke's Bay communities will have some degree of reticulation I and I. Understanding it and having a plan to reduce where appropriate is critical. This may change over time as reticulation infrastructure ages and renewal programmes take effects.

Waipukurau is the community that is currently most influenced by industrial discharges, with current industry accounting for more than 50 % of the community's organic load to the treatment plant and less than 15 % of the flow. Subtle changes in the volume and composition can have a significant impact on treatment plant



selection and design. A further important aspect is having confidence in the potential for changes over time, requiring growth projections of not just the residential population to be considered, but also changes in industry.

The nature and type of treatment plant required, as influenced by reticulation and tradewaste, then influences the management of residuals, as set out in Project 4.

Current programmes:

- Tradewaste bylaw review.
- I and I programme.
- Reticulation renewals.
- Growth planning.

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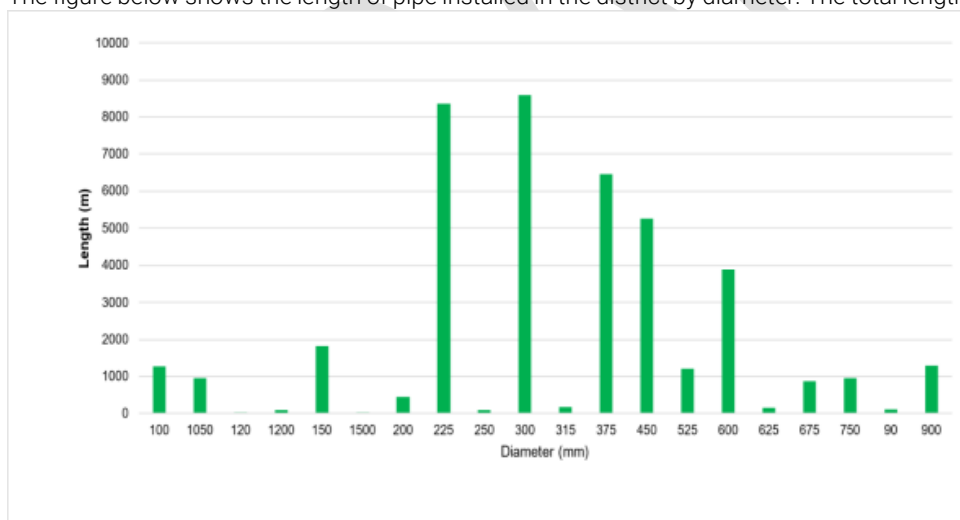
STORM WATER

Key Issue	Priority for this Plan
Open drains maintenance	Council has an extensive network of open drains that have recently been proven not to perform in extreme weather events. Council is increasing effort to maintain the condition of the drains through additional clearance and monitoring programmes.
Network capacity to withstand climate change and adverse weather events	Complete modelling, investigatory and planning work, based on new climate and weather/flow data to determine what parts of the network require redesign, reconfiguration or new network to be built to cope with increased capacity during weather events.

There are two main stormwater networks servicing the towns of Waipawa and Waipukurau. There are also six smaller networks providing varying levels of coverage for the townships of Otane, Takapau, Porangahau, Te Paerahi, Kairakau, and Blackhead Beach. Council also manage a large amount of roadside drains and kerb and channel network as part of its transport infrastructure.

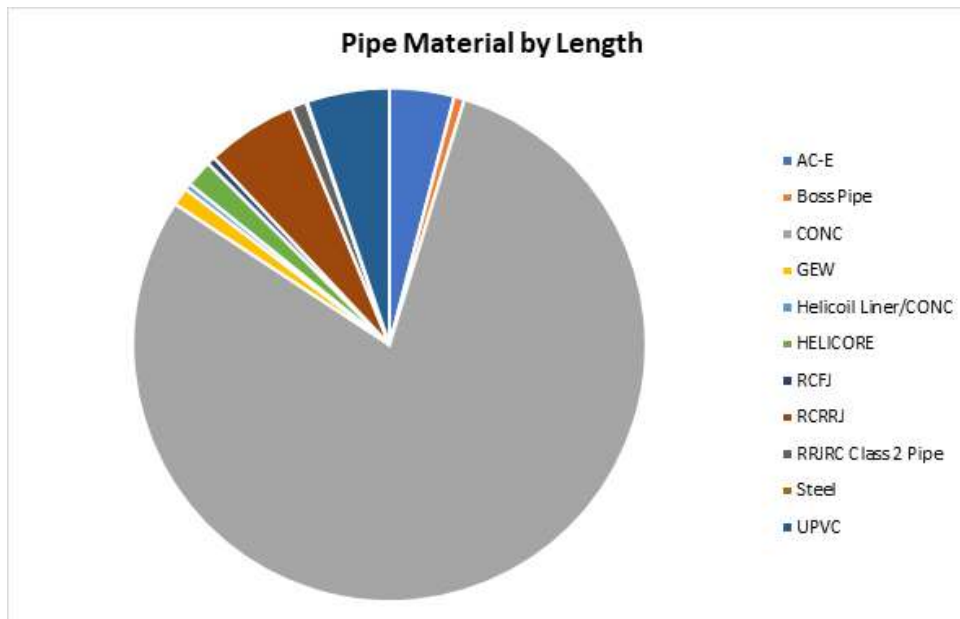
Reticulated networks

The figure below shows the length of pipe installed in the district by diameter. The total length of pipe is 42km.



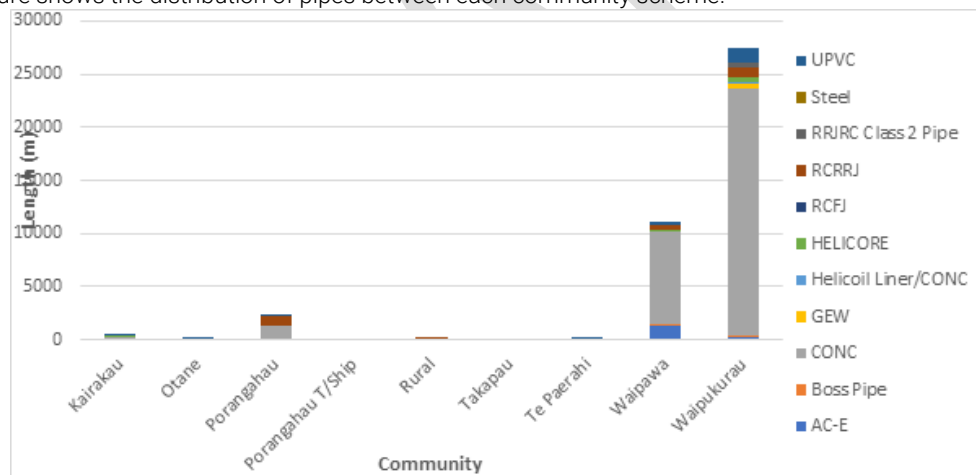
The largest cohorts of pipe are 225mm and 300mm diameter. There are also significant lengths of 375mm 450mm and 600mm diameter.

The figure below shows the length of pipe installed in the district by material.



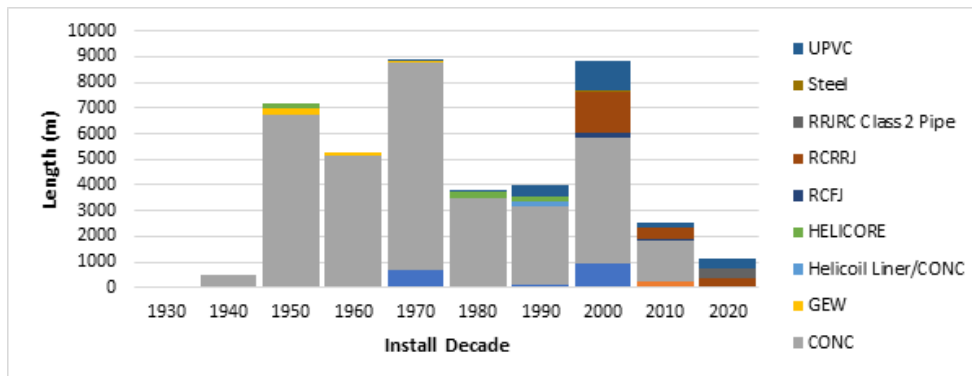
Over three quarters of the pipe network is concrete. The proportions of the network likely to have condition-related performance issues are Helicore, earthenware, and asbestos cement.

The figure shows the distribution of pipes between each community scheme.



This shows the majority of the network is in Waipukurau and to a lesser extent Waipawa.

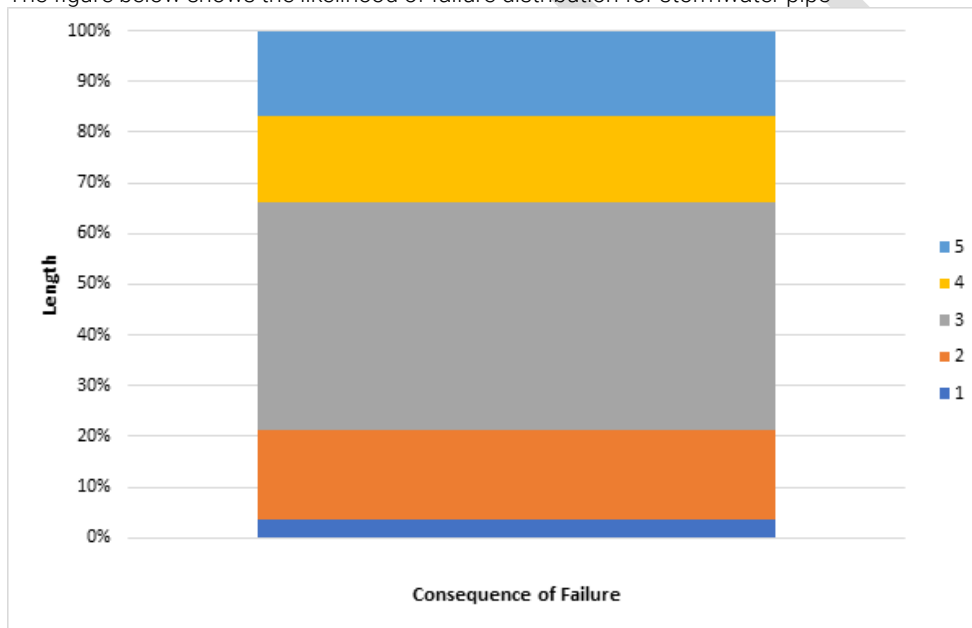
The figure below shows the length of pipe installed during different decades and is coloured according to the pipe material.



This shows large portions of the network installed in the 1950s, 1970s and 2000s. Concrete pipe has been the predominant material throughout.

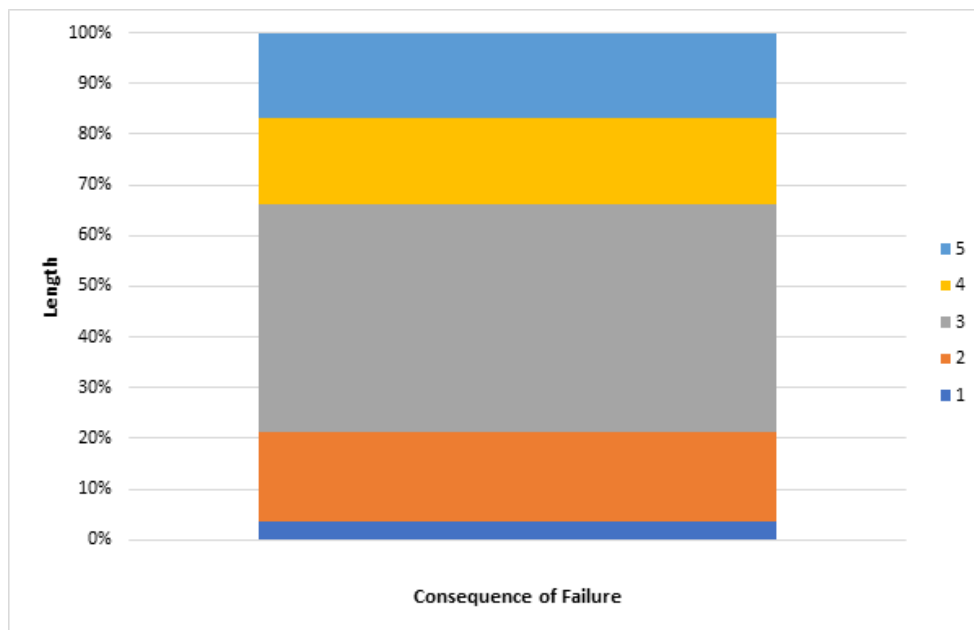
Council currently uses asset age and pipe type as key metrics for determining the likelihood of failure of reticulation assets.

The figure below shows the likelihood of failure distribution for stormwater pipe

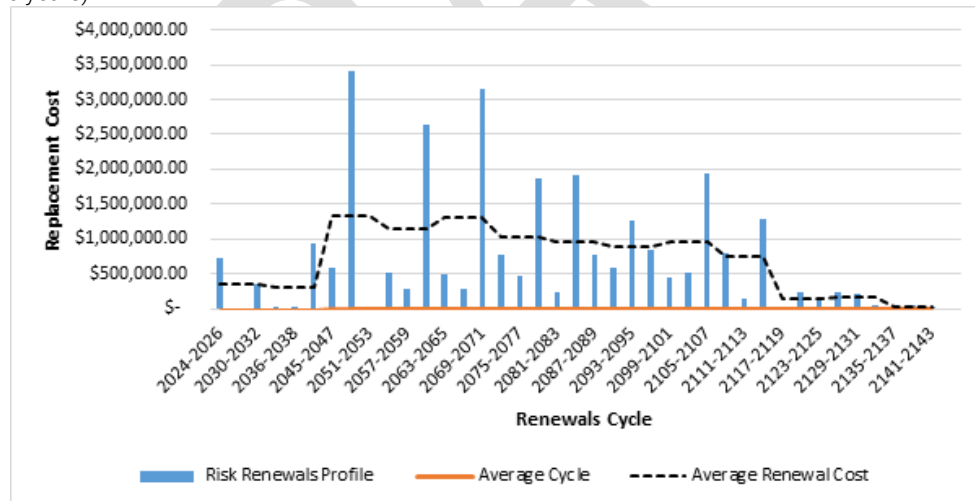


Council's criticality framework has been used to determine the CoF for each asset.

The figure below shows the consequence of failure distribution for stormwater pipes.



Few assets have already exceeded their theoretical useful lives. Increased renewal budget is expected beyond 2050 when the older concrete pipes begin to approach the end of their estimated useful lives. Budgets are presented in three year periods. The dotted line provides the renewal budget average of three of these periods (i.e. nine years).



Investing in renewal at the level indicated by the dotted average renewal cost line works out at \$200k per 3 year on average. This investment level is determined to be sufficient to maintain average asset age and risk and to keep on top of high-risk assets through a targeted replacement programme.



Open Drain Network Performance and Maintenance

Level of service provided by our stormwater system has been highlighted by recent rain events. To attain a higher level of service, the operational funding pool needs to be increased and more focus will need to be directed toward the activity.

As part of the Big Stormwater Story, a maintenance plan has been developed for the district, with the aim of bringing stormwater management up to the standard required to maintain levels of service during extreme weather events and to provide increased levels of resilience to the urban areas of Central Hawke's Bay. It describes the reasoning, methodology and frequency of maintenance activities for our district infrastructure.

The maintenance plan includes the following work types:

Activity	Description
Open Channel Vegetation Removal	2-yearly vegetation clearance for major open drain channels including residential Pah flat, Eastern Interceptor, Bush Drain Takapau Rd etc. An already reduced frequency means residents will notice some overgrowth, but the vegetation should not reach the stage where it presents a major blockage of the drain. This also eliminates the need for large tree (particularly willow) removal in the future as saplings are controlled.
Open Channel Bed Excavation	5 Yearly bed excavation to remove sedimentation and vegetation overgrowth. This maintains capacity and velocity of major drainage channels.
Piped Network Maintenance	10% of the piped stormwater network flushing and CCTV – this would mainly cover service requests and instances of blockage with some remaining for network investigations.



LAND TRANSPORT

The district is served by State Highway 2 and State Highway 50 (managed by Waka Kotahi) and 1,264 km of local roads. These roads, and associated assets, provide vital links to Central Hawke's Bays residents. Much of the land transport activity's focus is guided by the adopted 2020 Land Transport Strategic Framework with the stated vision to:

“deliver safe, reliable and lasting road assets
that connect our people and places
and allow our district to prosper”

The Strategic Framework provides the vision for the activity and details four pillars for achieving community outcomes. These are:

1. Safety above all else
2. Connected and resilient infrastructure and communities
3. Protecting our natural and built environments
4. Economic resilience and financial sustainability

Weather Impacts – Recovery and Resilience

Councils transport infrastructure (road assets) were badly damaged through the wet winter of 2022, Cyclone Hale in January 2023 and then finally the devastating Cyclone Gabrielle in February 2023. The majority of urgent work to re-open roads and ensure they remain open and safe has been completed under an initial period of 'response' works, that has been funded up to \$35.9 million at a 100% funding rate by NZTA.

A significant portion of work to fully recover the transport network however remains, with estimates to restore pre-storm levels of service and open all roads that are still closed, at \$129 million in total. This work, as yet, has not been funded, now has clarity been given by NZTA or Central Government about when/if a funding decision will be made. This creates an incredible amount of uncertainty for Council and its ratepayers and road-users who at this stage cannot have confidence of how and when this large amount of recovery work will commence and be completed.

Council know that it cannot afford to fund the required recovery works itself. In fact, Council funding even 5% of the required works will have a significant impact on ratepayers.

While council has made good progress completing the majority of the planned initial response works, there is a large amount of recovery work required on the transport network to restore pre-damage levels of service and connectedness for our communities via the transport network, and to improve the resilience of the network to future events. The following table provides an overview of planned recovery works with the estimated total value of these works (including contingency) sitting at \$129 million.

Site	Asset / Issue	Budget Estimate
Patangata Bridge	Bridge	\$ 57,500,000
Burnside Bridge	Bridge	\$ 11,500,000
Wilsons Cutting Bridge	Bridge	\$ 5,750,000
Old Waipawa River Bed Bridge (Tod Road)	Bridge	\$ 4,312,500
Tourere Road at 3.7km	Landslide	\$ 4,312,500
Pourerere Road at 31.6km	Landslide	\$ 1,437,500
Kahuranaki Road at 6.1km	Landslide	\$ 1,337,500
Te Uri Road at 13.56km	Landslide	\$ 1,150,000
Cooks Tooth Road at 5.95km	Landslide	\$ 1,075,000
Cooks Tooth Road at 6.721km	Landslide	\$ 1,075,000
Old Station Bridge	Bridge	\$ 1,046,875
Cooks Tooth Road at 8.245km	Landslide	\$ 1,006,250
Te Uri Road at 16.23km	Landslide	\$ 1,006,250



Site	Asset / Issue	Budget Estimate
Pourerere Road at 15.263km	Landslide	\$ 971,250
Middleton Road at 3.352km	Landslide	\$ 877,500
Cooks Tooth Road at 4.95km	Landslide	\$ 862,500
Cooks Tooth Road at 7.31km	Landslide	\$ 862,500
Cooks Tooth Road at 7.469km	Landslide	\$ 862,500
Te Uri Road at 17.536km	Landslide	\$ 862,500
Tourere Road at 5.97km	Landslide	\$ 862,500
Wilson Cutting Road at 0.3km	Landslide	\$ 862,500
Mill Road at 14.63km	Landslide	\$ 731,250
Rotohiwi Road at 8.577km	Landslide	\$ 731,250
Rotohiwi Road at 8.831km	Landslide	\$ 731,250
Cooks Tooth Road at 9.76km	Landslide	\$ 718,750
Hiranui Road Bridge	Bridge	\$ 718,750
Northblock forde	Bridge	\$ 718,750
Otawhao Road at 3.807km	Landslide	\$ 718,750
Purimu Bridge	Bridge	\$ 718,750
Scannells Bridge	Bridge	\$ 718,750
Farm Road at 16.875km	Landslide	\$ 693,750
Pourerere Road at 14.331km	Landslide	\$ 693,750
Pourerere Road at 16.73km	Landslide	\$ 693,750
Blackhead Road at 7.688km	Landslide	\$ 585,000
Cooks Tooth Road at 11.28km	Landslide	\$ 575,000
Cooks Tooth Road at 4.468km	Landslide	\$ 575,000
Cooks Tooth Road at 9.18km	Landslide	\$ 575,000
Ngahape Road at 11km	Landslide	\$ 575,000
Pourerere Road at 26.292km	Landslide	\$ 575,000
Skippers Road at 2.032km	Landslide	\$ 575,000
Skippers Road at 6.593km	Landslide	\$ 575,000
Tourere Rd at 4.092km	Landslide	\$ 575,000
Porangahau Road at 21.62km	Landslide	\$ 555,000
Middleton Road at 3.519km	Landslide	\$ 438,750
Old Hill Road at 2.458km	Landslide	\$ 438,750
Wakarara Road at 25.7km	Landslide	\$ 438,750
Lake Station Road at 4.254km	Landslide	\$ 431,250
NGAHAPE ROAD at 11.915km	Landslide	\$ 365,625
Whangaehu Road at 1.305km	Landslide	\$ 365,625
Wharetoka Bridge	Rock Armouring	\$ 365,625
Herrick Street (Taylors slab)	Rock Armouring	\$ 359,375
Holdens Bridge	Rock Armouring	\$ 343,750
Gollans Bridge (Guardrail)	Bridge	\$ 340,625
Wakareao Bridge	Bridge	\$ 300,000
Hiranui Rd	Landslide	\$ 292,500
Hiranui Road	Landslide	\$ 292,500
Rangitoto Road	Landslide	\$ 292,500
School Road	Landslide	\$ 292,500
Farm Rd	Landslide	\$ 287,500
Porangahau Road	Landslide	\$ 287,500
Te Uri Rd	Landslide	\$ 287,500
Te Uri Road	Landslide	\$ 287,500
Porangahau Road	Landslide	\$ 277,500
Braeview Road	Landslide	\$ 263,250
Te Awa Road	Landslide	\$ 226,688
Rotohiwi Road Culvert	Rock Armouring	\$ 221,875
Rotohiwi Road	Landslide	\$ 215,625



Site	Asset / Issue	Budget Estimate
Ugly Hill Road	Landslide	\$ 211,250
Tipenes Bridge	Rock Armouring	\$ 204,375
Matheson Rd at 3.14km	Rock Armouring	\$ 196,875
Peacocks Bridge	Bridge	\$ 188,750
Cheviot Slab	Bridge	\$ 168,750
St Lawrence Rd	Landslide	\$ 146,250
Epae culvert (Culvert 5.00-3593)	Rock Armouring	\$ 143,750
Bush Road Culvert	Rock Armouring	\$ 143,750
Hunters Culvert	Rock Armouring	\$ 143,750
Hutana Bridge	Bridge	\$ 143,750
Purupuru culvert	Rock Armouring	\$ 141,250
Porangahau Road	Landslide	\$ 138,750
Macaulays Culvert	Rock Armouring	\$ 133,750
Hulls Bridge	Rock Armouring	\$ 129,375
McGreeveys Box Culvert	Rock Armouring	\$ 129,375

Road Assets

The table below shows the local road lengths summarised in terms of the One Network Road Classification (ONRC) hierarchy. While the ONRC has been replaced by the One Network Framework (ONF), the ONRC continues to be used for this National Land Transport Programme (NLTP) period at the direction of NZTA.

One Road Network Hierarchy	Length (km)	Proportion (%)
Arterial	0.57	<1%
Primary Collector	0.75	<1%
Secondary Collector	268	21%
Access	548	43%
Access (Low Volume)	452	36%
Total	1,268	

The average age and average remaining life of roading assets is a key determining factor in driving planned future investment. This information is shown in the table below for major asset classes.

	Age (weighted average)	Remaining Life (weighted average)	Standard Lives (Range)
Drainage	30	42	30-80 Years
Footpaths	34	48	40-75yrs
Sealed Pavements			
Surface	9	6	2-25yrs
First Coats (as pavement structure)	27	40	50-75yrs
Basecourse	27	39	50-75yrs

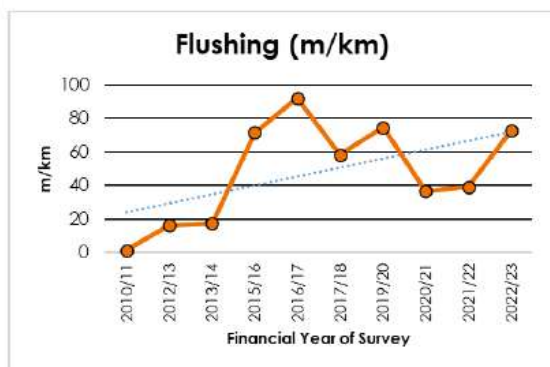
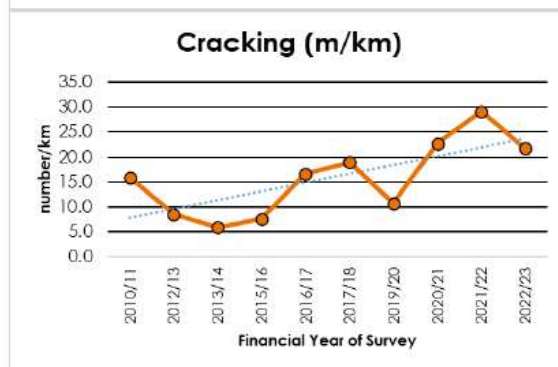
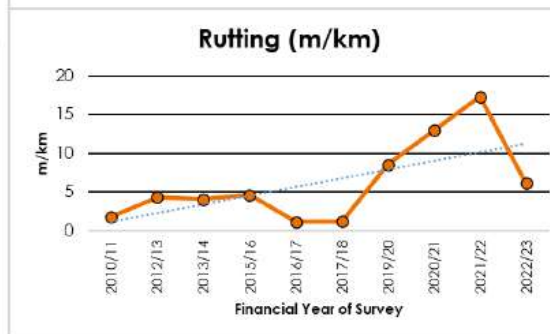
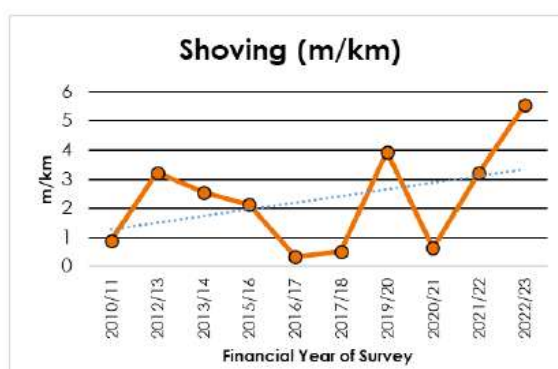
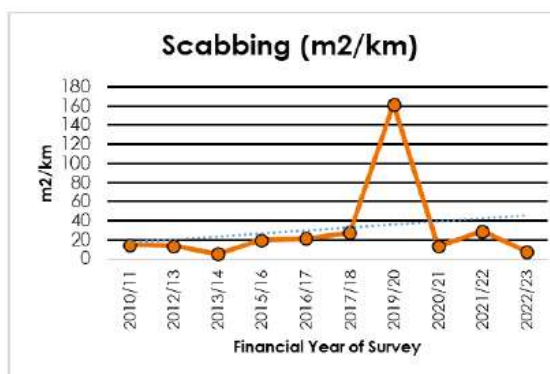
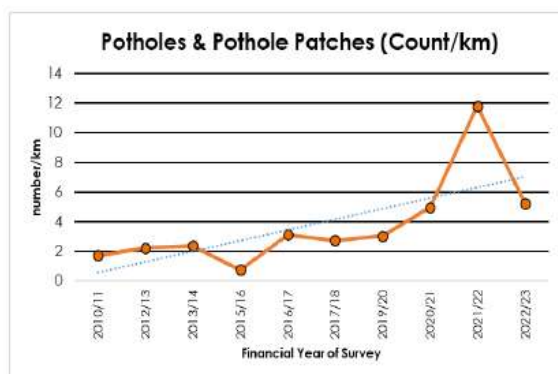


Subbase Urban	29	37	50-75yrs
Unsealed Pavements			
Wearing course	4	2	5 Years
Bridges			
Bridges	55	45	80-140 Years
Bridge Culverts (Cross-sectional area >3.4m ²)	36	39	70-80 Years
Retaining Walls	35	37	35-75 Years

Council develop and maintain a 10-year forward work programme to ensure effective and efficient service level delivery in line with requirements set heavily by NZTA who are a major (59%) funder of the activity. This programme is based on historical records, recent work practices, along with visual inspections of the network and incorporates outcomes of analysis tools such as the Treatment Selection Algorithm (TSA) and RIMS dTIMs (pavement performance modelling). The programme incorporates road sections requiring Area Wide Pavement Treatment (AWPT), resealing, metalling of unsealed roads and drainage requirements one year in advance of the reseal programme. The process details are included in the life cycle management plans for each asset group.

Network Condition and Performance

The following tables show survey data for various metrics used to assess road condition and road-user experience, trended over a 10yr period.

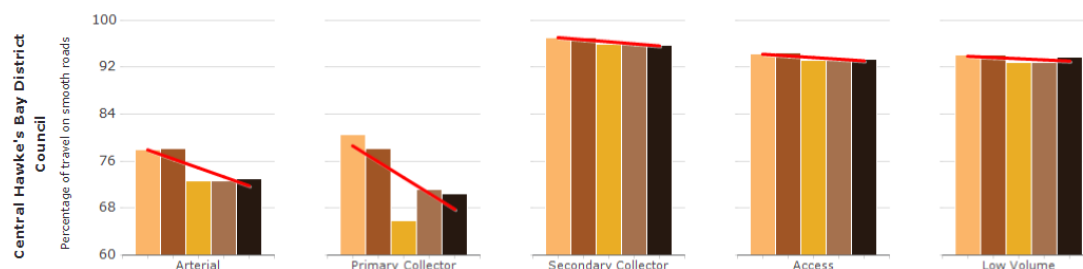


Smooth Travel Exposure (STE) provides an indication of ride quality. It is provided as a percentage of vehicle kilometres travelled with a roughness below a defined upper threshold. STE trends from Te Ringa Maimoa's Transport Insights tool are shown in Figure 7-5. The data shows that travel on smooth roads (over a certain smoothness threshold) is declining gradually year on year.

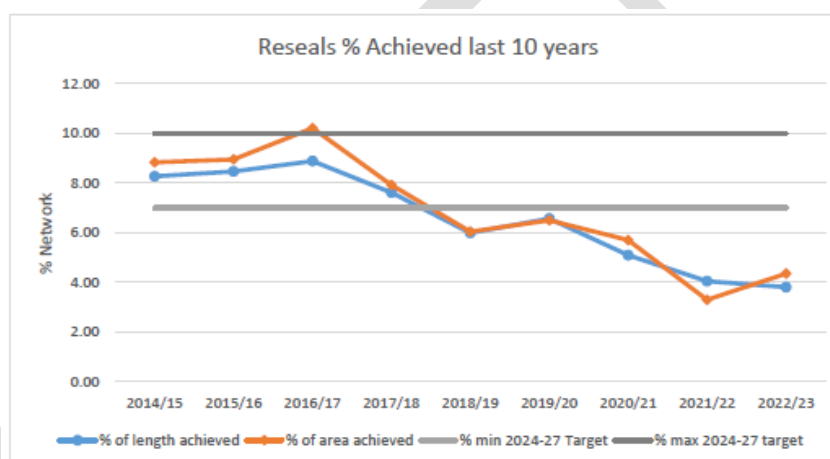
This suggests there is a slow increase in the roughness of the CHB district's roads compared to vehicle kilometres travelled. It is expected that pavement condition will trend downwards, and the rate of deterioration will increase as the asset ages and traffic volumes increase. While Arterial and Primary Collector roads appear to be deteriorating much quicker than other road classes, these road classes represent very little of CHB's total network length. They form part of the State Highway and Waipukurau township bypass routes and are



subjected to extremely high traffic volume and traffic loading. They are also located in urban areas where service covers and trenches can contribute to higher roughness readings. The charts below show STE data over a 5 year period and all show a declining (worsening) trend.



The amount of network resealed (a key maintenance intervention) each year is another key metric and lead indicator for network condition and performance. This data is shown below and again shows a worsening trend.



The next section discusses key issues for the transport network. These issues are backed up by the data presented above which shows in general a worsening state of transport assets and experience across the District.

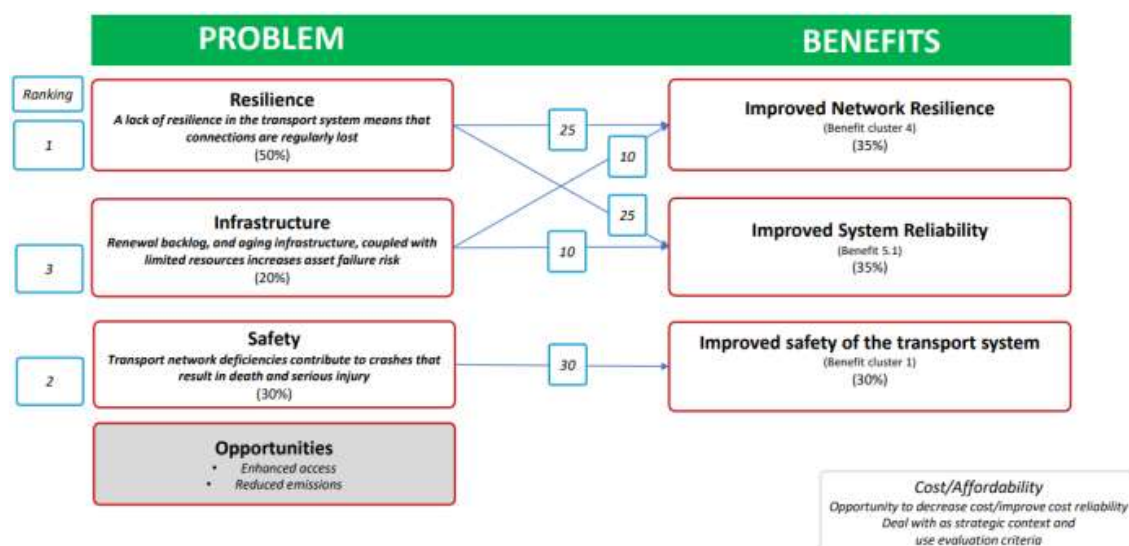
Key Transport Issues

The key issues with the Central Hawke's Bay transport network have been identified through the Strategic Business Case and Investment Logic Mapping exercises completed as part of the regular asset management planning cycle and preparation of work programmes to NZTA. These processes, and their outcomes are described below.

Three problem statements were developed in collaboration with key stakeholders in June 2020. These initial problem statements related to resilience (30%), access (20%) and safety (50%). CHB officers reviewed, refined and reweighted these problem statements for the revised Land Transport Asset Management Plan in February 2023. While it was agreed that the issues are similar, the consequences particularly in relation to resilience are different. The intensity and frequency of recent events has put pressure on the programme budget, pushing planned work out and increasing asset vulnerability and safety across the network continues to be a problem.



The updated problems fall under three key themes: Resilience, Infrastructure, and Safety. The following Investment Logic Map diagram (below) sets out the updated problem statements, their relative importance, and their relationship to the expected benefits of investment to address these issues.



Each problem statement has, through various further planning processes, resulted in projects and programmes of work within this Strategy. Due to the focus of this Strategy on resilience (one of the 6 focus areas of the strategy), this problem statement for the transport activity is expanded upon further below.

Resilience

A lack of resilience in the transport system means that connections are regularly lost.

Infrastructure resilience is a focus area within the Council's Infrastructure Strategy and was identified as a key issue for CHB in the 2018 LTAMP. This has since become a more significant issue. The district has been impacted by numerous weather events since 2018, causing widespread flooding, slips and dropouts across the transport network. The consequential costs and repairs of these, particularly from Cyclone Gabrielle, will remain a significant part of the Council's work programme for a long period of time. There is also increasing risk that these types of weather events will become more frequent and potentially more extreme due to climate change.

In order for the district to have a connected and resilient network, work will need to be completed to repair and strengthen the existing assets for the long term. If the network is not able to withstand future events, flooding and road closures will become more frequent, posing challenges for local industries and isolating local communities.

Causes

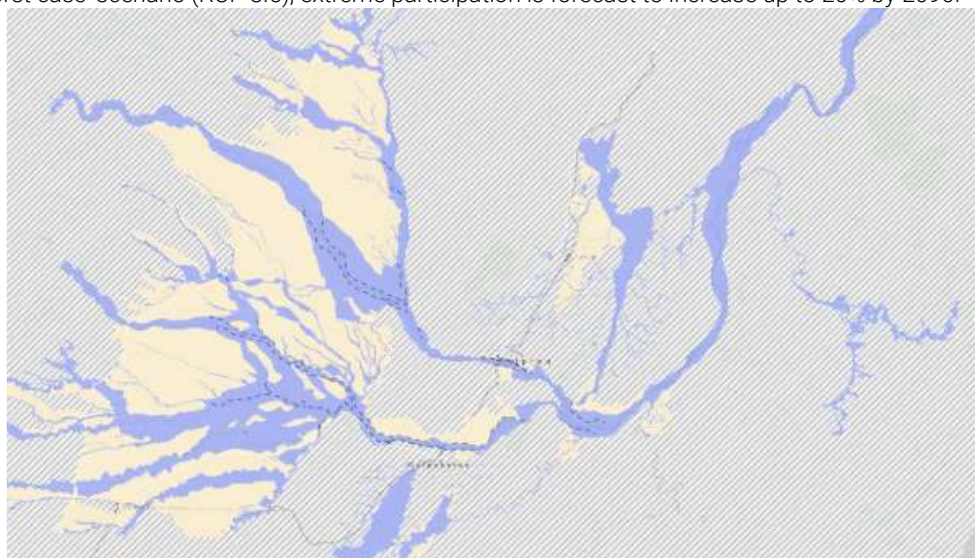
A lack of resilience in the transport network is caused by several factors. They include the occurrence of natural events, the location of transport infrastructure (for example, within floodplains, close to the Ruahine ranges or near the coast), and the availability of detours.

Extreme weather events



Climate change impacts are already being experienced in Central Hawke's Bay. The district has experienced a number of extreme weather events in recent years, including major droughts during 2012/13 and 2020, repeated heavy rainfall between March and November in 2022 and three significant events including two cyclones ('Hale' and 'Gabrielle'). In 2023 The compounding effects of these events means the district's roading network has been severely damaged and significant repairs are needed.

Climate change projections show extreme rainfall will increase across the Hawke's Bay region, particularly in Wairoa, coastal parts of Hastings and Central Hawke's Bay. Forecasts show parts of the region may receive up to 15% more extreme precipitation by 2090 under the 'moderate emissions' scenario (RCP 4.5)⁸⁹. Under the 'worst case' scenario (RCP 8.5), extreme participation is forecast to increase up to 20% by 2090.

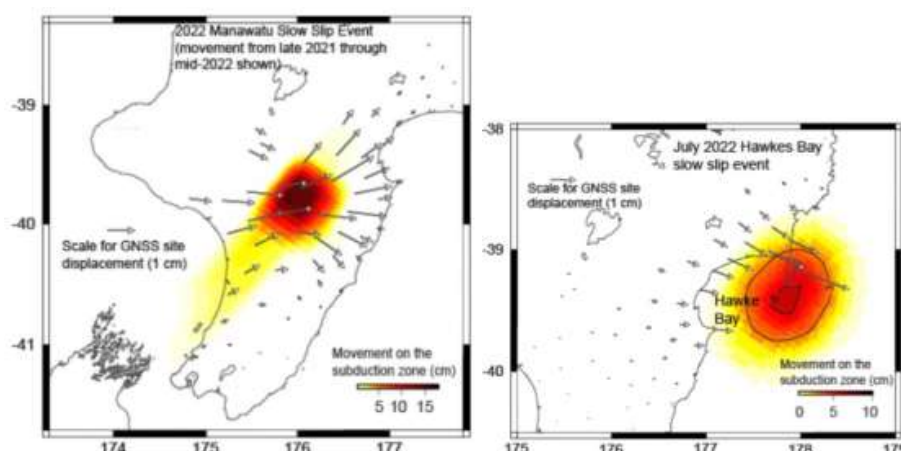


Much of the flood risk areas in Central Hawke's Bay are in the plains west of Waipukurau. Key roads in this area that are exposed to flood risk include SH2 and SH50, Ashcott Road, Tikokino Road and Ongaonga Road. Significant rainfall events can cause flooding, slips and washouts making roads inaccessible. Coastal areas with small communities are also at a high risk of becoming isolated if roads become inaccessible and there are no suitable alternative or reliable routes. Although the flood risk areas identified above are concerning, the topography and geology of the land to the east of SH 2 causes those areas to be regularly negatively impacted by storm events.

Other Natural Hazards

The district is also susceptible to a number of natural hazards such as earthquakes, coastal inundation, coastal erosion, and tsunamis. High winds can also bring down trees. While natural hazard events have a relatively low frequency, records show high consequences and significant disruption.

In early 2022, GeoNet reported two deep slow-slip events (Figure 5-4) in the central/eastern North Island¹¹. The 15 cm recorded movement was far greater than previous 3.5 cm per year observations. This rate of movement at depth resulted in 2-3 cm movement at the surface (eastward and upward), the equivalent to what could be expected during a M6.9 earthquake.



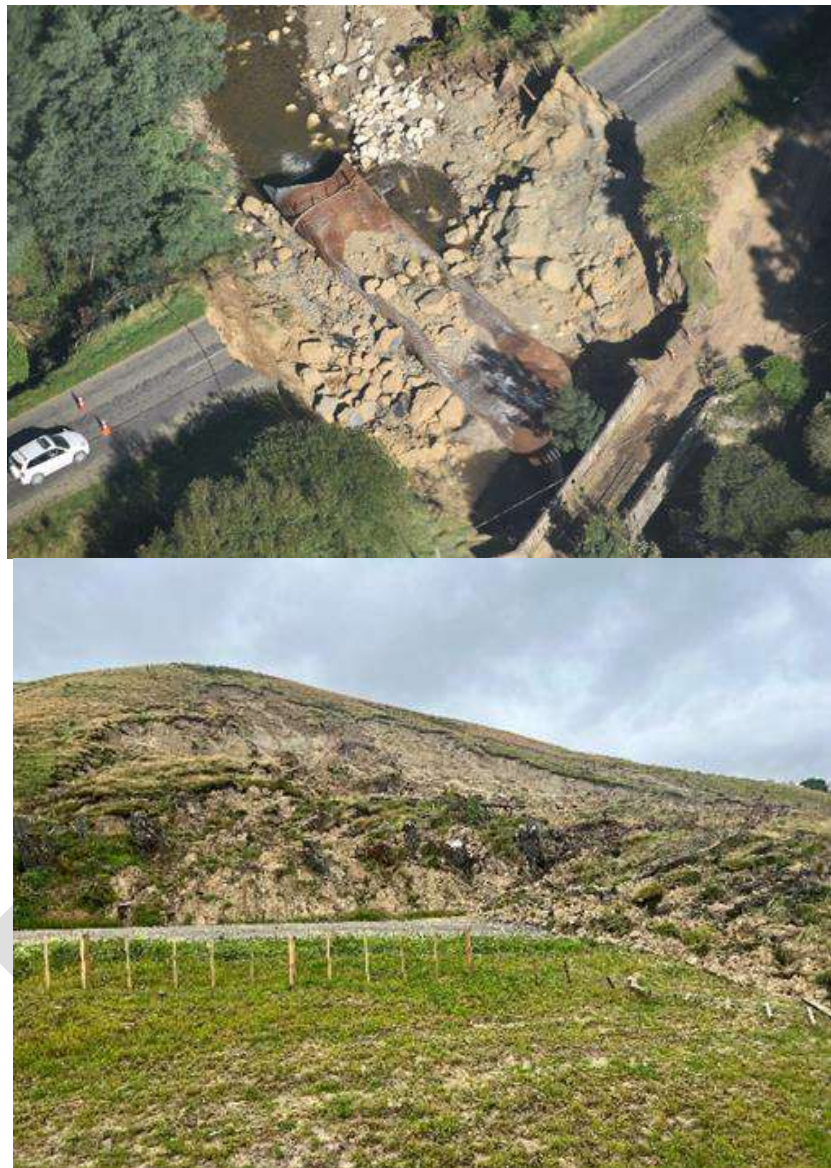
The central Hawke's Bay District has large amounts of clay like minerals within the area which catered to historic bentonite mining. These clays are weak and hold large amounts of water meaning they tend to move freely. Figure 5-5 shows locations across CHB where recorded seismic activity, inundation from unusually high rainfall events and areas of weak soils intersect, creating damage and vulnerability across the transport network.

Other events are categorized as 'shock' events (e.g. liquefaction from earthquake, tsunami induced flooding) or climate-related hazards (such as inundation and coastal erosion). While both types of events are currently considered "low frequency, high impact events" (LFHI), climate-related hazards are expected to increase in frequency and severity due to global climate change impacts.

Consequences

Flooding and road closures

Cyclone Gabrielle highlighted the impacts of an extreme weather event on the transport network. The cyclone resulted in severe floods across the district and, initially, over one hundred roads were closed (refer to Figure 5-7 and Figure 5-8 for examples). Road closures result in people being cut off from the community and limit their ability to access key goods, services and facilities. It also leads to delays and increased costs to producers and industry.



A series of other significant events in 2001, 2003, 2004, 2011, 2018 and 2022 caused major damage to roads, bridges and culverts.

Access to Goods and Services

The majority of key services such as schools, supermarkets, medical facilities and other emergency services in the district are located in Waipukurau and Waipawa. The district's closest hospital and airport are located in Hastings and Napier respectively.

Increasing network vulnerability means people may more frequently experience periods where access to these facilities is limited or unavailable. This is particularly relevant for residents living in more remote areas of the district, which are at greater risk of being significantly impacted.



Lifeline Infrastructure

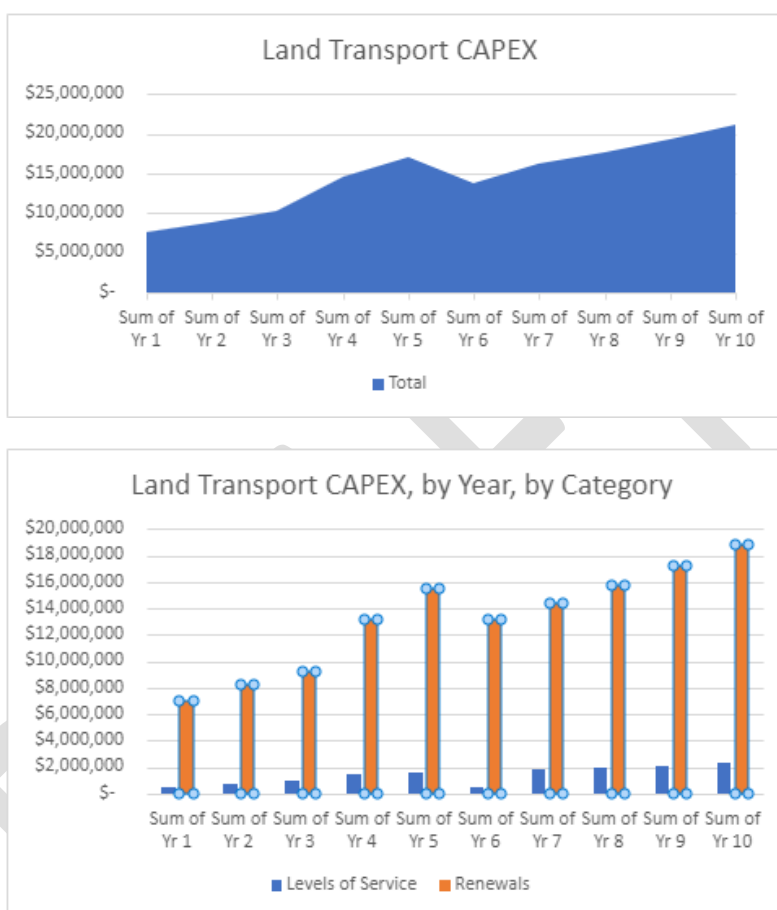
The roading network supports access to key lifeline infrastructure such as power and communications, and many utilities also use the corridor for their infrastructure networks (e.g. bridges). Any event that results in road closures will also likely impact power and communications networks. If the event is significant enough, such as the recent Cyclone Gabrielle, some communities may be without power or communications for long periods of time.

DRAFT



Investment in the Transport network.

To manage the problem statements described above, and in line with the principles and focus areas of this Strategy, a number of work programmes for the transport network have been created. Investment in the transport system, over the period of this strategy is shown in the charts below.

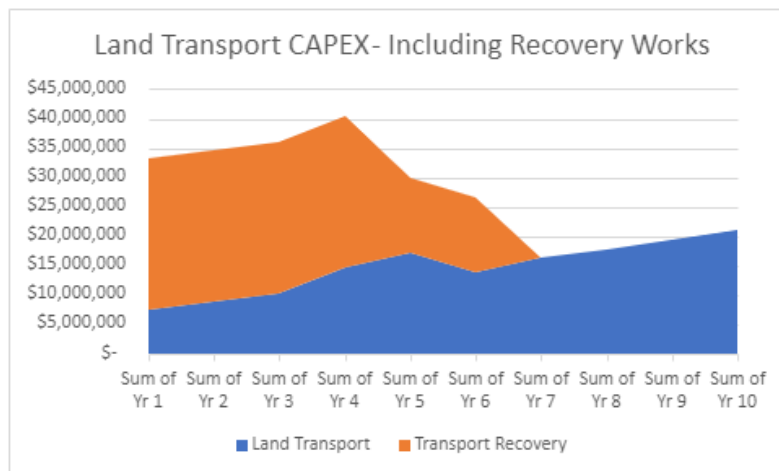


The above charts show an increasing investment in the transport network over the period of the Strategy. The primary category for investment is asset renewals which includes the replacement and upgraded of aged and failing infrastructure. Importantly, this is where the majority of investment to improve asset/network resilience sits.

It is important to note that the above charts only include investment planned as part of this strategy and that the much-described recovery works, at an estimated total cost of \$129M are not included and not shown. This is due to the remaining uncertainty about funding for the works meaning that Council cannot at the time of writing this strategy say with any confidence when those works will commence and how they may be phased.



The chart below shows the impact on forecast land transport capex with the addition of the known \$129 million worth of recovery works. The recovery works have been rudimentarily phased over a 6year period with a 2-1 weighting in the first 4 years compared with the final 2 years.



Include further explanation of funding scenarios / assumptions for recovery works.



SOLID WASTE & LANDFILL

Council currently provide a kerbside recycling collection service in Waipukurau and Waipawa and a kerbside refuse collection service across the District using official council green 60 litre and yellow 35 litre plastic bags. A 60 litre comingle crate is used for kerbside collection of plastics, cans, papers and cardboard and a dedicated 45 litre crate for glass.

Materials including general refuse, green waste, scrap metal and hazardous waste can be taken to the Council's four transfer stations located at Waipukurau, Waipawa, Porangahau and Takapau. All waste generated from within the district is transported to the Council operated landfill on the outskirts of Waipukurau. Waste is also transported in from outside the district. There are eight closed landfills around the district, which are monitored under the terms of their resource consents.

Funding is provided for waste minimisation and sustainability education services to schools across the district and funding is also provided for a number of waste minimisation activities and initiatives. The source of this funding is through the Ministry for the Environment's Waste Minimisation Levy Fund.

The major projects (>\$250,000) identified for the Solid Waste activity in this plan for the period of 2024 – 2034 are detailed in the table below. These projects have been identified as the key projects to address demand and expected increases in levels of services identified in this plan.

Project	Sum of 10yr Investment
District Landfill New cell for Landfill extension	8,885,600
Tfr Station Building of a replacement station WPK&WPA	4,802,100
Recycling Building of the first phase of a CHB Re-use/Recovery centre	2,358,000
Landfill Capex Resource Consents Renewal	387,800

The projects in the table above each have a level of uncertainty to them due to unknowns about market conditions, customer demand/aspirations and supply volumes of waste to landfill. Accordingly, each of these projects are tagged as requiring further investigatory and/or planning work before they are commenced. Each project will have further work completed to understand the true needs, options, costs and benefits before being finally committed to and commenced.

Key issues, assumptions and uncertainties for Solid Waste

Affordability

Central Government continue to encourage an increase in New Zealand's diversion from landfill. The most effective method to achieve increased diversion is to make it more expensive to dump to the landfill. Central Hawke's Bay currently has a diversion rate of 38.6%. Costs to dispose of waste at landfill are continuing to increase due to record years of cost/price inflation for contracted works, increases in the Waste Levy and increase in the cost of carbon credits. Council expect these trends to continue, further incentivising diversion from landfill.

Prior to making significant investment in the landfill (planned for later years of the Strategy), Council will complete a thorough analysis of the activity and current and future demand predictions.

Reduction



A waste analysis carried out in 2019 as part of the WMMP review process, discovered that 68% of potential recycling material ended up in the landfill, in other words, 32% diversion. This is a very low percentage and the new WMMP has set a target of 48% reduction by 2025 (measured at 38% in 2023).

Incentive

To encourage our residents to dispose of less recycling as rubbish in the transfer stations, Council needs to make it more difficult to dispose of waste and much easier to recycle. This will require the installation of better facilities and processes. This Strategy contains work planned to upgrade the Waipukurau transfer station and to close other facilities to enable more focussed and improved services, at reduced cost.

Education

Council has an active schools education programme, but residents also need to be educated about what is recyclable and what is not. It can be difficult to understand what plastics are recyclable, what cans to put in their kerbside recycle crates, can they recycle their glossy magazines and so on. Central government has launched a national initiative to standard kerbside recycling. There has been vast support for the initiative from councils, including CHBDC, and from the industry, recycling companies.

Confusion

The recycling message has not been clear enough in the past and surveys show that people remain confused, not just in CHB. The international recycling symbols are not easy to read in many cases and even when they are, people are not sure whether they should put their items in the rubbish bag or recycling crate for kerbside collection.

Significant Negative Effects

Waste to Landfill

Disposing of waste at landfill presents a significant adverse effect on the receiving environment. Council has set goals through its Waste Management and Minimisation Plan 2019 (WMMP) to increase diversion from landfill from currently 32% to 48% by 2025 and aspirationally, to 70% by 2040. The WMMP outlines strategies that Council can implement to meet this target.

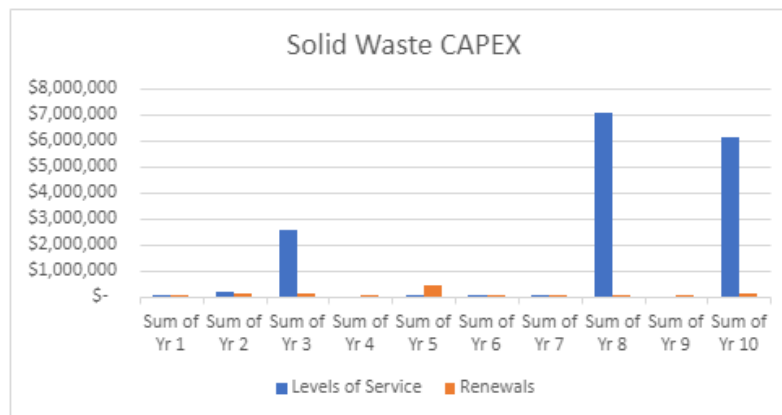
Leachate and Stormwater Discharges

Leachate discharging from the landfill and sediment eroding off the landfill can result in degradation of the environment if they are not contained. To mitigate the effect of leachate, a leachate storage and irrigation system has been installed and commissioned in the period of the previous strategy. In addition, extensive groundwater monitoring for potentially toxic substances is required in accordance with the operative resource consent.

Windblown Recyclable Materials

Paper and other lightweight recycling material are prone to wind displacement, particularly in the exposed areas. Perimeter fences are in place around transfer stations intercept windblown materials and are periodically cleaned to maintain the visual presentation of the sites.

The capital investment needs of the Solid Waste activity are shown in the chart below.





COMMUNITY FACILITIES AND OPEN SPACES

The Community Facilities and Open Spaces activities are supported by three separate Asset Management Plans:

- Parks and Open Spaces Asset Management Plan
- Cemeteries Asset Management Plan
- Community Buildings and Property Asset Management Plan

This section of the Infrastructure Strategy provides a strategic overview of the activity for a period of ten years. The following table provides an overview and description of the Activity and sub-activity that make up the Places and Open Spaces Activity Group.

Activity	Description
Open Spaces	<p>This activity is split into four sub-activities of Camping Grounds, Reserves, War Memorials and Urban Maintenance. A brief summary of each sub-activity is provided below:</p> <p><u>Camping Grounds</u> Camping Grounds includes four campgrounds, three located on our Coastline and the Waipukurau Holiday Park. All of these assets are leased. The activity also included freedom camping sites.</p> <p><u>Open Spaces</u> Reserves includes a total of 66 recognised reserve areas, across at least 185 hectares.</p> <p><u>War Memorials</u> Our Districts Cenotaphs and memorials.</p> <p><u>Urban Maintenance</u> Urban maintenance includes roadside spraying and mowing in our urban areas as well as litter bins and open space furniture.</p>
Public Toilets	24 Public Toilet facilities are split into three categories – high, medium and low profile, with the maintenance, renewal and development of the assets prioritised accordingly.
Retirement Housing	<p>The activity includes a total of 48 units spread across three sites:</p> <ul style="list-style-type: none"> • Kingston Place, Waipawa • Ruahine Place, Waipukurau • Wellington Road, Waipukurau
Libraries	<p>Council has two library buildings being the Waipukurau Centennial Memorial Library and the Waipawa Library.</p> <p>At the time of writing the Waipukurau Library is closed due to critical seismic vulnerabilities. A temporary facility has been developed nearby, "Te Huinga Wai" the Knowledge and Learning Hub, which incorporates Library, Council services, AA centre and community facility.</p>
Community Facilities	<p>Community Facilities include the following facilities:</p> <ul style="list-style-type: none"> • Civic Theatre • Central Hawke's Bay Municipal Theatre • Central Hawke's Bay Museum



Activity	Description
	<ul style="list-style-type: none"> • Waipukurau Memorial Hall • Waipawa Districts Centennial Memorial Pool • Waipukurau Heated Pool • Community Halls • Community Rooms • Miscellaneous Council Properties <p>Council's Administration Building is managed under this asset management plan, however, is funded through the organisational overhead.</p>
Cemeteries	There are 15 Cemeteries across the District that Council maintains. 12 of those cemeteries are still open for burials.

Challenges, Opportunities and Interventions

Through the various asset management planning processes, the following have been identified as the key challenges and opportunities for the activity, as well as the preferred interventions to address the issues.

Activity	Challenge / Opportunity	Action / Intervention Proposed
Open Spaces	<u>Camping Grounds</u> The lease and wastewater consent for Pourerere expired in 2023. These are now being considered within the broader context of the range of challenges facing this site including coastal erosion and meeting drinking water standards.	Opportunity to create a sustainable long term strategic approach to camping grounds, that responds to community and visitor expectations whilst protecting our natural assets.
	Kairakau Campground currently occupies road reserve and has no legal tenure.	Opportunity to rationalise or dispose some of its assets or reconsider the benefits realised for the District.
	Waipukurau Campground requires ongoing investment to meet lease and basic legal requirements of the Campground Regulations Act. There is no strategic direction for camp grounds.	Complete a Section 17a for camping grounds
	<u>Open Spaces</u> Significant long term underfunding and deferred maintenance requiring current and future investment in the renewal of many assets, in particular playgrounds.	Opportunity to partner with community for the long-term development and management of community open spaces.
	No strategic or tactical documents to help guide Councils investment in open spaces. Operational funding for tree management. We have not explicitly provided for open spaces in new growth areas, meaning no development contributions have been collected over time and opportunities for integrated transport networks	Opportunity to identify new open spaces for acquisition and to plan for these in conjunction with development contributions. Unique opportunity to community pride and address the communities well beings, particularly in areas of heightened deprivation.



Activity	Challenge / Opportunity	Action / Intervention Proposed
	<p>and funding availability to acquire key land parcels is not available.</p> <p><u>War Memorials</u></p> <p>There are no immediate challenges relating to war memorials.</p> <p>The Waipawa Town Clock upgrade was completed in 2022.</p> <p><u>Urban Maintenance</u></p> <p>There are no immediate challenges relating to urban maintenance.</p>	<p>Opportunity to work more closely with stakeholders to build on the baseline level of service that Council provides.</p> <p>There are opportunities for placemaking and creating vibrancy in our town centres, through minor renewals and quick-win projects or initiatives in conjunction with community e.g. Arts and Culture Network, Play Advocate, Streets for People, Spatial Plan and Town Centre Plans</p>
Public Toilets	<p>Public Toilets do not have a detailed renewal programme and have not had detailed renewal profiling completed.</p> <p>Vandalism is an ongoing risk for the activity.</p> <p>Freedom camping uptake and increase on use of public conveniences.</p>	<p>The upgrade and renewal of some facilities, has the potential to enhance the visitor experience. However, clean well maintained facilities remain the priority.</p> <p>Opportunities to address this issue within the Freedom Camping by-law review.</p>
Retirement Housing	<p>A Section 17a review was completed on this service in 2020. It identified a plan to increase fees as the units are not meant to be rate subsidised (a self-funding activity). The rents are still below market rents.</p> <p>The units have been upgraded in recent years and meet Healthy Homes regulations, but they are aging assets and ongoing renewals needs to be planned and funded for.</p> <p>There is a notable waiting list for access to the flats.</p>	<p>Ability to further raise rents and develop new flats, subject to Councils financial borrowing constraints.</p>
Libraries	<p><u>Library Facility in Waipukurau</u></p> <p>The Waipukurau Library is closed due to critical seismic vulnerabilities is a major challenge for the activity, particularly after Council and community expectation the facility had been strengthened. A temporary leased facility has been developed nearby, "Te Huinga Wai" the Knowledge and</p>	<p>Council will need to consider short term and longer term arrangements to provide library services in Waipukurau.</p>



Activity	Challenge / Opportunity	Action / Intervention Proposed
	Learning Hub, incorporates Library, Council services, AA centre and community facility. The Community expectation is that there is a library facility in Waipukurau.	
Community Facilities	Many buildings have been assessed as requiring seismic work, or through ongoing seismic assessment will require further work through the life of the long term plan. The Waipukurau Memorial Hall being confirmed as earthquake prone is a major challenge for the activity, particularly after Council and community expectation the facility had been strengthened in 2016. Facilities such the Centralines Swimming Pool Facility require community funding for the ongoing delivery of their service and to support their upgrade, which cannot be achieved through community funding. Councils administration building is reaching the end of its economic life, not being fit for purpose. Detailed renewal profiling and condition grading of community facilities has not been completed. Deferred maintenance on buildings.	The development of a Community Facilities Strategy through the 2024 Long Term Plan for implementation in 2027, will provide a holistic opportunity to strategically consider the role, purpose and long-term investment position Council and Community makes in community facilities. There may be the opportunity for the transformational realisation of some assets that are currently underutilised or undervalued
Cemeteries	There is an identified risk around data management and integrity. A systemised approach is required to mitigate this risk.	Continue with procurement plan for Cemetery Information Management system.

Investment in Infrastructure

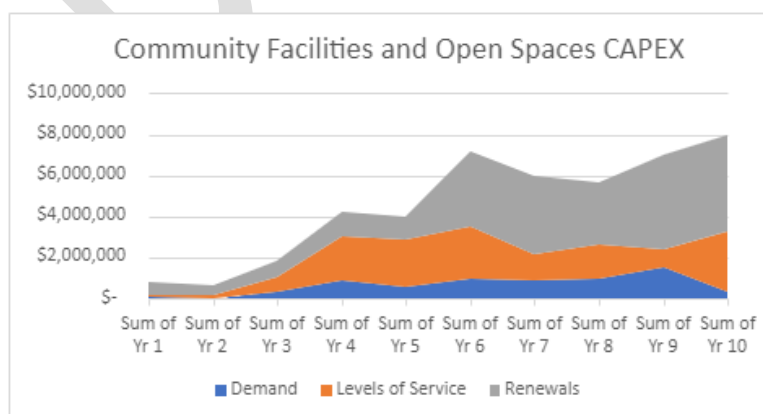
The projects and programmes of work that have been developed to address the challenges and opportunities for the community Facilities and Open Spaces activities are shown in the table below.

Project / Programme	Total Investment (10yrs)
New Heated Pool Complex	14,387,200
New Waipukurau Library Building Construction and FFE	3,382,922
CHB Municipal Theatre EQ Strengthening	1,286,880
Waipukurau Memorial Hall EQ Strengthening	1,155,420
District Parks & Reserves Districtwide Renewals	1,023,883
Waipawa Pools Phase 2	887,336
CHB Municipal Theatre Renewals	841,948



Project / Programme	Total Investment (10yrs)
Waipukurau - New Open Space Land Acquisition Hospital Site	834,004
Otane - New Open Space Land Acquisition	831,625
Waipukurau - New Open Space Development Hospital Site	697,242
Community Halls Districtwide Renewals	647,270
Waipawa - Bush Drain Walkway Land Purchase	594,712
Waipawa - Bush Drain Walkway Development	582,239
Waipukurau - Lake Whatuma Access Racecourse RD & Loop Land Acquisition	566,066
District Parks & Reserves Russell Park Playground Renewal	520,200
District Parks & Reserves Russell Park Phase 3	480,000
Waipukurau - Svenson RD to Mount Herbert RR Accessway Land Acquisition	404,463
Waipukurau - Holt Place to Porangahau RD Accessway Land Acquisition	382,315
Public Toilets Russell Park New toilet & changing rooms	375,550
Waipawa - Implement Town Centre Master Plan	338,315
Otane - Main Street upgrade - Concept, Design, Construct	337,125
Civic Theatre Renewals	335,520
Retirement Housing General renewals	335,520
District Parks & Reserves New Playground	323,466
District Parks & Reserves Nelly Jull Playground Renewal	321,269
Districtwide - Implementation of Cycling Strategy	320,696
Otane - New Open Space Land Development	306,500
Waipawa - Nelly Jull Connection - Land Acquisition to SH2	298,100
District Parks & Reserves New Playground	297,009
Waipukurau - Svenson RD to Mount Herbert RD Accessway Development	286,644
Porangahau - Upgrade Main Street Tree Planting, furniture	276,941
Waipukurau - Holt Place to Porangahau RD Accessway Development	266,859
Waipukurau - Town Centre Plan Development	263,155
Takapau Hall Renewals	262,580
Waipawa Pools Renewals	262,152
CHB Libraries Building Minor Renewals	260,212
CHB Cemetery Improvements carpark, drive, gates	254,877

The total investment for the activities over the 10yr period of the Strategy is shown in the chart below.





DRAFT



Financial Strategy

Adopted: TBC
Review: 30/06/2027



Together we thrive! E ora ngātahi ana!

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Executive Summary

Like communities and other Councils across New Zealand, Central Hawke's Bay District Council is facing significant challenges, not least relating to affordability and its ability to fully fund the level of asset renewal and upgrades required for the future. In a wider Hawke's Bay context, we are faced with the further major challenge of recovering from Cyclone Gabrielle.

The cost of construction projects has grown by 25% over the past 2 years, Councils own insurances costs went up by 48% following Cyclone Gabrielle, Councils interest costs (on its \$40m plus debt) have gone from 2.5% per annum to a forecast 5.5% per annum for the first three years of this 3 Year Plan, which is a 220% increase since the last Long Term Plan. Council is also having to fund the recovery from the worst weather event in New Zealand this century. We now need to recover from these events whilst also keeping our eye on the future.

We still need to respond to changing expectations, higher population growth, and climate change, while keeping sufficient headroom for the unexpected into the future. We also remain mindful of the ability of our ratepayers to fund our infrastructure and the impact of rising cost of living, and severe weather events on our economy. We need to strike a balance between progressing recovery and business as usual in a way that is financially sustainable for our communities. This strategy, reflects many of the difficult choices that have had to be made about which projects and services we prioritise, and fund to make sure we remain within our financial limits for the next three years.

What this means is that Council requires a significant funding boost in Year 1 of the Three Year Plan (+24%), before settling into more typical levels of increases of 5%-12% pa on average for the remaining nine years, based on the current key assumptions relating to land transport recovery and three waters.

In the 2021 – 2031 Long Term Plan 'Facing the Facts', Council began to address its aged infrastructure through #theBigWaterStory and #theBigwastewaterstory and commenced a 12 year capital works program. Now three years into that programme, Council is planning to continue with this program although it is subject to the 25% construction inflation pressures and debt servicing pressures described earlier. These impacts coupled with a rebuild of Councils roading network following Cyclone Gabrielle, sees Council proposing a capital expenditure budget of just over \$425m for the next ten years. The need to urgently progress the Hawke's Bay Waters model as the future for Three Waters Service delivery is further reinforced through this strategy.

The significant capital program is more than the ratepayer can afford to fund in the year of construction, and the capital program is replacing assets with a life expectancy of 30+ years. Therefore to ensure inter-generational equity, and to spread the payments over the life of the assets, recognising the period the benefits will accrue, debt funding is planned to be used. The level of this debt will require Council to obtain a credit rating to allow this level of borrowing, particularly on the assumption that no change is made to the future of three waters funding and delivery.

Despite our challenges, the District continues to grow with a forecast 1,270 new homes being required over the next ten years. To support this, Central Government has provided co-funding through the Infrastructure Acceleration Fund to assist with the development of the Waipukurau South Growth Precinct, commonly known as the old Waipukurau Hospital Site. This will provide much of the required forecast housing growth. While smart growth has benefits to the district, it does place additional pressure on Council's infrastructure and Council needs to ensure that developers are paying their fair share of this growth driven demand. Therefore a key pillar of this financial strategy is the review of Council's development contribution policy and asset management plans to respond.

Introduction

1. What is a financial strategy?

Our financial strategy sets out the overall financial goals of the Council, and in particular the 3 Year Plan. The strategy builds on our current financial position by setting out where we want to be positioned during, and at the end of, the plan period.

The Local Government Act 2002 (LGA) is the guiding legislation for all councils' planning and activities for the next 10 years. We recognise the importance of planning for our long term future as the decisions we make today can have significant impacts on future generations.

This strategy is different to our 2018 and 2021 strategies. After the severe weather events of early 2023, the Severe Weather Emergency Recovery Legislation Act was enacted. This Act allows a number of laws to be changed to help communities continue their recovery from recent severe weather events.

The mechanism to make these changes is a piece of secondary legislation called an Order in Council.

Affected councils advocated for an Order in Council to change their requirements in preparing the 2024 Long Term Plan and associated documents, including the Infrastructure Strategy. The Order in Council regarding Long Term Plans was gazetted 4 September 2023.

Therefore this financial strategy only looks at a three year funding window, rather than the usual ten year window.

2. Council's long-term vision

[Project Thrive](#) remains at the heart of Councils long term vision as it builds upon the work completed in the 2021 – 2031 Long Term Plan 'Facing the Facts'.

While Council seeks to focus and deliver across its long term vision, the main areas of focus for this 3 Year Plan are Cyclone Recovery, Roding Resilience, critical water infrastructure replacements and upgrades. Critical to the districts long term future is also ensuring a view to a future 'Hawke's Bay Waters Model' is also made.

Delivering on these main focus areas, is a challenge of balancing the cost against what is ultimately affordable for the district. Part of this is ensuring that Central Hawkes Bay District Council makes the most of future opportunities available, including recovery funding for Land Transport and all other funding opportunities presented that aren't ratepayer funded. Councils external funding strategy is key to focusing on how this is achieved long term.

Strategic context

3. Recovery from Cyclone Gabrielle

Cyclone Gabrielle devastated the region in early 2023. This weather event caused widespread flooding, landslips, and significant damage to infrastructure along the East Coast. The region was confronted with a huge task – repair the damage caused by the cyclone and rebuild infrastructure in a way that is resilient to any future challenges.

Civil Defence emergency kits have also been distributed to isolated areas to enable community led responses should they be cut off after another catastrophic event.

The recovery efforts have been characterised by determined community efforts and a \$35 million government contribution to the region's roading recovery. Progress has been significant, focusing on infrastructure, rehabilitation, and community resilience against future weather events.

While the roading recovery is well underway it is estimated that Council will still need to spend approximately another \$129m during the next six years to return Councils roading network back to pre-cyclone levels. The 3 year plan assumes that government will contribute 95% of these recovery costs, with the balance being funded by the region through the use of rates and loan funding.

4. Three waters reform – what we know...

In mid-2017, following the Government Inquiry into Havelock North Drinking Water, the Government established the Three Waters Review to look at how to improve the regulation and service delivery arrangements of drinking water, wastewater and stormwater – the three waters – to better support New Zealand's environment, health, and safety. The findings of the Review were consistent with many of the Havelock North Inquiry's findings and raised system-wide questions about the effectiveness of the regulatory regime for the three waters, and the capability and sustainability of water service providers.

The Government, in July 2020, then announced the Three Waters Reform Programme in response to mounting evidence of the challenges facing three waters service delivery nationally. These include ageing infrastructure, historical under-investment, a bow-wave of wastewater plants to be re-consented, source water contamination, higher consumer expectations, required resilience for impacts of climate change and natural hazards, evolving demographics and huge looming costs.

A series of reports augmented by economic modelling puts the cost of a fit-for-purpose, futureproofed three waters service at somewhere between \$120 billion and \$185 billion nationally, over and above already planned investment, in the next 30 years. Most three waters assets and services, but not all, are owned and delivered by local councils. The Government's view was that current arrangements will not be able to address these intergenerational challenges and that transformational reform is required. Informed by this evidence, the Government took decisions in October 2021 to progress the reforms so that all New Zealand communities can benefit from the reforms.

In early April 2023 the Government decided on changes to the water services reform programme. These changes included increasing the number of new water services entities from four to ten in order to strengthen local representation and voice.

The Three Waters Review's mahi also led to the establishment of Taumata Arowai, the new water regulator for Aotearoa and a strengthened regulatory environment for three waters services. Taumata Arowai has a strong focus on the safety of New Zealand's drinking water and on 15 November 2021 became the drinking water regulator. In 2024, it will assume responsibility for wastewater and stormwater networks, becoming the three waters regulator for Aotearoa.

After the change in Government following the 2023 elections, repealing the Water Services Entities Act was one of the priorities of the new Government.

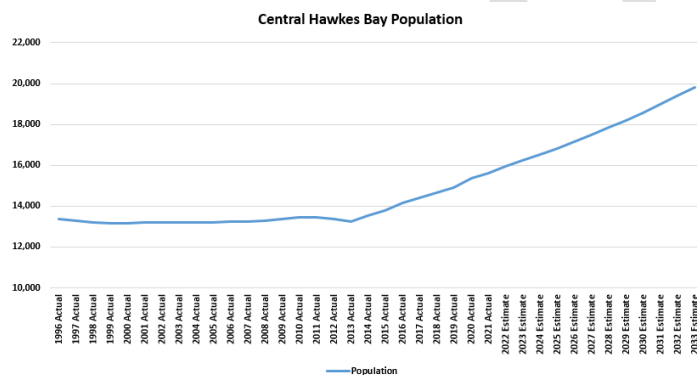
In this Strategy we have assumed that Council retains three water services for the next ten years. The reality is that if the Hawke's Bay Model is again accelerated, Central Hawke's Bay could form part of a regional water services entity as soon as 2027. While there are details to work through, what is certain is that the status quo is not a long term financial sustainable approach to three waters/..

This Strategy and the Three Year Plan has included the operational and capital budgets for our water infrastructure. Taking this approach ensures we continue to keep our community in the loop about what is needed, how much it will likely cost, and ensure we budget what is needed for the renewal and operation of the assets.

5. Growth in population

The chart below shows the population growth projections, forecast in our adopted demographic projections supplied by Squillions¹. The medium projection has been adopted as the basis of growth, which forecasts a growth of 4,000 people over the next ten years, a result of consistent net positive migration. There is an expectation of an ageing population, stable economic growth, balanced housing market, status quo policies, and no major environmental triggers. Risks to this outlook include economic instability, an over-reliance on agriculture, decline in housing affordability, severe climate change events, labour supply, demographic balance, and policy changes.

- Estimated population growth of 2% annually for the next 10 years.
- Estimated number of inhabitants reaching over 19,000 by 2033.
- Average household size likely to increase due to migration patterns.
- Increase in population aged over 65, rising to 25% by 2033.
- Expected requirement of around 1,270 new dwellings over the next decade (120 per year).



Source – [Framing the future of Central Hawke's Bay – August 2023](#)

¹ <https://www.chbdc.govt.nz/assets/Document-Library/Reports/Growth-Assumptions/FINAL-Growth-Assumptions-Squillions-State-of-the-District-2023.pdf>

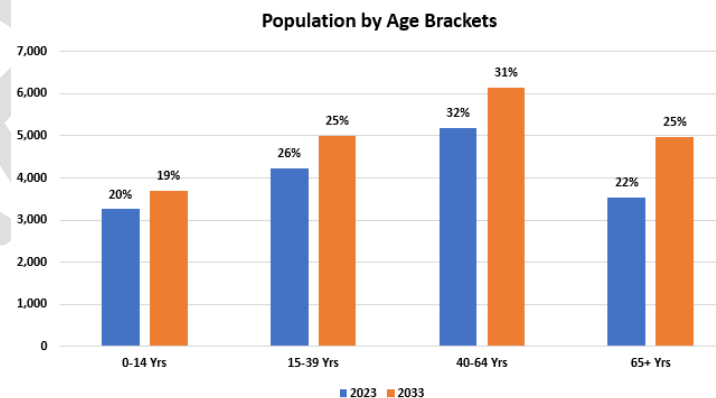
Document Owner: Brent Chamberlain Activity: Finance
Adopted Date: 11/12/2021 Review Date: 9/02/2023 Document Approver: Doug Tate

The drivers of the forecast population growth are lower house prices, and the proximity to Napier-Hastings that provides a wider range of employment opportunities for commuters and semi-remote workers, as well as flight connections through Hawke's Bay Airport. The result is a population that ages but less rapidly than the New Zealand average, having more families with children moving to the district and keeping up average household size.

Population by age

The forecasts also anticipate that 25% of the population will be aged 65 and over in 2034, compared with 22% in 2024. The infrastructure strategy shows how the Council intends to meet the changing infrastructure needs of its community as the population ages.

The chart below shows the predicted age range of the population for the district.



Source – [Framing the future of Central Hawke's Bay – August 2023](#)

Ratepayer growth

The link between the district population and the number of ratepayers is the average number of people per household, which determines the number of dwellings that are required. The lower the average household size, the greater the number of dwellings that are required. For the purposes of forecasting, the number of dwellings is used as a proxy for the number of rating units (ratepayers).

The average household size is likely to increase due to migrate patterns, slightly offset by the aging population size over the next 10 years.

Projected growth in people and dwellings 2023-2033			
Medium scenario			
	People	Dwellings (high)	Dwellings (low)
Otane	290	110	100
Waipawa	470	180	160
Waipukurau	930	360	310
Takapau	180	70	60
Porangahau	60	20	20
Rural/lifestyle	1,880	720	630
Central Hawke's Bay district	3,810	1,470	1,270

Source – [Framing the future of Central Hawke's Bay – August 2023](#) (Medium Growth population, but two levels of household size)

The predicted growth in the number of dwellings is the key forecasting tool that we use to support our expectations for ratepayer growth.

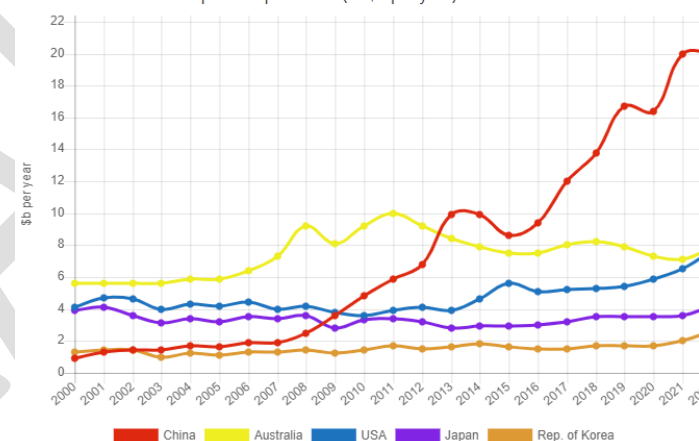
This anticipated growth is supported by the house price and consent data in the next section.

Economic growth

National and international context

The global economy remains recovering from the Covid-19 pandemic, along with all the unwinding of artificial stimulus packages of the various central banks and governments. This has left a shadow over the economy with high inflation and constrained freight availability. However, these pressures are now starting to ease, and economists are no longer predicting a hard economic landing, but rather a period of subdued economic growth of between 2.7%-3.0% pa. Central Banks remain wary of sticky inflation (wages and consumer prices that don't respond quickly to changes in demand) and unsustainable debt levels.

New Zealand's Goods Exports: Top Markets (NZ\$b per year)

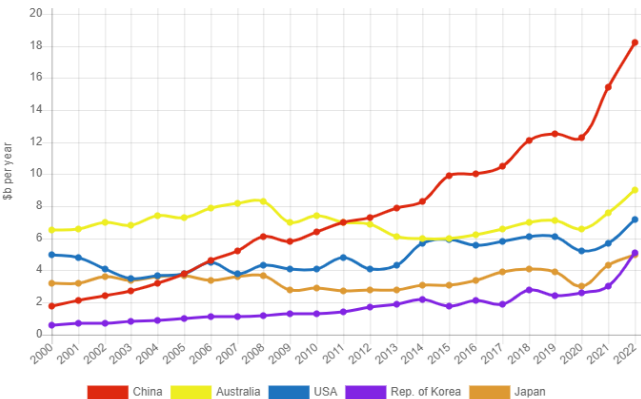


New Zealand economy also rebounded following the Covid-19 pandemic. Being isolated from its trading partners, the lack of shipping, and cost of freight particularly badly impacted New Zealand. Inflation following Covid-19 hasn't dropped as quickly as the rest of developed world and as a result New Zealand's Reserve Bank has raised interest rates higher and faster than the rest of world in an effort to curb inflation. It is now forecast that it will keep its OCR (Official Cash Rate) at 5.5% till at least early 2025.

In late 2023, the new National lead coalition government formed and in early 2024 have begun a number of policy and cost-reduction measures across Government. The full impacts of these are yet to be seen, however the cost reduction measures are also offset by proposed tax cuts and the removal of other regional taxes.

New Zealand’s economic performance is also impacted by that of China, with China being New Zealand’s largest trading partner by some margin. Unfortunately, China is also experiencing an economic downturn, and was recently put on credit rating watch by the international credit rating agency Moody’s, which in turn softening New Zealand’s dairy and red meat prices.

New Zealand's Goods Imports: Top Sources (NZ\$b per year)

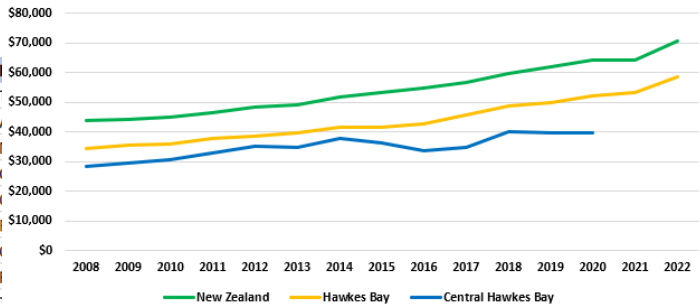


Source – Statistics NZ (year to December 2022))

Central Hawkes Bay remains largely an agriculturally based economy with agriculture accounting for over 30% of its total GDP, along with manufacturing supporting this agricultural sector accounting for a further 14% of GDP.

Source – MBIE Territorial Authority GDP 2021 Release (2019 dataset)

GDP per Capita



Education and Training	19.46	3.3%
Health Care and Social Assistance	18.79	3.2%
Professional, Scientific and Technical Services	18.59	3.1%
Rental, Hiring and Real Estate Services	14.46	2.4%
Wholesale Trade	13.45	2.3%
Information Media, Telecommunications and Other Services	11.07	1.9%
Public Administration and Safety	10.05	1.7%
Financial and Insurance Services	8.33	1.4%
Administrative and Support Services	2.45	0.4%
Accommodation	2.15	0.4%
Food and beverage services	2.14	0.4%

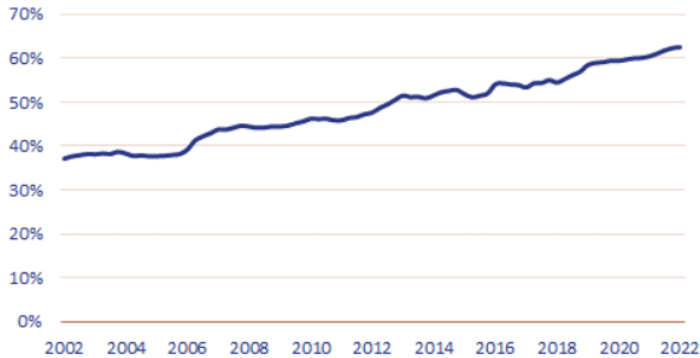
Central Hawkes Bay remains largely an agriculturally based economy with agriculture accounting for over 30% of its total GDP, along with manufacturing supporting this agricultural sector accounting for a further 14% of GDP.

Source – MBIE Regional Economic Activity Tool

With the higher freight and inputs costs and softer export prices, the Covid-19 years haven't been kind to the Central Hawkes Bay economy with GDP per capita falling further behind its neighbors and New Zealand as a whole.

Reducing this reliance on the local economy is the increasing trend of commuting for work outside of the Central Hawkes Bay District boundaries. These people are attracted to the district for the cheaper housing costs (relative to its neighbors) but are still enjoying the 14% increase on average of earning power over working within the district.

The best of both worlds
Share of residents drawing income from outside the district



Source – [Framing the future of Central Hawke's Bay – August 2023](#)

Employer TA	Average earnings
Central Hawke's Bay District	\$50,800
Hastings District	\$57,100
Napier City	\$55,900
Auckland	\$63,900
Wellington City	\$66,600
All others	\$56,600
Total ex. Central Hawke's Bay	\$57,800
Total resident jobs	\$55,200

Source – [Framing the future of Central Hawke's Bay – August 2023](#)

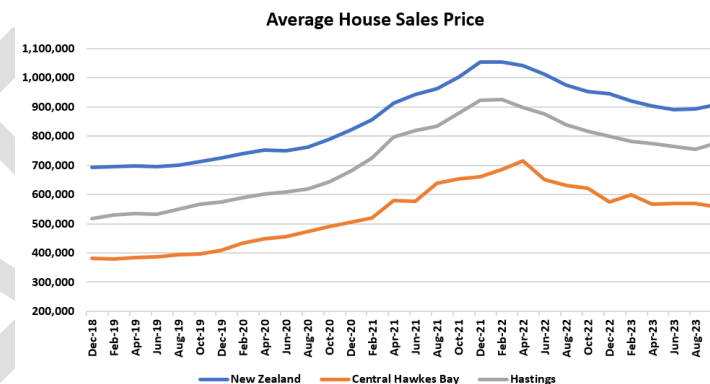
6. Affordability

When a Council considers affordability it is typically thinking of rates or fee and charges. However the things that rates and fees pay for impact the district's wellbeing in many ways that extend beyond just economic wellbeing. Any decision on changing levels of service to limit rate increases will have a knock impact on other areas of wellbeing, and rates and fees shouldn't be considered in isolation.



Diagram Source – Morrison Lowe

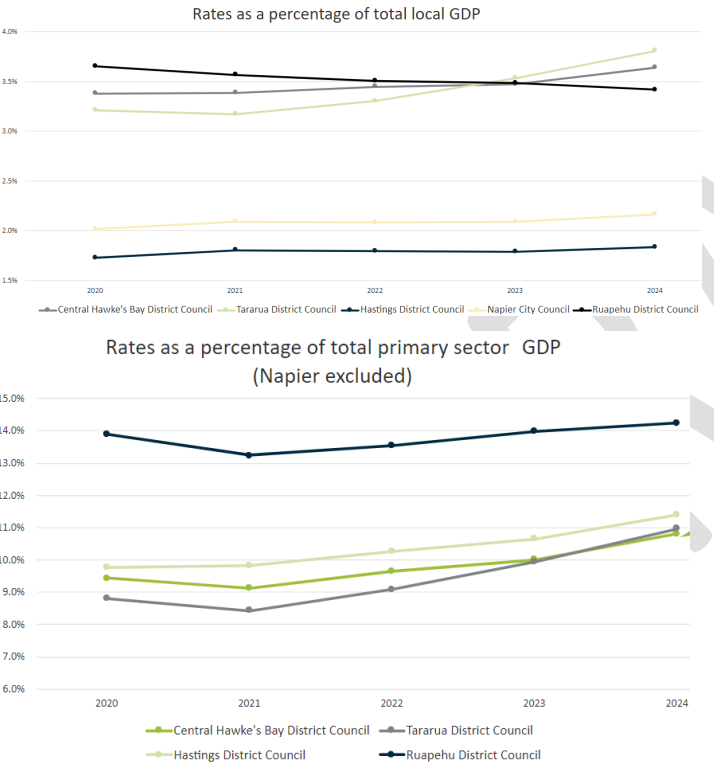
As stated earlier, Central Hawkes Bay's housing remains affordable compared to its neighbors, at least in a price sense but remembering that incomes in Central Hawkes Bay are typically 14% lower than in Hastings. Hastings house prices grew faster than Central Hawkes Bay during the last boom cycle and the gap has widened between the two districts which is adding the attraction of Central Hawkes Bay as a commuter base to Hastings.



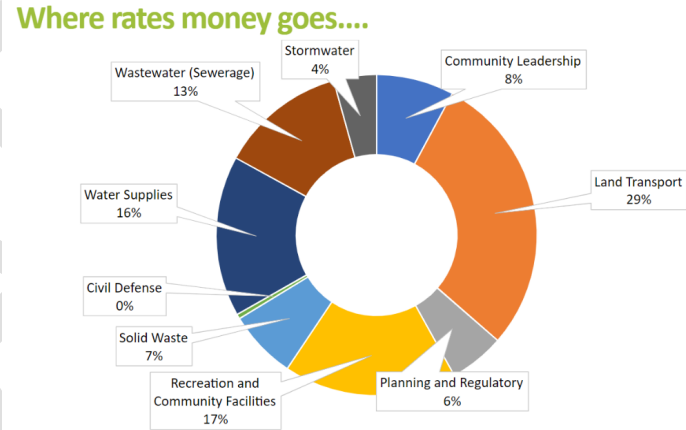
Rates affordability

The following two charts indicates the levels of Council's rates as a percentage of the districts GDP (both regional GDP and rural GDP) when compared with the other local councils and other similar sized councils.

What this shows is that Council's rates are similar to other rural Council's in terms GDP percentage, but also indicates that rates have risen faster than GDP in recent years.



The graph below shows where Council's rates revenue is spent (source 2023 annual report). Most of your rates is spent delivering infrastructure (Roads, Solid Waste, and Water) at 69 cents in every dollar. This is also the area that has been under invested in historically with many assets in a poor state of health and at end of life, and where most of the Cyclone Gabrielle recovery spend is going.



7. Connections to the Infrastructure strategy

What is an infrastructure strategy?

The purpose of the infrastructure strategy is to identify the significant infrastructure issues facing the Central Hawkes Bay District and options for managing them over a period of at least 30 years. Central Hawke's Bay has been provided with special legislation as a result of Cyclone Gabrielle to develop a 10 year infrastructure strategy.

The infrastructure strategy must describe how we intend to manage our infrastructure assets, and associated expenditure needs, over the period of the strategy, taking into account a range of factors that affect the nature and cost of infrastructure provision.

Known infrastructural issues

The most significant issue faced by the district is the aging non-compliant sewage treatment ponds, resilience of drinking water supply, and repair of damaged roading network following Cyclone Gabrielle.

To deal with the above issues Council is planning to:

- To replace the existing wastewater plants at Otane, Waipawa, and Waipukurau with a single upgraded sewage treatment plant in Waipawa. This has partially been achieved last Long Term Plan with the Otane and Waipawa plants already being joined. Work is ongoing on joining Waipukurau to this network, but this involves river crossings involved so it will be a long term solution (budgeted at \$70m over the next years). In the meantime shorter term upgrades to the DAF unit at Waipukurau will be undertaken. In addition wastewater plants at Takapau and Porangahau are also scheduled to be updated in the next ten year period.
- A second water supply to feed Otane, Waipawa, and Waipukurau is currently being built with a new central reservoir capable of feeding both between Waipawa and Waipukurau (\$19m budget). The reservoirs in Waipawa and Waipukurau are due for replacement over the next 5 years (an \$13m investment). With some funding from Government an improved flood bank to protect the Waipawa/Otane water treatment plant (damaged in cyclone Gabrielle) is also due to be built \$2.5m (or alternatively \$7.5m to relocate the plant all together).
- Cyclone Gabrielle did significant damage to Council's roading network (slips, slumps, bridge and bridge approach damage). Central Government provided Council with emergency funds of \$46m to repair the highest

priority sites, but this will leave Council with a residual damage of approximately \$129m to progressively repair over the next 6 years.

In addition to above, Council will continue with its standard renewal programs for all other assets with a particular focus on stormwater following Cyclone Gabrielle.

The Council is also working with the Government's Infrastructure Acceleration Fund and developers to develop what was the old Waipukurau Hospital site into residential housing. This potential housing growth also is being factored into future water and roading upgrades being planned over the next 10 years.

This infrastructure strategy has been built into Councils 3 Year Plan budgets and the funding required is reflected in the rating, external funding, development contributions revenue targets, and the debt forecasts contained within the 3 Year Plan.

Land use changes

Councils are required to prepare a District Plan under the Resource Management Act 1991.

In November 2016, Central Hawke's Bay embarked on a bold and ambitious new journey as council and community created a new vision for Central Hawke's Bay – Together we Thrive! The District Plan is a key tool to bring the outcomes of Project Thrive alive for our community.

In 2019 we developed a Draft District Plan and held public meetings throughout the district to get feedback on it, and to find out what communities felt were the critical issues in our district.

The community's valuable feedback on the Draft District Plan helped us develop the Proposed District Plan. It was publicly notified in May and public submissions were called for, ending 6 August 2021.

In 2022 submitters were heard over seven different Hearing Streams. The Hearings have now been completed and the Hearings Panel has made its decisions on the Proposed District Plan and all matters raised in submissions.

On 25 May 2023 the Council publicly notified the updated 'decisions' version of the Proposed District Plan.

Currently there are 9 appeals were received on the decisions on submissions on the Proposed District Plan and are being worked through.

8. Development impact fees

Development impact fees are a combination of:

- development contributions required under the provisions of the Councils development contributions policy (as amended in the 2024-27 3 Year Plan); and
- financial contributions provided for under the Resource Management Act 1991 and the Council's district plan (part E).

Development contributions

Development contributions are forecast according to how we expect the district to grow and go towards the cost of capital expenditure for core infrastructure that is required as a result of growth. The Council's policy on development contributions states that 100% of the cost of capital expenditure that is needed to meet growth requirements is paid for by development. Or more simply – growth pays for growth. The Council funds some costs of development in advance of receiving the development contributions.

Having significant development contributions can be a disincentive for developers and can adversely impact housing affordability. Equally, large rates increases to fund growth costs would not be fair to our existing ratepayers so the Council needs to find a balance.

As required by the Local Government Act 2002, we are reviewing our current development contributions policy and we are consulting on any changes that we propose as part of the 3 Year Plan process.

The proposed development contribution will take into account the high population and household growth expected across the region, and the significant growth component to Councils proposed Capital program. This will require a corresponding lift in development contributions require per new Household Equivalent (HUE).

Financial contributions

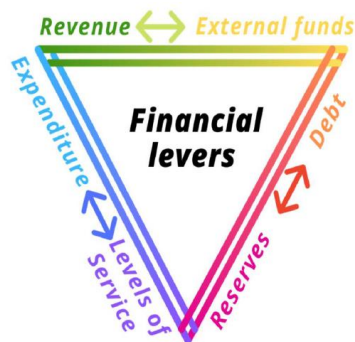
Financial contributions consist mainly of reserves contributions, which are used to fund reserve development activities, such as the management of natural areas and the creation of recreation resources.

9. Intergenerational equity

Intergenerational equity requires that each generation that benefits from an investment should contribute to the cost of that investment. Councils should generally only borrow to fund capital investment such as the building of infrastructure and amenities that benefit current and future generations. Debt is one way of smoothing the cost of construction over the generations that make use of, or benefit from, the service. It is a way of meeting the principle of 'intergenerational equity'.

10. Financial strategy

The financial strategy aims at achieving a balance by trying to deliver affordable rates to the community, minimise council borrowings and optimise capital spending.



This balance can be represented by the triangle diagram above, where the levels of services (LoS) desired is represented by the amount of Council's operational expenditure budget. If you raise the expected LoS you need more budget, or alternatively you can lower the LoS by reducing your budgeted expenditure.

From year to year the size of your budget will grow, even if LoS remain static, due to inflation.

Once the operating budget is set, Council then considers the funding mechanisms available to Council – Rates, Fees and Charges, Debt, and speed of delivery of the Capital Program.

A change in any one funding source doesn't change the amount budget, but requires an adjustment to another funding source to maintain equilibrium (a balanced budget).

Council must balance what Levels of Services it delivers to the community against how it funds these services, taking into account affordability and intergenerational equity.

Other sources of revenue

The non-rates revenue that we can draw upon comprises mainly fees and charges, grants and subsidies, and development and financial contributions. Outside of NZTA roading subsidies, Fees and charges are the largest item of non-rates revenue and include building and resource consent fees, landfill and transfer station fees, community housing rental income, and library and volumetric water charges.

11. What has happened since the 2021-31 long term plan?

The major focus of the 2021-2031 Long Term Plan 'Facing the Facts' was focused on catching up on the years of underinvestment in primarily Council's 3 Waters infrastructure, but also setting a platform for future three waters and community facilities investment.

This Long Term Plan period saw a 12-year program of upgrades commence as part of #thebigwaterstory and #thebigwastewaterstory. Through a combination of rates, debt, and central government funding Council is now three years through this program, with a further nine years of works ahead of us.

Due to debt constraints, price escalations, and changes to the three waters reform programme, and most notably the physical impact of Cyclone Gabrielle introducing new risks and uncertainty to some programmes, the significant water upgrade programs have been rephased from the original programme of having all wastewater out of rivers by 2033. Council continues to work with the other Hawkes Bay Councils to explore the merits of forming a Hawkes Bay Council Controlled Entity to deliver 3 Waters across the entire Hawkes Bay District, but this 3 year plan assumes Central Hakes Bay District Council continues to deliver 3 Waters services throughout the life of this plan.

As the country experiences the tail of the economic impacts of Covid-19, while some supply constraints are beginning to ease, pricing of construction projects are not returning to pre-covid levels, exacerbated also by Cyclone Gabrielle. This means that all planned construction has increased in cost by approximately 25% in the past two years meaning Council can only deliver part of what it forecast three years ago for the same money.

Cyclone Gabrielle has also had a significant impact on the Council and was unforeseen when setting the Long Term Plan three years ago. Nearly 12 months on Council still faces uncertainty about the funding assistance for its roading repairs, is bearing additional recovery costs, and the flood protection and final land categorisations for the township of Porangahau yet to be completed. There also remain significant future uncertainty relating to the long term impacts of Cyclone Gabrielle on the resilience of many of our Wastewater sites for the current operations and future resilience investment.

12. A focus on debt

The Council has shown leadership by actively chasing external funding such as the Infrastructure Acceleration Fund, realising that with the limited number of Rate Payers in the District the cost of necessary infrastructure improvements is beyond normal funding mechanisms of debt.

During the 2024-2034 Plan it is expected, even with external non-ratepayer funding that debt levels will increase to \$237 (which is beyond it's current allowable debt cap). This is because of the legislative requirement to replace the Waipawa, Waipukurau, and Otane Waste Water treatment ponds, replace 3 reservoirs which are at the end of life, add resilience to the district water supply, and fund its share of Cyclone Gabrielle damage to the roading network.

In an ideal world by capping debt and restricting capital expenditure must haves, will rates to be kept within the proposed limits without affecting the current levels of service. However, due to both drinking water standards, waste water discharge consents, and Cyclone damage this isn't going to be possible.

The Council has recently updated its treasury management policy, which sets out a framework for the Council to manage its borrowing and investment activities in accordance with Council objectives, as well as incorporating legislative requirements. The updated policy supports the strategy by introducing targets and setting new limits on the amount of money that the Council can borrow.

13. Financial limits

The proposed new financial limits are set out in the following tables:

Measure	2024-2034 3 Year Plan	
	Internal Limit	Banking Covenants
Debt to Revenue - Unrated	<150%	<175%
Debt to Revenue – Credit Rated	<200%	<280%
Debt to Equity	<10%	
Interest to Total Revenue	<5%	<10%
Interest to Rates Revenue	<10%	<20%

Based on the above debt cap of 150%, and Councils 2024/25 3 Year Plan budgeted revenue of \$74.6m (excluding development contributions) this would make Council's debt cap \$111.9m (or \$149.2m once it acquires a credit rating based on a 200% limit).

A credit rated Council can borrow up to 280% from the Local Government Funding Agency (although Councils own internal Treasury Management Policy currently precludes this) which is a maximum of \$208.9m.

The above calculation are based on Council's current revenue budget, however over the course of the 3 Year Plan Council's revenue will increase which will increase Council's ability to borrow.

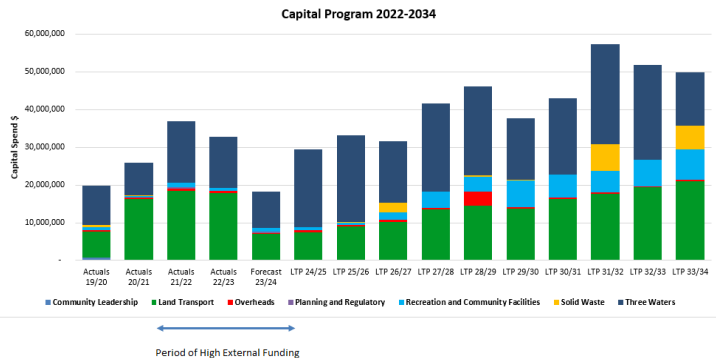
Based on the 10 Year Plan debt and revenue profiles currently in the proposed budgets, Council will exceed its existing treasury policy debt limit of 150% of revenue at the end of year 5, on the assumption of future land transport recovery funding being realised. At this point Council will need to obtain a credit rating to remedy this situation.

However it would be prudent for Council not to wait until it hits its debt cap before applying for a credit rating (which take a minimum of 6 weeks to obtain). Council, as part of risk mitigation, should always retain at least \$10m of undrawn debt headroom to be able to respond in an emergency to unforeseen events such as Earthquakes/Cyclones immediately, rather than waiting for insurance claims or credit ratings to be approved.

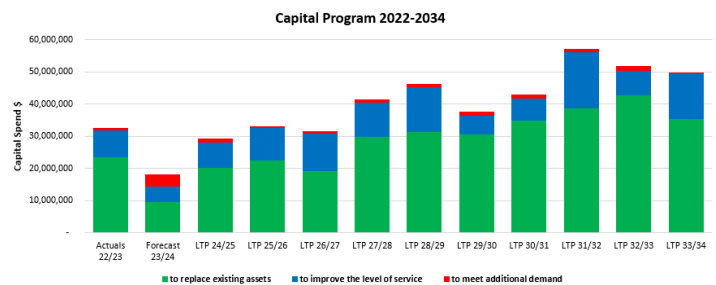
15. The three financial levers

Capital expenditure

The Council’s proposed capital expenditure budget of just over \$421m for the first 10 years provides the key focus for the 2022-2034 asset management plan.



The forecast capital expenditure for the 10 years of the plan is shown in the charts below. The capital expenditure figures stated in the financial strategy are gross figures, that is they include the portion that will be funded by external parties such as the NZTA and the Infrastructure Acceleration Fund.



The capital expenditure programme is driven by the infrastructure strategy, which prioritises a programme of capital work necessary to meet the ongoing needs of the community. The infrastructure strategy is constructed from the activity

management plans for our core infrastructure (roads, three waters and solid waste, as well as some of our community facilities), which considers the age, condition and useful lives of our assets, and the costs of renewing and/or upgrading them.

Therefore, a key part of the financial strategy is to balance the requirements of the infrastructure strategy with the financial limits that the Council is proposing to work within. The infrastructure strategy covers a 30-year period (10 year legal timeframe in this Three Year Plan) to ensure that we are planning our asset requirements well into the future and that we are resourced to meet the requirements.

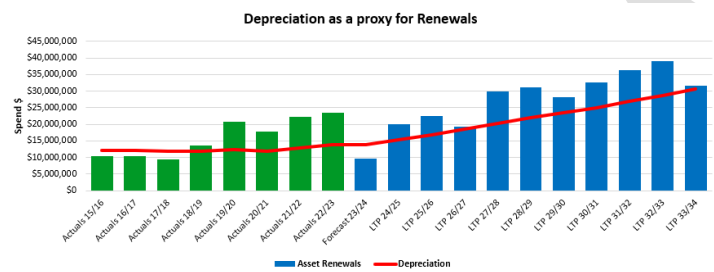
There are two main areas of capital expenditure – renewals and upgrades. Asset renewals are paid for by rates-funded depreciation. Upgrades may be required either as a result of growth or because we need to increase the level of service of a particular asset. Upgrades that are required as a result of growth should be funded entirely through development contributions; upgrades that are due to a level of service increase are funded largely through debt.

Renewals

We have \$1,019m in assets, mainly relating to our core infrastructure of roads, three waters and solid waste. Our activity management plans identify the timing for renewals, based on the condition of the assets. We are undertaking a continuous programme of condition assessments to help us build a more detailed picture of all our assets. This is so that we can renew them all at the right time – before they deteriorate significantly or fail, but not while they still have a significant useful life.

In the 2024-34 asset management plan we are planning to spend an average of \$31.2m a year on renewals (which is a step change from the \$17.5m contained in the 2021-2031 Long Term Plan and the \$13.3m in the 2018-2028 Long Term Plan). So we are still maintaining all our assets to a good standard with timely, but not early, replacement of assets.

A number of our assets are nearing the end of their useful life, which is the reason for this significant renewals cycle.



When we look at our planned renewals and our forecast depreciation together, the annual depreciation can be considered a reasonable estimate of the annual renewals cost, as shown in the chart below.

If, over time, renewals expenditure is approximately equal to depreciation, it can reasonably be assumed that the assets and the services that they are providing are sustainable.

For the Council, the estimated cost of renewals is significantly more than the forecast depreciation for the earlier part of the asset management plan. This reflects the fact that the Council has under invested in renewals in previous years and is now having to catch up. By year 10 of the asset management plan renewals begin to decline and dip back below depreciation indicating that all the urgent renewal program is complete. However you will notice that the depreciation charge increases significantly over the course of the asset management plan which

represents the new portfolio of assets Council will be looking after (such as new wastewater plants, toilet blocks, and playgrounds). In time these new assets will need replacing.

Upgrades

During the first 10 years of the Asset Management Plan we plan to spend \$106m a year on upgrades (levels of service improvements or growth driven assets).

Some hard decisions have had to be made to finalise the proposed capital expenditure budgets of just over \$94m for the first 3 years of the asset management plan term plan. Further difficult decisions, prioritising expenditure and managing risk, will have to be made for the asset management plan if the Council's goal of capping debt growth is to be achieved.

Funding depreciation

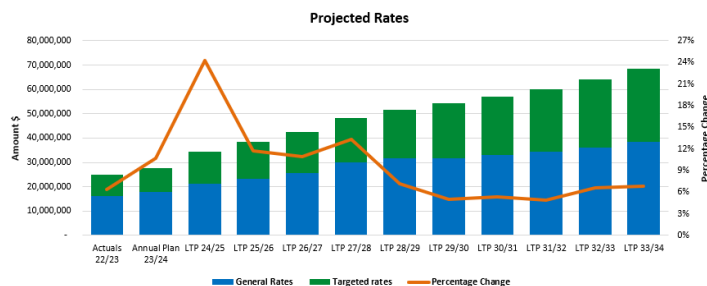
Including depreciation in our operating expenses each year is a way of ensuring ratepayers pay their fair share, and only their fair share, of the assets they use and benefit from – it ensures intergenerational equity.

In previous long term plans the council has opted not to fully fund depreciation, on the basis that the asset renewals and rates funding thereof was not required until later. The cumulative effect of the non-funded depreciation is significant, and will have to be matched with additional debt to replace assets.

Because Council is having to catch up on renewals in years 1 to 9 of the asset management plan, the Council has no capacity to fully fund depreciation in this 3 year plan although the intention is that this policy needs to be reviewed in future LTP's to ensure that Council remains on top of renewals once they have caught up on the back log.

Rates

Like communities and other Councils across New Zealand, Central Hawke's Bay District Council is facing significant challenges, not least relating to affordability and its ability to fully fund the level of asset renewal and upgrades required for the future.



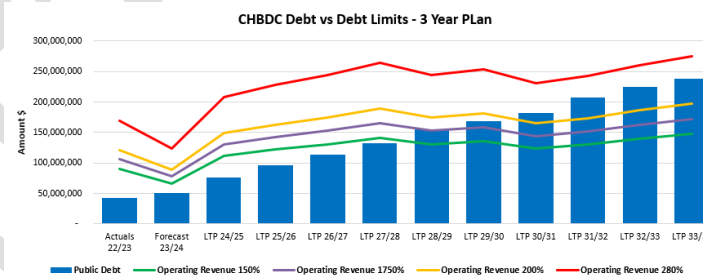
The cost of construction projects has grown by 25% over the past 2 years, Councils insurances costs went up by 48% following Cyclone Gabrielle, Councils interest costs (on its \$40m plus debt) have gone from 2.5% pa to a forecast 5.5% pa for the 3 Year Plan (which is a 220% increase), and Council is having to fund the recovery from the worst weather event in New Zealand this century. What this means is that Council requires a significant funding boost in year 1 of the 3 Year Plan (+24%), and can then settle back into more typical levels of increases of 5%-12% pa on average for the remaining 9 years of the forecast. The chart above shows our forecast rates increases and highlights the rates increase attributable to targeted rates (mainly a 3 waters issue).

This Three Year Plan does not include any significant changes in levels of service (although temporary decreases are being considered to help rate low in the first two years of the 3 Year Plan). The forecast rates increases over the term of the plan are largely due to the cost of living crisis outlined above, along with Councils capital program.

The non-funded depreciation also means that the Council does not currently have a balanced budget for years 1-3. This financial strategy seeks to balance rates increases with our stated target of capping debt.

Borrowings

The chart below reflects our forecast borrowings profile based on the achievement of our capital expenditure limits. The solid green line represents our current non-credit rated borrowing limit as set out in Councils Treasury Management Policy. The solid purple line represents our current non-credit rated borrowing limit as set out by Councils Bank. The orange line represents the new higher limit once Council obtains a credit rating and the red line represents the maximum that the bank will lend to Council regardless of its internal policy settings.



While this graph shows is that Council won't need a credit rating till year 5 of the 10 year plan, this is due to the additional government funding the model has assumed regarding roading recovery. If this assumed revenue doesn't eventuate, then the need for a credit rating moves forward by 2 years to year 3 of the plan. Council will need to monitor this debt to revenue ration throughout the 3 year plan to ensure compliance with its treasury policy and will need to the policy again as part of the next Long Term Plan 2027-2037 if it is to deliver the current proposed 10 year capital program.

Water debt currently accounts for 84% of Councils total debt, and while it was hoped at the time of writing the 2021-2031 Long Term Plan that the Labour Government's 3 waters reform was going to see this debt (and the corresponding assets) passed to a new water entity, however this is clearly no longer going to happen. However the 5 Hawkes Bay Councils are currently in early discussions about setting up their own Water Entity. It is unclear at this stage whether this will allow full balance sheet separation like the Labour Governments model, so this 3 Year Plan assumes 3 Waters remains the responsibility of Local Councils.

Security for borrowings

Our liability management policy (part of our treasury policy) has recently been updated. The Council's external borrowings and interest rate risk management instruments will generally be secured through a Debenture Trust Deed. Under a Debenture Trust Deed, the Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government Rating Act. The security offered by the Council ranks equally with other lenders. From time to time, and with Council approval, security may be offered by providing a charge over one or more of the Council's assets.

Investments

Our investment policy (part of our treasury policy) has recently been updated. The Council's primary objective when investing is the protection of its investment capital. Accordingly, the Council may only invest in approved creditworthy counterparties.

16. Level of service statement

As outlined in this strategy, for the 3 years to 2027 the expenditure incurred allows Council to maintain its existing services, although temporary decreases are being considered to help rate low in the first two years of the 3 Year Plan. No new activities are being planned.

17. Insurance

The Central Hakes Bay District Council, together with other Hawkes Bay Councils, and Manawatu/Wanganui LASS, and Bay of Plenty LASS, collectively purchase insurance for their respective assets on a combined basis. This syndicate was provides scalability to the benefit of accessing wider domestic and off-shore insurers.

The Council is facing a number of emerging potential financial risks. They include an increase in insurance premiums due to the perception of increased risk profile for the Hawkes Bay Region following the Kaikōura and Christchurch earthquakes and Cyclone Gabrielle.

To address the increased risk, the Council is undertaking a number of mitigation strategies, including the buying syndicates beyond just Hawkes Bay LASS, completing loss modelling, insurance valuations, risk profiling, and developing an insurance strategy.

SIGNIFICANT FORECASTING ASSUMPTIONS

A forecasting assumption is defined as something the Council accepts as being true for the purposes of future decisions and actions.

Council has made a number of significant assumptions in preparing this Three Year Plan that are foundational the financial estimates and deliverability of the plan. The Local Government Act 2022, requires Councils to disclose their key assumptions. Where there is a high degree of uncertainty, Councils are required to identify the uncertainty and estimate the potential effects of that uncertainty on the financial estimates.

This section contains assumptions about the following matters:

Contents

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4.0	Growth and Financial Assumptions	6
5.0	Capital Expenditure Delivery	13
6.0	Legislative/Regulatory environment	15
7.0	Climate change, Natural Hazards and Carbon Implications.....	16
8.0	Assets	17

1.0 Summary

Issue	Likelihood of occurrence	Financial Impact
1. Strategic Direction and Demand		
Change in strategic direction and demand	Moderate	Moderate
2. Council Operation and Structure		
Organisational Change including three waters	Moderate	High
There is sufficient resource to deliver operational services	Moderate	Moderate
3. Growth and Financial Assumptions		
Population Growth	High	High
Demographic changes - age	High	Moderate
Housing growth	Moderate	Moderate
Inflation forecasts	Moderate	Moderate
Insurance forecast	Moderate	Moderate
Interest rates forecast	Moderate	High
Borrowing status with LGFA	Low	High
Income from Development Contributions	Moderate	Moderate
Income from Central Government subsidies and/or grants	Moderate	High
Trade Waste- Capital Financial Contributions	Moderate	Moderate
4. Capital Expenditure Delivery		
Ability to deliver the capital programme	Moderate	Moderate
Sufficient Contractor availability to deliver capital programmes	Moderate	High

Issue	Likelihood of occurrence	Financial Impact
5. Legislative/Regulatory Environment		
Impact of Legislative Change on Council	High	High
6. Climate change, Natural Hazards and Carbon Implications		
Emissions Trading Scheme	Moderate	High
Major weather events and climate change	High	High
7. Assets		
Asset Lives	Moderate	Moderate
Depreciation	Low	Low
Earthquake Prone Buildings	Moderate	Moderate

2.0 Strategic Direction and Demand

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk Mitigation factors and effects
Change in strategic direction and demand	Council has a clear strategic direction established by Project Thrive. This direction guides the future of the district and for how Council services and the resources applied to progress that direction and there are no substantial changes to services.	<p>Substantial changes in the strategic direction and level of service because of changing community and political priorities, or other contextual drivers, could result in increased cost and/or opportunity costs.</p> <p>Cyclone Gabrielle has put a significant strain on Council's resources. An additional extreme weather event would compound the strain on Council.</p>	Moderate	Moderate	<p>The Council's budgets and work programme are based on the strategic direction as set out in the introductory chapters to the Three Year Plan, developed through Project Thrive. The current context is further refined from priorities identified in this triennium, shaped by events such as Cyclone Gabrielle.</p> <p>The strategic direction and services of Council are regularly monitored. Any significant changes to the Council's strategic direction would be considered within the parameters of the Financial Strategy and if needed reassessed through an Annual Plan process or LTP amendment.</p> <p>The Financial Strategy shall ensure that sufficient financial headroom is available to responds to unforeseen events.</p>

3.0 Council Operation and Structure

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk Mitigation factors and effects
Organisational Change including three waters	The Three-Year Plan is based on the assumption that activities are being delivered under the current structure and are generally assumed to remain the same. This includes three waters.	Change to three waters occurs at a rate faster than assumed (i.e the first three years of the Three-Year Plan). Major unexpected changes to the structure of service delivery could be costly and significantly disruptive to the delivery of services during a transition phase.	Moderate	High	While there is recognition that the Hawke's Bay Three Waters Model will be the vehicle that will most likely achieve the outcomes the new Government Policy 'Local Water Done Well' sets and that this could be achieved within 3-4 years, it is too early in this three-year plan to confirm this assumption. Any significant changes would trigger significance and may require the use of the Special Consultative Procedure. Any changes or impacts would need to be carefully examined and considered, ahead of major change occurring – requiring multiple aspects of Councils operation to be considered likely as part of a full Long Term Plan review or amendment.
There is sufficient resource to deliver operational services	Council will continue to face challenges in attracting and retaining key staff in specialist areas.	Council will not be able to attract or retain key staff resulting in impacts to Levels of Service and additional cost where reliance on external contractors occurs.	Moderate	Moderate	Nationally across all industries (not unique to Council organisations) businesses remain facing a specialist skills shortage – that, coupled with recent economic and inflationary pressures has resulted in a particularly competitive job market. Salary expectations remain high and Council are unable to meet or compete with these expectations. Turnover in key roles where shortages exist, particularly three waters, planning and land use have impacted our services in recent years.

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk Mitigation factors and effects
					<p>Council has some ability to adjust or reprioritise key programmes of work, relatively to budget and resource availability, however not for many core activities such as consenting.</p> <p>As part of the People & Capability activity, Council a wider attraction, development, and retention strategy.</p> <p>Council has strong external contractor relationships that continue to provide resources and support teams through period of vacancies, however this market too has its challenges, and this comes with significant additional cost. It will continue to utilise these opportunities whilst undertaking recruitment.</p>

4.0 Growth and Financial Assumptions

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects																														
Population Growth	<p>Population growth estimates aligns with the Squillions Central Hawke's Bay Demographic and Economic Growth Projections 2023-2053, medium growth assumption rate over the next 10 years to 2034. This assumes an average growth rate of 2.0% per annum. In 2023, the population of Central Hawke's Bay is estimated to be 16,220.</p> <table><tr><th>Year</th><th>Total Population</th><th>% aged 65 and over</th></tr><tr><td>2023</td><td>16220</td><td>22%</td></tr><tr><td>2028</td><td>18420</td><td>23%</td></tr><tr><td>2033</td><td>20930</td><td>25%</td></tr><tr><td>2053</td><td>29530</td><td>26%</td></tr></table> <table><tr><th>Age</th><th>2023</th><th>2033</th></tr><tr><td>0-14</td><td>3260</td><td>3690</td></tr><tr><td>15-39</td><td>4230</td><td>5000</td></tr><tr><td>40-64</td><td>5190</td><td>6150</td></tr><tr><td>65+</td><td>3540</td><td>4970</td></tr></table>	Year	Total Population	% aged 65 and over	2023	16220	22%	2028	18420	23%	2033	20930	25%	2053	29530	26%	Age	2023	2033	0-14	3260	3690	15-39	4230	5000	40-64	5190	6150	65+	3540	4970	<p>That population growth is higher or lower than expected.</p> <p>Increases in population greater than forecast will exacerbate the strain on council services, facilities, and infrastructure.</p> <p>A slower decrease in population growth and therefore a slower growth in new housing, will impact the spread of the rate revenue calculated from growth assumptions impacting rates affordability, and therefore our ability to maintain infrastructure and services from the current rating base.</p>	High	High	<p>Population projections consider impacts resulting from Cyclone Gabrielle and the ongoing impacts of affordability.</p> <p>There are a large number of variables that remain uncertain nationally and internationally that could impact the projections, and Council will need to carefully monitor these regularly against projections as it does through its quarterly financial and other reporting, including annual reviews of its growth data.</p> <p>The current three-year approach to substantially reviewing budgets and growth impacts on assets, is a core mitigation factor.</p>
Year	Total Population	% aged 65 and over																																	
2023	16220	22%																																	
2028	18420	23%																																	
2033	20930	25%																																	
2053	29530	26%																																	
Age	2023	2033																																	
0-14	3260	3690																																	
15-39	4230	5000																																	
40-64	5190	6150																																	
65+	3540	4970																																	
Demographic changes - age	<p>That the proportion of residents aged 65+ in the district will rise from 22% in 2023 to 25% in 2033. This is a trend that is forecast to continue past 2033 into subsequent years.</p>	<p>An increasingly older population increases the number of residents on fixed incomes and therefore limited ability to pay for more services.</p>	High	Moderate	<p>Council has implemented a new rating option for Superannuants to provide rates postponement for those that own their homes. This however will not substantially address affordability for all.</p> <p>An ageing population will need different levels of service to support accessibility and affordability. These have been factored in where identified, and will be</p>																														

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects																																																																																																																														
	<p>Central Hawke's Bay State of the District 2023 Squillions Ltd</p> <p>Figure 14: Population by age with projections: high scenario</p> <table border="1"> <thead> <tr> <th>Year</th><th>Total</th><th>0-14 years</th><th>15-39 years</th><th>40-64 years</th><th>65+ years</th></tr> </thead> <tbody> <tr><td>2018</td><td>14,650</td><td>3,050</td><td>3,650</td><td>5,100</td><td>2,850</td></tr> <tr><td>2019</td><td>14,900</td><td>3,090</td><td>3,740</td><td>5,080</td><td>2,990</td></tr> <tr><td>2020</td><td>15,400</td><td>3,150</td><td>3,950</td><td>5,150</td><td>3,150</td></tr> <tr><td>2021</td><td>15,700</td><td>3,190</td><td>4,090</td><td>5,130</td><td>3,290</td></tr> <tr><td>2022</td><td>15,950</td><td>3,300</td><td>4,100</td><td>5,150</td><td>3,400</td></tr> <tr><td>2023</td><td>16,270</td><td>3,270</td><td>4,250</td><td>5,200</td><td>3,550</td></tr> <tr><td>2024</td><td>16,690</td><td>3,370</td><td>4,440</td><td>5,180</td><td>3,700</td></tr> <tr><td>2025</td><td>17,180</td><td>3,490</td><td>4,590</td><td>5,250</td><td>3,850</td></tr> <tr><td>2026</td><td>17,760</td><td>3,570</td><td>4,780</td><td>5,440</td><td>3,970</td></tr> <tr><td>2027</td><td>18,360</td><td>3,670</td><td>4,990</td><td>5,600</td><td>4,100</td></tr> <tr><td>2028</td><td>19,020</td><td>3,800</td><td>5,230</td><td>5,730</td><td>4,260</td></tr> <tr><td>2029</td><td>19,730</td><td>3,950</td><td>5,520</td><td>5,800</td><td>4,460</td></tr> <tr><td>2030</td><td>20,440</td><td>4,090</td><td>5,760</td><td>5,930</td><td>4,660</td></tr> <tr><td>2031</td><td>21,170</td><td>4,240</td><td>5,970</td><td>6,100</td><td>4,860</td></tr> <tr><td>2032</td><td>21,890</td><td>4,390</td><td>6,170</td><td>6,310</td><td>5,020</td></tr> <tr><td>2033</td><td>22,640</td><td>4,550</td><td>6,380</td><td>6,520</td><td>5,190</td></tr> <tr><td>2038</td><td>26,480</td><td>5,360</td><td>7,440</td><td>7,650</td><td>6,030</td></tr> <tr><td>2043</td><td>30,510</td><td>6,080</td><td>8,570</td><td>8,930</td><td>6,930</td></tr> <tr><td>2048</td><td>35,030</td><td>6,920</td><td>9,840</td><td>10,300</td><td>7,970</td></tr> <tr><td>2053</td><td>40,060</td><td>7,730</td><td>11,180</td><td>11,760</td><td>9,390</td></tr> </tbody> </table>	Year	Total	0-14 years	15-39 years	40-64 years	65+ years	2018	14,650	3,050	3,650	5,100	2,850	2019	14,900	3,090	3,740	5,080	2,990	2020	15,400	3,150	3,950	5,150	3,150	2021	15,700	3,190	4,090	5,130	3,290	2022	15,950	3,300	4,100	5,150	3,400	2023	16,270	3,270	4,250	5,200	3,550	2024	16,690	3,370	4,440	5,180	3,700	2025	17,180	3,490	4,590	5,250	3,850	2026	17,760	3,570	4,780	5,440	3,970	2027	18,360	3,670	4,990	5,600	4,100	2028	19,020	3,800	5,230	5,730	4,260	2029	19,730	3,950	5,520	5,800	4,460	2030	20,440	4,090	5,760	5,930	4,660	2031	21,170	4,240	5,970	6,100	4,860	2032	21,890	4,390	6,170	6,310	5,020	2033	22,640	4,550	6,380	6,520	5,190	2038	26,480	5,360	7,440	7,650	6,030	2043	30,510	6,080	8,570	8,930	6,930	2048	35,030	6,920	9,840	10,300	7,970	2053	40,060	7,730	11,180	11,760	9,390				regularly reviewed as part of asset management planning.
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Housing Growth	<p>With increasing population comes the demand for increased housing to support growth. To calculate projected households, we consider population projections as well as household size in terms of number of people residing in each home. Population growth is expected to increase by 2.0% p.a over the next 10 years and household sizes are expected to increase quarter-way through the next 10 years before returning to the</p>	<p>Household growth is lower than the levels expected relieving pressure on housing supply, impacting rate payer projections.</p> <p>Household growth increases above the expected levels</p>	Moderate	Moderate	<p>Council have adopted the medium growth scenario from the growth projection work based on the level of activity over the past 12 months and the level of uncertainty post Cyclone Gabrielle.</p> <p>Population and household sizes will continue to be monitored annually and</p>																																																																																																																														

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
	same average size as now. (2.3 people per household on average). *	placing further pressure on existing housing supply.			compared to assumed forecasts so that variances can be identified early, and housing and financial projects can be adapted accordingly.
Inflation forecasts	That local government cost inflation will be consistent with BERL forecasts. The BERL local government cost index reflects the selection and relative importance of the goods and services which represent broadly the expenditure pattern of Local Authorities in New Zealand. This basket thus includes more directly relevant items including capital expenditure on pipelines, and earthmoving, and site works, and operating expenditure such as local government sector salary and wage rates. Forecasts have been provided across specific activity groups; for capital expenditure versus operating expenditure and broadly overall in the form of the LGCI.	Inflation is higher than forecast. This could impact the cost and affordability of Council services.	Moderate	Moderate	BERL price change estimates are an industry recognised measure. Given the volatility to inflation presented by the current economic environment, inflation and its impact on local government costs, and rate payers will continue to be reviewed annually.
Insurance forecast	Insurance premiums will increase over time due to numerous natural events that have resulted in major insurance payouts. Insurance costs are predicted to rise by at least 20% as a result of the natural events.	That inflation is higher than forecast. This could impact the cost and affordability of Council services.	Moderate	Moderate	BERL price change estimates are an industry recognised measure. As these are updated annually, Council will review its financial strategy accordingly noting the impact of any upward movement on affordability.
Interest Rates Forecast	That Council will be able to negotiate favourable borrowing terms, and interest rates for borrowing will be in keeping with forecast expectations. Council is forecasting for the ten-year period of this LTP that the interest rate will range from 4.00% to 5.50 %.	That we will not be able to access loan funding, or interest rates are higher than forecast. The Council will have a greater level of exposure to this risk with increases in Council's debt levels and cap likely to be required for water related services.	Moderate	High	The Council has a Financial Strategy and Treasury/Liability Management Policy which sets parameters for Council debt and contains strategies to protect ratepayers against significant fluctuations. If there is significant change, Council has the option to modify its investment

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects																																							
	<table><tr><th>Financial Year</th><th>Residential Floating</th><th>Councils Cost of Funds</th></tr><tr><td>2022/23</td><td>6.85%</td><td>5.50%</td></tr><tr><td>2023/24</td><td>6.30%</td><td>5.25%</td></tr><tr><td>2024/25</td><td>6.00%</td><td>5.00%</td></tr><tr><td>2025/26</td><td>5.90%</td><td>4.75%</td></tr><tr><td>2026/27</td><td>5.85%</td><td>4.50%</td></tr><tr><td>2027/28</td><td>5.60%</td><td>4.00%</td></tr><tr><td>2028/29</td><td>5.50%</td><td>4.00%</td></tr><tr><td>2029/2030</td><td>5.50%</td><td>4.00%</td></tr><tr><td>2030/2031</td><td>5.50%</td><td>4.00%</td></tr><tr><td>2031/32</td><td>5.50%</td><td>4.00%</td></tr><tr><td>2032/33</td><td>5.50%</td><td>4.00%</td></tr><tr><td>2033/34</td><td>5.50%</td><td>4.00%</td></tr></table>	Financial Year	Residential Floating	Councils Cost of Funds	2022/23	6.85%	5.50%	2023/24	6.30%	5.25%	2024/25	6.00%	5.00%	2025/26	5.90%	4.75%	2026/27	5.85%	4.50%	2027/28	5.60%	4.00%	2028/29	5.50%	4.00%	2029/2030	5.50%	4.00%	2030/2031	5.50%	4.00%	2031/32	5.50%	4.00%	2032/33	5.50%	4.00%	2033/34	5.50%	4.00%				programmes to slow future investment where it can.
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Borrowing Status with LGFA	That Council's debt will not exceed the debt cap and borrowing can continue at the same level.	That Council fails to obtain a credit rating <u>by 2025/2026</u> and hits the LGFA debt ceiling of 175% and no longer has access to further debt funding.	Low	High	The likelihood of this occurring is low. While in changing times, Credit Rating Agencies have looked favourably on New Zealand Councils as their main revenue stream is guaranteed by statute (rates) and can be changed annually to suit Council's budgets.																																							
Income from Development Contributions	<p>Income received from development contributions is sufficient to fund growth related infrastructure, as per the Development Contributions Policy.</p> <p>Significant assumptions in relation to development contributions are included in the Development Contributions Policy.</p>	The risk is that development contributions do not cover the cost of growth-related infrastructure because there is less growth than expected or changes to the zoning of land in the Proposed District Plan are not progressed through decisions.	Moderate	Moderate	<p>The Council's Development Contributions Policy is reviewed alongside the development of the Three Year Plan and conservatively based on latest available growth forecasts.</p> <p>The policy provides for annual adjustments of development contributions relative to lending costs and inflation.</p> <p>Any shortfall in Development Contributions will need to be loan funded</p>																																							

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
					until such time the growth does occur, and the loan can be repaid. Council maintains sufficient debt head room of approximately \$10m to accommodate this scenario.
Income from Central Government Subsidies and/or grants	<p>That the Council will continue to receive subsidies from Waka Kotahi / NZTA as per the agreed funding regime (the Funding Assistance Rate (FAR)) at 59% for non-Cyclone recovery work.</p> <p>That a 95% Bespoke FAR equivalent and/or other funding support will be achieved for Land Transport Cyclone Recovery.</p>	<p>The risk is that the level of subsidy funding available for services and projects is less than budgeted and/or expected.</p> <p>No co-funding is received from NZTA or Government from Roothing Recovery and only a small fraction of the repairs needed can be completed in the first 3 years of the LTP.</p>	Moderate	High	<p>The FAR subsidy is the largest source of Council revenue after rates and dropped to 59% on 1 July 2024. This has been confirmed for the three-year period.</p> <p>This amount gets reviewed every three years and if subsidy available is reduced, this could have a longer-term detrimental effect on our network.</p> <p>Cyclone Gabrielle (February 2023) has left significant damage across the Councils network. At the start of the 2024-2027 Three Year Plan Council will have residual unrepaid damage of approximately \$129m which the Three Year Plan assumes that NZTA will provide a bespoke funding at a higher FAR of 95% for this work or Government funds this equal contribution, with Council continuing to co-contribute at a rate of \$2m per year for at least the first 3 years of this LTP.</p> <p>Built into the budget is a ratepayer, reserve, and loan funding of \$2.2m per year for the first three years of the Three Year Plan towards roading recovery. Council is seeking a higher than normal FAR rate from Waka Kotahi to be added to this \$2.2m, however this is yet to be confirmed. Any additional funding will be</p>

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
					in addition to, and will allow additional repairs to be undertaken. Levels of service or the speed of recovery will have to significantly reduce if subsidy rates, or the level of funding continues to decrease.

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Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
Trade Waste-Capital Financial Contributions	Council will receive the level of capital financial contributions forecast from Trade Waste Suppliers over the Three Year Plan to fund part of the cost of the demand that trade creates on our district Wastewater Services as part of the annual fees and charges review, that will be undertaken as part of the Three Year Plan process.	The key risk is the revenue forecast in the Three Year Plan does not eventuate due to either a decrease in Trade Waste Businesses in the district or an increase in pre-treatment investment from Trade Waste Businesses which reduces Councils expected revenue stream. Any shortfall would require Council would have to loan fund the missing capital contribution.	Moderate	Moderate	<p>There is awareness amongst the trade waste industry that Capital Financial Contributions, would at some point be required, as they currently experience at other operating locations throughout the country.</p> <p>Council has been relatively conservative apportioning the level of capital contribution that Trade Waste creators will pay in the Three Year Plan, currently apportioning only \$450k pa to Trade Waste users. To this end, there is the potential that this revenue could increase, decreasing Council's requirement for borrowing to fund the balance of Council's wastewater programme.</p> <p>The regular review of Fees and charges in this space is required to ensure that Council is able to cover the projected expenses.</p>

5.0 Capital Expenditure Delivery

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
Ability to Deliver Capital Programme	<p>Council will have adequate resources to initiate and manage the significant capital expenditure programme within the timeframes assumed.</p> <p>The Three Year Plan continues to see an increase in capital expenditure over the ten years, particularly in the three waters activity and the Land Transport recovery programme. The increases are significant increases above the level of capital funding this Council has been able to successfully deliver historically.</p>	<p>That Council is unable to deliver the works programmes as outlined.</p> <p>If the risk occurs then this creates a wave and backlog of work, in particular continued delays in the delivery of renewal and upgrades. Subsequently that may impact on desired levels of service being achieved. Cost escalation may occur, and asset failure may occur before asset replacement is achieved.</p> <p>This also comes with the risk that Council strikes rates, borrows and charges Development Contributions to fund a programme it can't deliver in the budgeted timeframe.</p>	Moderate	Moderate	<p>The Three Year Plan continues to see an increase in capital expenditure over the ten years, particularly in the three waters activity and most notably to deliver the land transport recovery programme. The increases are significant increases above the level of capital funding this Council has been able to successfully deliver historically</p> <p>Council has been purposely raising the level of project management sophistication and rigour in the organisation over the last three years to prepare for the anticipated major increases in capital expenditure in this Three Year Plan.</p> <ul style="list-style-type: none"> Establishing a specialist internal project management office. Procuring and implementing long-standing professional services arrangements with key providers Early engineering design work for the wastewater projects has already been completed. <p>If the project does fall behind the schedule contained in the Three Year Plan, Council could revise the speed of delivery in future annual plans, and alter rating, development contributions and borrowing assumptions at that time. Any</p>

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
					money already collected can be carried forward to a later year to be used at the point of construction.
Sufficient Contractor availability to deliver capital programmes	<p>That the construction industry will have the capacity to undertake the Council's programmes in addition to the other large public and private projects planned..</p> <p>We will be able to find skilled contractors to undertake the work we require, to the agreed standards, deadlines and cost.</p>	<p>That there will be a shortage of contractors, or that contractors will not deliver to the agreed standards and specification with the agreed time. If the risk occurs it could result in an increase in the price, timeframes, and/or quality.</p>	Moderate	High	<p>There are many forecast challenges with availability of contractors. These are associated with infrastructure being severely impacted by the extreme flooding events earlier this year, as well as possible skill shortages within the contracting sectors themselves. These challenges may impact Council in terms of availability, cost and quality of work. The most notable effect from this assumption is that work programmes cannot be delivered or are delivered at an inflated cost.</p> <p>The use of Regional Prioritisation and Programming through the Regional Recovery Agency will be an important mitigating factor in the first three years of the plan relating to recovery resource.</p> <p>Council may need to reprioritise its programme as a mitigation factor.</p> <p>At a local level, Council is supporting industry through skills and talent opportunities to bridge these gaps. We are procuring and implementing long-standing professional services arrangements with key providers.</p>

6.0 Legislative/Regulatory environment

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
Impact of legislative change on Council	It has been assumed there will be no unexpected changes to legislation or other external factors that alter the nature of services provided by Council.	That there will be some unexpected change to legislation or other factors that will impact Council significantly.	High	High	<p>With the change in Government in 2023 there is an expectation of further legislative change. The impact of this to Council is not yet known and Council cannot budget for this.</p> <p>Officers will keep abreast of legislative and regulatory change will provide advice to Council on how to respond when change occurs. Changes will be address through future Long Term Plan and Annual Plans.</p>
Ability to gain Regulatory Relief	It has been assumed that Council will be able to gain regulatory relief from Hawke's Bay Regional Council, the Environment Court and other regulators relating to its three waters programme, and expected delays as a result of Cyclone Gabrielle.	That while the programme and ability to practically progress projects has been impacted by Cyclone Gabrielle, that regulatory relief is not able to be achieved and Council is prosecuted and/or required to progress programmes earlier.	Low	Med	<p>Cyclone Gabrielle has had a significant impact across many of Councils assets, most notably impacting our wastewater sites and upgrade programme.</p> <p>A mitigating factor at this time is that Council cannot realistically progress with any consenting until such a time a river reviews and their corresponding impacts are completed. This could be many years away.</p> <p>Council has also given early warning to its regulators of the impact of Cyclone Gabrielle.</p>

7.0 Climate change, Natural Hazards and Carbon Implications

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
Emissions Trading Scheme	Council is required to buy and surrender carbon credits in arrears based on tonnage of waste being received by its landfill operation. These carbon credits are subject to market pricing and these costs are passed through to consumers at the time of receipt of waste.	Council has to set its gate fee / transfer station fee 12 months ahead of the ETS liability being settled. The risk is in price fluctuation during the intervening time.	Moderate	High	Council has the ability to enter into forward exchange contracts to lock in certainty on pricing, but this does reduce the ability to react to market declines.
Major weather events and climate change	<p>In the longer term, increased frequency and intensity of storm events and possibly, longer drought period.</p> <p>That there will be no significant natural disasters such as storms, floods, earthquakes and volcanic eruptions that damage the districts infrastructure.</p>	That there are significant unplanned events that occur more frequently than planned for putting additional stress on our financial preparedness and ability to recover.	High	High	<p>Provision is being made to adapt infrastructure for climate change, given the long-life cycle of assets. Most notably the impacts from Cyclone Gabrielle are likely to form a new basis for resilience and rainfall return periods, when confirmed by NIWA. If they are different from what is predicted this will be assessed as they become evident however can be expected to have a significant impact.</p> <p>Cyclone Gabrielle has left the district vulnerable to future events and financially challenged to recover from the event.</p> <p>Continue to prioritise resilience projects for funding and delivery, wherever possible, including considering the long term impacts of climate change.</p> <p>The key approach is to ensure the Financial Strategy retains a portion of available debt <u>headroom of approximately \$10m</u> for unplanned events where possible. <u>While this is not affordable in the long term, it is the only realistic mitigating approach Council has. The assumption is that if the event of sufficient magnitude, then NEMA and</u></p>

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
					insurance assistance would also be available in addition to this debt headroom.

8.0 Assets

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
Asset lives	Useful lives of assets are as recorded in asset management plans or based on professional advice. These are summarised in the depreciation note within the accounting policies. The 30 Year Infrastructure Strategy also contains summarised information about the roading, water, wastewater, stormwater, recreation and built property assets.	That assets wear out or significantly fail earlier than their replacement.	Moderate	Moderate	<p>Asset life is based on estimates of engineers, valuers and asset managers. In the event that assets need to be replaced in advance of the assumption, depreciation and interest costs may increase. The extent of the increase will depend on the nature and value of the asset.</p> <p>The renewal programme is reviewed annually, and any changes to planned timing of renewals will be reflected in the Annual Plan, with adjustments to funding arrangements if required.</p> <p>Despite this, Council holds a number of critical assets that have reached the end of their economic life, including reservoirs. While planned for replacement, these could fail before their replacement resulting in a significant failure. While contingency plans have been developed, the scale of failure will be relative to the practicality of the plans implementation.</p>

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
Depreciation	Depreciation has been calculated on asset values at their latest revaluation date, and on additions at cost afterwards. It is assumed that: <ul style="list-style-type: none"> existing depreciation rates will continue new assets' depreciation will be the result of their estimated lives and values depreciation on new and renewal programmes will impact in the year following the capital programme 	<p>That more detailed analysis of planned capital works once complete may alter the depreciation expense.</p> <p>That asset lives may be extended due to new technology improving asset lives, or reduced due to assets being decommissioned sooner than originally assumed..</p>	Low	Low	Council has asset management planning and upgrade programmes in place. Asset capacity and condition is monitored, with replacement works planned according to standard asset management and professional practices. Actual depreciation is calculated according to normal accounting and asset management practices, which require depreciation to start once an asset is commissioned.
Earthquake Prone Buildings	<p>The Council will need to incur significant expenditure to address any shortcomings in the standard of its buildings in relation to earthquakes.</p> <p>The Council will upgrade each of its buildings to a minimum of 34% of the New Build Standard (NBS) and that this will be done progressively over a 15-year period.</p> <p>Currently Council has buildings that are Earthquake prone, some with restrictions or are closed due to the earthquake prone status. These include Central Hawke's Bay Municipal Theatre (restrictions), part of the Waipawa Main Administration Building, the Waipukurau Library (closed), the Waipukurau Memorial Hall (restrictions) and part of the Waipawa Museum (restrictions).</p>	That when the upgrade work is fully scoped, the actual cost will be significantly more than is currently contemplated.	Moderate	Moderate	<p>Council's properties have been assessed, beginning with those that are the most significant (in terms of size and public exposure) and those considered to be the most likely to be at risk. Preliminary assessments have been made of the forecast cost of upgrading the buildings to meet a minimum of 34% of the NBS.</p> <p>Given what is known about the buildings at this stage, an outline programme of proposed programme of works has been prepared to progressively upgrade the buildings over a 15-year period in the later years of the plan. As more information becomes available, Council will reassess budget priorities. The outcomes of the proposed Community Facilities and Civic Review will influence decisions about the nature of the investments to be made in relation to assets such as the Waipukurau Library</p>

Issue	Assumption Description	Risk	Likelihood of occurrence	Financial Impact	Risk mitigation factors and effects
					At all times the Council will have regard for the safety of occupiers and public users of the properties.

DRAFT

6.6 ASSURANCE MONITORING REVIEW OF SENSITIVE EXPENDITURE - GIFTS

File Number:

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Doug Tate, Chief Executive

Attachments: Nil

RECOMMENDATION

That the report be noted.

PURPOSE

The purpose of this report is to update the Committee on the Council Gift register for the 6 months from 1 July to 31 December 2023. This register is to provide transparency of all gifts received and the disbursement of them in a transparent manner.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

DISCUSSION

For the sake of transparency, the table below shows a summary of the type and value of gifts received over the last six months (July 2023 to December 2023). The bulk of these are received at Christmas time and are redistributed to all staff through a randomised selection process.

Quantity of Gifts	Estimated Total Value	Type
20	\$630.00	Meals and Drinks provided by contractor.
9	\$339.00	Low Value Gifts kept by recipient.
2	\$125.00	Gift received and regifted to community groups.
22	\$911.00	Gift received and regifted to all staff through random selection process.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002 and Income Tax Act 2007 Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.

- Any decisions made will help 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.
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That the report be noted.

6.7 ELECTED MEMBERS EXPENSES FOR 1 NOVEMBER 2023 - 31 JANUARY 2024**File Number:** COU1-1410**Author:** Brent Chamberlain, Chief Financial Officer**Authoriser:** Doug Tate, Chief Executive**Attachments:** Nil**PURPOSE**

The purpose of this report is to update the Committee on the Elected Members' Expenses for the three months covering the period from 1 November 2023 to 31 January 2024.

RECOMMENDATION

That the Elected Members Expenses for 1 November 2023 to 31 January 2024 report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

For the sake of transparency, the table below shows the elected members' expenses for the past three months. The expenses included in the totals below are mileage reimbursement, car expenses, data charges, phone costs, travel, meeting and professional development expenses including accommodation and any meals.

In the below table is the Elected Member Expenses for the period 1 November 2023 – 31 January 2024.

	Mileage Expenses	Travel, Conferences, Meetings & Training	Phone/Data	Period Total	Year to Date Total
Mayor Alex Walker	Work Car Supplied	3,846.23	114.96	3,961.19	6,647.12
Cr Kelly Annand	-	494.57	-	494.57	1,108.15
Cr Tim Aitken	-	379.94	-	379.94	1,002.15
Cr Jerry Greer	-	365.74	-	365.74	679.25
Cr Gerard Minehan	-	365.74	-	365.74	1,269.15
Cr Brent Muggeridge	-	365.74	-	365.74	679.25
Cr Kate Taylor	695.40	1,789.74	-	2,485.14	3,127.33
Cr Exham Wichman	-	365.74	-	365.74	1,353.29

	Mileage Expenses	Travel, Conferences, Meetings & Training	Phone/Data	Period Total	Year to Date Total
Cr Pip Burne	-	1,904.36	-	1,904.36	3,789.54
Total	695.40	9,877.80	\$114.96	\$10,688.16	19,655.23

Training/Conferences attended during this period include LDINZ (Leadership Development), MGD Panel Recertification (Making Good Decisions), Zone 3 (Zone 3 Council Networking Forum).

During this period, as per Schedule 7 of the Local Government Act 2002 and the Local Government Members (2022-2023) (Local Authorities) Determination 2023, a vehicle has been provided to the Mayor for restricted private use.

As per the Determination, Restricted Private Use means—

- the vehicle is usually driven home and securely parked by the mayor or regional chairperson; and
- the vehicle is otherwise generally available for use by other local authority members or staff on local authority business; and
- the vehicle is used solely for local authority business; and
- all travel in the vehicle is recorded via GPS tracker.

The [Elected Member Remuneration and Expenses Policy](#) forms the basis of how expenses are assessed.

Any claims received are reviewed by the Governance Lead, before being provided to the Chief Executive and Mayor for review. In the case of the Mayor, these are reviewed by the Governance Lead and Chief Executive Officer, before being presented to the Chair of the Risk and Assurance Committee for approval.

Such expenditure is usually carefully reviewed by Audit at year end and overall, this organisation has taken a very conservative approach to expenses claimed, in relation to other Councils across New Zealand.

FINANCIAL AND RESOURCING IMPLICATIONS

There are no financial or resourcing implications included in this report. These costs are covered within existing budgets.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made.
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter.
- Any decisions made will help 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.

- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan.
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That the Elected Members Expenses for 1 November 2023 to 31 January 2024 report be noted.

7 DATE OF NEXT MEETING**RECOMMENDATION**

THAT THE NEXT MEETING OF THE CENTRAL HAWKE'S BAY DISTRICT COUNCIL BE HELD ON 20 JUNE 2024.

8 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
8.1 - Emerging Risks and Issues - Forum Discussion	<p>s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority</p> <p>s7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of Council members, officers, employees, and persons from improper pressure or harassment</p>	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

9 TIME OF CLOSURE