



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Council Workshop

Thursday, 29 February 2024

9.00am

Council Chambers,

28-32 Ruataniwha Street, Waipawa

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Order Of Business

1 Welcome / Karakia 3

2 Three Year Plan Budget Workshop 3

2 Three Year Plan Budget Workshop 4

- 1 **WELCOME / KARAKIA**
- 2 **THREE YEAR PLAN BUDGET WORKSHOP**

2 THREE YEAR PLAN BUDGET WORKSHOP

PURPOSE

This workshop covered the following key topics that further build on the development of the Three-Year Plan budget:

Community Affordability Workshop

This workshop session invited key community organisations into Council's workshop, to provide early feedback on the Draft 3 Year Plan.

This session was an opportunity for Council to hear first-hand about the challenges the proposed 3 Year Plan in its current position creates, but more importantly to hear what the potential opportunities or ideas are for Council to support organisations and their members/community through the 3 Year Plan.

Attendees were from CHB Budget Services, Rural Support Trust, Federated Farmers, Te Taiwhenua o Tamatea, Older Persons and Disability Networks, Safer CHB/Food Secure Networks and Youth Council.

We specially sought their insights on:

1. Understanding from their organisation what they see the biggest challenge(s) of the proposed 3 Year plan being for their members/community and;
2. What options/opportunities can they suggest and/or what assistance could council provide to their organisation or their members/community directly recognising the challenges.

The outcomes of this session will be presented at a principles level as part of a report on the Three-Year Plan to Council at their meeting on 14 March 2024.

Infrastructure Strategy

This workshop session was to provide a further update on the Draft 2024-2034 Infrastructure Strategy with a key focus around the assumptions and limitations, key infrastructure challenges/risks highlighted, the options to address risks and what investment is required.

Elected Members were asked to give further general feedback on the direction of the strategy, to ensure that any further changes can be made prior to further decisions of Council.

Page 162 of the [2021 - 2031 Long Term Plan](#) has the 2021 Infrastructure Strategy as background context.

This Strategy will now be presented to Council for its endorsement at its 14 February 2024 meeting, before being adopted for consultation as part of the Three-Year Plan Consultation Document supporting information on 4 April 2024.

Draft Financial Strategy

This workshop session is to provide Council with an update on how the Draft Financial Strategy has been developed, including the considerations around the current challenges we are facing around affordability and sustainability of council services over the next 10 years.

It summarises the overall financial position of Council, and in particular at the end of the 10-year period. This workshop session is to seek any general feedback from elected members on the strategy. In particular, we would like elected members to give feedback on the economic and

environmental opening comments.

The Strategy will continue to be subject to change, relative to further decisions of Council.

Page 138 of the [2021 - 2031 Long Term Plan](#) has the 2021 Financial Strategy.

This Strategy will now be presented to Council for its endorsement at its 14 February 2024 meeting, before being adopted for consultation as part of the Three-Year Plan Consultation Document supporting information on 4 April 2024.

Development Contributions Policy – Early Draft

This workshop session was to provide an update on the additional work that has been completed to revise the draft Development Contributions Policy, since early February workshops, and to seek feedback and input from elected members on the policy development.

The numbers in the early draft policy are not final and are subject to further change ahead of workshop next week.

Elected Members were encouraged to spend their time considering the policy provisions, which are substantially unchanged from the 2021 Policy, albeit the inclusion of roading projects.

Page 162 of the [2021 - 2031 Long Term Plan](#) has the 2021 Development Contributions Policy.

This Policy will now be presented to Council for its endorsement at its 14 February 2024 meeting, before being adopted for consultation as part of the Three-Year Plan Consultation Document supporting information on 4 April 2024.

Better Off Funding

This workshop session was to provide elected members with a further update on Better Off Funding (BOF) and to seek feedback on the mix of options and projects there are to repurpose funding based on the BOF criteria. This follows updates to Council in late 2023, following Council's decision to reconsider the projects following Cyclone Gabrielle.

As background, the Better Off Funding Project Scopes confirmed by Council in September 2022 was also provided.

A further workshop on this topic is being held on 6 March 2024 presenting information requested, ahead of Council formally debating and considering this item at its 14 March 2023 Council meeting.



Council Workshop

29 Feb 2024



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Workshop Agenda – 29 Feb 2024

Affordability Workshop

Infrastructure Strategy

Financial Strategy

Draft Development Contributions Policy

Better Off Funding



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Affordability Workshop

29 February 2024



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Purpose of this session

- To provide an update on the scope of work that Council has completed to date on the Three-Year Plan, including the affordability work completed
- To hear from you all on the insights you have on the impacts that the proposed increases would mean to your members/community, coupled with the challenges that the members and community are already facing with affordability
- To hear from you all on what options/opportunities you can suggest and/or what assistance could council provide to your organisation or your members/community directly recognizing the challenges



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Why a Three-Year Plan when Council usually undertakes a 10 Year Long Term Plan?

- Due to Cyclone Gabrielle, we are one of several councils that have been given legislative relief from completing a Long-Term Plan
- We need to really focus on the 3-year challenges that our community is facing



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What are the key priorities for this Three-Year Plan

- To keep Project Thrive and #BigWaterStory as the key driver of what we need to achieve for our community
- To ensure that we make informed decisions about what continued investment looks like for our critical infrastructure e.g. 3 Waters, Land Transport (no band aids approach)
- To ensure that we are able provide all the essential services to our community e.g. Rubbish collection
- To enable community to have their say on through the public consultation process on what they would like Council to focus on



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FOR WORKSHOP DISCUSSION - NOT COUNCIL POLICY

What insights do you have to share with us on the impacts that the proposed increases would mean to your members/community, coupled with the challenges that the members and community are already facing with affordability?



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FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

What options/opportunities you can suggest and/or what assistance could council provide to your organisation or your members/community directly recognizing the challenges?



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Infrastructure Strategy

29 Feb 2024



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Purpose

- To talk through the 2024-54 draft Infrastructure Strategy
 - Key infrastructure challenges/risks highlighted
 - Options to address risks
 - Investment needs
- To hear your thoughts and feedback and get your input



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Legislative Context (SWERLA)

After the severe weather events of early 2023, the Severe Weather Emergency Recovery Legislation Act was enacted.

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) - we are developing a 10yr Strategy

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

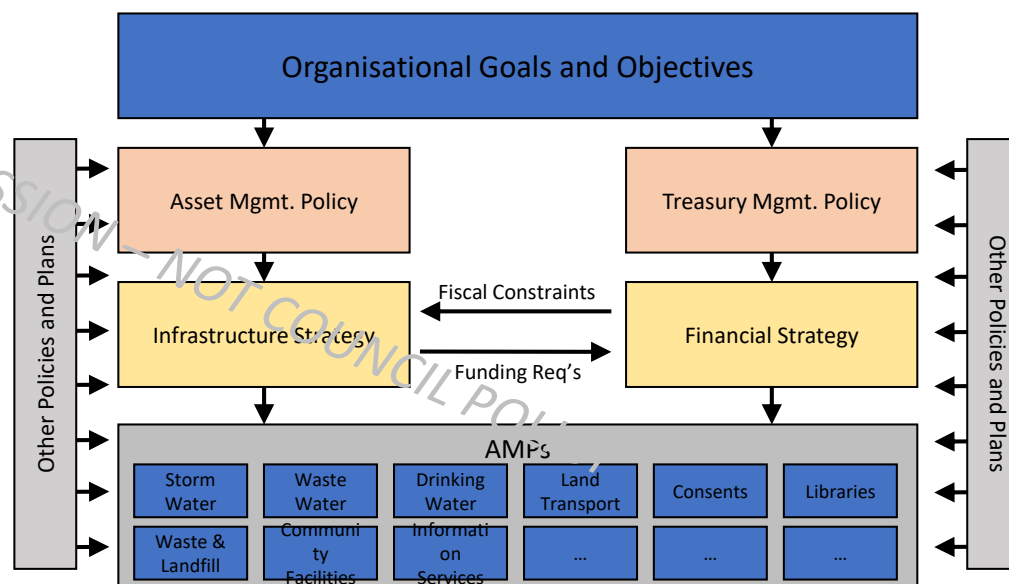


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Why we need a Strategy

- It's a direction-setting document
- It contains objectives and intent
- It directs the AMPs, and the AMPs feed it
- It's a legal requirement



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Structure of the Strategy

- Will be embedded in the published 3yr Plan document
- Covers 3 Waters, Land Transport and Solid Waste, Parks and Property assets
- Flows from outcomes, to focus areas, to plans and programmes
- Contains 6 guiding principles:
 1. Dig once
 2. No Band Aids
 3. Enabling Smart Growth
 4. Community and Environmental Bottom Lines
 5. Fiscal Responsibility
 6. Innovation and Technology



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Outcome and Focus Areas

OUR OBJECTIVES

Proud District
Prosperous District
Connected Citizens
Strong Communities
Smart Growth
Environmentally Responsible
Durable Infrastructure

FOCUS AREAS

Focus Area 1:
Delivering the Renewals Programme

Focus Area 2:
Meeting New and Existing Compliance Standards

Focus Area 3:
Improving Infrastructure Resilience

Focus Area 4:
Planning for Responding to Growth Opportunities

Focus Area 5:
Prioritising Community Centred and Partnership Opportunities

PROPOSED 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



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2024 Context

This strategy is different than previous versions and is heavily shaped by:

- Cyclone Gabrielle Response & Recovery
- 3 Waters Reform – and what it leaves

While Recovery and Reform are not the focus of this strategy, they are the context within which it has been created and must be delivered, and have created significant change when compared with previous strategies

Work to improve the resilience of new and existing infrastructure is detailed throughout the strategy.

Affordability challenges have also shaped many aspects of this strategy with work that began in 2023 to understand rapid cost increases highlighting significant affordability challenges for Council, and its ratepayers, to continue to deliver the programme/s as previously planned.



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Recovery and Reform

- Several objectives and programmes exist to support recovery
 - Some are budgeted and included in the financial models underpinning this strategy
 - Some are not budgeted or funded but are actively being planned by teams
- The long-term needs of the network have not changed (age, condition, demand, capacity etc), but levels of resilience have become clearer
- Water reform is still an opportunity to provide alternate outcomes for our ratepayers
- Reforms have significant impacts on Council with respect to financing, levels of service, risk & compliance



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Objectives

- The strategy aims to:
- Ensure that Council infrastructure is fit for purpose for the long term, for the benefit of ratepayers
- Provide a basis for recovery from the impacts of Cyclone Gabrielle and the 2022 winter
- Position Council for success with respect to 3 waters reform
 - Ensure assets are performing for community in the short term
 - Be fiscally responsible and manage affordability
 - Ensure Council is an active participant in decisions about reform – particularly the move to a HB Regional model
- Position Council for success post 3 waters reform
 - Transport, solid waste and places/open spaces remain



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Progress – against principles

Principle	Progress / Challenges
Dig once	<ul style="list-style-type: none"> 3 waters projects greatly streamlined and synergised Still opportunity to better align roading and waters
No Band Aids	<ul style="list-style-type: none"> ~16km of pipe replaced, removing the likelihood of future leaks/breaks Transport network in many cases suffering from maintenance backlogs
Enabling Smart Growth	<ul style="list-style-type: none"> Waipukurau South Growth Precinct works – enabling and unlocking massive growth potential
Community and Environmental Bottom Lines	<ul style="list-style-type: none"> Wastewater programme progress – significant progress towards removing wastewater from our awa Significant progress made in understanding stormwater network performance and capability
Fiscal Responsibility	<ul style="list-style-type: none"> Implemented systems and processes to manage projects and programmes Utilised partnering, ECE and panel arrangements to reduce cost and increase value on projects
Innovation and Technology	<ul style="list-style-type: none"> Installation and commissioning of modern and advanced DAF unit Modern asset condition assessments on pipes and road assets Success in targeting external funding to offset network costs (innovative funding models)



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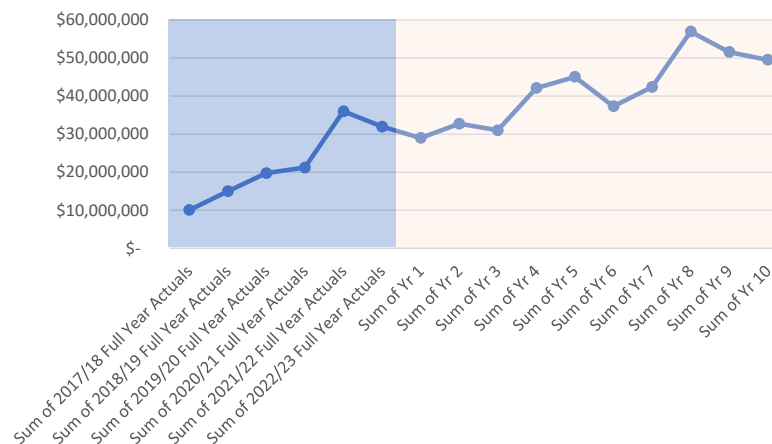
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Progress and Delivery

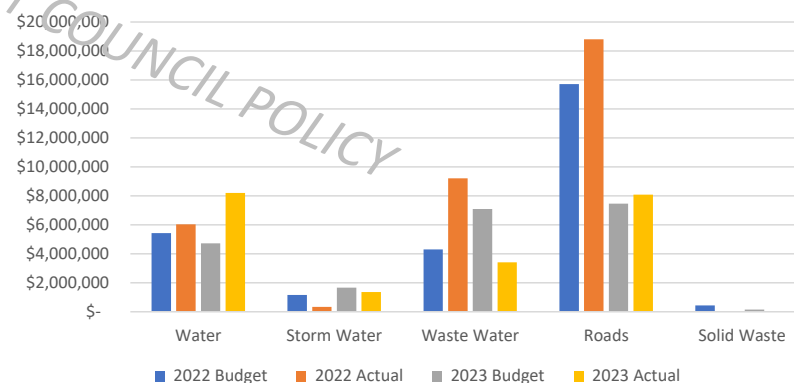
Since 2021, the following physical works have been completed

- Great North Road WW – 2023
- Great North Road WS – 2023
- Knorp St WW Extension – Dec 22
- Otane to Waipawa WW Pipeline – 2022
- Otane WW Pump Station - 2022
- Tikokino Road WS Rising Main – Stage 1 2021
 - Stage 2 and 3, 95% complete
 - Stage 5 95% complete
 - Stage 4 and 4a, 90% complete
- Porangahau Road Water Upgrade – 95% complete
- Pourerere Road Water Main Upgrades – 2022
- Kairakau Water Upgrade – 2023
- Nelson Street SW Upgrade – Dec 2021
- Nelson St and Reservoir Road Water Upgrade – 2022
- Waipukurau and Waipawa WWTP Wave Band Upgrade – 2022
- Waipukurau Motor Caravan Dump Station – 2021
- Waipukurau Borefield Run to Waste – 2022
- Waipawa WTP Improvements (DAF) – 2023
- Waipawa firefighting improvements – Stage 1
- Waipawa firefighting improvements – Stage 2
- Pah Flat Drain Channel Upgrade completed – 2023
- PGF-Sixty Pound Bridge 90% complete
- Sale Yard Bridge 95% complete
- Kokomoko Bridge – 2022
- Wallingford Bridge – 2022
- Slow Vehicle Bay – 2022
- Kairakau Road rebuild – 2022
- Lower Wimbledon Retreat – 2022
- Retaining Wall 277 Wimbledon Road – 2022
- Flaxmill/Wanstead Upgrade
 - Sep Portion 1-3 (road lifting) – 2022
 - Sep Portion 5 - Stream and Waterway Improvements – 2022
- Pourerere Beach toilet block – 2023

Total CAPEX by Year - Including Historic Spend



CAPEX



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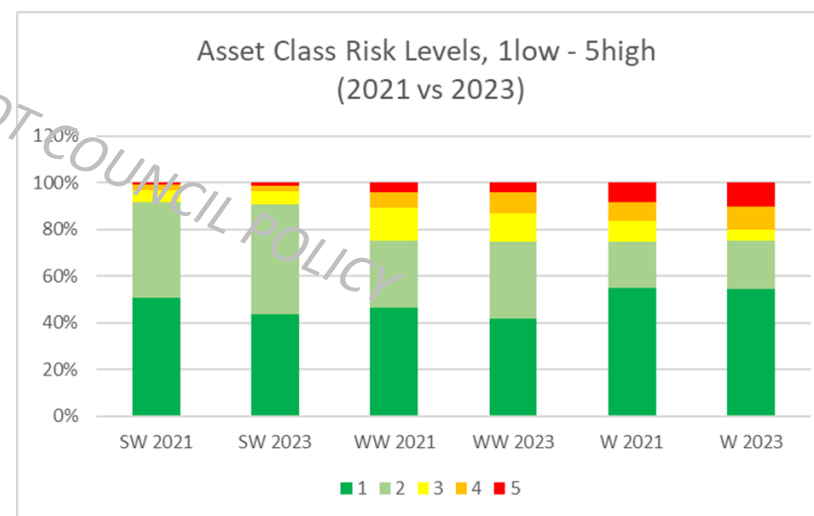
Progress and Delivery – Water Assets Performance

- For pipe assets, good data exists on age, type and location and this is used to inform replacement decisions based on risk

Pipe installed / replaced Since 2021

Waste Water	5.9km
Storm Water	0.7km
Drinking Water	10.1km

Capital-Weighted RLE		
	2021	2023
SW	57	53*
WW	40	41
W	44	44



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Progress and Delivery – road Network Performance

Since 2022, Council and its contractors have:

- Fixed 3,645 potholes on the sealed road network and 23,275 potholes on the unsealed road network
- Graded over 2134 kilometres of unsealed road and applied 7748 cubic metres of metal on roads around the district
- Renewed and enlarged over 735 lineal metres of culverts to improve drainage to move water away from the roads
- Resurfaced 148.5kilometres of sealed roads to prevent them from getting moisture in them and creating potholes and blowouts, as well as providing a safer driving surface
- Replaced or repaired over 2,000 signs
- Responded to an average 110 RFS' per month (notably higher RFS numbers for the first 7 months of 2023)

Asset Class	Average Asset Age (Years)	
	2021	2023
Drainage	30	25
Footpaths	34	33
Sealed Surfaces	9	8
Sealed First Coats	27	26
Sealed Basecourse	27	27
Sealed Sub Base	29	28
Unsealed Wearing Course	4	4.5
Major Culverts	35	38



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Focus Area – Responding to cyclone Gabrielle and improving infrastructure resilience

- An existing focus area but given additional weight following recent weather events
- Capital and operational investment across all infrastructure activities to improve long term resilience
- New work programmes added, many existing work programmes altered



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Focus Area – Resilience & Recovery, continued...

Key resilience work includes:

3 Waters

- Waipukurau 2nd Supply
- Reservoir renewals
- Wastewater upgrades
- Improvements to operational contract management

Land Transport

- Drainage
- Armoring of structures (largely completed in 2023/24 FY)
- Strengthening the pier foundations of Patangata Bridge
- Bank stability works
- Funded \$35.9M repair works
- Unfunded \$129M repair works
- Improvements to maintenance contract management

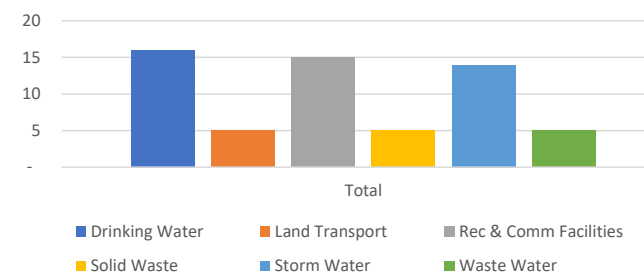
Solid Waste

- Movement to tonnage-based charging
- Planned upgrades to landfill – new cell
- Transfer station upgrades

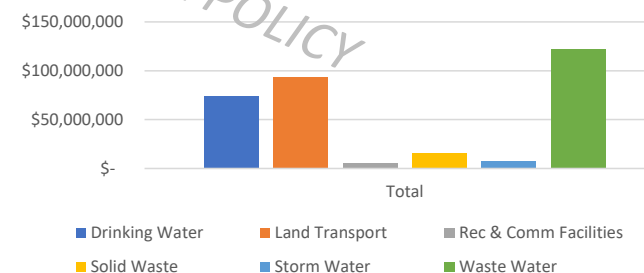
Facilities & OS

- Upgrade of halls as emergency centres (external funding being sought)
- Southern Purerere resilience challenges
- Earthquake strengthening

Count of Resilience Related Projects/Programmes



Value of Resilience Related Projects/Programmes



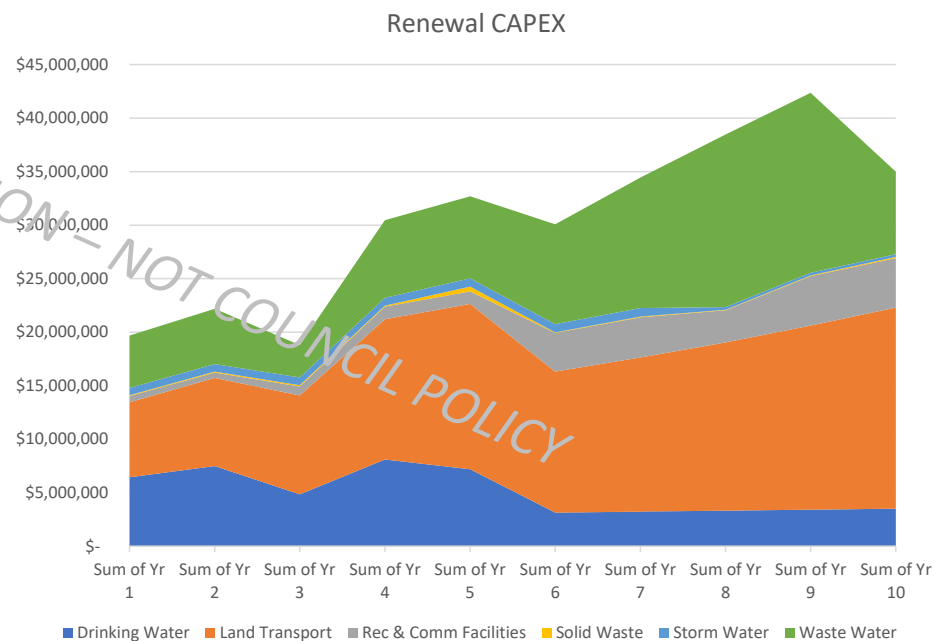
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Focus Area - Renewals

Key Renewal work includes:

- 3 Waters:
 - Pipe renewal programmes (modelled based on risk and to maintain average asset age)
 - Reservoir replacement programmes (detailed inspections and studies have informed risk levels for each reservoir)
 - I&I Programme
 - WW upgrades – partly compliance and growth also
- Land Transport:
 - Structural component renewals
 - Road surface maintenance (sealed and unsealed)
 - Drainage Culvert Renewals
- Solid Waste:
 - Landfill resource consent renewal
 - New Transfer station in Yr 8
- Facilities & OS
 - Signalling the need to investigate the sustainability of the current aquatic facility (yr 5 –10)
 - Recreation and Community Facilities renewals



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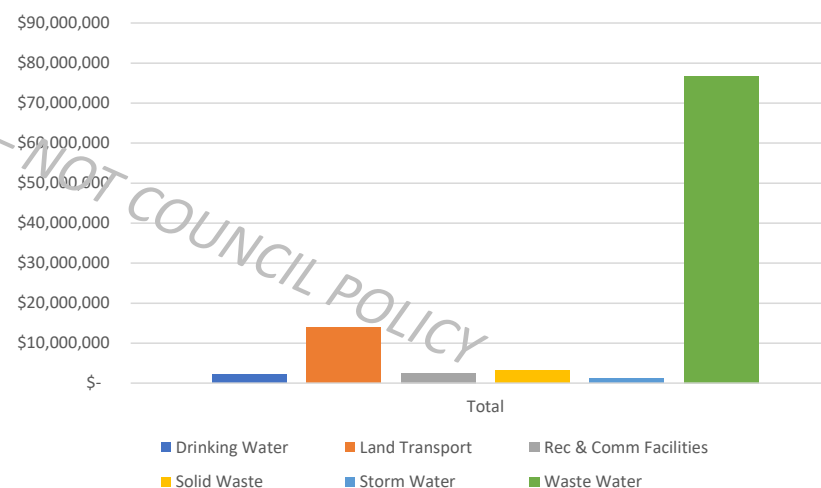
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Focus Area - Compliance

Key Compliance work includes:

- 3 Waters
 - WW upgrades – partly renewal and growth also
 - Significant operational investment in compliance, monitoring and maintenance
 - Backflow prevention
- Land Transport
- Compliance with DIA Levels of Service
- Meeting the requirements of all NZTA audits
- Solid Waste
 - Landfill resource consent renewal
 - Landfill extensions designs to incorporate improved compliance
- Facilities & OS
 - Water treatment for halls and campgrounds
 - EQ Strengthening

Compliance Investment - Capital



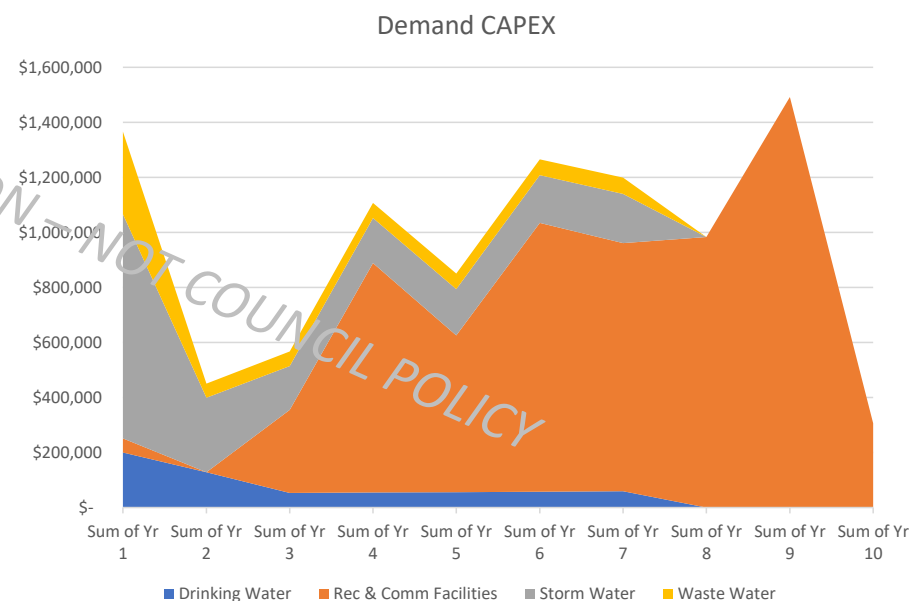
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Focus Area – Growth

Key Growth/Demand work includes:

- 3 Waters
 - WW upgrades – partly renewal and growth
 - Significant operational investment in compliance, monitoring and maintenance
 - Backflow prevention
- Land Transport
 - Compliance with DIA Levels of Service
 - Meeting the requirements of all NZTA audits
- Solid Waste
 - Landfill resource consent renewal
 - Landfill extensions designs to incorporate improved compliance
- Facilities & OS
 - Open Space land acquisitions x 8



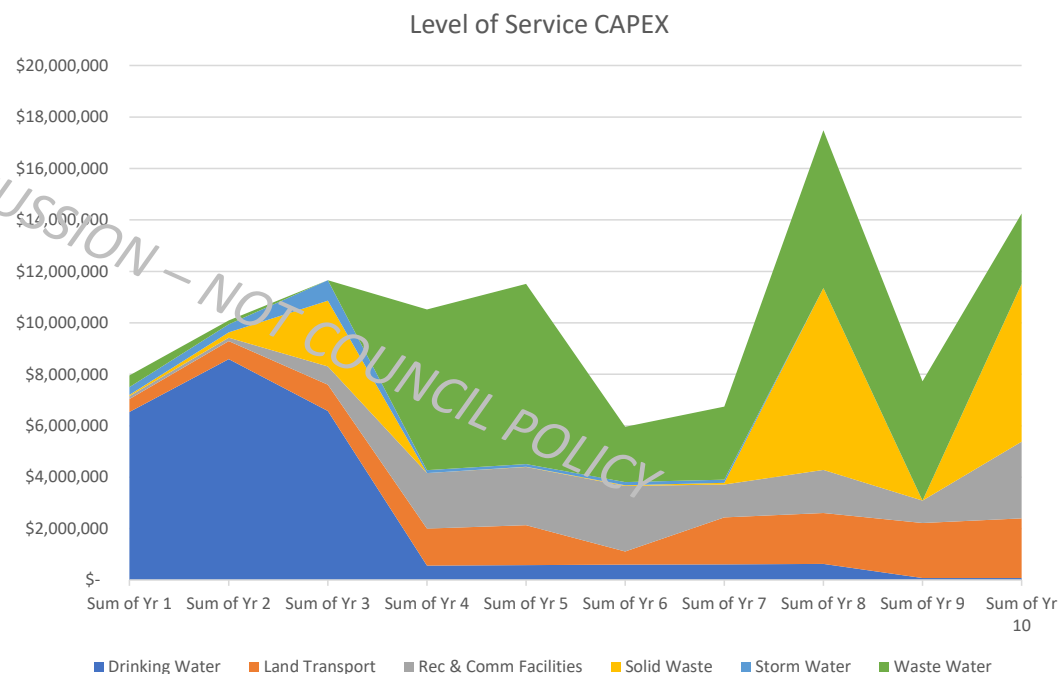
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Focus Area – Levels of Service

Key LOS work includes:

- 3 Waters
 - Backflow prevention
 - Customer water meters (yr 4)
 - Wastewater upgrades
 - Waipukurau Second Supply
- Land Transport
 - Maintenance, Operations and Renewals
 - Low cost low risk – e.g. intersection improvements
- Solid Waste
 - New cell / landfill extension
 - Transfer station upgrades
- Facilities & OS
 - New Library building
 - Waipawa pools phase 2
 - Russell Park phase 3 & toilets/changing rooms
 - Waipawa town centre master plan implementation



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Focus Area – Community Partnerships

- A focus area without direct infrastructure projects / programmes
- An approach to 'how' projects and programmes are delivered
- Community intelligence and networks critical in planning and delivery of infrastructure works
- Tuhono mai tuhono atu – Māori Engagement Strategy providing direction on mana whenua engagement and involvement across a range of infrastructure projects
- Transport activity poised to build new and closer relationships with communities, as began through Gabrielle response



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3 Waters – Overview

- Affordability and recovery/resilience improvements significantly impacting programme prioritisation
- Major programmes remain (Big Water Story and Wastewater Story), but many deferred or extended in duration
- Years 1-3 are focused heavily on drinking water resilience and stormwater maintenance
- Significant increase in investment in stormwater maintenance (resilience)
- Investment to deliver long term Wastewater strategy projects deferred, to start in Year 4
 - Tukituki scheme review alignment
 - Porangahau house/land categorisation implications
 - Risk being managed in interim
- Pipe renewal (across all 3 asset classes) remains steady to keep on top of depreciation / performance



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Land Transport – Overview

BAU:

- Focus on drainage and pavement – uplift on previous investment levels (CAPEX and OPEX)
- Bridge replacements planned in future years – maximise remaining useful life
- Investing only in subsidised activities - aligned with NZTA funding criteria
- Timing issue with NZTA funding approval timelines and LTP/3yr plan timelines
- Maintenance Contracts improvement plan and contract renewal

Recovery:

- Complete weather repairs under available response funding (\$35.9M)
- Remaining ~\$129M unfunded is not programmed within the budgets or the work plans in the period of this Strategy
- Additional opex is budgeted to keep sites safe and open
- Funding targeted towards 'semi-permanent' safety solutions e.g. permanent TM, hydroseeding and bunding slips, site rails etc



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Solid Waste – Overview

- Moving to a tonnage-based approach to charging – better data and cost recovery – investment in a weighbridge.
- Moving to cover true costs of service across all areas – user pays
- Increase utilisation of Recycling DOCs and Waipukurau Transfer Station – Option to pause rural recycling trailers and to close Waipawa & Takapau transfer stations in year 1
- Transfer station upgrades planned at year 8 (super centre to replace Waipak TS).
- Resource consent renewal in 2030 will require a re-test of viability of landfill – heavily influenced by service costs, demand and waste tonnages.
- Landfill upgrades (new cell / extension) planned for year 3 and 10.



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Community Facilities & Open Spaces – Overview

- Affordability significantly impacting programme prioritisation
 - Deferral of much investment to yr4 and beyond
- Programmed catch up on many years of deferred maintenance (roofs), still a large amount of this is now planned beyond year 4
- Impacts of new water regulations on water supplies (halls, campgrounds)
- Earthquake strengthening theatre and memorial hall
- New heated pool and Waipawa pool completion of Phase 2
- New library building
- Land acquisitions
- Note admin building investment sits within corporate overheads so not shown in charts (~\$2M)

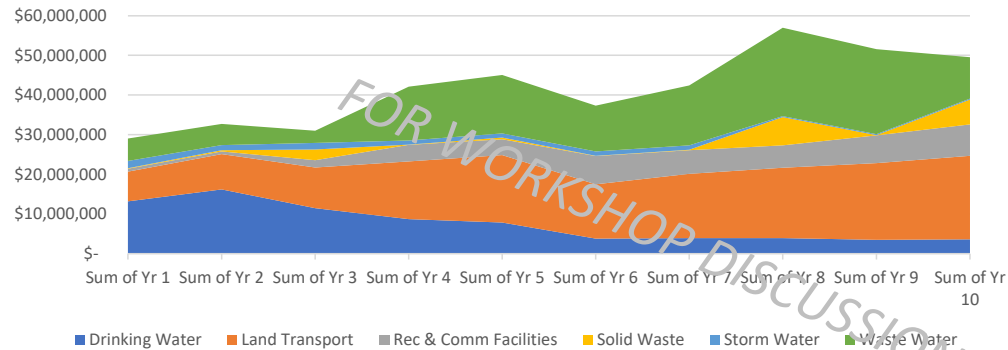


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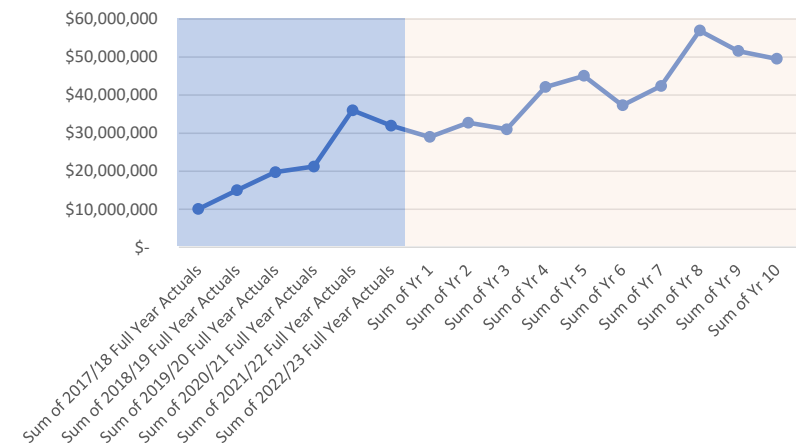
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Total Capital Investment

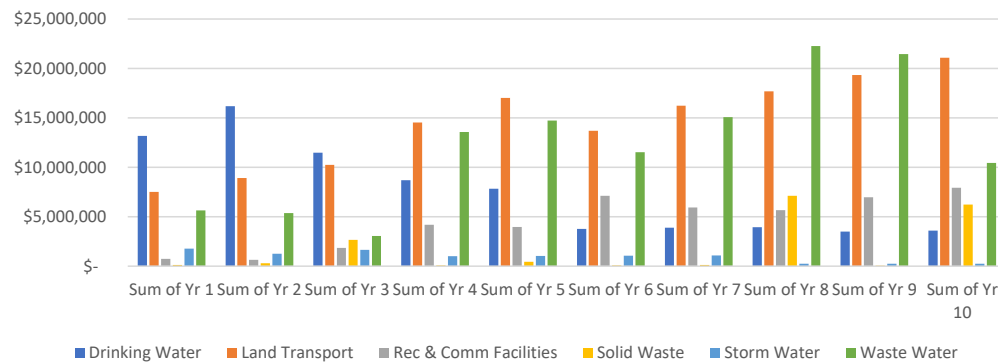
10yr Capital Investment by Activity



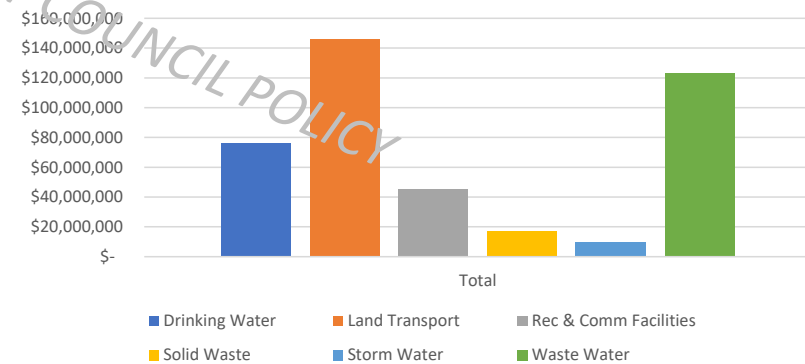
Total CAPEX by Year - Including Historic Spend



10yr Capital Investment by Activity



Sum of 10yr CAPEX by Activity



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Future Enhancements to Strategy

- Planned shift to a more quantified and consistent risk-based approach to planning
 - Enabling a more robust consideration of 'what's in' and 'what's out'
 - More granular categorisation of projects in financial system
 - Use of new and available climate/flood modelling
 - Changes based on progress of 3 waters reform
 - Constructing a business case to justify a higher FAR
 - Improved asset management practices



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Next Steps

- Complete the actual writing of the document (to be brought to Council on the 14th)
- Tweaks based on your feedback
- Consultation
- Consultation feedback incorporated
- Final document published – incorporated into 3yr plan



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Financial Strategy

29 Feb 2024



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What is a Financial Strategy

- Sets out **financial goals for the next 10 years** (covers both 3 Year Plan and 10 Year Asset Management Plan)
- Starts with current financial position of Council and **forecasts where it'll be financially at the end of the 10 year period**
- The strategy **considers the challenges, affordability, and sustainability** of Council's services to be delivered over the next 10 years, and ensures Council's focus areas of Cyclone Recovery, Roding Resilience, Community Activation, Housing, Growth Infrastructure, and Secure Water are weaved into the budgets and strategy.



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Assumptions

The strategy begins by looking at the context that it is being prepared in

- **Cyclone Recovery**
 - Impact on Assets
- **Three Waters Reform**
 - Remains a Council activity
 - Capital Upgrade program continues
- **Growth in Population** (Medium Growth Scenario ex Squillions Report)
 - Aging Population
 - Migratory trends across NZ
 - Commuting Trends in the District
- **Economic Growth** (Slow growth both across NZ and its trading partners, inflation concerns, high interest rates)
 - NZ and International Context
 - District GDP
 - District Household Incomes
 - Housing Affordability
 - Rates Affordability



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Housing Growth Assumptions

TOWNSHIP / MAIN URBAN AREA	NUMBER OF HOUSEHOLDS (HEU)				
	Actual (Census)	Forecast – June Year			
	2018	2023	2034	Forecast Change 2023-2034	Forecast Change in 2021 DC Policy
<u>Waipukurau</u>	1,755	1,696	2,655	332	460
<u>Waipawa</u>	843	857	1,025	168	115
<u>Otāne</u>	246	278	382	104	150
<u>Takapau</u>	216	242	306	64	74
<u>Pōrangahau</u>	78	82	103	21	60
Total Main Urban Areas	3,138	3,712	4,471	689	858
Rural/Lifestyle	2,280	2,690	3,361	671	482
CHB District	5,418	6,402	7,832	1,361	1,340



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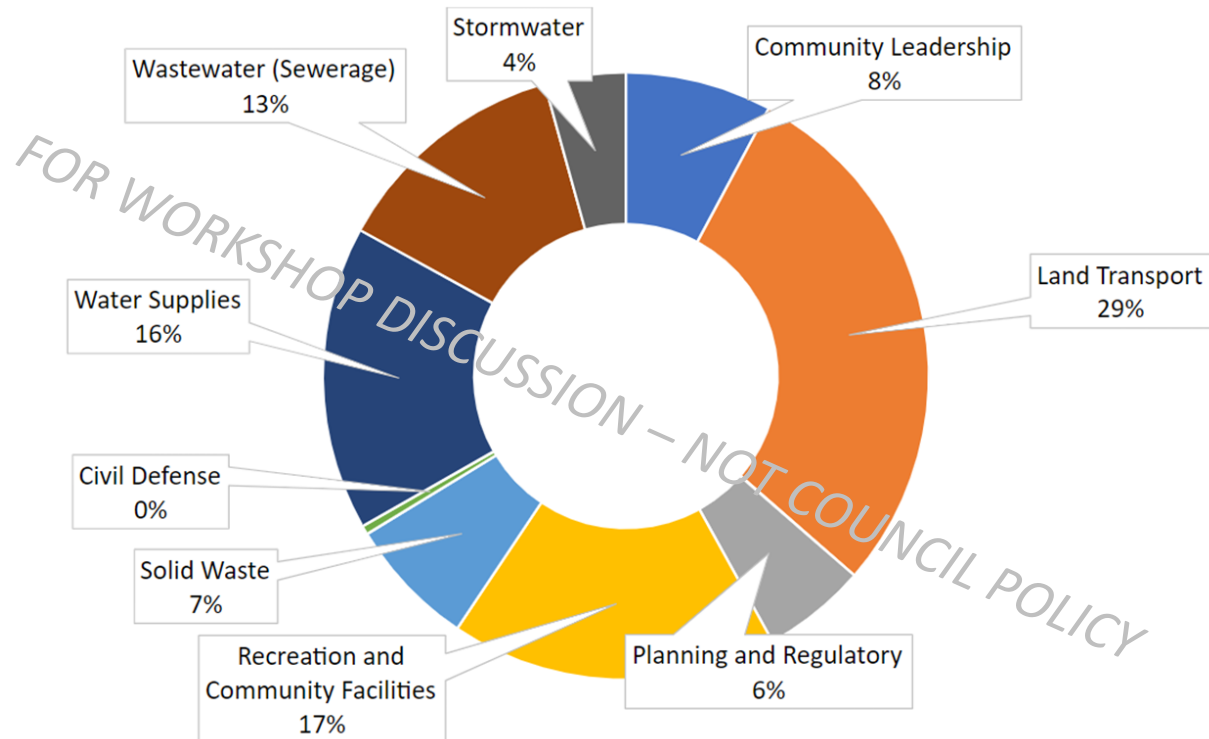
Source – Morrison Lowe Affordability Report



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Where rates money goes....



Source 2022/23 Annual Report

70% of Rates is spent on Infrastructure (3 Waters, Roads, Waste)



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Other Considerations

- **Known Infrastructure Issues**

- Non-Compliant Wastewater Assets
- Lack of Resilience in Drinking Water (Single Supply, Aged Reservoirs)
- Damaged Roads (Cyclone Gabrielle)
- Maintenance of Stormwater

- **Land Use**

- Appeal Version of District Plan (What is permitted where)
- Spatial Plan & Town Centre Planning (Aspirations for Towns)
- Land Availability for Housing Growth (Growth in the right place)

- **Developer Contributions** (Growth pays for Growth)

- **Intergenerational Equity** (Matching of Costs and Benefits across asset lifecycles)



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What's happened since last LTP?

- After effects of **Covid-19** are
 - Inflation particularly in construction
 - Supply Chain Issues
 - Higher Interest Costs
- After effects of **Cyclone Gabrielle**
 - Higher Insurance Renewals, cover limits imposed
 - Roading Infrastructure Recovery
 - Long term impacts yet to be determined on wastewater projects
 - Uncertainty of the structures required to transport pipes across rivers
 - Increased focus on resilience and stormwater management
- After effects of **Change in Government**
 - 3 Waters Reform Program Repeal
 - Re-direction of Central Government Spending and Government Funded Contracts



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How Council Sets its Rates/Fees



- Council/Community sets its desired **Levels of Service (LoS)**, this drives its expenditure budget
- The size of budget can only be altered by changing the LoS
- Once LoS is set Council has to **fund this** by a combination of Rates, Fees, use of Debt, speed of Capital Delivery
- A change in any one funding source doesn't change the amount of the budget, but requires an adjustment to another funding source to **maintain equilibrium** (a **balanced budget**)



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Debt Limits

- Use of **debt makes sense to fund intergenerational assets**. Spreads the cost of the asset over the asset life and benefits delivered by the assets
- But when does excessive use of debt become bad debt, or unaffordable debt?
- Both Council and Council's Bankers have **debt limits based on ratios** of debt to revenue, interest to revenue.
- These limits increase once Council has an external Credit Rating
- Council **can not deliver its 3 Year Plan without getting a Credit Rating** during the 3 year period due to the level of capital expenditure required due to compliance, resilience, and cyclone recovery issues



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Financial Limits assumed in the 3 Year Plan

FOR WORKSHOP DISCUSSION – NOT COUNCIL POLICY

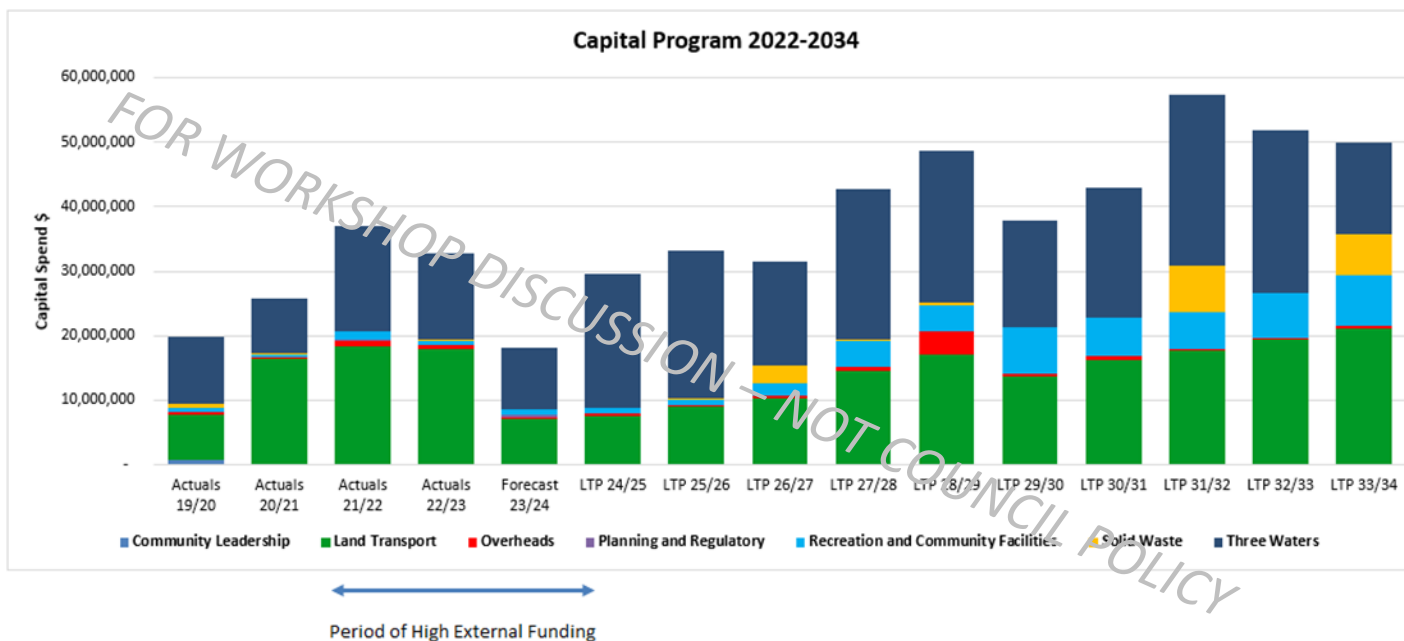
Measure	2024-2034 3 Year Plan	
	Internal Limit	Banking Covenants
Debt to Revenue - Unrated	<150%	<175%
Debt to Revenue – Credit Rated	<200%	<280%
Debt to Equity	<10%	
Interest to Total Revenue	<5%	<10%
Interest to Rates Revenue	<10%	<20%



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Speed of Capital Delivery



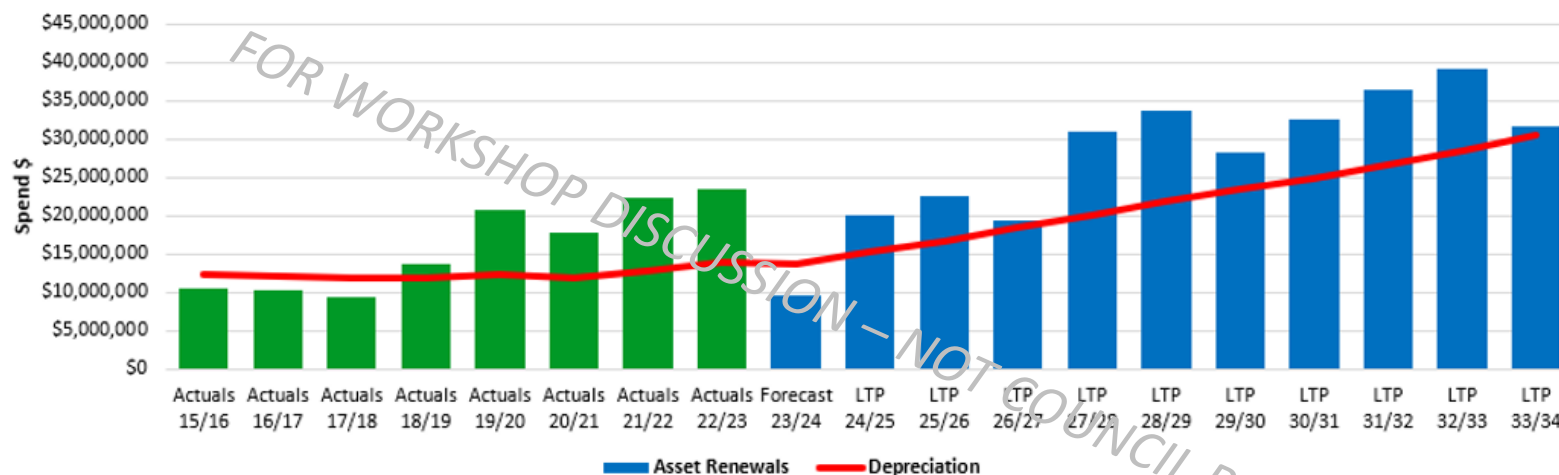
- Council looks after \$1b of assets
- Capital Expenditure is forecast to be \$431m over the next 10 years, dominated by 3 Waters and Roading
- Forecast to be at higher levels than 2020-2024, but without the same level of external funding



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Depreciation as Proxy for Renewals



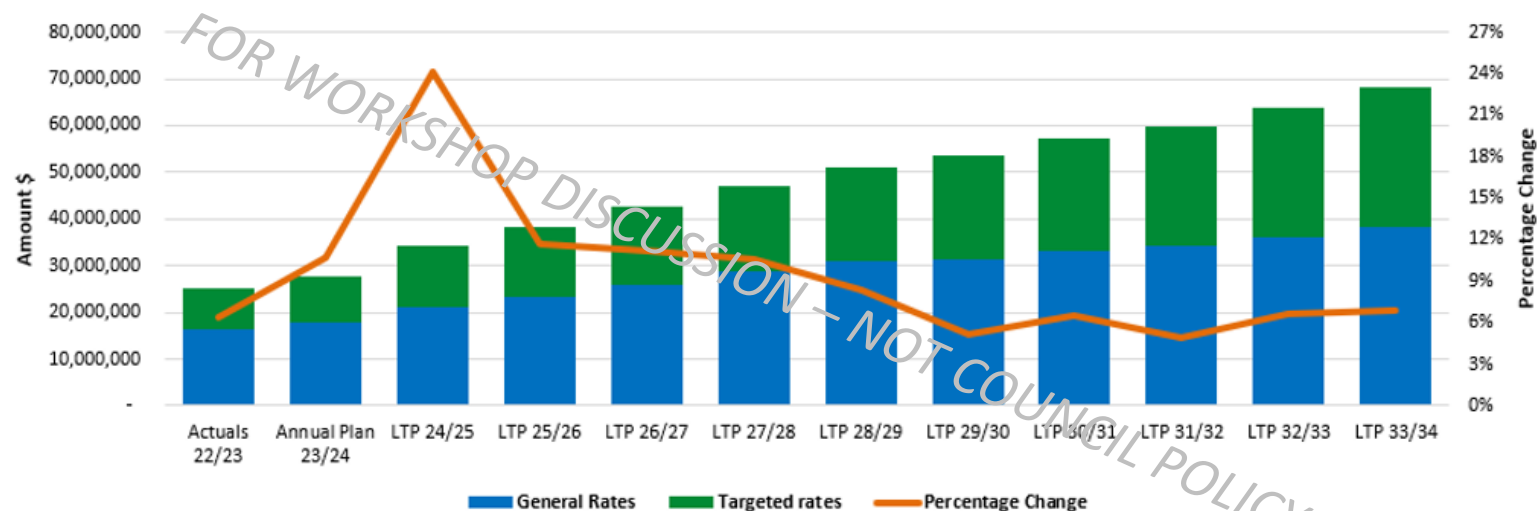
- Depreciation is the accounting charge representing the wearing out of assets
- Renewals is the replacement of those assets
- If renewals are below the depreciation line, assets are on average getting older, above the line they are on average getting younger
- Historically Council sat below the depreciation line, and now we are in a period of high spend and catch up



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Projected Rates



- The forecast rates increase for year 1 of the plan is on average 24%, then settling down to 5%-12% pa thereafter
- Targeted Rates are forecast to grow faster than general rates due to capital program in the 3 Waters space



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Levels of Service

- Council, by in large, is planning to maintain current levels of service throughout its 3 year plan
- The exception to this is the proposed closure of the Waipawa and Takapau Transfer Stations, and the temporary suspension of the rural recycling trailers
- Council is also diverting Land Transport funding used to seal gravel roads, fund for catastrophic events, and fund bridge replacements to fund repairs to the Land Transport Network post Cyclone



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Development Contributions Policy - DRAFT

29 Feb 2024

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What Are Development Contributions?

- Development contributions are the fees payable to Council for capital expenditure planned to be provided, or already constructed, for additional community facilities (such as stormwater, roads, reserves and public amenities) required to service growth
- S197AA, LGA 2002 "recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term."
- These contributions may be required on resource consents (subdivision and land use) and / or building consents or service connections in situations where the development will have additional impact on infrastructure.



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How does CHBDC Calculate DC's?

$$\begin{aligned}
 & \text{Development Contribution By Township} = \frac{\left(\frac{1}{N} \times \text{Cost of Asset Construction over the next 10 years} \right.}{\text{Number of Household Equivalents expected to be built over the next years}} \\
 & \quad \quad \quad \left. - \text{less any external funding} \right) \times \text{Share of Asset Cost that is driven by Growth}
 \end{aligned}$$



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What do we charge DC's on?

- Water
- Wastewater
- Stormwater
- Community Infrastructure (Libraries, Solid Waste, Community Buildings)
- Parks and Reserves
- Roding – Limited

With the exception of the Waipukurau Growth Precinct (which includes traffic management at intersections, footpath and cycleway connections to town), no contributions are sort for Roding or Community Halls.

We can still ask for a developers agreement outside of the DC Policy.



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Geographical Groupings of DC Charges

S197AB (g), LGA 2002 - when calculating and requiring development contributions, territorial authorities may group together certain developments by geographic area or categories of land use, provided that

- (i) the grouping is done in a manner that balances practical and administrative efficiencies with considerations of fairness and equity; and
- (ii) grouping by geographic area avoids grouping across an entire district wherever practical.



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Geographical Groupings of Growth Assets

Outside of Community Assets all our Growth Assets are being charged to the townships they benefit. These community assets form the basis of the districtwide DC.

The majority of the remainder DC's can be linked to a township that the asset services.

The exception is Second Supply and the WOW wastewater projects that have been prorated between Otane, Waipawa, and Waipukurau based on population share.



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Districtwide Growth Assets

Cycling and Walking Infrastructure

Library

Administration Building

Landfill Extensions

New Transfer Station and Recycling Centre

Public Toilets

District Reserves – Russell Park, Lake Whatuma



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Otane Growth Assets

Town Centre Upgrade

Sports Ground

Local Parks & Reserves

Share of Second Supply

Share of Reticulation Renewals

Share of WOW Treatment Plant

Stormwater Shortfalls

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Waipawa Growth Assets

Town Centre Upgrade

Local Parks & Reserves

Water Mains

Reservoir

Share of Second Supply

Share of Reticulation Renewals

Share of WOW Treatment Plant

Stormwater Shortfalls

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Waipukurau Growth Assets

Local Parks & Reserves

Land Transport – Growth Precinct (intersection mgmt, footpath, cycleway)

Water Mains

Reservoirs

Share of Second Supply

Share of Reticulation Renewals

Share of WOW Treatment Plant

Stormwater Shortfalls



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Takapau Growth Assets

Town Centre Upgrade

Sports Ground

Local Parks & Reserves

Wastewater Treatment

Share of Reticulation Renewals

Stormwater Shortfalls

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Porangahau Growth Assets

Wastewater Treatment

Share of Reticulation Renewals

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Where is the growth going to occur?

TOWNSHIP / MAIN URBAN AREA	NUMBER OF HOUSEHOLDS (HEU)				
	Actual (Census)	Forecast – June Year			
	2018	2023	Forecast 2034	Forecast Change 2023-2034	Forecast Change in 2021 DC Policy
<u>Waipukurau</u>	1,755	1,696	2,655	332	460
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<u>Pōrangahau</u>	78	82	103	21	60
Total Main Urban Areas	3,138	3,712	4,471	689	858
Rural/Lifestyle	2,280	2,690	3,361	671	482
CHB District	5,418	6,402	7,832	1,361	1,340

49% of the forecast growth isn't expected to occur in areas connected to or paying for our 3 Waters Network



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How do DC's work for non-residential growth

NON-RESIDENTIAL CATEGORY	WATER PER 100M ² GFA	WASTEWATER PER 100M ² GFA	Roading PER 100M ² GFA	STORMWATER PER 100M ² GFA	RESERVES	COMMUNITY INFRASTRUCTURE
Commercial / Retail / Office / Community	0.3	0.3	0.3	0.3	Nil	Nil
Industrial / Warehouse	0.4	0.4	0.4			
Restaurants and bars	1.3	1.3	1.3			
Community Facilities	0.3	0.3	0.3			
Visitor Accommodation and Residential Services	0.3 Per Unit / room	0.3 Per Unit / room	0.3 Per Unit / room			

Non-Residential Growth is expected mainly to occur in Waipukurau and Waipawa.

Their impacts to Councils networks are based on the tabled multipliers which reflect their assumed impact on overall "network demand"



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Are all HUE's equal?

Councils current DC Policy treats all HUE's as equal, that is it assumes the demands on Councils networks don't change from development to development.

It does allow for developers to ask for special assessments.

I have seen this used by retirement village operators who argued that the average occupancy of a retirement unit was 1.2 people rather than the standard 2.6 people per household of the general population. Therefore the extra demand on water, sewerage, and roading was less than average and therefore they shouldn't be charged a full HUE's DC.

Likewise, some Councils give discounted HUE's for tiny homes or second dwellings for the same reasoning (normally based on floor area).

Is this something we wish to consider, or is the special assessment enough?



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Development

GROWTH GEOGRAPHIC AREA	ACTIVITY	TOTAL DC GROWTH CAPEX	2024 DC	2021 DC
District wide	Community Infrastructure	\$1,691,834	\$1,243	\$1,410
			\$1,243	\$1,410
Otāne	Wastewater	\$349,971	\$3,379	\$10,838
	Water	\$706,243	\$6,819	\$9,818
	Stormwater	\$146,121	\$1,411	\$2,736
	Reserves	\$309,135	\$2,985	-
	District Wide		\$1,243	\$1,410
			\$15,837	\$24,802
Waipawa	Wastewater	\$921,514	\$4,958	\$10,838
	Water	\$2,849,746	\$15,333	\$9,818
	Stormwater	\$331,648	\$1,914	\$2,736
	Reserves	\$185,661	\$1,106	-
	District Wide		\$1,243	\$1,410
			\$24,555	\$24,802



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Draft Development Contributions for 2024

GROWTH GEOGRAPHIC AREA	ACTIVITY	TOTAL DC GROWTH CAPEX	2024 DC	2021 DC
Waipukurau	Wastewater	\$2,000,228	\$4,328	\$10,838
	Water	\$5,362,282	\$11,603	\$9,818
	Stormwater	\$698,366	\$1,882	\$2,736
	Reserves	\$1,272,914	\$3,832	-
	Roading	\$1,230,000	\$2,662	-
	District Wide		\$1,243	\$1,410
			\$25,550	\$24,802
Takapau	Wastewater	\$1,118,264	\$17,395	\$3,205
	Water	\$296,119	\$4,606	\$1,407
	Stormwater	\$92,447	\$1,438	\$1,523
	District Wide		\$1,243	\$1,410
			\$24,683	\$7,545
Pōrangahau	Wastewater	\$569,271	\$26,566	\$16,036
	Water	\$74,030	\$3,455	\$1,735
	Stormwater	-	-	\$1,045
	District Wide		\$1,243	\$1,410
			\$31,264	\$20,226



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Better Off Funding

29 Feb 2024



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Purpose

- Recap on BOF and update on current projects
- Discuss opportunity to repurpose funding
- Seek direction on the 2 options provided and next steps
- Council decision 14 March and/or 4 April



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Recap – our starting point with BOF in 2022/23

- Not focussing on the 'small things' - i.e. toilet blocks / quick fixes
- Longer-term, strategic view of Council assets and opportunities
- Creating step-change that transforms Central Hawke's Bay
- Delivering on big Thrive actions



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Recap – Initially a two-tranche process

We would be deliberate in our approach to using the two tranches of funding:

- Tranche 1 Funding – would set ourselves up for the future, creating the clear scope of what needs to be achieved (\$2.8M)
- Tranche 2 – Would support implementation, supported by other funding tools available to us (\$8.5M)



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Recap - BOF Criteria

- support communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards
- deliver infrastructure and/or services that enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available
- deliver infrastructure and/or services that support local place-making and community wellbeing.



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Recap – Approved Funding (2023)

PROJECT	SCOPE	FUNDING
<u>Project 1</u> – Community & Commercial Property Needs	Scope and explore what opportunities there are for the district, where these should be located and test viability and scope of how they could be delivered.	910,000
<u>Project 2</u> – Capability & Capacity Programme	Explore opportunities to grow capability and capacity across Tamatea – Central Hawke's Bay, creating the next generation of leaders in our district.	425,000
<u>Project 3</u> – Community Futures Investment Strategy	Explore opportunities for circular community investment and local opportunities for philanthropic purposes to be developed.	355,000
<u>Project 4</u> – Driving Housing Outcomes	Identify and explore the most appropriate structure to co-ordinate and deliver housing outcomes for Tamatea – Central Hawke's Bay.	470,000
<u>Project 5</u> – Bringing Thriving Places & Spaces to Life	Single phase following adoption of Thriving Places & Spaces Reserve Management Plan, identifying a number of quick win projects for implementation.	250,000
Project Governance Funding		180,000
Programme Management Support		240,000
		2,830,000

These projects were endorsed by Mana Whenua and reflected in our contractual agreements with DIA/CIP



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Update on Current Projects

PROJECT	FUNDING	UPDATE
1. Community & Commercial Property Needs	910,000	<ul style="list-style-type: none"> No funding spent or committed Offer of Service has been received from Veros to complete an initial business case assessment of future property needs for Tamatea (\$70K)
2. Capability and Capacity Programme	225,000	<ul style="list-style-type: none"> No funding spent or committed
3. Community Futures & Investment Strategy	355,000	<ul style="list-style-type: none"> \$250K re-purposed to fund recovery roles \$105K remaining – no commitments
4. Driving Housing Outcomes	470,000	<ul style="list-style-type: none"> No funding spent or committed - MSD fund still in place and currently supporting development of our homes strategy and Tamatea Housing Taskforce actions. Fund has been tagged to strategy implementation.
5. Bringing Thriving Places & Spaces to Life	250,000	<ul style="list-style-type: none"> \$140K committed to Russell Park masterplan (needs assessment) & S17A review focussed on Centralines pool. \$110K remaining – no commitments
A Project Governance	180,000	<ul style="list-style-type: none"> No funding spent or committed.
B Programme Management Support	240,000	<ul style="list-style-type: none"> No funding spent or committed.



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What's changed since we signed the Agreement?

- Council has agreed new priorities for the triennium
- Cyclone Gabrielle / Recovery
 - Council agreed recovery plan and activities
 - Ability for Council to repurpose BOF money for recovery and community wellbeing activity
 - Council agreed to repurpose \$250K from BOF to recovery (through the annual plan)
 - More certainty from the Crown on levels of funding for recovery (well short of what's required)
- Delays in 3 Waters Reform
 - Tranche 2 of BOF disestablished (no additional funding post \$2.8M)
- Better understanding of financial constraints on Council
- Note: direction last year to continue with Housing project and Russell Park Master Plan



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How to repurpose BOF – what we have heard in last few weeks

- BOF to be used to deliver tangible, visible outcomes/projects in communities across the district
- Opportunity to use BOF to offset burden on ratepayers in LTP (eg, rate-funded Capex projects)
- Opportunity to deliver on 'Community Activation' elected member priority
 - Opportunity to fund work/projects that have been deferred in LTP or that are not funded in LTP, in particular town centre and rural community activation
- Opportunity to fund urgent 3W projects (eg, contribution to Waipawa WTP move etc)



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Options to repurpose BOF

- Officers have prepared 2 options for discussion
- Advice from Crown Infrastructure Partners to 'group' proposals into high level projects (easier administration and delivery flexibility)
- Options have received initial verbal support from CIP
- \$\$ presented are officers' 'first stab' at what the projects could look like
- Seeking direction from Council on direction of travel, finer details can be further worked through before formal decision



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Proposed Project Grouping

Project	Scope
Housing	Implement the “Our Homes Strategy for Tamatea Central Hawke’s Bay” alongside partners in the Tamatea Housing Taskforce.
Property needs and asset improvements	Scope and explore what the opportunities are for the Council-owned buildings and facilities across our main centres and realise the value of the assets in today's market. Provide critical repairs and maintenance on our buildings to ensure compliance and that the building is fit for our community and purpose.
Recovery & Programme management	Providing critical resourcing to deliver on Central Hawke’s Bay’s cyclone recovery activities and resilience-building, and ensuring in-house project management and administration across all BOF projects.
Community Partnership Activations	Funding Elected Members’ “Community Activation” priority through the delivery of actions identified in the Town Centre Plans, Community Plans and the Integrated Spatial Plan. Empower community and mana whenua to activate and lead in partnership with Council on projects of significance to communities, allowing all our communities to thrive.
3-Waters infrastructure	Contributing funding towards major water infrastructure projects which are not currently provided for through the LTP to ensure a resilient water supply for the three town centres.



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Opportunities for Mana Whenua

- **Housing:** Implementation of the 'Our Homes' Strategy which is jointly owned by the partners of the Tamatea Housing Taskforce, including Te Taiwhenua o Tamatea and Tamatea Pokai Whenua
- **Property needs and asset improvements:** Opportunity for UV treatment upgrade in Marae
- **Community partnership activations:** Contestable Fund for tangible wellbeing and resilience projects open to CHB marae and hapū (option 1 only)
- **Community partnership activations** – opportunity through town centre plan implementation to incorporate Te Ao Maori and Maori heritage/story-telling through interventions



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Potential LTP savings / complementary funding – Option 1

BOF project	Specific Project	Saving	LTP year
Housing	Community plans	\$50,000*	YR 1 - 2
Recovery and Programme Management	Recovery YR2	\$250,000*	YR 1
Recovery and Programme Management	FTEs + Admin	\$210,000 (100% RF)	YR1 - 2
Community Partnership Activations	Madge Hunter Park upgrades	\$55,000 (100% LF)	YR 3
Community Partnership Activations	Russell Park Phase 3	\$380,000 (95% LF)	YR 1 - 4
Property needs and asset improvements	UV treatment in Halls	\$100,000 (100% LF)	YR 1
Total		\$1,035,000	

* Not in the current LTP model



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Potential LTP savings / complementary funding – Option 2

BOF project	Specific Project	Saving	LTP year
Housing	Community plans	\$50,000*	YR 1 - 2
Recovery and Programme Management	Recovery YR2	\$250,000*	YR 1
Recovery and Programme Management	FTEs + Admin	\$210,000 (100% RF)	YR1 - 2
Property needs and asset improvements	UV treatment in Halls	\$100,000 (100% Lf)	YR 1
3-Waters Infrastructure		\$1,240,000*	
Total		\$1,840,000	

* Not in the current LTP model



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Next Steps & Timeframe

- Next Steps:
 - Endorse direction of travel
 - Finalise project details and costs (at the aggregated level)
 - Partner and Stakeholder feedback
 - Seek Council formal approval (14 March and/or 4 April)
 - Final CIP approval and contract variation executed
 - Implement projects (funding expires June 2027)



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