

## MEMORANDUM

To Mayor and Councillors  
From Mary Rinaldi, Corporate Planner  
Trisha Morrison, Community Assets Manager  
Alison Diaz, Chief Financial Officer  
Subject Pre-reading for Long Term Plan (LTP) Building Blocks workshop  
Date 10 May 2023

### **Purpose**

This memo is intended to provide 'scene setting' information for the Mayor and Councillors in advance of the LTP Building Blocks workshop to be held on Monday 15 May 2023.

The purpose of the workshop is for Council to gain understanding and provide direction on several of the foundational building blocks for the 2024-2034 LTP, namely the significant forecasting assumptions, the Infrastructure Strategy, and the Financial Strategy, including an initial indication of the fiscal envelope staff will need to work within for the draft budget. These building blocks, alongside the strategic priorities and community outcomes, will guide the work programmes and budgets that staff develop through asset and activity management planning for the 2024-2034 LTP over the coming months.

### **Background**

There are a number of interrelated pieces of work that contribute to the foundations of the LTP, and which influence the work staff will undertake in asset and activity management planning and budgeting. The first of the foundational building blocks are the Community Outcomes and strategic direction setting, which as you know are well on their way to being confirmed. These, along with Council's Vision, provide a high-level framework for what may appear in our work programmes, but we need to start drilling down into more detail, to give specific direction to staff in terms of what needs to be prioritised and how to deal with various external and internal constraints.

This next level down of foundational building blocks comprises the significant forecasting assumptions, the Infrastructure Strategy, and the Financial Strategy. These three key pieces of work all describe significant external factors and issues that impact the council, their possible financial and non-financial consequences, and how they are being addressed or taken into consideration when planning and budgeting.

### **LTP Building Blocks workshop content**

The workshop will guide Council through the draft significant forecasting assumptions for the 2024-2034 LTP, and the high-level issues that the Infrastructure and Financial Strategy will need to address. Council will also be asked to give direction on an overall fiscal envelope (acceptable level of rates increases and levels of debt) that they would like staff to work within when proposing draft budgets.

### **Significant Forecasting Assumptions**

Forecasting assumptions are one of the factors that help frame the right debate within a Long Term Plan. They must state how various issues may or may not affect our ability to meet our levels of service in the future. While all forecasting assumptions are important pieces of information in their own right, forecasts of growth and demand are major drivers of expenditure and can play a role in the choice of funding.

Taituarā guidance states that significant forecasting assumptions need to be:

- realistic
- evidence-based – especially where assumptions are outside industry norms
- internally consistent with other assumptions
- applied consistently across the LTP (unless there is good reason not to and the difference in treatment and reason are both disclosed in the LTP).

The LTP must disclose all significant forecasting assumptions, the level of uncertainty associated with each of these assumptions and quantify the potential effect of the uncertainty on the financial estimates.

Audit will look closely at our significant forecasting assumptions and how they have been applied in our work programmes and budgets.

### ***What will this workshop focus on?***

The full set of draft significant forecasting assumptions is provided with this memo. There are some gaps which will not be able to be filled until later in 2023 or even early 2024, and there will be a review process to re-test the assumptions and fill the gaps before they are finalised for use with the draft financial statements and the consultation document in early 2024.

Many of the assumptions are stated based on current known data and realities, with no real opportunity to deviate from how these need to be used in forecasting. There are, however, three key assumptions that we are seeking direction from Council on, as there are different implications for the budget estimates, depending on how Council wishes to respond to the uncertainty surrounding each of them.

The assumptions we would specifically like to workshop with Council are:

1. Economic conditions – how we will respond to the assumption of economic downturn when prioritising work programmes.
2. Availability of staff and contractors – whether we assume that we will be able to fill vacancies and/or get contractors in a timely manner or not, and what this will mean for budgeting.
3. Climate change – how we will respond to the growing impacts of climate change and the extent of Council's involvement (with people, money and other resources) in mitigation (especially emissions reduction), adaptation, response, recovery, community resilience development.

There will be an opportunity for elected members to ask questions about any of the other significant forecasting assumptions to ensure they have a good understanding of how they may impact budget forecasts and work programme planning.

### ***Infrastructure Strategy***

An infrastructure strategy tells a story; what infrastructure do people need and want, when big decisions need to be made, and what the financial and service effects of these needs and choices are.

#### ***What is the purpose of an Infrastructure Strategy?***

Section 101B of the Local Government Act defines the purpose of the Infrastructure Strategy as to:

- Identify significant infrastructure issues that we are encountering over the period covered by the strategy (i.e., 2024-2054)
- Identify the principal options for managing those issues and the implications of those options.

The key questions to work through as we form our Infrastructure Strategy are:

1. What are we trying to achieve?
2. What do we need our assets to deliver?
3. What are our assets actually delivering?
4. What do we need to do to address any gaps between 2 and 3?
5. What are the implications?

### **How does the Infrastructure Strategy guide and impact the LTP?**

The Infrastructure Strategy gives the LTP both its strategic direction and the framework in which it should be seen. It needs to be grounded in the wider Council strategy and reflect the end point that we as a Council are attempting to get to<sup>1</sup>.

### **What are the key issues we are grappling with?**

We have identified the following key infrastructure issues to be addressed:

1. Facilitating Growth
2. Affordability
3. Ageing Infrastructure
4. Changing Priorities and Legislation
5. Natural Hazards and Climate Change

### **How do the assumptions impact these issues?**

Each of the key infrastructure issues outlined above align with at least one of the Significant Forecasting Assumptions.

<b>Assumption</b>	<b>Issue</b>	<b>Impact</b>
Economic Conditions	Affordability	Infrastructure will be sweated more as work on them will have to be prioritised, if renewal / capital programmes are more than what we can afford.
Growth	Facilitating Growth	Level of Service will reduce as infrastructure development will not be able to compete with the level of growth expected.
Legislative Changes (Three Waters Reform / Future for Local Government Review)	Changing Priorities and Legislation	The unknown of what needs to be considered in regard to Three Waters assets.
Natural Disasters / Emergency Events and Climate Change	Ageing Infrastructure Natural Hazards and Climate Change	Adds an additional factor to consider in the asset planning processes. How, If and When assets are going to be impacted and how much it costs.
Useful Lives of Council Assets	Ageing Infrastructure Natural Hazards and Climate Change	Assets are at a higher risk of failure as the impact that increased weather events is having on them is creating uncertainty, as useful lives are being reduced.

## **Financial Strategy**

### **What is it?**

The Infrastructure and Financial Strategies are the key components of the final LTP document and encompass the overall story/narrative of the LTP.

*Financial strategies are intended as both a tool to help prioritise and to help engage the community around these priorities. Like any strategy, a financial strategy needs to be set with an ultimate outcome or end result in mind, in this case an indicative financial position or set of bottom lines. Your financial strategy needs to clearly set out the desired outcome and explain what it is about these outcomes that is important (in other words – why the council has set this as its desired end result). Taituaraa Dollars and Sense guidance materials.*

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<sup>1</sup> Dollars and Sense 2021 – Financial and Infrastructure Matters and the Long-Term Plan (Taituaraa)

The financial strategy outlines the factors that are expected to have a significant impact during the life of the plan. It **must** include the following:

- Discussion on the expected change in population and the use of land in the district (rural: urban split) and the capital and operational costs of providing for those changes.
- Expected capital expenditure required to maintain existing services.
- Discussion on significant factors that would affect the ability to maintain existing levels of service and to meet additional demand (risk management practices)
- Quantified limits on rates increases and borrowing.
- An assessment of the ability to provide and maintain services/meet additional demand within those limits.
- Specific policy for the security for borrowing, and
- Objectives for holding financial investments (such as our CCO's, investment property etc.) and quantified return on investment targets.

### ***How does it guide the development of the LTP?***

Strategy development always starts from an assessment of where we are now, where we wish to get to and determining options for how we get there over time, acknowledging that we face multiple challenges and have financial constraints. Setting expectations for rates increases and debt limits early in the LTP process provides valuable direction in terms of the options that staff can realistically bring forward for council consideration and ultimately consultation with our communities, users of our services, developers, and other stakeholders.

### ***What are the key issues we are grappling with?***

The current challenge outlined in the 2021-2031 financial strategy is how to balance affordability in an environment of increasing expectations and growth.

Increasing expectations is where the substantial increase in costs has been experienced. Because of the growth-funds-growth principle, the increase in expectations is less about growth impacts per se and more about issues such as meeting Waka Kotahi's safety improvement plans, incorporating new government mandates/legislative change (National Policy Statements, RMA, climate etc.), or in the case of three waters meeting heightened regulatory requirements. These 'must do' changes, when coupled with the timing of growth and the need to provide trunk infrastructure ahead of people in houses, have in turn challenged the timing of asset replacements leading to renewals ahead of the capacity life (when we would normally replace due to condition or capacity reasons).

The outcome we are seeking is to be able to accommodate the growth, new mandates and maintain existing levels of service within maximum rates increases of 8% per annum (years 2-10, for both general and targeted rates) and a debt to revenue ratio of 175%.

### ***How do the assumptions impact these issues?***

As is the case with the Infrastructure Strategy, each of the key issues outlined in the Financial Strategy are associated with at least one of the Significant Forecasting Assumptions (population projections, legislative change, climate change etc.). The main difference is that every significant forecasting assumption has an impact on the proposed budgets.

## **Attachments**

The following attachments are included for pre-reading:

1. Draft 2024-2034 significant forecasting assumptions
2. 2021 Infrastructure Strategy
3. 2021 Financial Strategy

## **Significant Forecasting Assumptions for 2024-2034 Long Term Plan**

In planning for the future, we must make assumptions. Council is required to prepare and adopt a set of significant forecasting assumptions to inform the preparation of the 2024-2034 Long Term Plan. This ensures that all estimates and forecasts are made on the same basis throughout the 10-year period and helps to frame the right debate when making decisions about levels of service and which capital projects may or may not be included.

Waikato District Council's significant forecasting assumptions for the 2024-2034 period are outlined in the following pages.

### **NOTES**

1. Any assumptions at the activity level are contained in the individual Activity Management Plans and Asset Management Plans.
2. No assumption has been made in relation to currency variations, as the Council has no significant foreign currency exposure.

Assumption	Uncertainty	Risk	Implications
<b>Economic and Population Changes</b>			
<p><b>Economic conditions</b> Council assumes that New Zealand will experience economic downturn for at least the first two years of the Long Term Plan due to high inflation levels and the anticipated recession.</p> <p><i>[Need direction from Council in terms of how we will respond to this assumption when prioritising work programmes, e.g., It is assumed that any inflation-related cost increase from this will be covered by rates increases. Or, e.g., It is assumed that our work programmes will be constrained by the economic conditions and we will have lower levels of service across the first 2-3 years of the plan, with improvements scheduled from year 4 onwards.]</i></p>	<p><b>Uncertainty level:</b> High</p> <p><b>Sources of uncertainty:</b> The geopolitical climate, unknown ongoing impact of the pandemic over the next 10 years, and increasing impacts of climate change all contribute to a high degree of uncertainty. The level of inflation in the longer term is uncertain and how long the anticipated recession might last is unpredictable.</p>	<p>There is a risk that price level changes based on inflation assumptions vary significantly from those used in preparing the work programmes and associated budgets.</p> <p>There is a risk that economic conditions will vary significantly from the assumptions used in the Long Term Plan budgets, impacting Council's ability to deliver on the agreed work programmes in terms of scope or timing of the work.</p> <p>There is also a risk that the economic downturn may have a bigger impact than expected on ratepayers' ability to pay.</p> <p>There is an ongoing risk of climate change to economic conditions, for example extreme weather events can dramatically impact food prices and availability, as well as requiring unplanned spending on major infrastructure repairs.</p>	<p><i>[Need to know what the implication of the assumption is first e.g. because we are assuming a recession in the first two years, we have forecast higher costs for the same deliverables.]</i></p> <p>A tight construction market meaning costs to complete projects is higher in the short term – costing more to do what has been planned.</p> <p>Levels of activity in growth-related areas of Council are likely to be lower in the first two years before returning to pre-2022 levels.</p> <p>If Council's rating revenue is impacted by the anticipated economic downturn, or significant cost pressure occurs due to high inflation, changes to work programmes and budgets will be addressed through subsequent annual plan and long term plan processes. Council has both rates remission and postponement policies to assist ratepayers who are experiencing financial hardship.</p>
<p><b>Inflation</b> Council assumes that the Price Level Adjustors provided by Business and Economic Research Limited (BERL) are accurate for local government purposes. These adjustors are based on work commissioned by Taituarā to specifically assist local government with the presentation of their Long Term Plans.</p>	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> While the Price Level Adjustors are useful to use for forecasting purposes, there is</p>	<p>There is a risk that the inflation rates will vary significantly from those used in budget forecasts.</p>	<p>If inflation rates are higher than what we have assumed, then we may not get sufficient income to cover our expenditure at the budgeted levels. Timing of expenditure may need to be altered.</p>

Assumption	Uncertainty	Risk	Implications
<p>[This assumption will be updated once the BERL adjustors are received on 27 October 2023.]</p> <p>NOTE: Inflation figures used for <b>Transportation</b> budget forecasts pre-date the release of the BERL adjustors due to Waka Kotahi funding submission deadlines.</p>	<p>inherent uncertainty around their accuracy, especially in later years of the Long Term Plan. The main uncertainty currently is around how long it may take inflation to come down to below 3%.</p>		<p>If the changes are significant this may impact the levels of service Council are able to provide or rates increases over and above the predicted levels in future years may be needed.</p> <p>Work programmes and budgets are reviewed annually through the annual plan process, so this assumption will be checked each year and adjustments made as needed.</p>
<p><b>Growth</b></p> <p>Based on the University of Waikato’s projection for the Waikato region, the district’s population is expected to grow from the current 88,113 (2024) to 101,198 (2034).</p> <p>A key assumption is that the settlement pattern for the district and related growth will be as identified in Waikato 2070 and the Future Proof Growth &amp; Development Strategy. The district plan zoning rules determines where growth can occur.</p> <p>Council assumes that most of the district’s growth will occur in and around the existing settlements of Tuakau, Pokeno, Te Kauwhata, Huntly, Ngaaruwaahia (including Taupiri and Horotiu) and Raglan as opposed to the rural areas. Factored into this thinking is the effect of growth in Auckland and Hamilton.</p>	<p><b>Uncertainty level:</b> Low</p> <p><b>Sources of uncertainty:</b> Internal and external migration pattern changes</p>	<p>There is a risk that the actual population growth and settlement patterns over the next ten years vary significantly from projections.</p>	<p>Should growth be higher than projected and planned for in certain locations, there may be pressure for the Council to provide and maintain additional infrastructure than is currently provided for in this plan. The estimated financial impacts are difficult to quantify however Council would adjust its work programmes and/or enter into development agreements to ensure that growth continues to fund growth as much is as practicable.</p> <p>If growth is lower than anticipated, income from development contributions will be less than budgeted for, and growth-related infrastructure projects may be delayed or stopped. It is also likely that rates would increase in a lower-than-expected growth scenario.</p>

**Commented [MR1]:** Work needs to be done to figure out exactly how this will be done - figures used will be included in the Transport AMP assumptions.

Assumption	Uncertainty	Risk	Implications																						
<p><b>Projected number of rating units as at 30 June:</b></p> <table border="1"> <tr><td>Current</td><td>33079</td></tr> <tr><td>2025</td><td>33834</td></tr> <tr><td>2026</td><td>34588</td></tr> <tr><td>2027</td><td>35339</td></tr> <tr><td>2028</td><td>36075</td></tr> <tr><td>2029</td><td>36796</td></tr> <tr><td>2030</td><td>37506</td></tr> <tr><td>2031</td><td>38202</td></tr> <tr><td>2032</td><td></td></tr> <tr><td>2033</td><td></td></tr> <tr><td>2034</td><td></td></tr> </table>	Current	33079	2025	33834	2026	34588	2027	35339	2028	36075	2029	36796	2030	37506	2031	38202	2032		2033		2034		<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> Households and businesses may re-assess their consumption, investment, employment and other business decisions due to uncertain economic environment</p>	<p>There is a risk that the number of new rating units does not meet or exceeds expectations.</p>	<p>If the number of rating units is significantly different from projections, the rating and development contribution income could be under- or overstated. If this were to occur, both capital and operational expenditure would need to be adjusted to reflect actual demand.</p> <p>If projects have been progressed ahead of development which does not eventuate this could cause funding shortfalls. This in turn would raise the costs of development and/or increase the borrowing costs for existing ratepayers.</p>
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<p><b>Availability of staff and contractors</b> It is assumed that internal and external resources will be available to undertake the planned capital works programme and maintain operational needs throughout the years of the plan. <i>[Council has a choice here in terms of how we approach this assumption. Given current low unemployment and economic downturn, as well as ongoing potential for resources to be diverted to response and recovery from further extreme weather events (linked to climate change assumption), do we assume that our internal resources will be constrained? And if so, what will the implications be – e.g. expected salary savings, budget more for consultancy services, plan for a more constrained work programme, lower levels of service?]</i></p> <p>It is assumed that existing contract relationships that are in place to deliver key services and capex projects</p>	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> With current low unemployment and net negative immigration, alongside economic uncertainty, there may be resourcing challenges.</p>	<p>There is a risk that there will be low availability of suitably qualified staff, contractors and consultants, and sustained difficulty in recruitment.</p>	<p>If there is an ongoing shortage of people resources, we may not be able to complete projects in the timeframes indicated, or there may be a drop in levels of service. Council will actively undertake workforce planning on an annual basis, reflecting resourcing needs for capital works projects and taking into consideration business as usual workloads, ensuring budgets and work programmes are adjusted accordingly through the annual plan process. Council will also respond positively to any opportunities for shared services that will realise benefits for our communities and bring cost efficiencies.</p>																						

**Commented [MR2]:** These figures will be updated as soon as possible now that growth projections have been confirmed.



Assumption	Uncertainty	Risk	Implications
<p>will continue, however these may cost more than they have in previous years.</p> <p>It is assumed that Council will continue to participate in shared services as a way to provide such services cost-effectively.</p>			
<b>Legislative Changes</b>			
<p><b>Three Waters Reform</b></p> <p>Council assumes that the ownership and management of our Three Waters assets will transfer to a regional water services entity no later than 1 July 2026. It is currently assumed that Council's contract with Watercare will continue due to our two year exit provision with them. It is assumed that if we need to exit this contract that another contractor would be found.</p> <p>[This assumption will be updated as more information is received]</p>	<p><b>Uncertainty level:</b> High</p> <p><b>Sources of uncertainty:</b> The exact details and timing of the transition to the regional entity are yet to be established. While it is meant to happen by 1 July 2026, it could happen sooner. There is also a high level of uncertainty about what further changes to the reform programme may occur after the central government elections in October 2023.</p>	<p>There is a risk that WDC will need to significantly alter its arrangements for management of Three Waters in the first two years of the LTP, if Watercare becomes "Entity A" and we are unable to continue our contract with them.</p> <p>There is also a risk that further big changes to, or a complete removal of, Three Waters Reform could occur after central government elections in October 2023.</p>	<p>The timing change from 1 July 2024 to 1 July 2026 has significant implications for the management of water services in the district as we are expected to be part of a Waikato regional entity that is highly unlikely to be ready to go in July 2024. The Auckland and Northland entity, however, is largely unchanged from the previous Three Waters plan, meaning they are likely to be ready to transition sooner and may well do that. If we are unable to continue to contract our water services to Watercare or merge with "Entity A", the implications of bringing this back in house are very significant and therefore our first option would be to find a new contractor.</p> <p>There are also significant implications for budgets and Council's balance sheet of having to remove the ownership of waters assets two years in to the ten year plan. Debt capacity will be insufficient to fund major wastewater treatment plant upgrades planned in the first four years of the plan. This would impact the amount of growth that could be accommodated.</p>

Assumption	Uncertainty	Risk	Implications
<p><b>Future for Local Government Review</b> The final report from the Future for Local Government Review is expected to be released in June 2023.</p> <p>Unless specifically stated otherwise (for example in the case of Three Waters Reform), Council has prepared the plan on the assumption its existing role and functions will continue for the life of the plan.</p> <p>[This assumption will be reviewed after the final report is released in June.]</p>	<p><b>Uncertainty level:</b> High</p> <p><b>Sources of uncertainty:</b> Until the final report is released in June 2023, we will not know the final recommendations that are being made. Even once the recommendations have come out, they may or may not be enacted, especially if there is a change of government in October 2023, or if they are, we do not know the timing of any major changes that may occur in local government organisation, roles and functions.</p>	<p>There is a risk that significant changes may be brought in by central government as a result of the review, such as a change to the structure and/or services provided by local authorities. While there would likely be a long lead in time for any changes, they could be brought in during the next 10 years, which may override Council’s planning and work programmes included in the 2024-2034 Long Term Plan.</p>	<p>While we have some idea about the direction the final report from the review might take, due to the draft report that was consulted on in late 2022-early 2023, the assumption that our existing role and functions will continue for the life of the LTP is necessary as we simply cannot speculate about the specific changes that might happen in the future, or when, and what this might or might not look like in our LTP.</p> <p>Council considers it unlikely that any recommendations could take effect before 1 July 2027 – other than those already expected from three waters – particularly for changes to roles or functions.</p>
<p><b>Other legislative changes</b> We know that Resource Management reform is happening, and the assumption is that the Natural and Built Environment Act and Spatial Planning Act will reflect the bills, and that the Climate Adaptation Bill will be released in the second half of 2023.</p> <p>[Note: these upcoming legislative changes will be considered in activity planning and budgeting, and this assumption will be updated as more information comes to light later in 2023]</p>	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> Unexpected change in government policy, speed of reform.</p>	<p>There is a risk of unexpected changes to legislation that alter the nature of services provided by the Council.</p>	<p>Most changes to legislation are known about in advance giving Councils the ability to prepare for implementation. Any financial uncertainty would relate to the speed and cost of implementing changes, training needs for staff and any additional resourcing required.</p> <p>Council would adjust budgets through an Annual Plan or Long Term Plan Amendment process if needed in a short timeframe.</p> <p>It is expected that any changes would be made to encourage efficiencies in</p>

Assumption	Uncertainty	Risk	Implications
			service delivery and/or improve outcomes for our communities.
<b>Climate Change Impacts</b>			
<p><b>Climate change</b> It is assumed that the district will continue to experience changing and extreme weather patterns. As per NIWA and Ministry for the Environment climate projections, the Waikato is highly likely to experience the following weather pattern changes over the next two decades and beyond:</p> <ul style="list-style-type: none"> <li>• Higher temperatures</li> <li>• Less frosts</li> <li>• Variable rainfall by season i.e., more rain in the winter less rain in the spring</li> <li>• Some increase in storm intensity, wind extremes and thunderstorms and frequency of more severe events</li> <li>• A rise in sea levels</li> </ul> <p>Climate change is a national concern, and as such should a significant event take place in our district it is assumed that a multi-agency approach would be used to address the impacts.</p> <p>We assume that the Government will require councils to deliver on the Emissions Reduction Plan and achieve a 50% reduction in emission by 2030.</p> <p>It is assumed that Council's involvement will continue to increase throughout the life of this plan and beyond, in climate change response such as mitigation, adaptation, disaster recovery and emissions reduction.</p>	<p><b>Uncertainty level:</b> Low</p> <p><b>Sources of uncertainty:</b> This assumption has a low level of uncertainty in terms of whether climate change will have an impact on our district and whether Council will need to increase their involvement in climate change response activities. The main source of uncertainty is about when any extreme weather event or climate-related natural disaster may occur and the extent of the impact on people, infrastructure and the economy and council's ability to respond and recover.</p>	<p><b>Infrastructure risk</b> There is a risk that the Council has not made sufficient provision or planning for changing weather patterns and climate-related events in terms of impacts on our infrastructure, assets and communities, and that we do not have the resources to plan and respond adequately, or that our assets are not fit for climate change events.</p> <p><b>Operational and Legal Risk</b> There is a risk that Council will fail to deliver on NZ Government and regional council mandated targets, legislation, statutory obligations.</p> <p>There is also a risk of significant financial impact and possible legal implications associated with poor planning, consenting, zoning and consequential remediation and repair work required and/or managed retreat.</p> <p><b>Community and Reputational Risk</b> There is a risk that Council will be unable to effectively support Communities to mitigate, respond and adapt to climate impacts as</p>	<p>The implications for the council and our communities of climate change are multifaceted and far-reaching. They range from damage to much of Council's infrastructure, disaster response and recovery, a need for more resources to deliver on emissions reduction targets and considering land use in known and projected hazard-prone areas, to the effects on supply chain, food prices, crime and inequality in our communities. Council needs to consider climate change impacts throughout its activities, services and capital works, and how we will support our communities.</p> <p>If climate change related budget provisions are insufficient, or other funding sources are unavailable when needed, Council will need to adjust spending in line with the severity and urgency of unexpected work required. Reserves or contingency funds will need to be used where possible, as well as agility in reallocating funds if needed. For non-urgent works identified in any given year, budgets will be adjusted through the annual plan or long term plan cycle.</p>

Assumption	Uncertainty	Risk	Implications
		<p>required or deliver on communities' expectations on building resilience. This would impact community well-being, as well as Council's reputation.</p> <p>There is a risk that Maaori will be disproportionately impacted by climate change.</p>	
<p><b>Natural Disasters/Emergency Events</b> It is assumed that in the event of a natural disaster the Council would have to fund 40% of the costs associated with damage to Council assets. The remaining 60% is assumed to be provided by central government.</p> <p>Council's insurance of underground assets covers losses or unforeseen damage caused by earthquake, natural landslip, flood, tsunami, tornado, windstorm, volcanic eruption, hydrothermal and geothermal activity, or subterranean fire.</p>	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> Unexpected change in government policy around co-funding costs associated with natural disasters/emergency events.</p>	<p>There is a risk that there will be a natural disaster requiring emergency works that cannot be funded out of normal budgetary provisions. There is also a risk that the government will not provide any financial assistance.</p> <p>The impact of climate change on our infrastructure also means that we will see many more severe and frequent weather events which will mean ongoing damage to our infrastructure, and impact on our communities. There is a risk that these types of events (such as 1 in 100-year storms occurring every 2-5 years, an acceleration in coastal erosion etc) will not continue to be covered by government funding due to the increased frequency of events. These same impacts are also experienced by private landowners, who have an expectation that Council will assist them both financially and with social impacts.</p>	<p>We have insurance programmes in place for above- and below-ground critical assets to fund the 40% that would be needed in the event of a natural disaster.</p> <p>We also have a disaster recovery reserve and a contingency fund to deal with unforeseen events, however due to Cyclone Gabrielle these are currently depleted and will take a while to build up again.</p> <p>The potential effect of a natural disaster on the Council's financial position is dependent upon the scale, duration and location of the event. We do know that severe weather events are occurring much more frequently, having both sudden and slow-moving impacts on Council infrastructure such as roads, reserves, carparks and also privately owned properties.</p>

Assumption	Uncertainty	Risk	Implications
<p><b>Assets</b></p> <p><b>Useful lives of Council assets</b>  It is assumed that the useful life estimates of our assets and asset values will not change significantly for the duration of this plan. Useful lives are identified for each component of assets. They are assessed based on many factors including construction method, material, age, condition assessments, obsolescence and expected remaining economic potential. Useful lives are regularly reviewed at revaluation (which is usually every three years for buildings and every year for open spaces and solid waste), and during maintenance. Useful life estimates are used in the calculation of depreciation and forward works programmes.</p>	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b>  Changing Market – when the market is changing rapidly (e.g., more than a 10% market change in any year), revaluations on buildings would be done more frequently than every three years.  Impact of Climate Change - with increased frequency of intense weather events this creates more wear and tear on assets, which consequently impacts the useful life of the asset.</p>	<p>There is a risk with that the impact of climate change will reduce the useful lives and assets will require replacement more often. This will increase the budget requirements, but it is unknown how quickly or by how much.</p> <p>There is a risk that rising compliance requirements at national and regional levels will require significant investment in new or upgraded plant before useful life or capacity life has been reached.</p> <p>There is a risk that useful life estimates will change as a result of asset revaluations or through adjustments in Asset Management Plans.</p> <p>There is a risk that renewal programmes do not align with the loss of economic potential of the asset.</p> <p>There is also a risk that funding for renewal programmes does not line up with renewal expenditure. Operating expenses could be under or overstated.</p>	<p>Council operates advanced asset management practices which require the useful lives of the asset components to be reassessed at each revaluation and during maintenance.</p> <p>Changes to the useful lives of assets has a direct impact on the renewal profiles, for example asset replacements could be delayed or required sooner than anticipated. The result of this is either an increase in depreciation reserves for a period, as this is the funding source for asset replacements, or drawing on reserve funding earlier than anticipated.</p> <p>Accurate assessment of useful lives has a large impact on Council achieving its intergenerational equity principles.</p> <p>If the useful lives of our assets are inaccurate, then:</p> <ul style="list-style-type: none"> <li>• Council may have insufficient funds to undertake renewal works. Council may be able to extend borrowing to complete work which may come at higher cost. Alternatively, service levels may have to reduce until funding is available.</li> <li>• Council may have allocated excess funding to renewal programmes. This may result in other works not</li> </ul>

Assumption	Uncertainty	Risk	Implications				
			being undertaken at the preferred time resulting in the community dissatisfaction.				
<p><b>Sources of funding for future replacement of significant assets</b> Sources of funding for the replacement of assets can be found in Council’s Revenue and Finance Policy.</p> <p>It is assumed that the Waka Kotahi subsidy will continue to be available at the currently agreed percentage (see Waka Kotahi subsidy assumption).</p> <p>It is assumed that Ministry of Health (MoH) subsidies are not available for Wastewater (see Water and Wastewater subsidy assumption).</p> <p>It is assumed that the bank will continue to cover loan facilities to the council. External borrowing limits are covered within the Treasury Risk Management Policy.</p>	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> Useful life estimates and valuations could change significantly due to climate change and market movements, leading to inadequate depreciation. Changes in government policy for subsidies. Financial institutions could revise covenants.</p>	There is a risk that sources of funds are inadequate to fund the replacement of significant assets.	If funds are inadequate for the replacement of significant assets, work may not be progressed as per timing in the plan. Operational expenditure may rise as a result in an attempt to extend the life of the assets, which would potentially cost the ratepayer more as we would still need to build reserves to pay for the eventual replacement.				
<b>Financial</b>							
<p><b>Revaluation Movements</b> It is assumed that revaluations will occur on an ‘at least once every three years’ cycle with the infrastructure classes being valued annually to keep pace with optimised replacement cost and ensure sufficient depreciation is set aside.</p>	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> Revaluations rely on multiple factors outside of Council control (e.g., supply chain, inflation).</p>	There is a risk that revaluations result in a higher or lower value of assets, impacting depreciation costs.	Asset values could increase by more or less than our estimate. This could impact on the level of operating costs for different activities. Large asset valuation changes could impact on Council's ability to fund asset renewals.				
<p><b>Borrowing costs</b> It is assumed that Council will be a net borrower over the next 10 years. The cost of debt has been budgeted for as follows:</p> <table border="1" data-bbox="168 1212 638 1268"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2024</td> <td></td> </tr> </tbody> </table>	Year	Percentage	2024		<p><b>Uncertainty level:</b> Low</p> <p><b>Sources of uncertainty:</b></p>	There is a risk that interest rates will vary significantly from those used in budget forecasts.	As the Council’s debt portfolio is increasing; movements in interest rates could affect the Council’s financial position and have an impact on the amount within Council’s reserves. These reserves are used to fund capital works and various other
Year	Percentage						
2024							

**Commented [MR3]:** These figures will be provided by PWC once draft budgets are approved.

Assumption		Uncertainty	Risk	Implications						
2025				<p>programmes and could mean that funds are unavailable to progress works as budgeted.</p> <p>In the event interest rates are lower than forecast, Council intends to apply the savings to reduce debt or rates in accordance with our prudent financial management philosophy.</p>						
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
<p><b>Subsidies</b></p> <p><u>Waste Levy</u> It is assumed that the government will continue to provide waste levies using the population-based formula.</p> <p><u>Water/Wastewater</u> It is assumed that no subsidies will be available.</p> <p><u>Waka Kotahi</u> It is assumed that the government will continue to provide Waka Kotahi subsidy for roading and transportation projects, and that the overall funding envelope increases each year. Waka Kotahi subsidised work categories will not receive unsubsidised funding from Council. The basis of Waka Kotahi funding for the 10 years is assumed to be:</p> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>Maintenance</th> <th>Improvements and replacement</th> </tr> </thead> <tbody> <tr> <td>2024-2034</td> <td>51%</td> <td>51%</td> </tr> </tbody> </table> <p>For emergency works, it is assumed that the Waka Kotahi subsidy will be 51% for the first 10% of</p>		Financial Year	Maintenance	Improvements and replacement	2024-2034	51%	51%	<p><b>Uncertainty level:</b> Medium</p> <p><b>Sources of uncertainty:</b> <u>Waste Levy</u> Changes in government policy</p> <p><u>Water/Wastewater</u> Three Waters reform</p> <p><u>Waka Kotahi</u> Central government may approve more or less funding for emergency works.</p> <p>Some capital works may be eligible for additional subsidy based on new funds provided by the government such as "Climate Emergency Relief Fund".</p> <p>While the maintenance subsidy is 51% of the approved programme, the</p>	<p><u>Waste Levy</u> There is a risk that the Council will not receive the predicted levels of waste levy income.</p> <p><u>Waka Kotahi</u> There is a risk that the Waka Kotahi subsidy rates will differ from the assumed rates. There is also a risk that the overall funding envelope for Waka Kotahi subsidy remains static or declines.</p> <p>There is a risk that the level of service Council is planning to fund is higher than what Waka Kotahi will subsidise.</p>	<p><u>Waste Levy</u> The Council utilises the levy income to fund waste minimisation schemes, educational programmes and other such projects as is the intent of the levy. Should the Council not receive the amount of income predicted, expenditure in these areas may need to be reduced. This would impact our zero waste initiatives.</p> <p><u>Waka Kotahi</u> We operate under the guidance of central government's One Network Road Classification (ONRC). The ONRC is a classification system, which divides New Zealand's roads into categories based on how busy they are, whether they connect to important destinations, or are the only route available.</p> <p>It is a minimum requirement that the ONRC is embedded in investment decision making for the LTP. We may</p>
Financial Year	Maintenance	Improvements and replacement								
2024-2034	51%	51%								

**Commented [MR4]:** This may change as we move forward with three waters transition arrangements.

Assumption	Uncertainty	Risk	Implications
Council's maintenance programme for each year, and 71% for the remaining costs per financial year.	value to which Waka Kotahi will approve is unknown at this stage.		<p>need to increase or decrease works in line with any new data that becomes available through the ONRC.</p> <p>The annual quantity of planned work would need to be reduced if subsidies are not received at the expected level. There would also likely be increased demand on the network and funding requirements.</p>
<p><b>Local Government Funding Agency (LGFA) Guarantee</b></p> <p>Council has assumed that the Local Government Funding Agency (LGFA) guarantee will not be triggered for the duration of this plan.</p>	<p><b>Uncertainty level:</b> Low</p> <p><b>Sources of uncertainty:</b> The uncertain economic climate and its potential impact on local authorities' ability to repay LGFA loans.</p>	There is a risk that the LGFA cannot meet its obligations to lenders as a result of a default by a borrowing local authority on interest or principal payments to the LGFA.	Council guarantees 1.5% of any shortfall the LGFA may have in meeting its obligations to lenders as a result of a default by a borrowing local authority. The LGFA advise it is reasonable to assume that the guarantee will not be called. The LGFA has never made a call under the guarantee and its loans to councils are all performing, so there is nothing the LGFA or Council are aware of that makes a call under the guarantee likely.



# 30 YEAR INFRASTRUCTURE STRATEGY (2021 - 2051)

## INTRODUCTION

This Infrastructure Strategy sets the strategic direction for the provision of infrastructure in the Waikato district.

It is intended to have a strategic focus, which can be read as a standalone document that sits alongside the growth and development, and financial strategies, and will direct the activity management planning process.

Activity management plans include a detailed 10 year plan. The 2021 LTP collects the 10 year plans and levels of service from each of the activity management plans:

- Most likely scenario collated from AMPs
- Financial forecast each of the first 10 years
  - Years 1-3 in detail
  - Years 4-10 in outline

The LTP will also include a long term forecast for year 10 to year 50. The long term forecast summarises years 10 – 50 in five yearly funding blocks as indicative cost estimates.

This Infrastructure Strategy sits within the framework of Council policies, strategies, and plans as shown in Figure 1.

It forms part of the Long Term Plan (LTP) to fulfil the requirements of the Local Government Act 2002 Section 101B.

- Describes the activity management practices, including the approach for managing growth increasing service levels, ensuring infrastructure resilience, renewing existing infrastructure; and outlines the key assumptions in putting together this infrastructure strategy; and
- Informs the Activity Management Planning process for infrastructure-based activities, and forms part of the Long Term Plan development process.

This Strategy aligns with our Financial Strategy, in which we determine what we can afford to do, when we can afford to do it and how we will fund it.

- Describes the key infrastructure provided by the Council within each activity;
- Identifies significant infrastructure issues and the principal options for managing those issues;

### Structure

This Infrastructure Strategy responds to the requirements in the Local Government Act 2002, specifically section 101B. The alignment to these requirements is described in the table below.

Section	Description	Alignment to LGA 2002 Section 101B
<b>Introduction</b>	Identifies the purpose of the Infrastructure Strategy.	
<b>Strategic Alignment</b>	Positions the Infrastructure Strategy in the strategic planning framework and describes alignment to community outcomes and the environment we are working in.	
<b>Infrastructure overview</b>	Summary of the core and community infrastructure in the district.	
<b>Significant Infrastructure issues</b>	Describes significant issues and identifies the response options for the significant issues and documents the benefits, cost, when and funding source	2
<b>How we manage Infrastructure</b>	Describes how we plan for asset renewals, respond to growth, alter the level of service, ensure public health and infrastructure resilience.	3
<b>Most likely scenario</b>	Discusses Council's response to the issues and significant decisions about capital expenditure to be made during the term of this strategy.	4 (a, b)
<b>Financial summary</b>	Identifies the costs associated with the most likely scenario.	
<b>Assumptions</b>	Key assumptions and impact potential effects of uncertainty	4 (c, d)

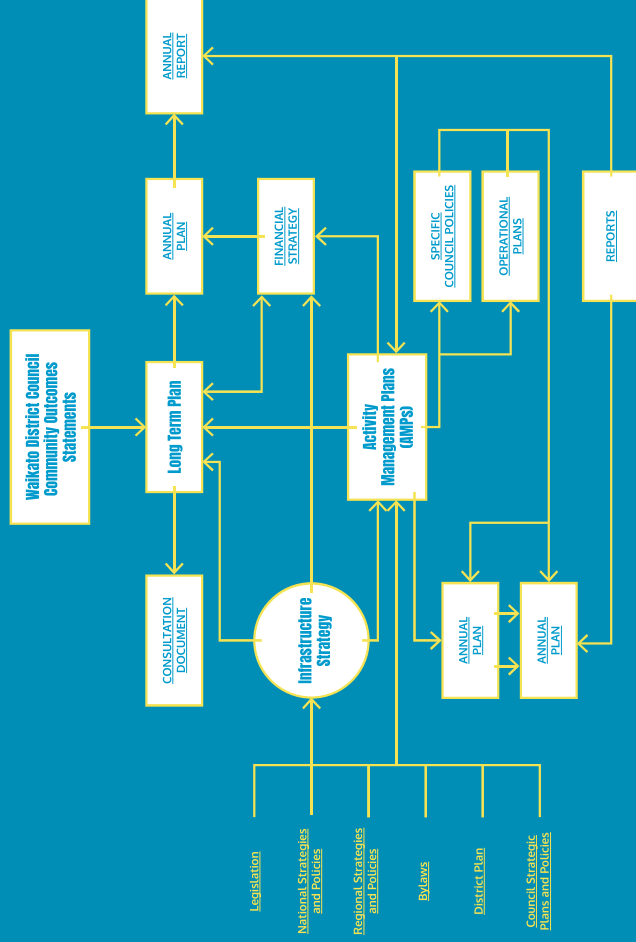


Figure 1 Infrastructure Strategy Linkage with other documents.

# STRATEGIC CONTEXT

Waikato District Council is experiencing high levels of growth in parts of the district which border the larger urban centres of Hamilton and Auckland. There is also noticeable planned growth in Raglan and Te Kawwhata.

Over the next 30 years, Council plans to build new infrastructure to meet development needs as well as renew existing assets to maintain its level of service and provide resilience to natural hazards.

Significant increased growth funded expenditure is required for water supply, wastewater and transportation infrastructure. Expenditure for other activities such as solid waste, open spaces, facilities and libraries will focus on renewals and maintaining levels of service.

**Community Outcomes**  
Infrastructure provides an essential contribution toward achievement of the Waikato District Council community outcomes.

The level of service framework (detailed in section five of this document) describes the contribution each activity makes toward these outcomes.

- We have aligned the outcomes of our infrastructure-based activities to the community outcomes.
- The levels of service describe how the activity outcomes are delivered by the activities.

The community outcomes are depicted in Figure 2.

The community desires for Infrastructure improvements are captured, prioritised and communicated through the Community Blueprint process.



Figure 2. Community Outcomes

## Geographic Context

The Waikato district lies within the northern growth corridor between the large cities of Hamilton and Auckland along State Highway 1.

proposition for both business and residential development.

This diverse district covers more than 400,000 hectares.

The district has been growing rapidly, with our proximity to Auckland and Hamilton making us an attractive

Smaller settlements include Gordonton, Matangi, Tamahere, Meremere, Port Waikato and Pokeno.

The Waikato and Waipa Rivers and their catchments are important to the cultural and economic activities in the region.

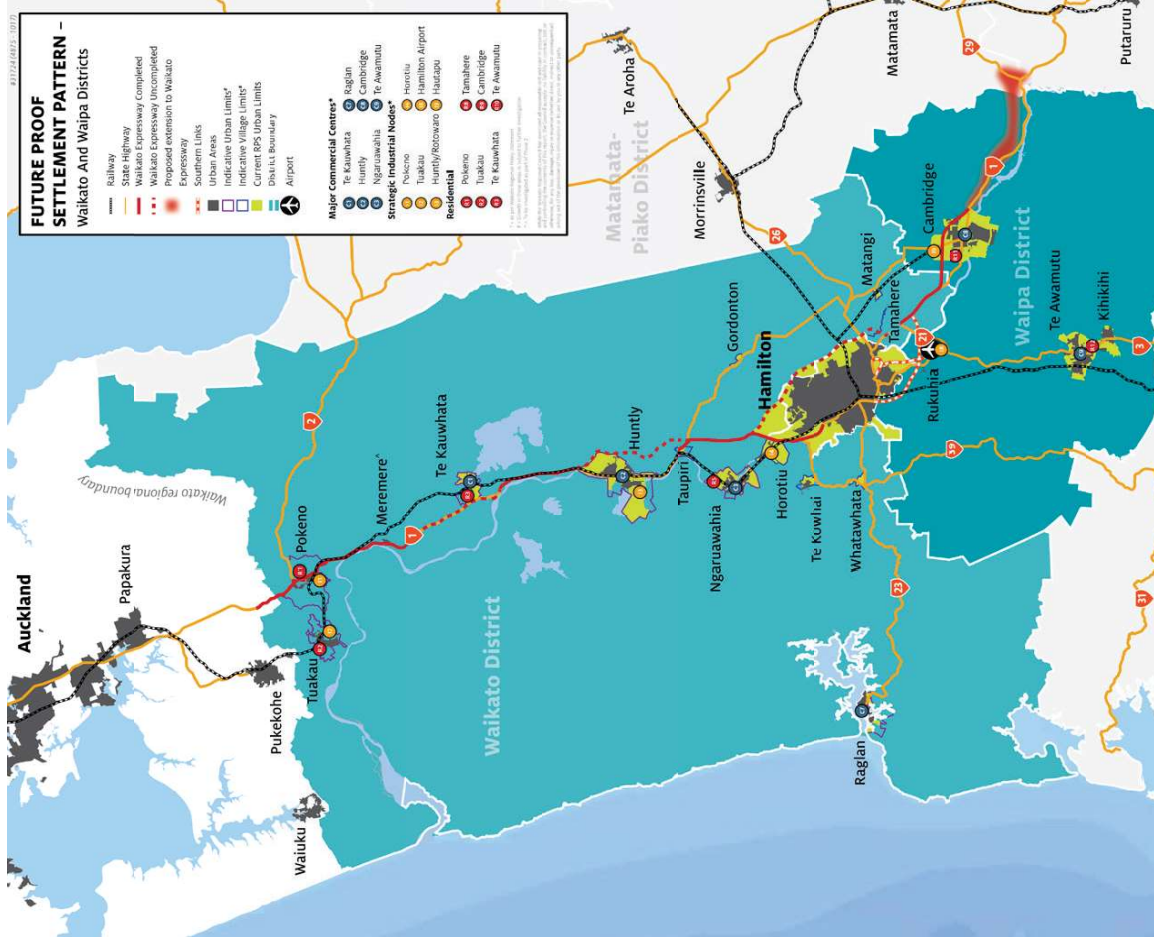


Figure 3. Waikato district (proposed urban limits to 2061)

**Population Growth**

The population in the Waikato district in 2020 was 81,473.

The Waikato District Council Growth & Economic Development Strategy (Waikato 2070) was developed to provide guidance on appropriate growth and economic development that will support the well-being of the district. The document was prepared using the Special Consultative Procedure, Section 83, of the Local Government Act (2002) and adopted by Council in May 2020.

Waikato 2070 is a guiding document that the Council uses to inform how, where and when growth occurs in the district over the next

50 years. The growth indicated in Waikato 2070 has been informed by in-depth analysis and combines economic, community and environmental objectives to create liveable, thriving, and connected communities. The growth direction within Waikato 2070 will ultimately inform long-term planning and therefore affect social, cultural, economic, and environmental well-being.

The figures below show the population and household projections for the Waikato district for 2020 to 2060. Based on household projections prepared by the University of Waikato (Cameron, 2020) the Waikato

district's population is projected to increase by approximately 15,500 - 19,000 additional people over the next 10 years.

To understand the distribution of the growth across the district Waikato District Council has a Spatial Distribution Model (2020) that has been used to inform the household projection numbers for each town or village.

By 2060 the district's total population is estimated to reach between 128,500 and 149,500.

**Population Projection for the Waikato District**

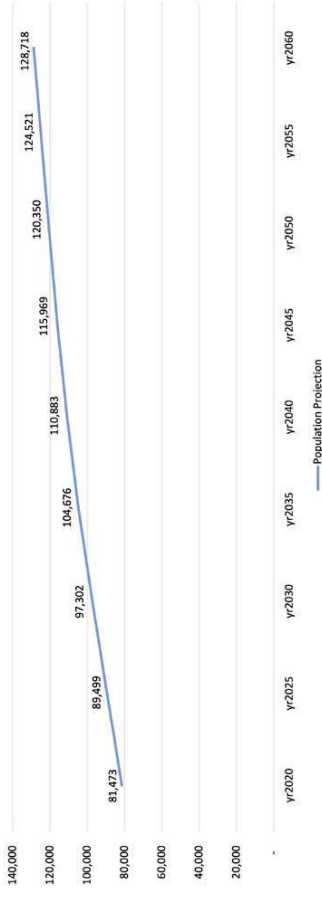


Figure 4 – Population projection 2020-2060

**Household Projection for the Waikato District**

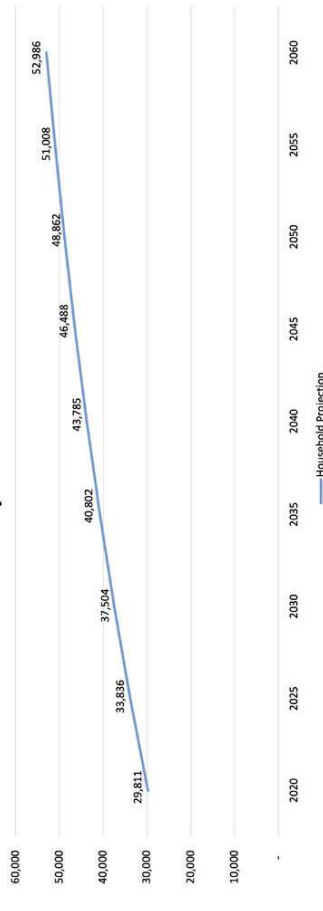


Figure 5 – Household projections 2020-2060

**Economic Trends**

There is so much uncertainty with the potential economic impacts on the Region as the global pandemic unfolds. The potential economic impacts on the Waikato Region as based on Waka Kotahi NZTA's study October 2020 on the potential implications of COVID-19.

- The south of the Waikato district around Hamilton is expected to perform reasonably well due to relatively low reliance on international tourism (25% of total tourism spend), links to surrounding agriculture, and the city's role as a hub for education, healthcare and other government services.
- The north of the Waikato district is expected to experience slower growth rates due to

- lower business and population movements out of Auckland, with flow on impacts on the construction sector.

- Significant infrastructure investment, and strategic location within the 'Golden Triangle' also provide the region with a solid base for growth.

- Significant levels of uncertainty remain regarding the scale and duration of COVID-19 impacts, We will continue to monitor and update as things change.
- Under the Slower Recovery Scenario the Waikato region's forecast fall in employment to 2021 (relative to BAU) is -5.6%, significantly lower than the national average of -6.7%.

- With the exception of the Waipa, Otirohanga and Waitomo districts, employment levels are forecast to return to pre-COVID-19 levels by 2025.
- Hamilton City is forecast to perform comparatively well. It is one of only two main urban centres (Wellington is the other) forecast to return to BAU employment levels by 2031.
- Population growth expected to slow, at least in the short to medium term, given the region's reliance on net migration.
- Maori and Pasifika, and youth, are likely to experience the greatest impacts, particularly in smaller regional centres. An increase in youth not in employment, education or training (NEETs) is expected.

**Employment relative to BAU, 2031, major industries, Slower Recovery Scenario**

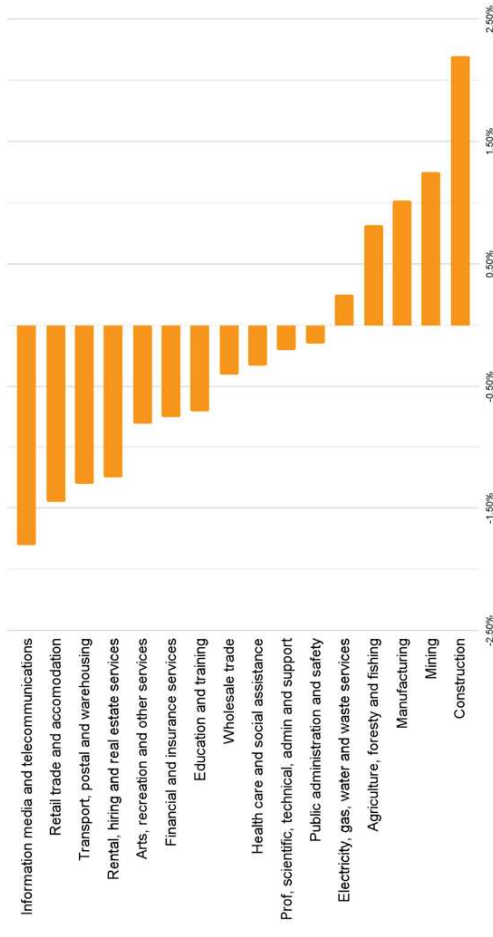
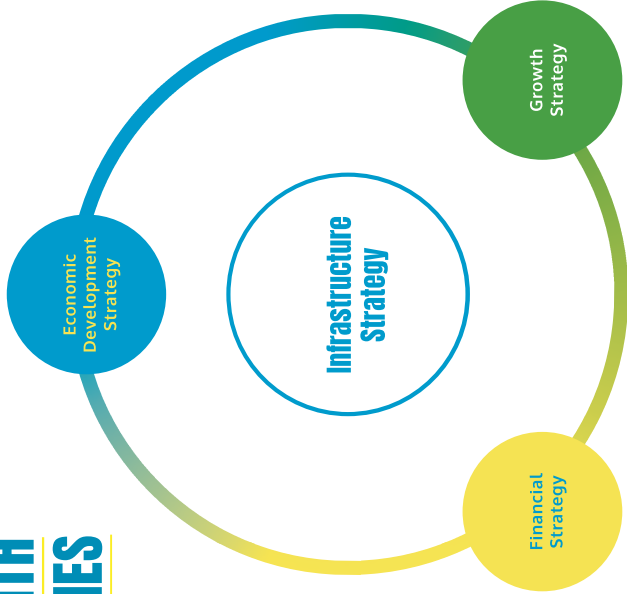


Figure 6 – Employment relative to BAU, 2031, major industries, Slower Recovery Scenario.

# INTERACTION WITH OTHER STRATEGIES

The Infrastructure Strategy is a key component in the high-level Council decision-making processes around the future of the district.



The Infrastructure Strategy interacts significantly with the following other strategies:

- Economic Development
- Growth
- Financial

### Waikato 2070

Waikato 2070 is The Waikato District Council Growth & Economic Development Strategy, developed to provide guidance on appropriate growth and economic development that will support the well-being of the district.

The document was prepared using the Special Consultative Procedure, Section 83, of the Local Government Act 2002 and adopted by Council in May 2020.

Waikato 2070 is a guiding document that the Council uses to inform how, where and when growth occurs in the district over the next 50 years. The growth indicated in Waikato 2070 has been informed by in-depth analysis and combines economic, community and environmental objectives to create liveable, thriving, and connected communities. The growth direction within Waikato 2070 will ultimately inform long-term planning and therefore affect social, cultural, economic, and environmental well-being.

The financial strategy is developed alongside the infrastructure strategy and both form part of the LTP.

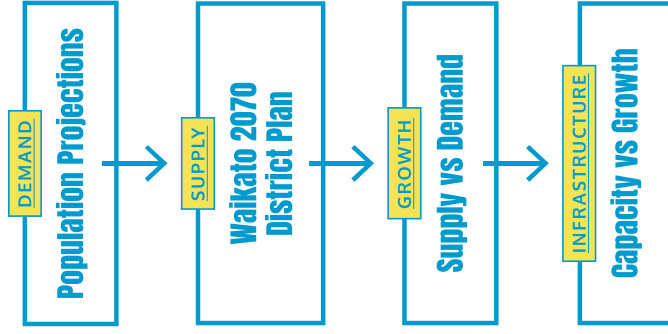


Figure 7

### Aligning Growth and Infrastructure

Growth forecasting and strategic infrastructure planning processes need to be connected and tightly aligned to facilitate growth and stimulate economic development in an efficient manner. Waikato 2070 is an integrated growth and economic development district level strategy to support effective development and infrastructure planning.

The interaction between the growth and the provision of infrastructure is complex and nuanced. Creating a long-term programme of the infrastructure required to facilitate growth requires a thorough assessment process. We have defined this process by the following phases to move from a population forecast to an infrastructure programme

1. Demand
2. Supply
3. Growth
4. Infrastructure

Assessment Phase	Data sets	Tasks
<b>Demand</b>	Population projections	<ol style="list-style-type: none"> <li>1. District Wide Projections (med, high)</li> <li>2. Disaggregate population to towns (med, high)</li> </ol>
<b>Supply</b>	Land projections	<ol style="list-style-type: none"> <li>3. Available land size and timing</li> <li>4. Assessment of realistic proportion able to build on</li> <li>5. 20% over capacity target</li> </ol>
<b>Growth</b>	Growth forecast	<ol style="list-style-type: none"> <li>6. Compare demand and supply</li> <li>7. Identify supply side constraints or excess supply</li> <li>8. Inform District Plan to Identify additional blocks or reallocation</li> </ol>
<b>Infrastructure</b>	Infrastructure capacity	<ol style="list-style-type: none"> <li>9. Assess infrastructure capacity</li> <li>10. Demand Assessment based on Growth Forecast (not pop demand)</li> <li>11. Capital Programme development to meet demand, \$ and year</li> </ol>

### Core vs Community Infrastructure

Not all infrastructure is created equal when it comes to servicing growth areas:

- Core infrastructure in the form of connector roads and main water networks need to be in place to open growth cells for development.
- Other core infrastructure like water treatment plant capacity, or road network capacity can be planned to be delivered as the population grows.
- Community infrastructure such as playgrounds and libraries can be delivered as populations grow or as levels of service gaps appear.

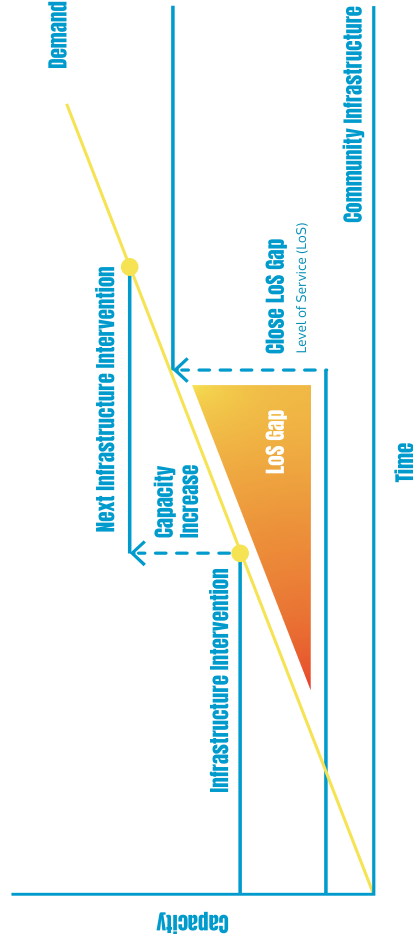


Figure 9

**Predicting Demand for Infrastructure**

Predicting the demand for infrastructure is a complex and nuanced multiple phase process with a significant set of assumptions for each phase of the assessment. Providing the right amount of infrastructure at the right time is a balancing act:

- Providing too much infrastructure, or providing it too soon, places a large financial burden on Council, ratepayers, and developers.
- Not provisioning enough infrastructure may restrict growth, and mean Council is forced to provide infrastructure at short notice, shortcutting the appropriate planning and funding processes.

Having a high level of certainty of infrastructure need allows for more accurate financial forecasting, more robust delivery planning and better coordination with other works. The more accurate the growth predictions, the more accurate the infrastructure plan.

Infrastructure can be categorised as either:

- Leading Supply – built in advance of growth
- Leading Demand – built as growth advances
- Lagging Demand – built after growth has occurred

The following table describes some examples of our infrastructure and how the planning for their implementation relates to growth.

**Lead vs Lag Infrastructure**

The timing of infrastructure interventions to satisfy demand needs to be planned carefully as some pieces of infrastructure have long lead times to procure, design, and build.

Activity	Infrastructure	Lead/Lag	Growth Parameter
<b>Transport</b>	New roads	Lead	Supply
	Network Capacity	Lead	Demand
<b>3 Waters</b>	Pipe Networks	Lead	Supply
	Treatment plants	Lead	Demand
<b>Solid Waste</b>	Collection capacity	Lead	Supply
	Processing capacity	Lead	Demand
<b>Open Spaces</b>	Parks and playgrounds	Lag	Demand
<b>Community Facilities</b>	Community Hubs	Lag	Demand

**Uncertainty in Predicting Growth**

Growth forecasts rely on projections of population growth, development, and land use change. These are based on a range of assumptions and need to be monitored over time to see whether actual growth is tracking along the same lines as the projections.

Times have potentially never been more uncertain than now. Undertaking long term planning during a pandemic is no small feat. Our underlying assumptions for the growth predictions cannot always be relied on in a fast-changing world.

To combat this uncertainty about the future we are proposing a much more frequent and robust process for reviewing actual growth, reforecasting growth projections and reassessing infrastructure demand.

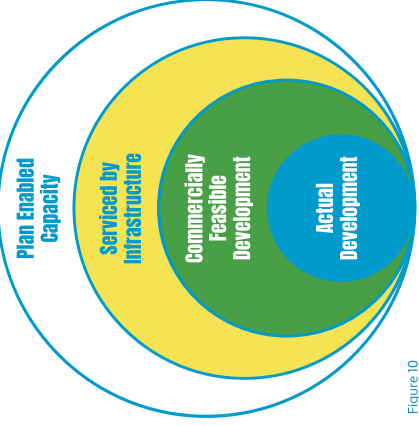


Figure 10

**Monitoring Growth**

The three-yearly LTP cycle is not frequent enough for our needs now, so we are proposing an annual review of actual versus planned growth in growth projections from our predictions and to allow for changes in the planning, and delivery cycles. The process will follow the steps outlined below:

- Assess actual growth against the projections.
- Growth models will be revised to meet any changes in the underlying models.

- Asset Management Plans will be updated annually based on a revised growth forecast.
  - The annual plan will facilitate any changes needed, and any further consultation requirements.
- If actual growth deviates from the forecast, then infrastructure projections need to be revised and infrastructure plans need to change to adapt to the revised projections.

**Aligning Finance and Infrastructure**

The Financial Strategy sets out the objectives and challenges the district faces from a financial perspective to balance affordability and service

delivery. Keeping rates within affordable limits and managing external debt levels while trying to support sustainable growth, providing better services, and maintaining our existing assets is an ongoing challenge.

From an infrastructure perspective, we need to balance investment in infrastructure with the financial impact that investment will have on debt levels, rates, and reserves.

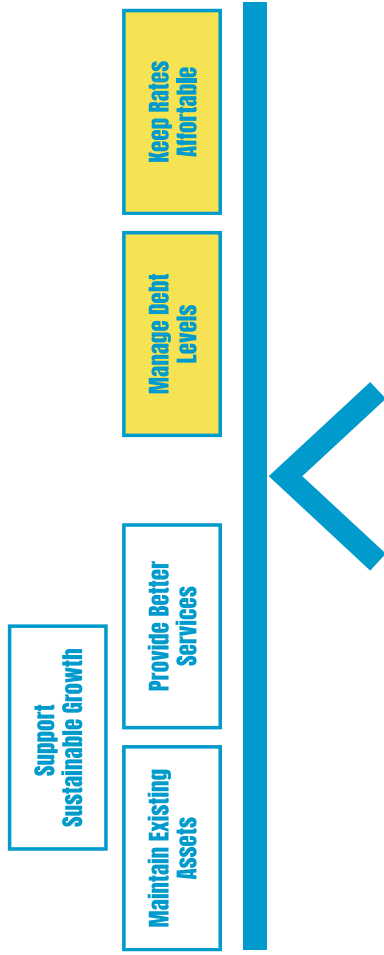


Figure 11

The following table aligns infrastructure investment categories to the:








- Financial objectives;
- Financial constraints (metrics which limit investment in infrastructure)

Financial Objectives	Financial Constraints *	Infrastructure Investment
<b>Modernising infrastructure</b>	Debt limit	Level of Service Capital
<b>Supporting growth</b>	Development Contributions	Growth Capital
<b>Maintaining existing assets</b>	Depreciation Reserves	Renewals
<b>Moving costs of services to those who use them.</b>	Rates limit	Operations and Maintenance
<b>Doing more with existing budgets</b>	Rates Increase limit	

\* Most significant impact on financial constraint. The financial impact assessment is a complex analysis with nuanced relationships between these financial metrics. More detailed information about funding can be found in the Revenue and Financing Policy.

# INFRASTRUCTURE OVERVIEW

Funding mechanisms are discussed in detail in the Financial Strategy, but we have indicated in the following table the approximate breakdown by activity of funding for operational and capital investment.

Infrastructure Summary		Replacement Value
Activity	Infrastructure Summary	
<b>Council Facilities</b> 	42 community centres/town halls 29 general properties 5 corporate properties 4 Housing for the Elderly Complexes 3 pool complexes Raglan Harbour assets	\$47m 2%
<b>Open Spaces</b> 	229 ha of sports and recreation 50 ha neighbourhood parks 7 ha Public garden 1,289 ha Natural reserves 63 ha of cultural heritage sites 172 ha of outdoor adventure reserves 13 ha of civic space 355 ha of recreation and ecological linkages 21 cemeteries 58 playgrounds 2 campgrounds 57 public toilets 34 boat ramps 2015 street trees	\$79m 4%
<b>Solid Waste</b> 	Kerbside rubbish and recycling collection contract for 20,500 properties Education programmes for schools and early childhood centres	\$50m 3%
<b>Stormwater</b> 	129km pipes 13km maintained open drains 10 ponds	\$80m 4%
<b>Transport</b> 	1,812km sealed roads 608km unsealed roads 198km footpaths, cycleways and walkways 203km of culverts 232 bridges 3,787 street lights 109 bus shelters	\$1426m 70%
<b>Wastewater</b> 	10 schemes 9 treatment plants 297 km pipes 83 pump stations	\$186m 9%
<b>Water Supply</b> 	759km pipes 12 pump stations 28 reservoirs 7 treatment plants	\$171m 8%

Operational Funding Mechanism		Capital Funding Mechanism
Activity		
<b>Council Facilities</b> 	The Council facilities and open spaces (Sustainable Communities) activities are funded predominantly through general and UAGC rates. <ul style="list-style-type: none"> <li>General, UAGC rates = 85%</li> <li>Targeted rates = 1%</li> <li>Fees and charges = 7%</li> <li>Infringement fees etc = 7%</li> </ul>	Capital investment in the Council facilities and open spaces (Sustainable Communities) activities is funded through a combination of sources. <ul style="list-style-type: none"> <li>Subsidies and grants = 0%</li> <li>Development contributions = 65%</li> <li>External debt = 25%</li> <li>Proceeds from sale of assets = 10%</li> </ul>
<b>Open Spaces</b> 		
<b>Solid Waste</b> 	The solid waste activity (Sustainable Environment) operations is funded roughly equally through rates and fees, broken down as below: <ul style="list-style-type: none"> <li>General, UAGC rates = 35%</li> <li>Targeted rates = 15%</li> <li>Fees and charges = 35%</li> <li>Infringement fees etc = 15%</li> </ul>	Capital investment in the solid waste activity (Sustainable Environment) is funded through external debt. <ul style="list-style-type: none"> <li>Subsidies and grants = 0%</li> <li>Development contributions = 65%</li> <li>External debt = 25%</li> <li>Proceeds from sale of assets = 10%</li> </ul>
<b>Stormwater</b> 	The stormwater activity is funded predominantly through targeted rates. <ul style="list-style-type: none"> <li>General, UAGC rates = 15%</li> <li>Targeted rates = 85%</li> </ul>	Capital investment in the stormwater activity is funded through: <ul style="list-style-type: none"> <li>Subsidies and grants = 0%</li> <li>Development contributions = 25%</li> <li>External debt = 75%</li> </ul>
<b>Transport</b> 	The transport activity is jointly funded by Council and Waka Kotahi NZTA. <ul style="list-style-type: none"> <li>General, UAGC rates = 65%</li> <li>Subsidy from Waka Kotahi NZTA = 25%</li> <li>Infringement fees etc = 10%</li> </ul>	Capital investment in the transport activity is funded through: <ul style="list-style-type: none"> <li>Subsidies and grants = 80%</li> <li>Development contributions = 15%</li> <li>External debt = 3%</li> <li>Depreciation reserves = 2%</li> </ul>
<b>Wastewater</b> 	The wastewater activity is funded predominantly through targeted rates. <ul style="list-style-type: none"> <li>General, UAGC rates = 2%</li> <li>Targeted rates = 85%</li> <li>Fees and charges = 13%</li> </ul>	Capital investment in the wastewater activity is funded through: <ul style="list-style-type: none"> <li>Subsidies and grants = 0%</li> <li>Development contributions = 25%</li> <li>External debt = 75%</li> </ul>
<b>Water Supply</b> 	The water supply activity is funded predominantly through targeted rates. <ul style="list-style-type: none"> <li>General, UAGC rates = 2%</li> <li>Targeted rates = 95%</li> <li>Fees and charges = 3%</li> </ul>	Capital investment in the wastewater activity is funded through: <ul style="list-style-type: none"> <li>Subsidies and grants = 0%</li> <li>Development contributions = 25%</li> <li>External debt = 75%</li> </ul>

**Infrastructure Value**

Infrastructure at the Council has a replacement value of just over \$2bn comprised of the infrastructure in each of the activities described in Figure 12.

The depreciated replacement value is compared in Figure 13 to replacement value which provides an indication of the asset life that has been consumed for each of the groups of infrastructure.

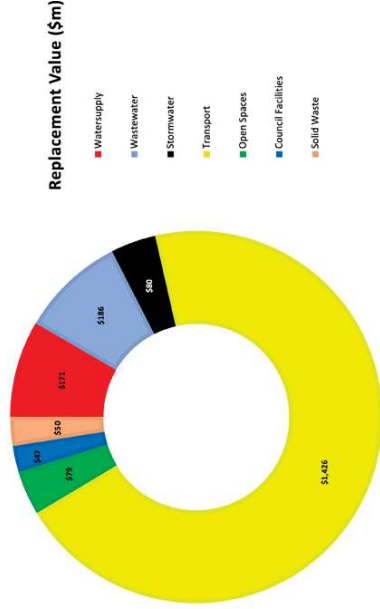


Figure 12

**Depreciated Replacement Value Comparison**

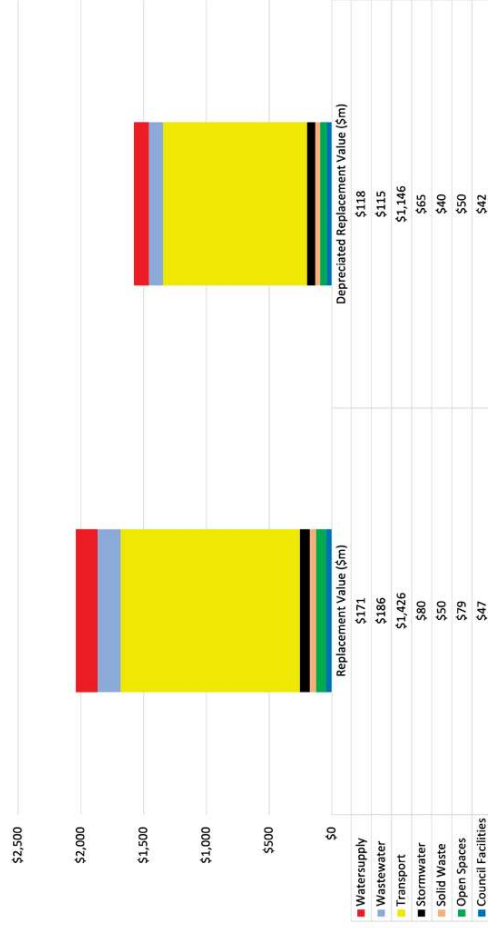


Figure 13

Activity	Replacement Value (\$m)	Depreciated Replacement Value (\$m)	% Value Remaining	% Value Consumed
Watersupply	\$171	\$118	69%	31%
Wastewater	\$186	\$115	62%	38%
Stormwater	\$80	\$65	81%	19%
Transport	\$1,426	\$1,146	80%	20%
Open Spaces	\$79	\$50	63%	37%
Council Facilities	\$47	\$42	91%	9%
Solid Waste	\$50	\$40	80%	20%
<b>Total</b>	<b>\$2,039</b>	<b>\$1,576</b>	<b>77%</b>	<b>23%</b>

**Infrastructure Condition**

We have worked hard to develop a consistent approach to describing asset condition across our infrastructure activities. We consider the condition of our infrastructure portfolio by the value of the infrastructure in each condition category.

Overall, the condition of our infrastructure assets is relatively good but:

- 4% of our infrastructure is in Poor or Very Poor condition which generally means needs a renewal intervention.
- A significant portion (34%) of our infrastructure assets are in average or worse condition. This equates to approximately \$270million.
- For our Core Infrastructure the value of infrastructure assets in average or worse condition is close to \$240million.

**Overall Infrastructure Condition Distribution**

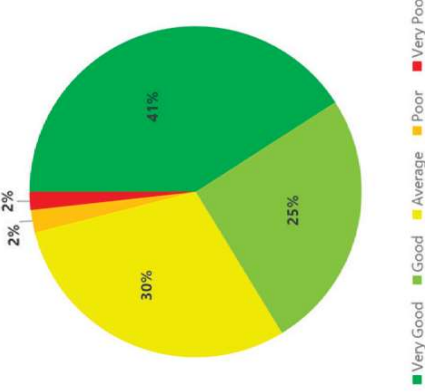


Figure 14

**Data Reliability**

We have a high level of information regarding our infrastructure asset condition, and we reduce risk of inaccuracy by constantly improving asset data and condition monitoring of our infrastructure assets.

This provides valuable information and the ability to respond to current and future capital work programmes and preventative maintenance to ensure our most critical assets continue to provide service and to better manage the risk of failure.

**Proportion of Infrastructure Condition by Activity**

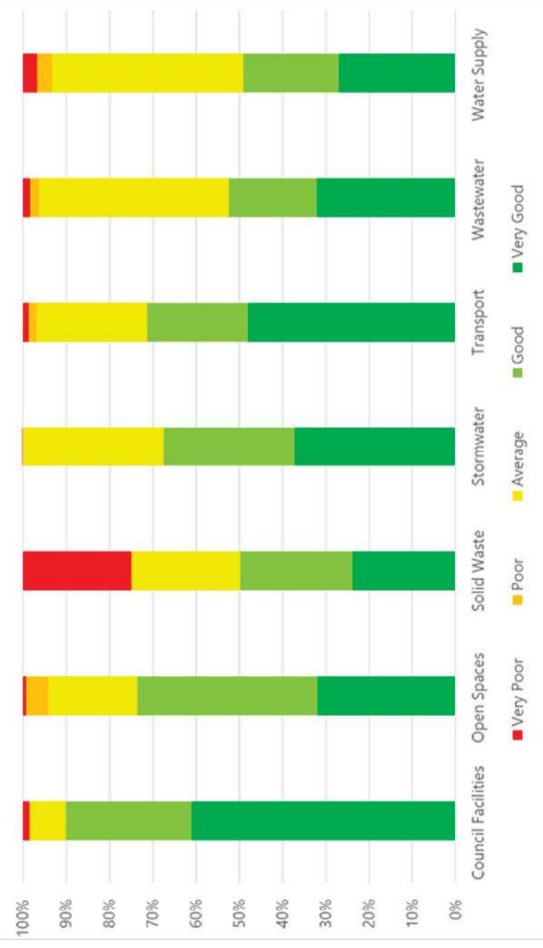
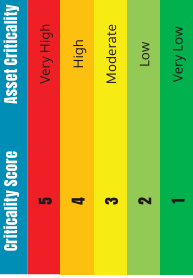


Figure 15

**Critical Infrastructure**

We have defined critical assets for our CORE infrastructure activities, Transport and the Three Waters.

Asset criticality is assigned based on a range of criteria and uses the scale to the right.



In practice, criticality is assigned at the asset component level. Figure 17 below shows the split of asset components by value that have been categorised into the five criticality bands for the core infrastructure activities.

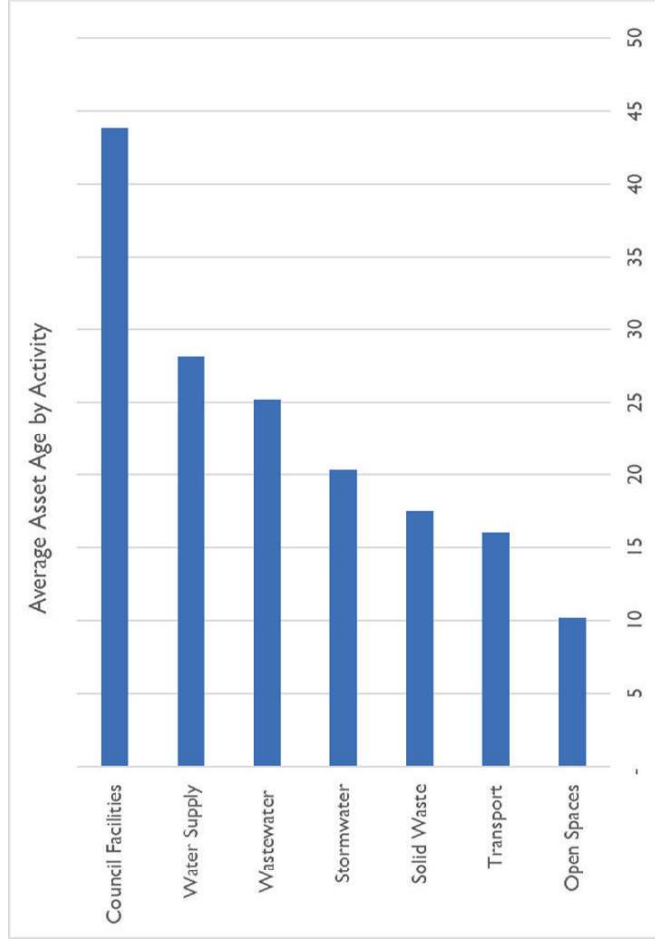


Figure 16

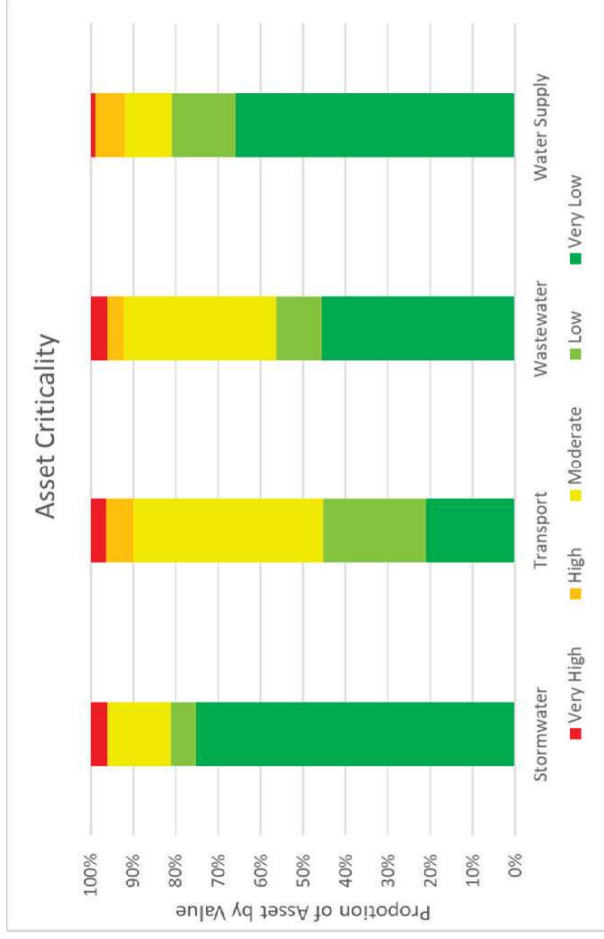


Figure 17

The table below has a high-level summary of the most critical asset types for each of the core activities.

Activity	Critical Assets
Water Supply	Treatment plants Pump stations Trunk Mains
Wastewater	Treatment plants Pump stations Rising mains
Transport	Bridges Regulatory signs Guardrail terminal ends Drainage assets Unsealed roads
Stormwater	Catchpits Source treatment appliances



# HOW WE MANAGE OUR INFRASTRUCTURE

Infrastructure is essential to providing community services in the Waikato district.

## Investment Management

Waikato District Council has an investment management framework of processes and documents in place that govern the investment in infrastructure activities and supports the achievement of community outcomes through the provision of infrastructure.

The framework shown in Figure 18

describes the relationship between the:

- Council objectives and community outcomes;
- Council strategies including this infrastructure strategy;
- Activity Management Plans; and
- The Long Term Plan and long term financial forecast.

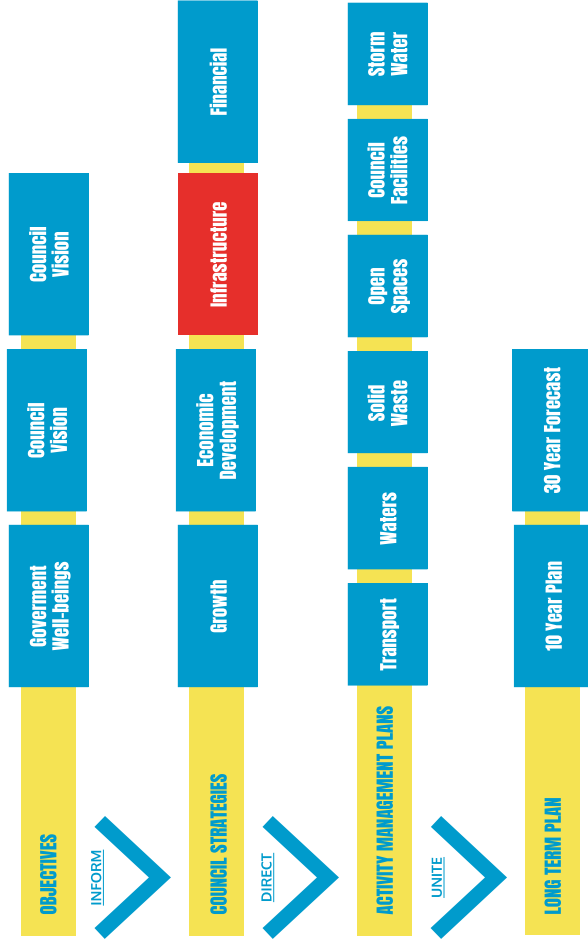


Figure 18 – Investment Management Framework

## Level of Service Framework

Levels of Service (LoS) define the quality of delivery for a particular activity or service against which service performance can be measured and allow the relationship between the level of service and the cost of the service to be determined. This relationship is then evaluated in consultation with the community to determine the levels of service they are prepared to pay for.

We have developed a level of service framework which provides a structure to align the Council Vision and Community Outcomes to delivery of the services and contractual performance measures.

The level of service framework describes the contribution each activity makes toward these outcomes and are included in the Long Term Plan with the associated performance measures and the targets required for each activity.

The Levels of Service can then be used to:

- Identify the costs and benefits of the services offered;
- Inform customers and the community of the proposed LoS;
- Develop activity management strategies to deliver the LoS;
- Measure performance against the defined LoS;

We have mapped each of our LoS to the Community Outcomes so we can identify the contribution each activity makes.

- Ensure AMPs reflect the strategy and priorities of Council and are integrated with other relevant planning documents;
- Involve and consult with the community, Iwi and key stakeholders on determining the desired levels of service via the LTP or other means;
- Recognise the risks associated with the delivery of agreed levels of service and manage them appropriately; and
- Recognise the implications of changes in demand for services and actively manage this demand wherever practical.

## Asset Management Approach

Waikato District Council has adopted an asset management approach to:

- Develop financially sustainable Activity Management Plans (AMPs) to an appropriate standard for the activity, assets and associated risks being managed;
- Ensure AMPs reflect the strategy and priorities of Council and are integrated with other relevant planning documents;
- Involve and consult with the community, Iwi and key stakeholders on determining the desired levels of service via the LTP or other means;
- Recognise the risks associated with the delivery of agreed levels of service and manage them appropriately; and
- Recognise the implications of changes in demand for services and actively manage this demand wherever practical.

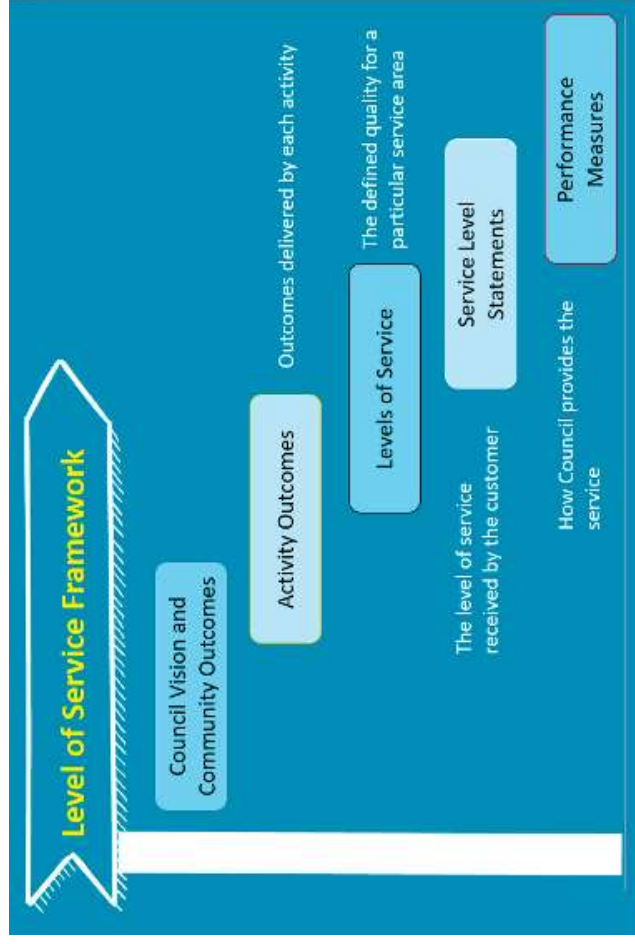


Figure 19

**Asset Information Systems**

We use asset information systems to store, retrieve and analyse.

Waikato District Council uses SPM Assets Ltd as the main asset information system for its open spaces, facilities and solid waste assets. The product is web-based and provides comprehensive life cycle analysis that is based on unit rates/ base and remaining lives. This provides robust reporting for the assets that have recently been condition graded. Processing of new or upgraded assets are being developed for each asset class as they are being entered into the SPM Assets database. The application provides seamless extraction of data and reporting but has no linkages to Council's present IT systems.

Currently, AssetFinda is the primary asset information system used for all three waters assets, this system includes an asset register of all utility assets which are represented spatially. In the future, all asset data is to be migrated to an enterprise asset management software developed by Infor. The new software will provide an integrated system of asset data storage, works request, asset planning, workflow management and asset performance monitoring.

**Asset Lifecycle Management**

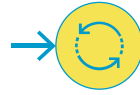
Waikato District Council uses a lifecycle management approach to manage infrastructure assets for all activities, which includes four main categories.

- Operations and Maintenance - Work required for the day to day operation of the network whilst maintaining the LoS
- Renewal Works - Work that restores an existing asset to its original level of service
- Capital Works - The creation of new assets or work, which upgrade or improve an existing asset beyond its current capacity of performance
- Disposal - The cost of asset disposal which is incorporated within the capital cost of new works or asset renewals.



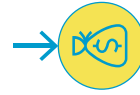
**OPERATIONS & MAINTENANCE**

Proactive Maintenance  
Reactive Maintenance



**RENEWAL WORKS**

Replacement  
Rehabilitation



**CAPITAL WORKS**

Creation  
Council Funded  
Externally Funded



**DISPOSAL**

**Condition Assessment**

The condition of an asset is a measure of the physical integrity. Knowing the condition enables more accurate prediction of:

- Asset development
- Maintenance
- Renewal and replacement requirements

A condition assessment gives a clear understanding of the condition of assets and how they are performing. The condition and performance of solid waste, open spaces and facilities assets are assessed and monitored through SPM Assets Ltd. This is used to produce a long-term maintenance and renewal plan.

In 2020, Jacobs was approached to conduct asset condition assessments for all above ground water and wastewater assets owned by Council. As part of this condition assessment program, Jacobs along with Watercare staff conducted a site-based condition assessment in two phases; prioritised and discrete number of WDC assets (Phase one) and remaining unassessed WDC assets (Phase 2).

**Risk Based Approach**

Waikato District Council takes a comprehensive approach to risk management, including:

- Connecting risk to our level of service framework and identifying business risks that are managed by our improvement programme.
- Building risk into the forward works planning and decision making processes.
- Aligning the business case approach with our risk management approach.
- Defining asset criticality for all the transport asset groups.
- Connecting to the Council risk appetite statement to prioritise risk treatment.

**Service Delivery**

Waikato District Council uses a range of contract models are employed to deliver the appropriate level of service to the community.

Typically, in the infrastructure-based activities, the operations, maintenance and renewal planning and delivery are outsourced to a supply chain partner, whilst the strategic planning and the decision making around significant capital investments is retained by Council.

A range of partners deliver the core and community infrastructure-based services and contribute to the community outcomes.

The table describes the delivery model and contract type that is currently in place for each of the infrastructure activities.

RISK TYPES

RISK OUTCOMES

MANAGED BY

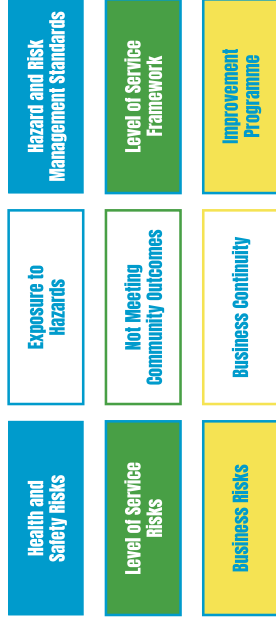


Figure 21

Council Facilities	Outsourced Operations and Maintenance	Full Operational Contract
<b>Open Spaces</b> 	Outsourced Operations and Maintenance	Full Operational Contract
<b>Solid Waste</b> 	Outsourced Operations and Maintenance	Full Operational Contract
<b>Stormwater</b> 	Outsourced Operations and Maintenance, Renewals and Capital Delivery	Operation and management Contract
<b>Transport</b> 	Outsourced Operations, Maintenance, and Renewals	Alliance
<b>Wastewater</b> 	Outsourced Operations and Maintenance, Renewals and Capital Delivery	Operation and management Contract
<b>Water Supply</b> 	Outsourced Operations and Maintenance, Renewals and Capital Delivery	Operation and management Contract

Figure 20

# SIGNIFICANT ISSUES

**Capital Works Delivery**  
We realise it is crucial that we deliver our planned programme of capital works, and that we need to increase our capability to ensure we are successful in delivering a higher level of investment in the future.

- We have recently established a Council wide Project Management Office (PMO) and appointed a PMO Manager to implement project management improvements and put in place additional project management, reporting and governance controls.

Council needs to make a step change in investment in core infrastructure, particularly for roading and wastewater. The LTP proposes a total spend of \$1,026 million on capital projects over the next 10 years. We have budgeted \$50.2 million (98.7%) more capital expenditure for 2021/22 compared to 2020/21, and it will be maintained at that level. We have confidence in our ability to deliver our capital works programme because of the following:

- The programme has been developed from an understanding of the condition of our assets, changing standards, district Blueprint desires and the speed of anticipated growth.
- From a physical delivery perspective, we are fortunate that we have agreements in place with Watercare and our Waikato District Alliance that we can use without adding significant delay to the delivery of our programme.
- We have improved our processes to ensure all site requirements are included in all contracts and our projects delivery and asset teams capabilities have increased to help us complete projects on time.

The following capital works delivery actions have been undertaken:

- A new procurement policy, templates and guideline

Council has developed a Climate Response & Resilience Policy that is based on Local Government Position Statement on Climate Change, considers climate risks and actions that are relevant to our district, aligns with legislation (Zero Carbon Act), sets out our organisation's commitments, and describes the intended implementation methods. Our policy is aligned to the Local Government Position Statement on Climate Change within the context of our district.

In relation to our infrastructure, it means we will:

- Collaborate with other agencies, organisations, and the community.
- Ensure that low emission, climate-resilient development is adopted as a key tenet into development and land-use decisions, including our district plans, annual plans, and long term plans.
- Plan for and provide infrastructure which recognises and reduces the risk of hazards like floods, storms, and sea level rise
- Plan for the impacts of climate change on Council's three waters infrastructure and services
- Promote and encourage the conservation and enhancement of natural environments to aid in emissions reduction (mitigation) and climate change effects (adaptation).

The Activity Management Plans identify specific likely impacts on each activity when replacing or planning new assets.



The significant issues that exist while we do this are:

1. **Facilitating growth**
2. **Affordability**
3. **Changing priorities and legislation**
4. **Sustaining our environment**
5. **Building resilience**

## Significant Infrastructure Issues

Providing the infrastructure for the Waikato district community is a constant challenge of:

- Balancing affordability and sustainability;
- Maintaining rates at an affordable level;
- Keeping debt levels within the allowed levels; and
- Endeavouring to provide intergenerational equity.

Significant Issue	Link	Description
<b>Facilitating growth</b>		Residential growth particularly in the northern part of the district and surrounding Hamilton will result in increased demand for infrastructure. Additional capacity at water and wastewater treatment plants, and new assets such as roads and pipes will be needed to service growth. Providing infrastructure also allows new industries and businesses to locate to Waikato district and supports tourism. Libraries, halls, parks, service centres, and transfer stations are all needed to provide a liveable and sustainable community. Some of our growth areas do not have suitable facilities in place.
<b>Affordability</b>		Providing the infrastructure to sustain the community without increasing rates to an unaffordable level and managing debt levels is a significant challenge in the current environment.
<b>Changing priorities and legislation</b>		Changing government priorities and government led reform during the next LTP period will create system wide changes, particularly in the water sector.
<b>Sustaining our environment</b>		Delivering our services in a way that does not harm the natural environment and meets legislative changes such as the Healthy Rivers.
<b>Building resilience</b>		Being able to afford to build resilience into the infrastructure assets to meet climate change adaptation requirements.

















# MOST LIKELY SCENARIO

The most likely scenario for infrastructure investment is the combination of our preferred options as described in the following section.

## Principal Options














The principal options for solving the significant issues in each of the activities are described in the table below. The impacts of these options, including the estimated cost and the preferred option indicated. The cost estimate is for the capital investment required to deliver the option over the first 10 years of this strategy.











Our principal options take the form of comparing the status quo to meeting our statutory obligations or desired levels of service where they are not being met.

Activity	Significant Issue	Issue	Options	Implications	Cost (\$m)	Preferred Option
<b>Council Facilities</b> 	A high level of growth and changing demographics may lead to changes in community needs		1. Maintain the existing facilities portfolio	Not meet community needs and levels and service	\$0	
			2. Upgrade and add to the existing facilities portfolio	Move toward meeting community needs and levels and service	\$19	2
<b>Open Spaces</b> 	Divestment of Housing for the Elderly		1. Keep existing portfolio	Increasing property management obligations	\$3	
			2. Divest full portfolio	Remove management and maintenance burden	\$0	2
<b>Open Spaces</b> 	Incorporating energy efficiencies into the renewal programme.		1. Fully incorporate efficiencies into renewal programmes	Ongoing cost savings and reduced carbon emissions	\$2	
			2. Partially incorporate efficiencies into renewal programmes	Partial cost savings and reduced emissions	\$1	2
<b>Open Spaces</b> 	Performance of swimming pools and future district wide needs for aquatic facilities		1. Maintain existing facilities	Do not meet community requirements	\$0	
			2. Create new facilities in line with growth projections	Meet demand and community requirements	\$8	1
<b>Open Spaces</b> 	Rapid growth in the district and a shortage of suitable land is impacting the level of service that can be provided.		1. Land purchase programme to fully meet demand	Land available to meet LoS	\$20	
			2. Partial land purchase programme	Land available to partially meet LoS	\$12	2
<b>Open Spaces</b> 	Poor condition of assets has increased the renewal budget significantly to meet levels of service		1. Fully fund renewal needs	Clear backlog of renewals, improved condition	\$58	
			2. Partially fund renewal needs	Renewal backlog remains, condition stays the same	\$30	1
<b>Open Spaces</b> 	Ensuring a consistent level of service provision across the district in line with strategies		1. Full LoS achievement	Consistent open spaces provision	\$13	
			2. Partial LoS achievement	Partially consistent open spaces provision	\$10	2
<b>Open Spaces</b> 	Using energy sustainably		1. Maintain existing energy consumption	No reduction in energy consumption	\$0	
			2. Incorporate energy efficient options into renewal programme	Some reduction in energy consumption	\$1	2

Significant Issues by Activity  
The significant issues for the district apply to our Infrastructure Activities in different ways. The following table connects each activity to each of our significant issues where applicable.

Significant Issue/Activity	Facilitating growth	Affordability	Changing priorities and legislation	Sustaining our environment	Building resilience
<b>Council Facilities</b> 	A high level of growth and changing demographics may lead to changes in community needs	Rationalisation of community halls	Divestment of Housing for the Elderly	Incorporating energy efficiencies into the renewal programme.	Performance of swimming pools and future district wide needs for aquatic facilities
<b>Open Spaces</b> 	With rapid growth in the district a shortage of land availability is impacting the level of service that can be provided.	Poor condition of assets has increased the renewal budget significantly to meet levels of service	Ensuring a more consistent service provision across the district in line with strategies	Using energy sustainably	Planning for and adapting to climate change
<b>Solid Waste</b> 	Growth in the northern part of the district is creating additional demand for transfer station/resource recovery and recycling facilities	Service delivery contracts expiring in 2021 may increase the cost of service but also provide opportunities to improve resource recovery	Implementing stormwater source treatment infrastructure to meet legislative requirements e.g. Healthy Rivers is increasing cost		
<b>Stormwater</b> 	Inadequate capacity of existing stormwater networks to add runoff from new developments	Inadequate capacity of stormwater networks as storm events increase in intensity and frequency	Managing the effects of climate change including overland flow paths to reduce the impacts of extreme weather events, more intense and frequent stormwater events		
<b>Transport</b> 	Increasing traffic flows and infrastructure changes are leading to an increase in the network size resulting in an inability to meet future needs	Historic lack of investment is resulting in increased asset consumption, deteriorating asset condition, decreasing levels of service and customer satisfaction	Road to Zero strategy is increasing focus on reducing harm while deteriorating asset condition and an unforgiving road environment is resulting in increased risk of harm to our community	Poor communication and transparency leads to inefficient delivery and an erosion of community confidence and inefficient delivery network resilience	Challenging geology, topography and increasing intensity of weather events is adversely impacting network resilience
<b>Wastewater</b> 	Meeting future growth demands	Compliance with statutory obligations and meeting levels of service	Minimising the number of discharges to the environment, reduce environmental effects and optimise operational efficiency	Planning for and adapting to climate change	
<b>Water Supply</b> 	Meeting future growth demands which is driven mainly from residential customers	Ensuring quality, efficient, and sustainable infrastructure	Ensuring the protection and improvement of public health and safety		

Activity	Significant Issue	Issue	Options	Implications	Cost (m)	Preferred Option
<b>Solid Waste</b> 	Growth in the northern part of the district is creating additional demand for transfer station/resource recovery and recycling facilities		<ol style="list-style-type: none"> <li>Upgrade resource recovery centres</li> <li>Maintain existing facilities</li> </ol>	<p>Meet demand</p> <p>Do not meet demand</p>	\$5 \$0	1
	Service delivery contracts expiring in 2021 may increase the cost of service but also provide opportunities to improve resource recovery		<ol style="list-style-type: none"> <li>New contracts</li> <li>Extend existing contracts</li> </ol>	<p>Enhanced service</p> <p>Maintain current service</p>	\$64 \$60.8	1
<b>Stormwater</b> 	Inadequate capacity of existing stormwater networks to add runoff from new developments		<ol style="list-style-type: none"> <li>Programme of capacity improvements</li> <li>Maintain existing portfolio</li> </ol>	<p>Meet demand from new developments</p> <p>Under capacity network</p>	\$2.50 \$0	1
	Inadequate capacity of stormwater networks as storm events increase in intensity and frequency		<ol style="list-style-type: none"> <li>Programme of network capacity improvements</li> <li>Maintain existing infrastructure</li> </ol>	<p>Increase capacity</p> <p>No capacity increases</p>	\$50 \$0	2
	Implementing stormwater source treatment infrastructure to meet legislative requirements e.g. Healthy Rivers is increasing cost		<ol style="list-style-type: none"> <li>Implement water quality improvement programme</li> <li>No quality improvements</li> </ol>	<p>Protect the environment from the effect of contaminated stormwater</p> <p>Current levels maintained</p>	\$22 \$0	1
	Managing the effects of climate change including overland flow paths to reduce the impacts of extreme weather events, more intense and frequent stormwater events		<ol style="list-style-type: none"> <li>Implement a programme of Resilience projects</li> <li>Maintain existing infrastructure</li> </ol>	<p>Increased resilience</p> <p>No change</p>	\$20 \$0	2
<b>Transport</b> 	Increasing traffic flows and growth in the district means Public Transport could become a more significant transport option if levels of service were increased		<ol style="list-style-type: none"> <li>Programme of Public Transport improvements</li> <li>Maintain existing infrastructure and Hunty upgrade</li> </ol>	<p>Increase the capacity and quality of Public Transport to increase uptake</p> <p>Do not increase capacity and quality</p>	\$35 \$1	2
	Historic lack of investment in our bridges means capacity for HPMV traffic is restricted in parts of the district.		<ol style="list-style-type: none"> <li>A significant bridge upgrade and replacement programme</li> <li>Maintain existing infrastructure</li> </ol>	<p>Increase network capacity for HPMV traffic</p> <p>Do not increase network capacity</p>	\$35 \$5	2
	Road to Zero strategy is focusing on reducing harm while deteriorating asset condition and an unimproving road environment is resulting in increased risk of harm to our community		<ol style="list-style-type: none"> <li>Fund an enhanced programme of safety improvements including the Safety Network Programme from Waka Kotahi NZTA</li> <li>Fund a reduced programme of safety improvements identified by Council</li> </ol>	<p>Reduce harm toward Road to Zero targets</p> <p>Reduce harm</p>	\$78 \$35	2
	Poor connectivity of walking and cycling transport options is not encouraging Active Travel options		<ol style="list-style-type: none"> <li>Programme of walking and cycling connectivity improvements</li> <li>Footpath improvement programme only</li> </ol>	<p>Encourage active travel options</p> <p>No encouragement of active travel options</p>	\$22 \$10	2







Activity	Significant Issue	Issue	Options	Implications	Cost (m)	Preferred Option
<b>Transport</b> 	Challenging geology, topography and increasing intensity of weather events is adversely impacting network resilience.		<ol style="list-style-type: none"> <li>Resilience programme of stormwater capacity improvements</li> <li>No resilience improvements</li> </ol>	<p>Resilience to climate change enhanced</p> <p>No improvement in climate change resilience</p>	\$5 \$0	2
	Meeting future growth demands		<ol style="list-style-type: none"> <li>Upgrade of under capacity Wastewater Infrastructure</li> <li>Maintain existing portfolio</li> </ol>	<p>Meet increasing demand</p> <p>Do not meet increasing demand</p>	\$100 \$0	1
	Compliance with statutory obligations and meeting levels of service		<ol style="list-style-type: none"> <li>Programme of infrastructure upgrades</li> <li>Maintain existing infrastructure</li> </ol>	<p>Meet statutory obligations and levels of service</p> <p>Do not meet obligations and levels of service</p>	\$65 \$0	1
	Minimising the number of discharges to the environment, reduce environmental effects and optimise operational efficiency		<ol style="list-style-type: none"> <li>Programme of efficiency improvements</li> <li>Maintain existing infrastructure</li> </ol>	<p>Reduced environmental impact and increased efficiency</p> <p>No change</p>	\$300 \$0	2
	Planning for and adapting to climate change		<ol style="list-style-type: none"> <li>Climate change adaptation programme</li> <li>Maintain existing infrastructure</li> </ol>	<p>Increase resilience</p> <p>No change</p>	\$250 \$0	2
	Meeting future growth demands which is driven mainly from residential customers		<ol style="list-style-type: none"> <li>Capacity improvement programme</li> <li>Maintain existing portfolio</li> </ol>	<p>Meet demand</p> <p>Do not meet demand</p>	\$82 \$0	1
<b>Water Supply</b> 	Ensuring quality, efficient, and sustainable infrastructure		<ol style="list-style-type: none"> <li>Programme of efficiency improvements</li> <li>Maintain existing infrastructure</li> </ol>	<p>Reduced environmental impact and increased efficiency</p> <p>No change</p>	\$200 \$0	2
	Ensuring the protection and improvement of public health and safety		<ol style="list-style-type: none"> <li>Programme of level of service improvements</li> <li>Maintain existing infrastructure</li> </ol>	<p>Compliance with drinking water standards</p> <p>Continued non-compliance</p>	\$37 \$0	1







**Significant Capex Decisions**

The Significance and Engagement policy provides guidance around which of the significant capital expenditure decisions will form part of the consultation process.

Not every significant infrastructure capex decision will require consultation. We have chosen to include capex projects with an estimated cost greater than \$5 million for the core infrastructure activities and greater than \$1m for community infrastructure activities. We have connected these projects to the significant issues as shown in the table below. Renewal projects are not included unless they are likely to also include a significant change to the level of service.

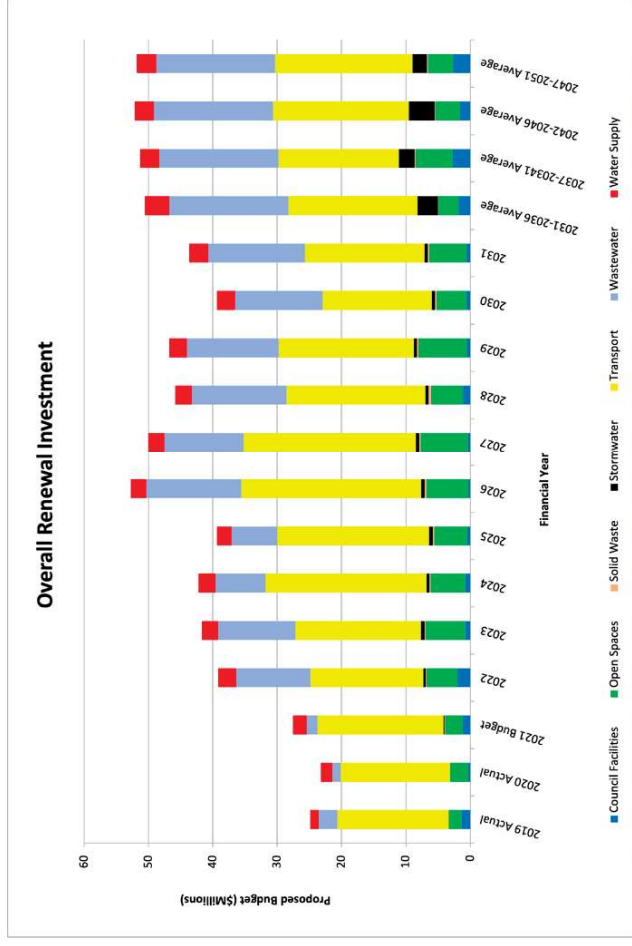
**Significant Decisions**

Activity	Significant Issue	Preferred Option	Implications	Significant Decisions	Timing	Cost Estimate (m)
 <b>Council Facilities</b>	 A high level of growth and changing demographics may lead to changes in community needs	Upgrade and add to the existing facilities portfolio	Move toward meeting community needs and levels and service	Ngaruawahia Library expansion Raglan Library and Council Offices expansion Tuakau Dog Pound upgrade Raglan Wharf upgrade	2026-28 2028-30 2021 2021	\$7.50 \$3 \$1.50 \$1.60
		Upgrade and add to the existing facilities portfolio	Move toward meeting community needs and levels and service	Ngaruawahia Community Centre Raglan Community Centre Tuakau Community Centre	2021 2022 2023	\$1.50 \$0.50 \$1.20
		Partial LoS achievement	Partially consistent open spaces provision	Pokero Library upgrade Strategic Level of Service Improvements Whangarata Cemetery Pokero Sports Ground Te Kowhai Sports Ground	2024-25 2021-30 2022 2021-24 2024	\$7 \$12 \$1 \$6 \$1.50
		Ensuring a consistent level of service provision across the district in line with strategies		Ngaruawahia parks and reserves North Waikato Resource Recovery Centre upgrade Huntly resource recovery centre upgrade	2021-26 2031 2031	\$1.80 \$3 \$2
 <b>Solid Waste</b>	 Growth in the northern part of the district is creating additional demand for transfer station/resource recovery and recycling facilities	Upgrade resource recovery centres	Meet demand	North Waikato Resource Recovery Centre upgrade Huntly resource recovery centre upgrade	2031 2031	\$3 \$2
		Implementing stormwater source treatment infrastructure to meet legislative requirements e.g. Healthy Rivers is increasing cost	Protect the environment from the effect of contaminated stormwater	Waterway quality and capacity upgrades	2021-31	\$22
 <b>Stormwater</b>	 Increasing traffic flows and growth in the district means Public Transport could become a more significant transport option if levels of service were increased	Implement water quality improvement programme	Protect the environment from the effect of contaminated stormwater		2021-31	\$22
		Maintain existing infrastructure and Huntly upgrade	Do not increase capacity and quality	Huntly SH1 South Facing ramps McV/e Rd Tuakau Rail Station Te Kauwhata Rail Station Pokero Rail Station	2028-30 2031-35 2036-40 2041-45	\$11 \$8 \$8 \$8

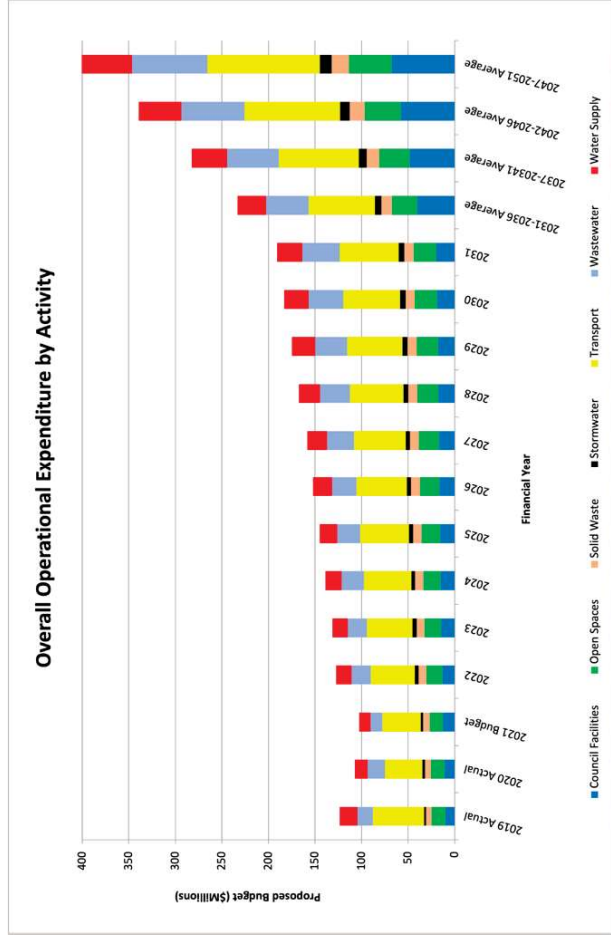
Activity	Significant Issue	Preferred Option	Implications	Significant Decisions	Timing	Cost Estimate (m)	
 <b>Transport</b>	 Historic lack of investment in our bridges means capacity for HPMV traffic is restricted in parts of the district.	Maintain existing infrastructure	Do not increase network capacity	Wainui Rd Bridge Rangitahi South New Roads Market St - SH1 Overbridge/Underpass	2031-35 2031 2031-35	\$10 \$13 \$5	
		Road to Zero strategy is focussing on reducing harm	Fund a reduced programme of safety improvements identified by Council	Reduce harm	Buckland Rd Safety Improvements Highway 22 Safety Improvements Tahuna Rd Safety Improvements	2021-25 2021-25 2026-30	\$11 \$8 \$6
		Meeting future growth demands	Upgrade of Wastewater Infrastructure	Meet increasing demand	Huntly Wastewater Treatment Plant Upgrade Ngaruawahia Wastewater Treatment Plant Upgrade Te Kauwhata Wastewater Treatment Plant Upgrade Raglan Wastewater Treatment Plant Upgrade	2026-30 2026-30 2021-23 2021-27	\$47 \$53 \$36 \$28
		Compliance with statutory obligations and meeting levels of service	Programme of infrastructure upgrades	Meet statutory obligations and levels of service	Pokero Wastewater Pump Station Upgrades Horotiu Wastewater Pump Station Upgrades Wastewater Pump Station LOS Improvement Tuakau Wastewater Pump Station Upgrades	2021-25 2021-25 2021-30 2021-25	\$26 \$14 \$8 \$7
 <b>Water Supply</b>	 Minimising the number of discharges to the environment, reduce environmental effects and optimise operational efficiency	Maintain existing infrastructure	No change	Wastewater Consent Renewal	2066-71	\$10	
		Capacity improvement programme	Meet demand	Te Kauwhata Water Treatment Plant Upgrade Hitchens Pump Station Upgrade Raglan Network Upgrade and Extension Water supply to East Pokero	2026-30 2021-25 2021-30 2031-35	\$36 \$10 \$6 \$8	
 <b>Water Supply</b>	 Ensuring the protection and improvement of public health and safety	Programme of level of service improvements	Compliance with drinking water standards	Te Kauwhata Reservoir Extension Gordonton Reservoir and Pump Station Tuakau Reticulation Extension Ngaruawahia Network Upgrades Stage 1B Onwards	2026-30 2026-30 2023-25 2056-60	\$11 \$5 \$6 \$8	
		Programme of level of service improvements	Ensuring the protection and improvement of public health and safety	Te Kauwhata Reticulation Upgrade and Extension Raglan Reticulation Upgrade and Extension	2021-30 2031-41	\$17 \$8	



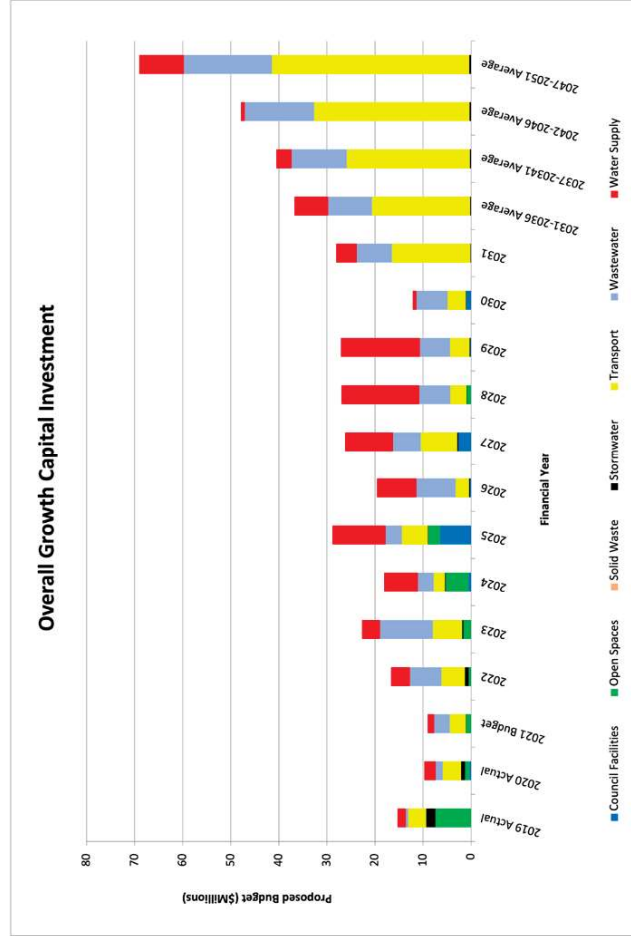
Renewal Investment



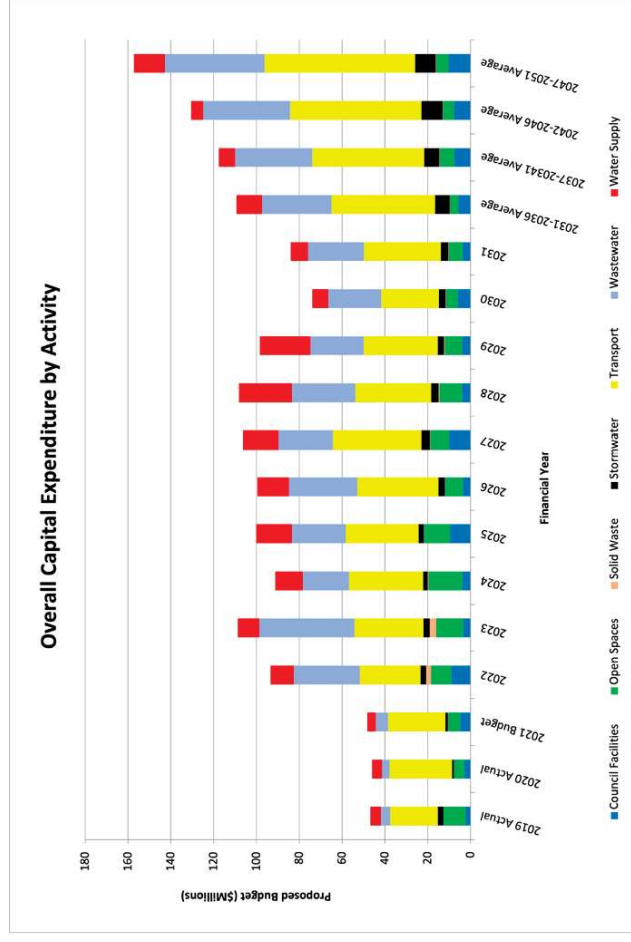
Operational Investment



Capital Investment for Growth



Capital Investment



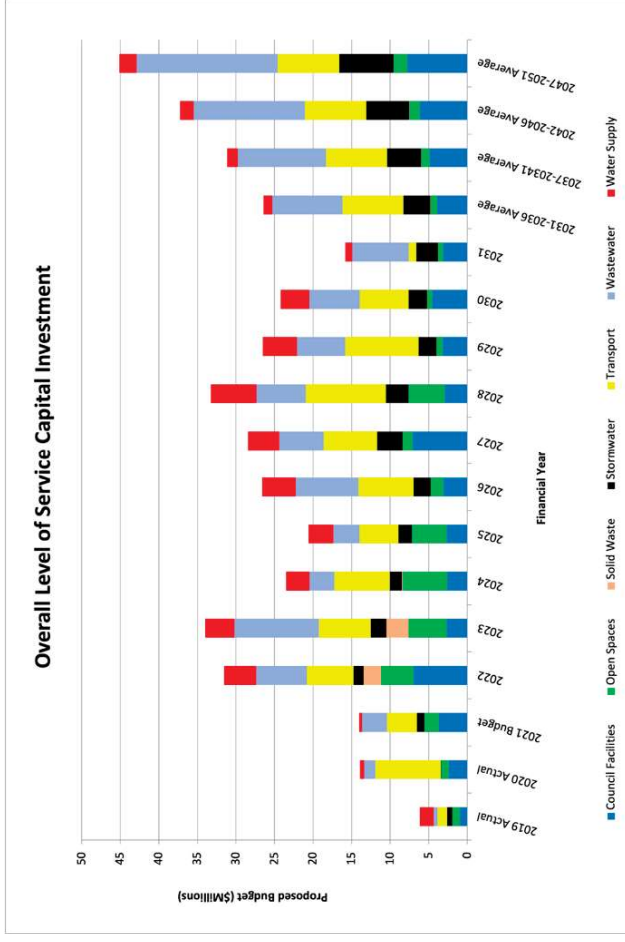


# ASSUMPTIONS

The key assumptions that relate to the activities covered in this infrastructure strategy are outlined below.

Forecasting Assumption	Level of Uncertainty	Implications
<b>No future legislation changes</b>	Medium	Legislation changes relating to drinking water (e.g. Health Act) may occur due to the recommendations of the Havelock North enquiry. This may increase operational costs. Changes to the Resource Management Act could increase the cost of infrastructure construction projects.
<b>Local Government Structure does not change</b>	Low	Shared service and other joint arrangements may be affected resulting in increased operational costs.
<b>Changing Weather patterns will not cause flooding or water shortages</b>	Medium	Difficulty meeting levels of service for water supply and stormwater.
<b>Development occurs in areas zoned in District Plan</b>	Low	Development outside planned areas would be more expensive to service and could use up capacity provided for other developments.
<b>Growth rates are medium as per MIDEA forecast</b>	Low	Slower growth could result in excess infrastructure capacity and delays recovering infrastructure costs via development contributions. Faster growth could result in difficulty meeting levels of service.
<b>Waikato and Waipa River CoManagement Arrangements do not change</b>	High	The five yearly review could result in additional staff time to implement recommendations.
<b>Useful Lives will not change</b>	Medium	Insufficient budgets are available for renewals or renewals are undertaken prior to the end of asset life.
<b>Waste Levy and Waka Kotahi NZTA subsidies will remain the same</b>	Medium	Should Council not receive the level of income predicted, expenditure in these areas may need to be reduced
<b>No changes in customer expectations for levels of service</b>	Medium	If levels of service are significantly altered this could impact on operating and capital budgets
<b>Natural Disaster/Emergency events can be funded out of normal budgetary provisions</b>	Low	The scale and nature of the event will determine the effect on Council's financial position

Capital Investment for Better Levels of Service



# FINANCIAL STRATEGY

## Balancing Affordability, Increasing Expectations and Growth

The Council is achieving this by:

- Moving costs of services to those who use them.
- Maintaining existing assets.
- Modernising and improving infrastructure.
- Supporting growth.

Forecast growth will see a 21%

increase in the number of homes (6,600) over the next 10 years. This is substantial and requires a significant investment in all the Council activities to achieve our vision for liveable, thriving and connected communities.

Alongside this, maintaining existing service in an environment of increasing regulation and weather events is challenging.

Within this context the Council has developed a financial strategy that balances affordability for those paying, with rising compliance expectations and community desires, while supporting investment to allow for and arising from population growth.

### Sustainable Growth

The Waikato district has been growing rapidly, our proximity to Auckland and Hamilton making us an attractive proposition for both business and residential development. Growth will occur in the Waikato due to factors outside of our control. How the Council responds to growth drives whether that growth enhances the Council vision for liveable, thriving and connected communities.

this trunk infrastructure investment in advance of growth it will avoid adverse consequences to public health, safety and the environment.

Growth capital will initially be funded by borrowing, including the Housing Infrastructure Fund (\$38 million) and each project drawdown will be interest free for 10 years. Where subsidies and external funds can be earned, this will reduce the initial debt. Development contributions will be paid when developments are completed, and this revenue will reduce debt. The remainder will be paid over 25 years by existing ratepayers and by new ratepayers as they arrive.

The capital investment in growth is shown in Figure 1. This chart shows a large investment in trunk infrastructure in the first 4 years of the plan. With the trunk infrastructure in the right place, it will create sufficient capacity to support forecast growth in our main urban areas, which allows for local developer investment to continue in those later years.

The day-to-day costs resulting from population and land use changes will come to \$405 million over 10 years, which is around 21% of total operating costs.

There is uncertainty around the potential economic impacts on the district as the global COVID-19 pandemic continues. The potential economic impacts on the Waikato Region as indicated in Waka Kotahi NZ Transport Agency's (NZTA) study dated October 2020 are:

- The south of the Waikato district around Hamilton is expected to perform reasonably well due to relatively low reliance on international tourism (25% of total tourism spend), links to surrounding agriculture, and the city's role as a hub for education, healthcare and other government services.
- The north of the Waikato district is expected to experience slower growth rates due to lower business and population movements out of Auckland, with flow-on impacts on the construction sector.

The Council's forecast growth will mean 6,600 new homes for over 14,000 more people. Much of this growth will occur in towns (42:58 urban to rural population in 2021, rising to 45:55 by 2031). Changes in population and land use on rural properties is not forecast to be significant. This requires significant planning, working with the community and other agencies. It will result in an investment in roads, water, wastewater, stormwater and community infrastructure often in advance of the people arriving. By providing

## Capital Expenditure for Growth

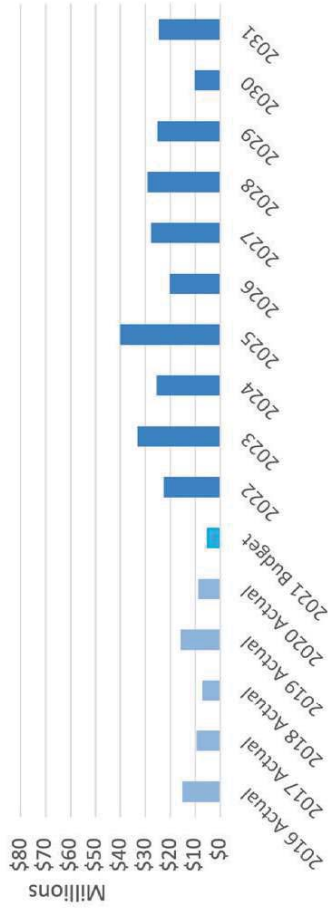


Figure 1: Capital Expenditure for Growth (\$million)

### Maintaining Existing Assets

The Council looks after \$1.7 billion of assets, 86% of which are infrastructure assets. These assets have been the backbone of our community's services for decades. The quality of these services

contributes a lot to whether a community is liveable and thriving. For Roading there have been great efficiencies resulting from the Council's innovation of its Roading Alliance. With the waters activities the Council partnered with Watercare Services and Waikato Tainui in

maintained to the end of their economic lives and are renewed at that moment when it is most cost effective to do so. Getting this right has a big influence on the affordability of services.

October 2019 with the aim of delivering further efficiencies. However, the underlying condition of the assets no longer meet the rising standards for consent renewals on treatment facilities and significant investment is required over and above that previously planned.

## Capital Expenditure to Maintain Assets

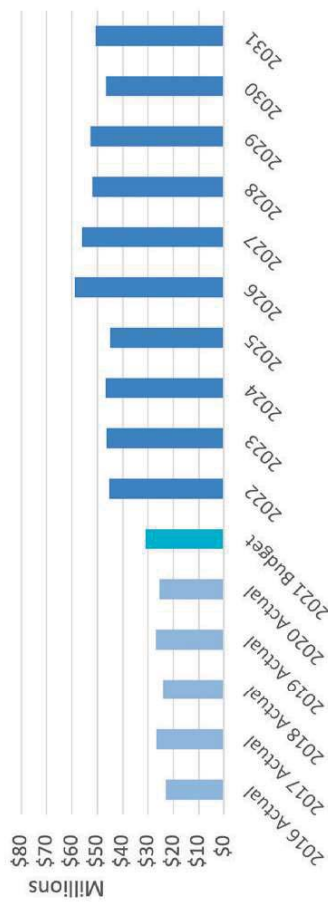


Figure 2: Renewal Expenditure to Maintain Asset Service Levels (\$million)

Figure 2 above shows the Council is providing for a consistent investment between \$45 to \$59 million in each year of the Plan. This level of investment is more than annual depreciation (forecast at \$33 to \$55 million) reflecting the scale of asset replacements budgeted in this 10-year period some of which are earlier than planned for due to the need to address upgrades to support growth and changing consent conditions.

The chart shows an increased investment from 2022 onwards across all infrastructure classes, with a sizeable change in 2026 largely due to wastewater renewals.

The remaining debt will be paid over 25 years by existing ratepayers and by new ratepayers as they come into the district.

The regulatory environment is imposing more cost to protect people and the environment including healthy rivers, drinking water standards and consent conditions. Pending three waters reform work has meant that the standards associated with running water and wastewater services will inevitably increase. It is not yet clear what the reforms will mean for our communities but the type of treatment plants that need to be built to achieve regional consent conditions will cost more and are included in the plan.

Providing better service levels will add cost which is included in the graph below.

prioritising to balance affordability with service levels.

Figure 3 shows an increased investment in the first two years of the plan, 60% of the investment being on better services on the roads and three waters services. Investing in better service levels on core infrastructure is essential to building modern communities; however communities need access to other services like playgrounds and libraries if people are to feel their community is liveable and thriving. The Council must therefore balance investment choices between core infrastructure and community infrastructure and services.

Capital expenditure for better services will initially be funded by borrowing. Where subsidies and external funds can be earned, this will reduce the initial debt.

A significant element of the Council's financial strategy is for infrastructure assets to maintain up to date asset valuations which recognise the current replacement cost of assets and then fund the consequential depreciation cost. This provides for an appropriate allocation of cost to those who benefit from the services the assets provide each year and overall is the most cost-effective approach to ensure current and future generations pay an affordable share of the asset renewal. For each asset type any funds are accounted for in asset replacement reserves.

Along with everyday maintenance this capital renewal budget will ensure that service levels remain constant.

**Better Services**

Communities that are thriving have a high degree of liveability through a good range of modern services. Communities often desire many improvements which need

**Capital Expenditure for Better Service Levels**

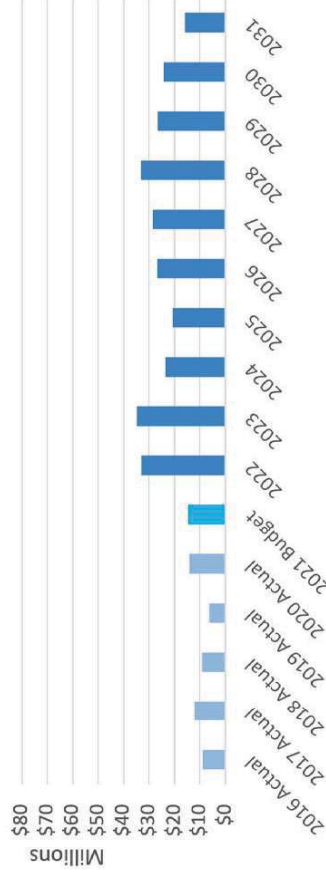


Figure 3. Capital Expenditure for Better Services (\$ million).

**Managing Debt**

The increased investment in the next three years in growth, renewals and service levels has the consequence of increasing debt (see Figure 4). Debt rises by \$165 million in the first five years reflecting the level of investment. From 2029 the level of new debt decreases and by 2030 debt repayments exceed new investment.

The Council will repay \$289 million of debt over 10 years.

The Housing Infrastructure Fund (HIF) loan was approved in 2020 with borrowing to be drawn down over the first three years of this Plan as investment on HIF approved projects is made. This borrowing is

interest free for 10 years (saving approximately \$17 million in interest payments over the duration of the plan). The borrowing is recognised as debt in Figure 4, and on the Council balance sheet.

**Debt To Revenue**



Figure 4: Debt Levels (\$million) and Debt limits

**Debt Limit**

**Net debt will not exceed 175% of revenue.**

Net debt equals total external debt net of related borrower notes. Revenue is net of developer contributions and vested assets.

The Council has set its debt limit using a debt to revenue ratio. This is one of the main methods used by the Council's funders to determine the affordability of debt. People who have borrowed home mortgages will know how important income is to the banks decision to lend money.

The Council's primary lender, the Local Government Funding Agency (LGFA), has determined that it will only lend to the Council up to 175% of revenue.

Although the debt limit has been set equal to our borrowing capacity, the Council has \$156 million of capacity it could spend before it would reach the 175% limit in 2022. Additionally, the Local Government Funding and Financing toolbox has been extended to include off-balance sheet options. There would still be the challenge of repayment so in the first instance Council has planned a programme that fits within LGFA limits.

Council's borrowing is secured by either a debenture trust deed or a floating charge over all Council rates levied under the Rating Act.

**Affordable Rates**

Rates income ranges between 46 and 69% of income and is Council's main revenue source. During the next 10 years there will be a 21% increase in the number of properties. This will create extra income to offset some of the costs of growth.

**Limits Rates Increases**

**Average annual rate increases to existing ratepayers\*, are set at 10% in the first year reducing to 8% from 2023 onwards.**

\*Based on 2020 rating valuations and property information.

The Council has set its limits on rates increases as a measure of the impact on the average existing ratepayer. This measure shows the impact of rates on typical properties by including all rates (general and targeted) charged to a property and is based on 2020 rating valuations.

This measure is relatable to what people pay and therefore can be considered as a measure of affordability. The challenging economic environment created across the world because of pandemic response measures, may mean for some in our community that these limits still feel too high. However, the relative size of our district does not lend itself to economies of scale as our large geographic spread, means we have multiple critical assets with high compliance and operational costs. These are not costs we can 'opt out' of.

The measures are calculated based on those ratepayers that paid rates in the previous rating year, allowing the Council to focus on how the majority of ratepayers are impacted by the increased price of rates. By doing this the Council can better grow the rates from new ratepayers, which is very important in the high growth situation the district is forecast to have.

The Council has set limits that are real and sequentially could be challenging in the event of unplanned event or compliance costs. In setting the limits this way the Council is challenging itself to be good financial managers for the district. This is a better approach than setting limits so

The Council holds investments for a strategic reason, not just for a financial return on investment. These reasons include where there is some community, social, physical or economic benefit accruing from the investment activity. The Council has the following objectives in holding the above investments.

**Financial**

Cash is held for liquidity purposes, not to make a financial gain. The Council is a net borrower and will convert surplus cash to reduce debt costs as appropriate to maintain liquidity. Any returns from cash investments are offset against the general rate. The financial investments outlined in the table above relate to a small number of community loans which will be fully repaid by 2023.

**Investment Property**

The Council has one investment property in Ngaruawahia that receives a modest commercial lease return. It also has a small portfolio of non-reserve land and buildings. These properties are predominantly owned for operational efficiency including offices at Raglan, Huntly and Ngaruawahia. No return on these investments is planned for.

**Waikato Regional Airport Ltd**

The company operates Hamilton International Airport and promotes the region to tourists. The Council shareholding is 15.625%.

The Council's shareholding is considered a strategic asset. While the Council's ownership is largely for economic development reasons and not for financial return, the company has no dividends forecast for the first two years of the plan and the flow on impact to travel. An annual dividend of \$30,000 has been included from year 3 onwards.

**Waikato Local Authority Shared Services Ltd**  
The company has been established to cost effectively provide councils with a vehicle to procure shared services. It is an investment which aims to reduce the cost of providing generic services. The company does not provide a financial return by way of dividend.

**Civic Financial Service Limited**

The company, established in 1960, is owned by local government to provide a range of financial services including Riskpool, LAPP and Supereasy Kiwisaver scheme. The Council's holding is historic, and no return is forecast.

**Waikato District Community Wellbeing Trust**

The Waikato District Community Wellbeing Trust was formed from the winding up of the Waikato Foundation. The funds held by the trust are retained for the trust's purposes and distributed to the community. The Council's reason for holding this investment is to support projects that deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community. The objectives of the Trust align with the delivery of community blueprint projects and community identified initiatives.

**Planning for the Unexpected**

Events such as the Wellington and Canterbury earthquakes and locally Cyclone Debbie and the March 2017 weather event have a significant impact on infrastructure. Much of the Council's \$1.7 billion of assets is vulnerable to local weather events and the impacts of events affecting the Waikato River.

The Council has purchased commercial insurance for assets under the ground such as water,

waste water and stormwater infrastructure. This was achieved through partnering with a number of the Local Authority Shared Services councils in a group insurance programme. In the event of a natural disaster affecting water, waste water, stormwater and arterial bridges the Council will be able to secure a proportionate amount of the group's insurance proceeds to pay for the repair and replacement of these assets.

In addition to this cover, Council is proposing to increase the investment in our own disaster recovery fund to self-insure for events that may not trigger the natural disaster insurance policy claim criteria. A specific budget has been set aside each year to re-build the balance of the disaster recovery fund. \$2.4 million has been set aside over the first three years. This fund will continue to be replenished and built upon throughout the 10 years.

Additionally, a roading budget of \$800,000 per annum is included for emergency works in the event that the network sustains heavy or prolonged rainfall and a further \$300,000 of minor event emergency works budget per annum. This \$1.1 million of annual budget is additional to funds held in the disaster recovery reserve.

For really big events Council expects external financial assistance for the emergency response and recovery. Council will be expected to initially fund these costs.

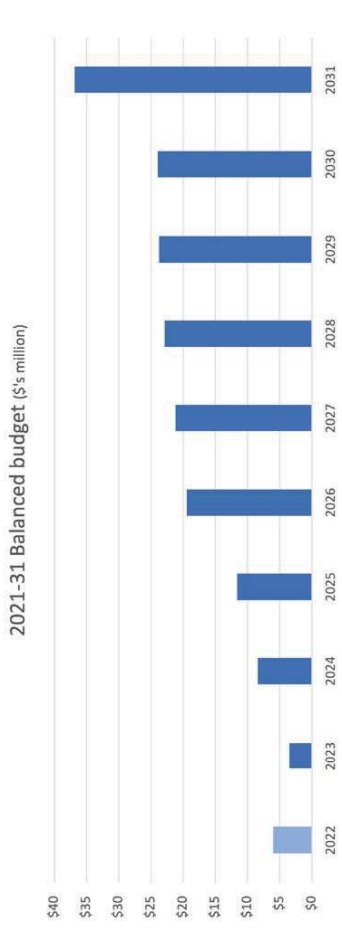


Figure 5. Balanced Budget (\$)

**Good Investments**

The Council has financial, property and equity investments which are managed in accordance with the Treasury Risk Management Policy.

Investment	2020 (ACTUAL)		2021-2031	
	Value (\$'000)	Return	Return (forecast)	
Financial	90	7%	7% year 1 only	
Investment Property	560	8%	8%	
Equity				
Waikato Regional Airport Ltd	16,744	0%	0.18% p.a. from 2024	
Waikato Local Authority Shared Services Ltd	219	0%	0%	
Civic Financial Services Ltd	38	0%	0%	
Waikato District Community Wellbeing Trust	0	0%	0%	