



STRATEGIC DIRECTION

Vision and Purpose

The Vision and Purpose guides everything we do at Council. It sets out, at a high level, where we want to be and how we will get there. We identified the Vision and Purpose after careful consideration of the District's key issues.

Our Vision

To be known as the place of choice for people to live, work and play.

In achieving our vision:

- Our community will be safe and surrounded by people who are friendly and caring
- Businesses will be thriving
- There will be respect for, and pride in our history
- We will be successful guardians of our natural environment.

Our Purpose

To lead the Whakatāne District to meet the current and future needs of our community.

As a District Council we will achieve this through:

- Good governance, leadership and advocacy
- Integrated long term planning
- Effective and reliable community infrastructure
- Outstanding service delivery.



Community Outcomes

Community Outcomes are a high-level set of desired goals that we aim to achieve. They seek to improve the social, economic, environmental, and cultural well-being of our District, now and for the future. Community Outcomes were developed in consultation with our community and with reference to the issues facing our District and the Council.

The Council uses the Community Outcomes to guide and inform planning process and the setting of priorities. The Community Outcomes also help us focus on a long-term vision for the District.



EFFECTIVE LEADERSHIP

Striving for our future and well-being

- Be visible, strong, have a clear vision and listen to all sectors of the community
- Work in partnership with iwi and the community
- Ensure accountability to the community through transparent, open and inclusive decision making
- Respond and advocate on community issues.



SUSTAINABLE ECONOMIC DEVELOPMENT

Working in partnership

- Facilitate an economy that is prosperous in both urban and rural areas
- Encourage business growth that builds on the region's assets
- Support Māori economic development
- Promote connected businesses through effective networks.



COMMUNITY NEEDS

A caring community

- Create vibrant, connected and safe communities
- Support healthy, active communities
- Build inclusive communities
- Value, celebrate, promote and protect Māori culture.





VALUING OUR ENVIRONMENT

Sustaining for future generations

- Sustainably manage the natural and physical resources
- Recognise and protect places of natural and cultural heritage
- Proactively plan for growth and ensure the effects and costs are managed.



QUALITY SERVICES

Excellent value for money

- Provide services that meet the aspirations of the community
- Ensure all customers are dealt with in a timely, helpful and friendly way.



RELIABLE AND AFFORDABLE INFRASTRUCTURE

Meeting current and future needs

- Provide infrastructure that facilitates growth and development
- Ensure people, infrastructure and the environment are protected from natural disasters
- Sustainably manage community assets.

Priorities for the next ten years



Introduction

This section of the LTP sets out our priorities for the coming ten years. For most of our activities, we will not make significant changes to the levels of service that we provide, unless this can be achieved at little or no cost to ratepayers.

That being said, for some activities we will achieve some carefully selected service improvements that are important for our future and help to grow the vibrancy and vitality of our District.

We have sought to balance these priorities through the following four key focus areas for the LTP:

1. Delivering quality core services
2. Working together to meet the needs of our communities
3. Encouraging communities and businesses to thrive
4. Keeping rates affordable.

Principles guiding our LTP

The development of our LTP and priorities for the next ten years, have been guided by a set of overarching principles. The principles endeavour to deliver a LTP which is Responsible, Sustainable, Affordable and Enabling, as set out below:

- **Responsible:** We will work together with the community to prioritise essential core services and manage our assets in a financially prudent way.
- **Sustainable:** We will manage our assets and activities in a way that does not compromise our ability to provide quality, affordable services to the community now and in the future.
- **Enabling:** We will take opportunities to encourage and support activities which will grow the vibrancy, vitality and prosperity of our District.
- **Affordable:** We will be responsive and sensitive to the issue of rates affordability across the District.

Your feedback has helped to shape this plan

As part of the development of our LTP we worked with our user groups, stakeholders, businesses, iwi and the wider community to determine our priorities and decide which key projects should be included.

Public consultation on 'The Big Decisions' facing the Council in developing the LTP, was open from 12 March to 13 April 2015. As part of this process, 14,500 copies of the Consultation Document were distributed throughout our District accompanied by an awareness campaign involving radio, newspaper, social media, public signage and more. We listened to your feedback at our open days, public meetings, and hearings and we read through every submission that was received. In total 267 submissions were made on the draft LTP with 47 submitters speaking to their submissions at the hearings.

Through this process you told us what you liked and did not like about the proposals that we were looking to include in our LTP and you provided insight into the things you consider are important for the future of our District. We acknowledge the passion of our communities for the future of our District, and the time and effort taken to engage into this process.

The feedback provided has been valuable to us in finalising a plan that reflects and balances the various priorities of our communities.

We listened to your feedback

A number of additional projects and changes have been made to our LTP following consultation. As a result, the final LTP will differ slightly from the proposals set out in our Consultation Document. We have made these additions and changes carefully, in such a way that the overall impact on rates is relatively neutral.

Some of the changes from the Consultation Document to the final LTP include:

- Advancing the replacement of the Whakatāne Commercial Wharf
- Providing funding towards the development of a Whakatāne heritage hikoi/cultural trail
- Providing funding for a project to upgrade and improve the Wairaka Centennial Park
- Providing funding to improve the Whakatāne Aquatic Centre including (amongst other improvements) installation of a UV water treatment filter
- Providing funding to establish a new Environment and Heritage grants fund
- Providing funding and support to open the Edgumbe College pool to the public during summer months
- Providing funding to improve beach and dune storm water outlets in Ōhope
- Providing funding towards the collaborative development of an Eastern Bay of Plenty Cycle Trails Strategy
- Providing funding support towards the Whakatāne Summer Arts Festival
- Providing funding to extend infrastructure services to Mill Road to support industry development and job creation.

Hikawekawe i ngā kounga whakarato

I. Delivering quality core services

Maintaining and, where necessary, improving our assets so that we can continue to provide quality core services in an affordable and sustainable way is one of our key priorities.

The need to renew or replace assets that the Council already owns and operates will be a major driver of costs over the coming ten years. The renewal of core network infrastructure - roads, stormwater drainage, water supply, and sewage treatment and disposal - is expected to cost around \$89.60 million over the course of the LTP. Renewal of non-network infrastructure such as halls, wharves, playgrounds, and others is expected to cost a further \$43.47 million. In total, the need to renew or replace assets accounts for 15% of all spending or 60% of capital expenditure over the next ten years. We are also intending to upgrade some of our core service assets to protect our community and the environment and in response to community demand and growth. The Council's Infrastructure Strategy, later in this chapter, sets out the key infrastructure projects planned for the next 30 years.

Cost to renew or replace existing assets	\$133.1 million
Cost for new or expanded assets to provide for growth	\$8.5 million
Cost for new or improved assets to deliver a better service	\$80.1 million
TOTAL COST to deliver & maintain assets 2015-25	\$221.7 million

Costs of keeping our assets maintained

- \$60.91 million: Maintaining roads and footpaths
- \$29.05 million: Replacing and renewing recreation and community facilities
- \$19.10 million: Replacing and renewing sewerage treatment and disposal infrastructure (six sewerage schemes)
- \$9.07 million: Maintaining water supply schemes (ten water supply schemes)
- \$12.51 million: Earthquake strengthening the Civic Centre building and renewing Council service buildings, assets and technology systems
- \$2.46 million: Other.

IMPROVING CORE SERVICES TO ENSURE THEY ARE MEETING OUR NEEDS

IMPROVING STORMWATER SYSTEMS

A programme of work is included within the LTP to continue to increase the capacity of stormwater systems in Ōhope and Whakatāne. Over the next ten years the total cost of stormwater improvement projects is expected at just over \$15 million.

IMPROVING TRANSPORTATION NETWORKS

While the predominant focus of the transportation activity over the coming ten years will be on the management and maintenance of existing assets, the LTP does include a number of improvement projects to increase road safety and to minimise the flood risk to key routes. The Council is also looking to progressively replace street lights with LED technology which will reduce energy usage and ultimately pay for itself through reduced operating costs.

ENSURING SECURITY OF WATER SUPPLY TO WHAKATĀNE AND ŌHOPE

The Whakatāne River provides the water source for the Whakatāne and Ōhope water supply scheme.

This source is vulnerable at times as a result of salt water intrusion during low river flows, and reduced water quality from extreme rainfall events. The LTP includes a project in years 2017-20 to increase the storage capacity for the Whakatāne Ōhope Scheme to help manage supply during vulnerable times. Council is also continuing to investigate the option of connecting to the Paul Road bore as an alternative source for emergency water supply, but works have not been programmed at this time.

IMPLEMENTING THE FIRST STAGES OF THE PLAINS WATER SUPPLY STRATEGY

Development of a new water supply bore at Paul Road and pipe connections extending to Awakeri and Edgecumbe has begun and will continue into the 2015/16 year. Further work is underway on the financial and economic viability of the Draft Plains 50 Year Strategy.

CONSTRUCTING A RETICULATED SEWERAGE SYSTEM IN MATATĀ

A resource consent and notices of requirement for the development of a sewerage treatment plant and land disposal field for Matatā were granted by Independent Commissioners in 2014. Subsequently, following appeals to the Environment Court in 2015,

an interim decision was released that sought further information for the Court to be able to grant consent to the Land Application Field. However, the site for the proposed treatment plant was declined. The Council is now considering further options, and has retained the budget in the LTP to progress the project subject to confirmation of a favourable alternative site being identified, funding being confirmed by other parties, and resource consent being obtained.

RENEWING RESOURCE CONSENTS FOR SEWAGE TREATMENT PLANTS

The resource consents for all our sewerage treatment plants will progressively expire over the coming ten years. The LTP provides for the renewal of these resource consents, including improving the quality of discharge where appropriate.

CHANGING THE WAY WE MANAGE SOLID WASTE

Over the course of this LTP we will be investigating changes to the way we manage solid waste in the District. This follows changes to Central Government guidance.



*Mahi
tahi ki te
whakatutuki
i ngā
uaratanga
mo o tātou
hapori*

2. Working together to meet the needs of our communities

Balancing the things that the community want from our services and facilities, against the cost of delivering improvements is not always easy. The challenge for the Council is about finding the right balance, and about continuously finding ways to do things better, smarter and more efficiently.

Working in partnership with our community, stakeholder groups, iwi, Central Government departments, neighbouring councils and others, present significant opportunities to deliver better outcomes for our District.

Over the next ten years, we will progress some carefully considered projects and service improvements to enhance the vibrancy and vitality of our District and the quality of life that it offers.

FEATURE PROJECTS

REDEVELOPING THE WHAKATĀNE & DISTRICT WAR MEMORIAL HALL

The Whakatāne and District War Memorial Hall is well used but lacks the facilities and appeal to cater to some major events and conferences. The interior is outdated and earthquake strengthening work is required to parts of the building.

This LTP includes a project to redevelop the Hall into a modern, flexible facility catering for events, conferences, indoor-sports and theatre activities. This project will be subject to further consultation on a preferred scope and design with stakeholders, community groups and the public and would be contingent upon securing a substantial portion of funding from sources other than rates.

REDEVELOPING THE WHAKATĀNE MUSEUM AND RESEARCH CENTRE

The Museum display at the successful Te kōputu a te whanga a Toi – Whakatāne Library and Exhibition Centre – holds only a tiny fraction of our full collection (currently valued at over \$13 million). The Museum building on Boon Street, Whakatāne, continues to operate as our centre for storing, processing and allowing access to a collection of national and international significance. However, this facility has a number of deficiencies, most importantly it does not meet national standards for the storage and preservation of museum collections.

This LTP includes a project to redevelop and extend our Museum and Research Centre in the 2016/17 year so that we can adequately manage, protect, preserve and provide access to our collections. The project is subject to securing major support from funding partners including Central Government and others.

TRANSFERRING PENSIONER HOUSING TO A COMMUNITY HOUSING PROVIDER

The Council currently owns 79 pensioner housing units. During 2014 we undertook a review of our social housing to ensure that our tenants are receiving the best possible service to meet their needs. This was initially triggered by changes in legislation and the availability of Central Government funding. We have worked closely with stakeholder groups and undertaken public consultation through this LTP to develop a proposal for the future of these units.

In the 2015/16 year we intend to transfer the pensioner housing units to an approved Community Housing Provider (CHP) to ensure the provision of a better service to tenants. We believe that transferring ownership of the units to an approved CHP will ensure that current and future tenants will benefit from affordable rents and a high quality service. The transfer of the units will only progress if the Council is confident that it will be in the best interests of tenants and the wider community. The Council has undertaken a thorough process, led by a Social Housing Sub-committee comprised of community stakeholders and Council elected members, to identify an appropriate provider.

EXAMPLES OF SMALLER PROJECTS AND INITIATIVES INCLUDED IN THE LTP

- Constructing the Gorge Road shared use walk and cycle way
- Undertaking a joint study with Ngāti Manawa into the redesign of the Murupara business area.
- Delivering road safety campaigns across the Eastern Bay of Plenty
- Developing a fenced dog park and training area in Whakatāne
- Partnering with Edgecumbe College to open their pool to the public over summer months
- Developing an Eastern Bay of Plenty Cycle Trails Strategy with other Councils
- Working with Te Rūnanga o Ngāti Awa to develop a Whakatāne heritage hikoi/cultural trail
- Working with other agencies to ensure we are ready to respond to civil defence emergencies when required
- Expanding and operating our CCTV camera network
- Providing Community Grants, Community Board Discretionary Funds and the newly established Environmental Heritage Fund to support community projects and initiatives.

3. Encouraging communities and businesses to thrive

We all want to live in a prosperous District where everyone has an opportunity to benefit from a strong local economy. Our District offers some considerable opportunities for economic development and growth including a superb climate and sunshine hours, strong agricultural and forestry sectors, comparatively low property costs, under-utilised tourism resources, excellent lifestyle appeal, and the passion and resource of iwi. These are some of the points of difference that will help to create a diverse and vibrant District economy that attracts people and business investment to our District.

Our residents and regular visitors know what our District has to offer and increasingly this is being recognised by others. The challenge we face is how to make the most of this potential. The Council is committed to playing a key role in economic development, but success will require wide community support and involvement.

Through this LTP we will strengthen our commitment to economic development and growth. By working in partnership with the community and other stakeholders, we can create an environment where communities and business thrive.

INCREASING OUR FOCUS ON ATTRACTING JOBS INVESTMENT AND PEOPLE TO THE DISTRICT

FUNDING FOR ECONOMIC DEVELOPMENT AND GROWTH

To help our communities and businesses thrive, we have recently completed an economic development plan in conjunction with the Grow Whakatāne Advisory Board. The plan aims to encourage and attract more jobs, investment and events to the District to create prosperous communities and opportunities for current and future residents. To support the strategy, this LTP has increased the level of funding for economic development and growth by \$250,000 per annum (or 43% on the 2014/15 year). This additional funding will allow greater economic development and growth facilitation, including events support, marketing, promotional campaigns, and land-use investigations to support residential and industrial growth.

SUPPORTING RESIDENTIAL AND INDUSTRIAL DEVELOPMENT OPTIONS

Through this LTP we will continue to support options for residential and industrial development. These have the potential to provide a significant economic stimulus to the District.

Of note, opportunities for development of land at Bunyan Road, Piripai for retirement and residential development, and at Huna/Shaw Road for residential development, are pending finalisation of the District Plan review process.

There is also currently strong interest in the development of industry at Mill Road, Whakatāne. While the land is already zoned for light industry in this area, infrastructure works are planned through this LTP to support development.

Akiaki i ngā hapori me ngā pākihi e puawai ana

IMPROVING HARBOUR FACILITIES AND ACCESS

Our port and harbour facilities make a large contribution to the District's recreational and commercial appeal. Our LTP includes a number of projects, as summarised below, to cater for the increasing use and demand for these facilities, and to help maximise their potential. The majority of these projects will be funded through the Harbour Fund.

WHAKATĀNE WHARF REPAIRS AND INCREASED BERTHAGE

Alongside an increased demand for berths in the Whakatāne Harbour the, existing Whakatāne Commercial Wharf has a number of sections that are around 100 years old and in poor condition. This LTP includes projects to both replace the existing Commercial Wharf and to extend the Quay Street Wharf. These projects will be managed in conjunction with one-another taking care to minimise the disruption to harbour users. The Quay Street Wharf extension project also supports the Ōpōtiki aquaculture development, which requires berths.

IMPLEMENTING THE PORT ŌHOPE CONCEPT PLAN AND REPAIRING ŌHOPE WHARF

Through this LTP we will undertake the staged implementation of the Port Ōhope Concept Plan over five years, from 2017-21. This Plan aims to conserve the natural features of the Port Ōhope area, while enhancing the Port's facilities and adjacent reserves for commercial and recreational users. It includes

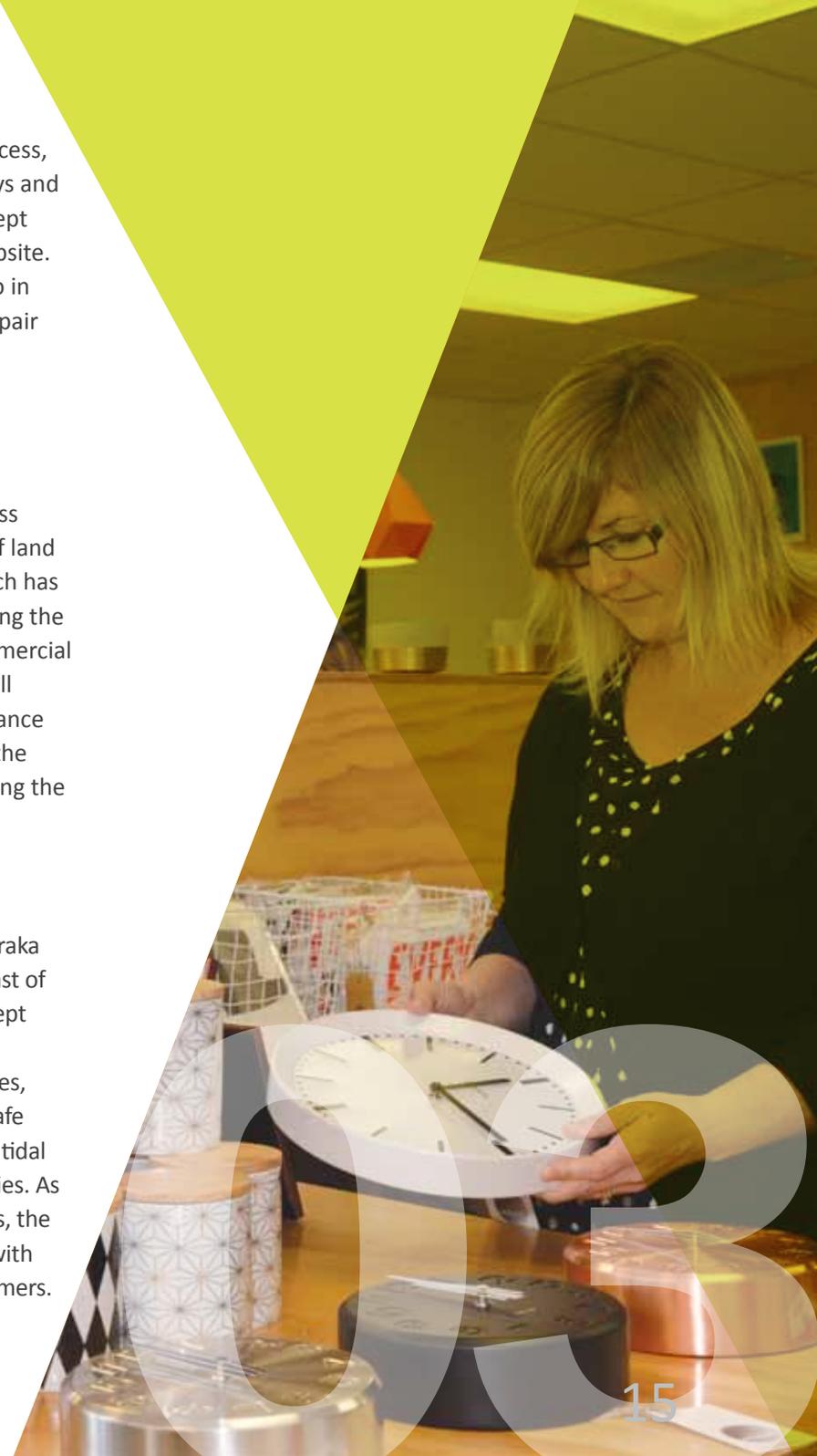
features such as improved parking, harbour access, and retail space, new picnic areas and walkways and extensive re-vegetation. The Port Ōhope Concept Plan is available for viewing on the Council website. Alongside this project, the Ōhope Wharf is also in need of repair. Strengthening and structural repair works are scheduled for the 2017/18 year.

MAINTAINING HARBOUR ACCESS THROUGH DREDGING

Over the previous two summers, harbour access has been maintained through a combination of land and sea based dredging methods. This approach has proven to be reasonably successful in minimising the number of harbour access disruptions for commercial and recreational users. Through this LTP, we will continue to focus on dredging for the maintenance of harbour access and will improve access for the land based dredging operations by strengthening the Eastern training wall.

IMPROVING WAIRAKA CENTENNIAL PARK

The LTP includes a project to redevelop the Wairaka Centennial Park (the area immediately to the east of the Muriwai Drive boat ramp facility). The concept has been developed through consultation with key stakeholders and interest groups and includes, amongst other features, barbeque facilities, a safe swimming area with jumping platform, slides, a tidal pool, splash pads and walking and cycling facilities. As well as providing improved recreational facilities, the project is expected to address safety concerns with the shared use of the area by boaties and swimmers.



4. Keeping rates affordable

Affordability is a fundamental driver in the 2015-25 LTP. While rates contribute towards the delivery of many essential community services and facilities, they can be a significant cost for some members of the community and therefore need to be kept to an affordable level. At the same time, we also need to provide sufficient scope within budgets to ensure that services and facilities are delivered sustainably and to ensure that our District retains its vibrancy and vitality.

In the interests of affordability we have thought hard about how restrictive our budgeting should be and about how rates are distributed across various sectors of the community.

RATES INCREASES FOR THE NEXT TEN YEARS

The following table provides a forecast of the expected average movements in rates over the coming ten years. It should be noted that these are the average rates increases across the District with actual increases (and in some cases decreases) varying from property to property.

YEAR	FORECAST AVERAGE RATES INCREASE
2015/16	3.21%
2016/17	3.84%
2017/18	3.55%
2018/19	2.36%
2019/20	3.41%
2020/21	3.51%
2021/22	1.30%
2022/23	2.07%
2023/24	3.30%
2024/25	3.31%

The 'Our Costs in Detail' chapter of this document includes our Revenue and Financing Policy which sets out how our activities are funded. The chapter also includes a section called 'All About Rates' which provides further detail about the different categories of rates and examples of how rates will impact different properties across the District.

Our 'Financial Strategy' is included later in this chapter and sets out our approach to financial management in more detail.



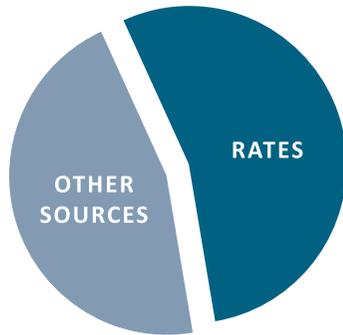
1. OUR BUDGET SETTING PROCESS IMPACTS RATES AFFORDABILITY:

As we developed the LTP we made choices about the projects and services that we will deliver and others that do not make the cut. The amount that we spend and how we spread these costs over time (such as through loan funding) has a direct impact on what rates will be.

To help keep rates affordable:

- We will continue to deliver most services at the current level, unless we can make improvements with minimal cost to ratepayers.
- We will look for opportunities to deliver services in a more productive or innovative way to either improve services for the same cost, or deliver the same service at a lower cost.
- We will fund depreciation over a longer term to provide more certainty and stability to ratepayers by levelling out costs over a longer period of time.

Ka tāea te utu o ngā reiti

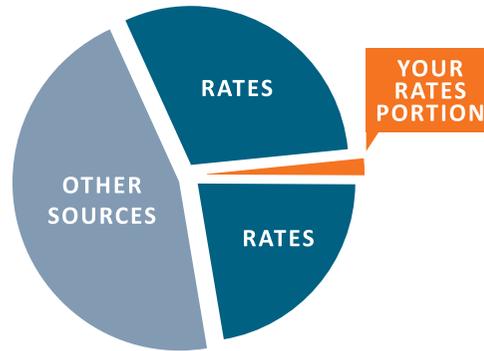


2. THE AMOUNT OF FUNDING WE ARE ABLE TO GET FROM OTHER SOURCES IMPACTS RATES AFFORDABILITY:

Not all of Council’s spending is paid for by rates. In fact, about 30-35% comes from other sources in any given year. We work hard to get as much funding as we can from external sources like the Ministry of Health, NZ Transport Agency, the Lotteries Commission, local partnerships and others. Working in partnership for more effective and efficient outcomes is a key focus in our LTP.

To help keep rates affordable:

- We have included limits in our Financial Strategy to ensure that we continue to source a certain portion of funding from external (non-ratepayer) sources.
- For a number of key projects, we will only proceed on the basis that a certain amount of external (non-ratepayer) funding has been secured.
- A number of asset sales may be realised over the term of this LTP, Council’s policy will be to use any proceeds to offset debt.
- We will look to maximise benefit from the Harbour Fund, but continue to manage this for long term sustainability.



3. OUR SYSTEM OF RATING IMPACTS RATES AFFORDABILITY:

In our District we have 15,732 rateable properties. Our “rates requirement” is divided amongst these properties and the amount of rates charged is different for each property. These differences are based on a balance between the capital value of the property, and on the services those property owners can access or are likely to benefit from. Our rating philosophy and rating system determines what that balance is.

To help keep rates affordable:

- We have set conservative limits for rates increases and will keep budgets well within those limits.
- We have made some minor changes to our rating system and our rating philosophy maintains a strong focus on affordability.
- We have a number of rates remission and postponement policies to provide rates relief in some selected circumstances.



4. OUR DAY TO DAY FINANCIAL MANAGEMENT IMPACTS RATES AFFORDABILITY:

Staying within the budgets that have been set for any given year, is a key part of rates affordability. This is because cost overruns in one year can cause a rating deficit which would need to be recovered in the following year or years.

To help keep rates affordable:

- We will continue the disciplined approach to day-to-day financial management which has resulted in rating surpluses over the past three years.
- We will always try to accommodate unexpected costs within existing budgets to avoid or minimise any budget overruns.
- While unforeseeable events, such as storms, are difficult to plan for, we have set aside some reserves to help meet the costs of emergency response and reinstatement work.

» Financial Strategy

Our Financial Strategy supports the delivery of Council activities and services in a manner which addresses rates affordability and ensures that the Council remains in a long-term stable financial position.

Introduction

This Financial Strategy is central to the development of the Council's LTP 2015-25. It sets out the Council's approach to managing its finances for the next decade, including the key financial parameters guiding the development of our LTP, including limits on rates increases and debt. It also illustrates the overall financial implications of the Council's operations over the ten years covered by the LTP 2015-25.

This Financial Strategy provides a review and update of the Financial Strategy developed as part of the 2012-22 LTP. The preparation of a Financial Strategy is a requirement under section 101(a) of the Local Government Act 2002.

Background

The Whakatāne District Council's operating costs are currently just over \$57 million a year. Around two-thirds of this spending is paid for through rates income, with the average household currently contributing around \$47 per week.

This funding enables the Council to deliver a wide range of activities and services that people use and rely on every day. In total, the Council delivers 30 different activities, which are supported by internal activities such as Human Resources, Customer Services and Finance. The Council is also a shareholder in three Council Controlled Organisations, which allow us to receive or deliver services in partnership with other shareholders. The Council is one of the larger employers in the Eastern Bay of Plenty, employing approximately 190 full-time equivalent staff.

The Whakatāne District Council has a healthy balance sheet and is in a stable financial position. Debt is managed at relatively low levels compared to other local government or commercial organisations and our levels of rates are not dissimilar to other similar sized territorial local authorities. Our portfolio of activities and services includes the management of over \$695 million worth of community assets, compared to total liabilities of \$65 million.

This Financial Strategy aims to ensure that the Council remains in a stable financial position. It also helps to ensure open, sustainable and accountable financial management.

Principles

Council's Financial Strategy has been developed utilising the overarching principles which guide the development of the LTP. Those principles endeavour to deliver a LTP which is "Responsible", "Sustainable", "Affordable" and "Enabling". In the context of the Financial Strategy, the LTP seeks to achieve the resourcing of Council services and activities in a way that is both responsive to the issue of rates affordability and ensures that the Council remains in a strong, long-term financial position.

Objectives

This Financial Strategy promises to deliver more of the same, in terms of our current 'conservative', 'disciplined' and 'no surprises' approach to financial management. Long-term financial sustainability and the affordability of rates will continue to be at the forefront of our 2015-25 LTP and Financial Strategy. This includes the continuation of the conservative limits for rates increases and debt that were set through the previous LTP. The increased discipline around day-to-day financial management, which has resulted in rating surpluses over the past three years, will continue to be applied.

We have thought hard about how restrictive our budgeting should be, given that we need to ensure that our decisions about affordability do not unfairly burden ratepayers in the future, and that our services and assets are sustained for future generations. We also need to provide sufficient scope within

budgets to allow progress to be made towards improved outcomes for the community and ensure that our District retains its viability and vibrancy. These outcomes support the priorities of our LTP which are:

- Delivering quality core services
- Working together to meet the needs of the community
- Encouraging communities and businesses to thrive
- Keeping rates affordable.

In consideration of the overall priorities of our LTP, the objectives of this Financial Strategy are to achieve balance between the following outcomes:

- I. Ensuring resource is available to sustainably manage assets and services, and
- II. Retaining capacity to add value to our services and facilities.

Whilst

- III. Maintaining rates at an affordable level,
- IV. Maintaining our overall debt at around the current level, and
- V. Manage our finances responsibly and minimising financial risk.

OBJECTIVE I:

Ensuring resource is available to sustainably manage assets and services

Sustainably managing our assets and services is a core priority of this Financial Strategy. Most importantly, we need to ensure that our infrastructure assets are managed so that we can continue to deliver good quality, affordable services now and into the future.

- Ensuring that we pay our fair share of asset maintenance and renewal now – not overpaying to subsidise future ratepayers but also not underpaying, which would see future ratepayers unfairly burdened by large costs.
- Planning for the expected ‘hump’ in water supply and wastewater system renewal costs which is expected to start from 2025, as indicated by our Infrastructure Strategy.
- Providing additional funding to ensure the continued financial viability of the Whakatāne Airport.
- Taking a 30+ year view towards asset renewals and depreciation funding, to ensure that reserves are available to maintain our assets in the future.

OBJECTIVE II:

Retaining capacity to add value to our services and facilities

While we are planning to continue most of our services at the current levels, we think it is important to make progress towards improved outcomes which will ensure that our District retains its vitality and vibrancy. For this reason, the Financial Strategy provides increased funding for some carefully selected service improvements to support growth and economic development.

- Ensuring our limits for rates and debt, and the budgets we set within those limits, allow increased funding for specified projects and service improvements.
- Securing funding partners for added-value projects that we might otherwise not be able to progress.
- Ensuring that the ongoing operational costs of any new services and facilities are fully considered.
- Maximising the benefits from the Harbour Fund while managing this resource in a sustainable way.

OBJECTIVE III:

Maintaining rates at an affordable level

There are limits to the level of contribution ratepayers are able or willing to make towards the services and activities the Council delivers. In developing this Financial Strategy, we have been mindful of the level at which rates are set, and of the impact of rates on different sectors of the community.

- Setting conservative limits for rates and rates increases and setting budgets well within those limits.
- Maintaining a strong focus on affordability through our rating philosophy and system.
- Delivering most services at the current level, unless we can make improvements with minimal cost to ratepayers.
- Looking for opportunities to deliver services in a more productive or innovative way to either improve services for the same cost, or deliver the same service at a lower cost.
- Reviewing the level of service for our Solid Waste activity when contracts are renewed to help offset expected increases in costs.
- Funding depreciation over a longer period to provide more certainty and stability to ratepayers by levelling out costs over a longer period of time.

OBJECTIVE IV:

Maintaining overall debt at around the current level

Debt is an effective tool to help spread the cost of projects over time, but a large amount of debt can become crippling. Our current level of debt is conservative for an organisation of our size and we would like to keep it this way.

- Setting limits for the overall level debt and for debt servicing costs that support the retention of debt at current sustainable and affordable levels.
- Sourcing external contributions (such as subsidies and grants) towards the costs of capital projects wherever we can and not taking on some projects unless a certain portion of funding is sourced externally.
- Deferring some projects to help us stay within limits for debt and debt repayment.
- Committing income from any asset sales to the retirement of debt, or to offset the requirement for new debt.

OBJECTIVE V:

Managing our finances responsibly and minimising financial risk

Any organisation, but particularly one that is responsible for public funds, needs to ensure that finances are managed responsibly and prudently and that risk is minimised wherever practicable.

- Ensuring that we set realistic and achievable budgets, including the assumptions around levels of available external funding, such as subsidies and grants.
- Maintaining discipline in day-to-day financial management to help stay within budgets.
- Ensuring that the impacts of inflation and other cost increases are adequately considered and provided for in budgets.
- Ensuring that we reserve enough funding each year to pay for asset renewals when they arise.
- Continuing to set aside reserve funds to manage the costs of unforeseeable events such as storms.

Operating an unbalanced budget

Under the Local Government Act 2002, local authorities are required to set balanced budgets - where operating revenue is equal to expenditure. Council's may operate an unbalanced budget only where this can be shown to be financially prudent.

The Council intends not to operate a balanced budget for five of the ten years covered by the LTP. This means that there is an operating deficit in each of these years, and an overall deficit of approximately \$9.6 million. The primary reason for the unbalanced budget is due to the Council's approach to funding depreciation based on an assessment of the renewal programme over a 30 year period, rather than funding renewals as they are required. This approach will provide more certainty to ratepayers by evening out renewal costs over a longer period of time while retaining the necessary financial capacity to maintain assets as required. We will also continue our approach of not fully funding depreciation on some assets so that ratepayers aren't being rated for assets that Council does not intend to replace.

Given the strength of the Council's financial position and the detailed assessments that have been made of the anticipated renewals programme, the Council is confident that a high degree of financial sustainability will be retained on an on-going basis.

Expenditure

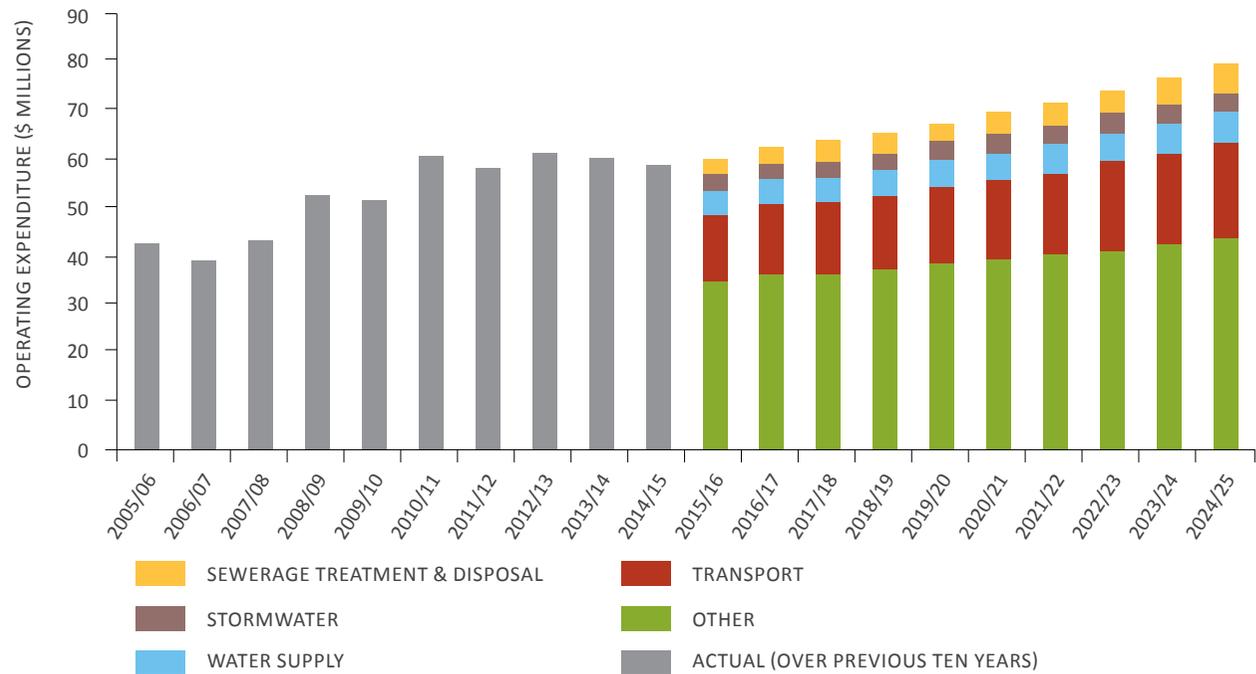
1. OPERATING EXPENDITURE OVER TEN YEARS

Operating expenditure pays for Council’s day-to-day cost of delivering services, maintaining existing assets, or other expenditure which does not buy or build a new asset (the latter being ‘Capital Expenditure’ which is covered on the next page).

The following graph shows our total operating expenditure over the last ten years and what we are planning for the next ten years. As shown in the graph, a large proportion of our operating expenditure is related to the four core network infrastructure activities including Roads and Footpaths, Water Supply, Stormwater Drainage and Sewage Treatment and Disposal. Together, these account for 43.8% of our operating expenditure over the life of the LTP.

The graph shows that the Council’s total operating expenditure is set to increase progressively from \$59.67 million in 2015/16 to \$79.86 million by 2024/25. While inflation is a major driver of this increase, there are a number of other factors which also influence our operating expenditure. The major drivers and features of expenditure are discussed in section five of this Strategy.

FIGURE 1: ACTUAL AND FORECAST OPERATING EXPENDITURE 2005-25

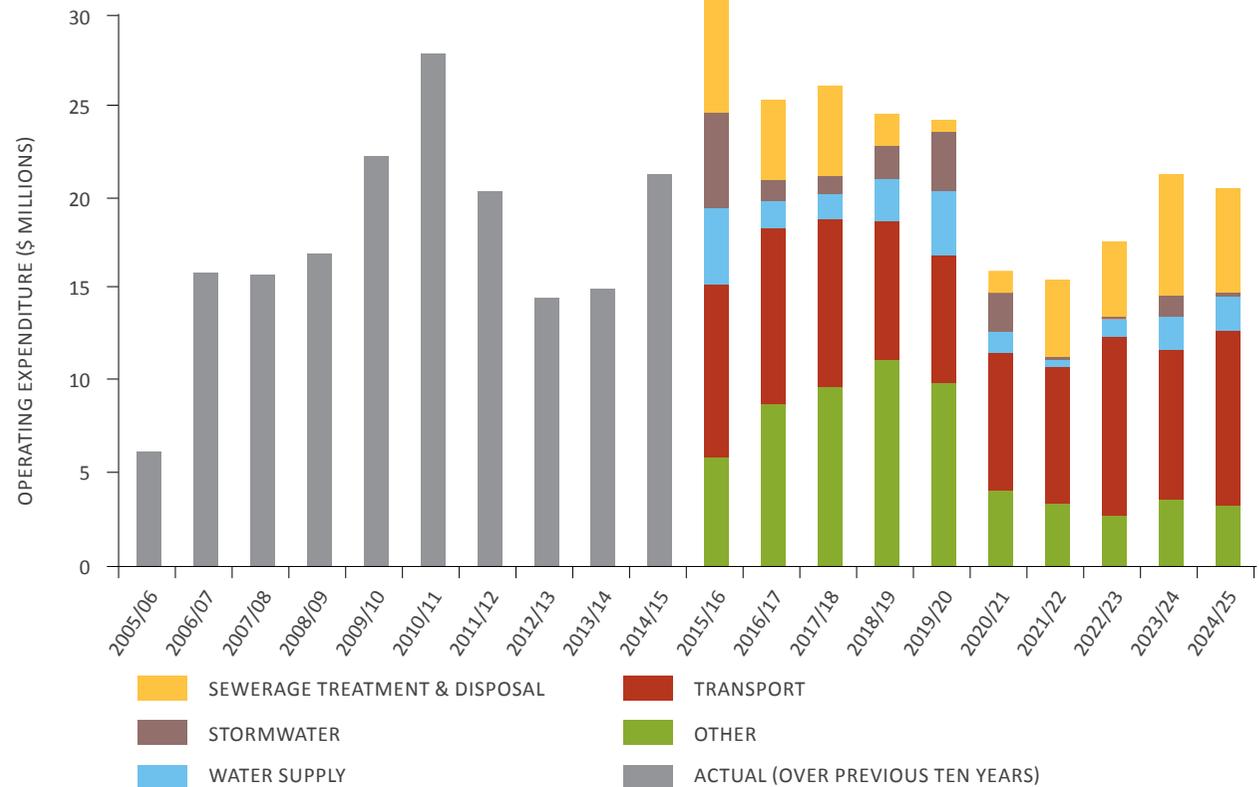


2. CAPITAL EXPENDITURE OVER TEN YEARS

Capital Expenditure pays for buying or building new assets, renewing an existing asset or improving an existing asset to deliver a better service. The following graph shows our capital expenditure over the last ten years and the planned spending for the next ten years. Council's capital expenditure can vary substantially from year to year, depending on when works are undertaken.

As shown in the graph, much of our capital expenditure is related to core network infrastructure (Roads and Footpaths, Water Supply, Stormwater Drainage and Sewage Treatment and Disposal). Over the life of the LTP, these account for 72.3% of our capital expenditure.

FIGURE 2: ACTUAL AND FORECAST CAPITAL EXPENDITURE 2005-25



3. PROPORTION OF CAPITAL EXPENDITURE FOR RENEWALS

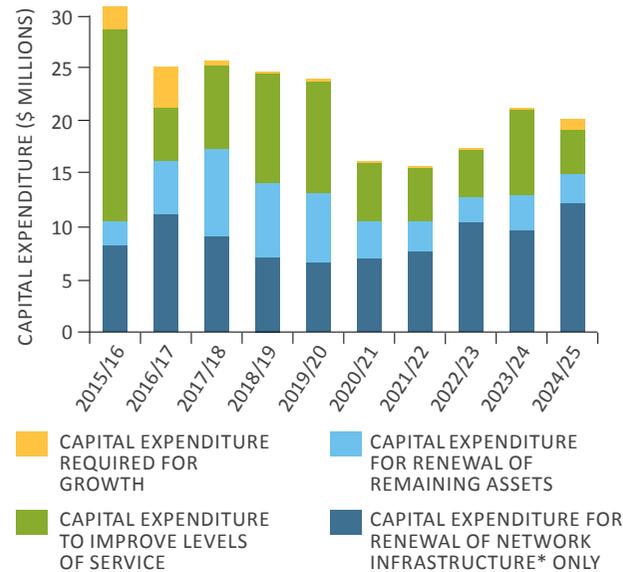
The following graph illustrates our forecast capital expenditure over the coming ten years with the costs categorised as renewals, improvements to levels of service, or growth.

The graph shows that the majority of our capital expenditure is for renewals – the replacement of assets that have reached the end of their lifespans. In particular, the renewal of network infrastructure, including Roads and Footpaths, Stormwater Drainage, Water Supply, and Sewage Treatment and Disposal, accounts for 40.4% of our planned capital expenditure over the course of the LTP. Other renewals (of non-network infrastructure such as halls, public toilets, playgrounds etc.) account for a further 19.6% of our capital expenditure.

Projects required to improve the services we deliver account for 36.1% of capital expenditure over the coming ten years. Examples of key projects include the construction of the Matatā sewerage system; continued improvements to stormwater systems; improving and expanding our harbour assets; redeveloping the Whakatāne and District War Memorial Hall; and upgrading the Whakatāne Museum.

Only minor expenditure is planned for projects needed to expand or extend services as a result of population growth (for example, a water supply system expansion for a new subdivision). This accounts for 3.8% of capital expenditure over the life of the LTP.

FIGURE 3: FORECAST CAPITAL EXPENDITURE FOR ASSET RENEWALS 2015-25



**Note: Network infrastructure includes the following activities: Roads and Footpaths, Stormwater Drainage, Water Supply, Sewerage Treatment and Disposal.*

4. FUNDING CAPITAL EXPENDITURE OVER TIME

Spending on capital projects is usually funded through loans or depreciation reserves. These funding methods allow project costs to be spread over time. Loan repayments and depreciation reserves are both funded through rates.

Loans are used to fund new assets. Repaying loans over time means that current and future ratepayers contribute to the cost of the asset over its lifetime. External funding such as subsidies and grants are also often a major funding source of new assets. Information about our debt levels and limits can be found later in this Strategy.

Depreciation reserves are funds that we set aside from year to year to meet the costs of renewing an asset as it nears the end of its lifespan, ensuring that we can continue to deliver the service it provides. As with loans, this means that both current and future ratepayers are making a contribution to the asset over its lifetime. Under this LTP, we have calculated our need for depreciation funds on infrastructural assets over 30 years, whereas previously, this has been calculated over 25 years. Setting aside funds for infrastructure renewal over a longer period of time increasingly equalises the costs making them more affordable and predictable for ratepayers. It also aligns with the 30-year timeframe of our Infrastructure Strategy.

5. MAJOR DRIVERS AND FEATURES OF EXPENDITURE

Putting this Financial Strategy into action has implications for what Council can and cannot deliver. We believe we have an appropriate balance between the level and quality of services and the cost impact for ratepayers. A summary of items that drive, or have a significant impact on our costs, is set out below.

5.1. Delivering most services at the current level

For most of our services and facilities, we are not looking to make significant changes to the levels of service that we provide, unless this can be achieved at little or no cost to ratepayers. That being said, for some activities we are proposing some carefully selected service improvements. Holding most services at the current levels will help us to stay within the parameters set out in this Financial Strategy, including the limits on rates increases and debt.

5.2. Maintaining reliable infrastructure

A large portion of our capital expenditure is focused on asset renewals which will support the continued delivery of services at the current level. Renewals projects are those which replace existing assets when they are nearing the end of their lifespan, but do not increase or improve the service provided. The renewal of core network infrastructure, including Transport Networks, Stormwater Drainage, Water

Supply and Sewage Treatment and Disposal, is expected to cost around \$89.60 million over the course of the LTP. Other renewals (of non-network infrastructure such as halls, wharves, playgrounds etc.) account for a further \$43.47 million.

Our 30 year Infrastructure Strategy - included later in this chapter, and Asset Management Plans - available on our website, set out what is required to manage and maintain our assets over the coming ten years of our LTP and beyond.

5.3. Providing for specific growth areas

Our District population is forecast to be stable over the next ten years. The need to expand or improve services to cater for an expanding population, or significant changes in land use, is therefore not expected to be a major driver of costs in the 2015-25 LTP. However, there are expected to be areas of growth in Whakatāne and Ōhope and the LTP proposes to include provision for infrastructure needs in those areas.

5.4. Improving and enhancing selected services

The Financial Strategy provides increased funding for some specific and carefully selected service improvements. In particular, we intend to increase our focus on economic development and growth in our District. We are also looking to progress projects to improve and expand our harbour assets; to redevelop the Whakatāne and District War Memorial

Hall into a modern multisport venue; and to upgrade the Museum to modern standards.

5.5. Continuing to advance committed projects

The Council has already made commitments to a selection of service improvements which are ongoing. These will continue to be advanced and require a commitment of funding over the course of the coming LTP.

This includes continuing our commitment to increase the capacity of stormwater systems in Edgecumbe, Ōhope and Whakatāne, including a project (amongst others) to control stormwater in the upper Wainui te Whara stream catchment. Over the next ten years, the total cost of stormwater improvement projects is expected to be just over \$15 million.

The project to build a new fully reticulated sewerage system in Matatā is also ongoing. This was expected to be completed in 2017 at a total project cost of \$13.2 million (\$4.4 million through this LTP in 2015/16) with a substantial contribution for the project coming in previous years by way of grants from the Ministry of Health (\$6.7 million) and the Bay of Plenty Regional Council (\$1.88 million). With an appeal against the project being upheld through the Environment Court the Council is now considering further options. Budget has been retained in the LTP to progress the project, subject to confirmation of a favourable option.

5.6. Saving costs through reduced projects and services

In the interests of rates affordability, a number of projects and service improvements have been revised and are not intended to be included in our LTP 2015-25. While Council is currently upgrading the water supplies to Awakeri and Edgumbe, further implementation of the Draft Plains 50 Year Strategy is subject to the completion of further work on the financial and economic viability of this project. The Council currently does not fund road seal extensions or power undergrounding and it is proposed that this approach should be continued unless there are clear economic benefits.

We will also need to review and possibly reduce the service we provide for solid waste services to offset cost increases that are anticipated with future waste management contracts. This will be considered and consulted with the public when more information is available. As the information is not yet at hand, the budgets in our LTP are based on the current costs.

5.7. Servicing debt

The Council's current debt level is conservative for an organisation of our size and as such, servicing of debt is not a major driver of costs in our LTP. Just over 11% of the income received from rates is currently used to repay interest. This Financial Strategy sets limits that support our intention to hold debt and debt repayments at the current levels. Information about our current debt levels and limits can be found later in this strategy.

5.8. Meeting the costs of storm damage and other unexpected events

Natural hazard events can result in substantial costs for the initial response effort, clean-up, and capital work required to rebuild damaged assets. Planning for the financial impact of such events is difficult, because we don't know when they will happen or what impact they may have. Depending on the scale of an event(s), this could require the reprioritisation of projects and budgets and unbudgeted spending.

The Council will initially attempt to meet any costs from within existing budgets and where available, from insurances and external subsidies. As part of our budgets, we hold two reserve funds to help meet the cost of responding to natural hazard damage. The first covers the relatively common costs of storm damage to roading and is projected to have a balance of \$1.08 million as at 30 June 2015. The second, a general Disaster Recovery Reserve, is for events that are not covered by the Storm Damage Roothing reserve or other funding sources such as insurances. This has a projected balance of \$298,000 as at 30 June 2015. Our LTP budgets do not include further contributions to these reserves. This approach will be reconsidered if a significant portion of these funds has to be used.

5.9. Inflation

Just as the cost of running a household increases every year with inflation, the cost of providing Council services also continues to increase. This is because costs like energy, labour and construction typically increase. The rate at which this occurs is measured as the Local Government Cost Index or LGCI. This varies from the rate at which household costs inflate which is known as the Consumer Price Index or CPI. Ultimately this means that even to maintain Council services at the current level, the cost of the service will increase. The expected rates of LGCI over the coming ten years can be found later in this Strategy.

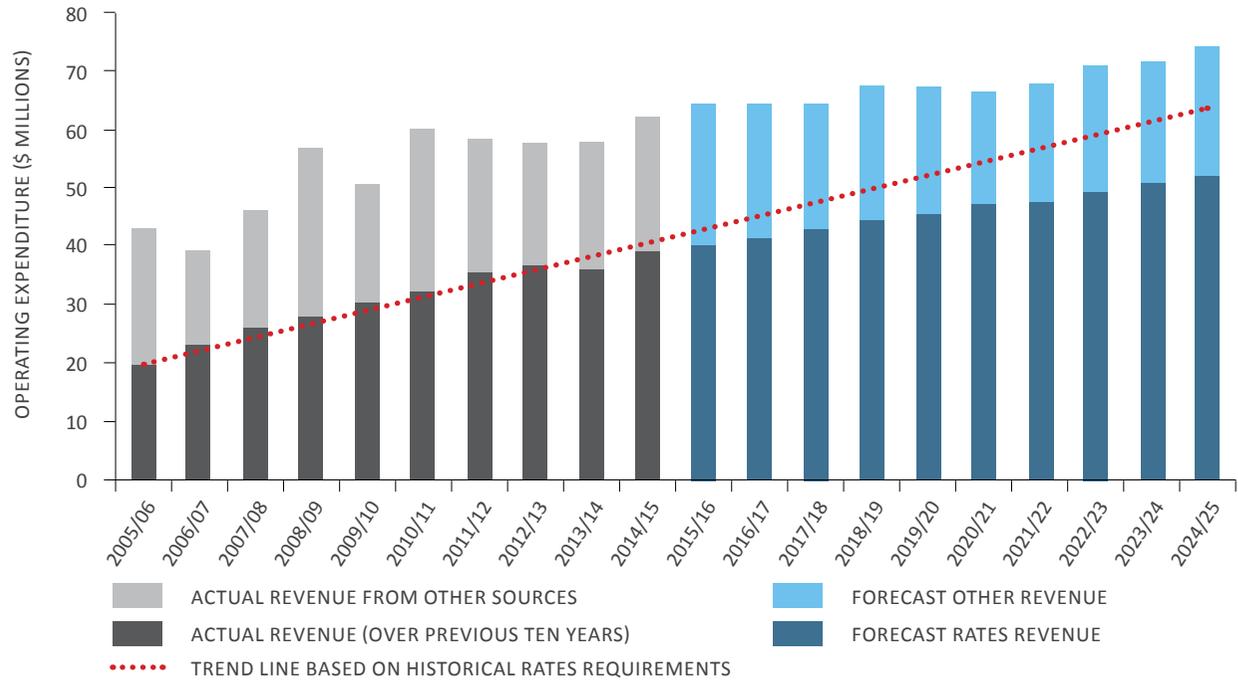
Income

6. SOURCES OF REVENUE

Rates provide most of the income required to pay for the services and facilities delivered by the Council. This typically accounts for 65-70% of our income each year, with the balance coming from other sources. We endeavour to secure funding from sources other than rates to help make our services and facilities more affordable.

Apart from general and targeted rates, examples of major funding sources include user fees and charges, subsidies, grants and development contributions. The following graph shows what our revenue needs have been over the last ten years and what proportion of revenue is budgeted to come from rates versus other funding sources during the next ten years.

FIGURE 4: ACTUAL AND FORECAST SOURCES OF OPERATING REVENUE 2005-25





7. MAJOR DRIVERS AND FEATURES OF REVENUE

7.1. Affordability of rates

Rates affordability is a fundamental driver in the development of the LTP. The Council acknowledges the socio-economic vulnerability of parts of the District and that within other sectors wealth can be tied up in property rather than disposable income. While rates contribute towards the delivery of many fundamental community services and facilities that people rely on and use every day, we understand that rates must be as affordable as possible.

Through the development of the LTP, rates affordability has been considered in two key ways. The first is through the budgets that we have set for each of our activities because the more we spend, the higher rates will be. We are proposing conservative limits for rates increases and borrowing and have set our activity budgets accordingly. These limits are set out later in this Strategy. While this approach helps rates affordability, it also means less money is available for investing in community services and facilities.

Secondly, Council has also considered affordability through the distribution of the rates to different sectors of the community. This involves careful

consideration of how the Council's costs are to be divided given that ratepayers do not all pay the same. The distribution of the rates requirement is determined through our Revenue and Financing Policy and rating system both of which have been reviewed as part of our process of developing the LTP. Following these reviews we have made some minor changes to our rating system as summarised below. Our Revenue and Financing Policy is available later in this document.

- The use of general rates to fund Matatā Disaster Mitigation stormwater costs will increase from 75% to 100% to be phased in over three years.
- Economic Development will continue to be funded 70% through the general rate and 30% as a targeted 'District Growth' rate to the commercial/ Industrial sector. Differentials will be applied to the District Growth rate to increase the portion of this rate targeting Whakatāne urban properties.
- The funding philosophy for Events and Tourism has been amended to indicate a greater benefit of these activities to the private rather than the public sector.
- A sewerage rate for Matatā will be implemented from 2017, subject to completion of the Matatā sewage system.

7.2. Availability of external funding

Accessing external funding allows us to deliver projects and services that we might not be able to afford otherwise. The budgets we have set through the LTP rely on significant levels of external funding, in particular from partnerships with the New Zealand Transport Agency (NZTA) and the Ministry of Health, but also from many other sources. The amount of external funding in our LTP budgets has been set at realistic levels, based on the best information currently available. However, achieving that budgeted funding is ultimately dependent on the policies and priorities of our funding providers, which may be subject to change. If anticipated levels of external funding are not realised, this may affect the delivery of some Council projects and services.

7.3. Asset sales

The Council is proposing to sell a number of assets over the course of this LTP. The purpose of these asset sales is either to help achieve strategic priorities, or because the assets are surplus to the Council's long term strategic needs. Notable proposals include the sale of land at Bunyan Road, Piripai to facilitate residential/retirement village development and the transfer of Pensioner Housing to a registered Community Housing Provider. Income from these and other minor asset sales is expected to



return approximately \$8.5 million.

The Council intends to apply income gained from asset sales to retire debt, which would otherwise need to be funded (over time) by ratepayers. With returns from the transfer of Pensioner Housing units expected in the 2015/16 year, these funds will be applied to repay the Museum loan (approximately \$1 million, drawdown in 2017 and 2018), the Whakatāne and District War Memorial Hall redevelopment (balance of available funds in 2018/19/20) and the District Plan Review.

However, where the timing and details of sales cannot be accurately estimated, the retirement of debt has not been applied to our budget assumptions. The LTP budget recognises and provides for income from these asset sales, but this is set aside as a separate investment to accrue interest. This conservative approach is being applied to ensure that the rating requirement is not understated should the asset sales be delayed.

7.4. Development contributions

Development contributions are fees charged to developers at the time of obtaining a development-related resource consent, building consent or authorisation for service connection. The principle underlying development contributions is that the

developer should meet the costs attributable to the growth they are creating. Our Development Contributions Policy was reviewed alongside the development of this Financial Strategy, in part driven by recent legislative changes. The changes to the Policy have resulted in the reduction of some of the development contributions that we charge. The Development Contributions Policy is available from Council offices and on the Council's website.

7.5. Harbour fund

The Council owns a number of harbour properties which were originally vested in the Council in 1976 when it took over the functions of the Whakatāne Harbour Board. The majority of these are commercially zoned land holdings around the Whakatāne Central Business District, but the holding also includes a small number of properties in Ōhope. Many of these properties are leased and provide a commercial return to the Council. The income from leases and from any sale of harbour endowment assets is held as the Harbour Endowment Fund.

The Harbour Endowment Fund is of great benefit to the District because it allows the Council to undertake some projects at little or no cost to ratepayers. It is also used to fund the maintenance of assets that were developed through the Harbour Fund. The rules around the Harbour Fund, set

through legislation, mean that any income derived from leases or the sale of assets, must be invested back into the maintenance or improvement of the harbour or harbour properties. The Harbour Fund may be used for non-Ports and Harbour activities only to the amount of operating surplus available in the Ports and Harbour activity in any given year, or, with express approval from the Minister of Local Government. The Council will also continue to use the Harbour Fund for internal borrowing. Our LTP 2015-25 operates within these required parameters.

7.6. Investments

Under legislation, our Financial Strategy is required to disclose any objectives for holding and managing investments and equity securities and any targets for those. Council's investment holdings and equity securities are minimal and these are not expected to make any significant return over the course of the 2015-25 LTP. The Council has an Investment Policy in place setting out its approach to managing any Investments. The Investment Policy is available for reference from Council offices and on the Council's website.

8. LIMITS ON RATES

8.1. Limits on rates increases

The Council will continue the current limits on rates increases over the course of the 2015-25 LTP. This will limit rates increases to inflation (based on the Local Government Cost Index or LGCI) plus two percent.

It should be noted that the limit applies to the average increase across the District, with actual rates increases varying from property to property. Some individual property increases are likely to exceed this limit. Figure 5(a) and (b) sets out the average rates increases against the limit for rates increases (where applicable). As shown the introduction of limits has helped to contain and provide much more predictability to rates increases. The table also indicates that the forecast rates increases over the next ten years are often well below the set limits.

We expect there to be a small increase of 0.5% in the number of rating units over the ten year life of our LTP. However, a conservative approach is being applied to our budget assumptions that involves rates requirements being spread across the existing number of rateable properties.

FIGURE 5(A): HISTORICAL AND FORECAST LIMITS ON RATES 2005-25 (INCLUDING INFLATION)

		TOTAL RATES INCREASE OVER PREVIOUS YEAR	LIMIT ON TOTAL RATES INCREASE (LGCI + 2%)*
actual	2005/06	13.90%	-
	2006/07	6.41%	-
	2007/08	12.24%	-
	2008/09	8.92%	-
	2009/10	7.32%	-
	2010/11	8.42%	-
	2011/12	7.95%	-
	2012/13	5.69%	5.79%
	2013/14	2.49%	5.46%
	2014/15	2.95%	5.17%
forecast	2015/16	3.21%	4.24%
	2016/17	3.84%	4.45%
	2017/18	3.55%	4.53%
	2018/19	2.36%	4.61%
	2019/20	3.41%	4.75%
	2020/21	3.51%	4.90%
	2021/22	1.30%	5.04%
	2022/23	2.07%	5.19%
	2023/24	3.30%	5.36%
	2024/25	3.31%	5.53%

What is the LGCI?

The LGCI or Local Government Cost Index is a measure of inflation, as it relates to costs specifically affecting the Local Government sector.

LGCI inflation figures are produced for the local government sector by Business and Economic Research Limited (BERL) a leading provider of economic research, analysis, and advice for business and public sector clients in New Zealand.

The forecast limits for rates increases (at LGCI plus 2%) are based on the LGCI forecast at the time this Financial Strategy was written. As annual updates are made to LGCI, the limits will be adjusted accordingly.

FIGURE 5(B): HISTORICAL AND FORECAST LIMITS ON RATES 2005-25 (INCLUDING INFLATION)

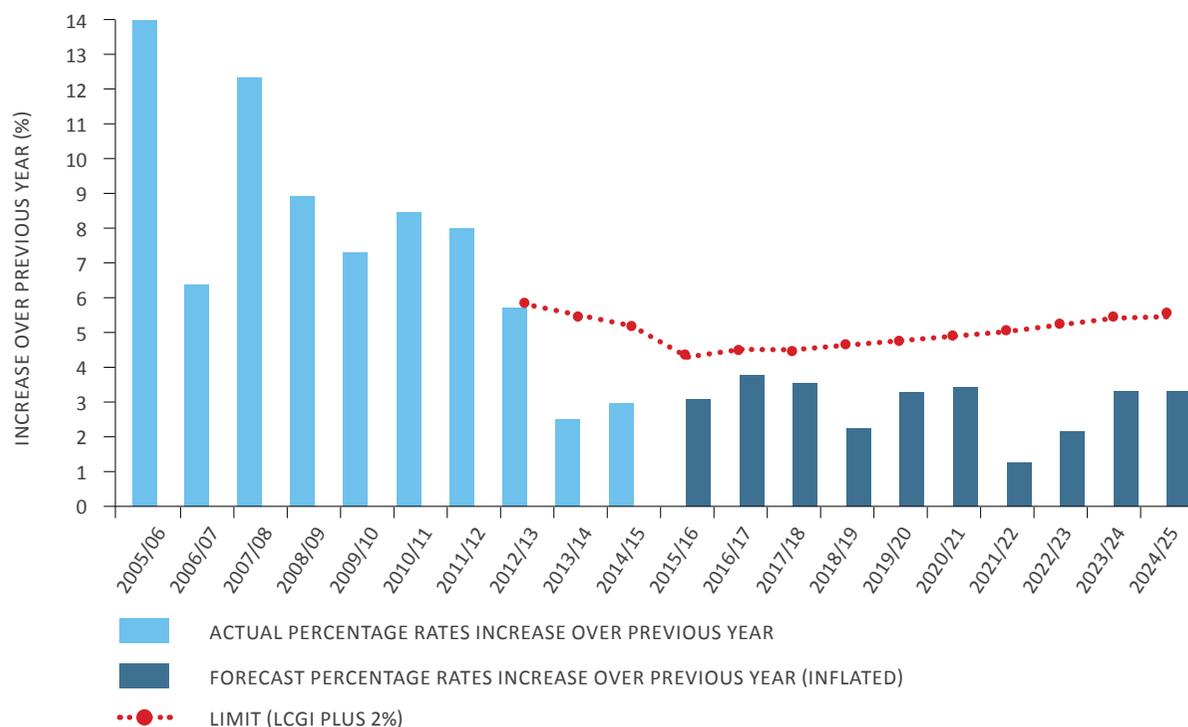


FIGURE 6: LIMITS ON RATES AS A PROPORTION OF TOTAL OPERATING REVENUE 2015-25 (INCLUDING INFLATION)

	OPERATING REVENUE (\$MILLIONS)	RATES REVENUE* (\$MILLIONS)	RATIO: (LIMIT = 80%)
2015/16	64.45	39.94	62%
2016/17	64.53	41.47	64%
2017/18	64.43	42.94	67%
2018/19	67.7	43.95	65%
2019/20	67.46	45.46	67%
2020/21	66.49	47.05	71%
2021/22	68.03	47.67	70%
2022/23	71.02	48.65	69%
2023/24	71.73	50.25	70%
2024/25	74.81	51.91	69%

*Excludes penalties

Typically we gain around 65-70% of our revenue from rates with the remaining approximately 30-35% coming from other sources such as the New Zealand Transport Agency for roading costs and the Ministry of Health for projects to improve quality of drinking water. Over the course of this LTP we will continue to secure funding from sources other than rates wherever we can.

8.2. Limit on rates as a proportion of total operating revenue

The Council will limit rates to a maximum of 80% of total operating revenue. This means we will need to continue to secure at least 20% of our revenue requirement from sources other than rates. Figure 6 sets out forecast levels of operating revenue against the 80% limit. This indicates that over the ten years of the LTP 2015-25 we expect to remain well within the set limit.



9. BORROWING AND DEBT

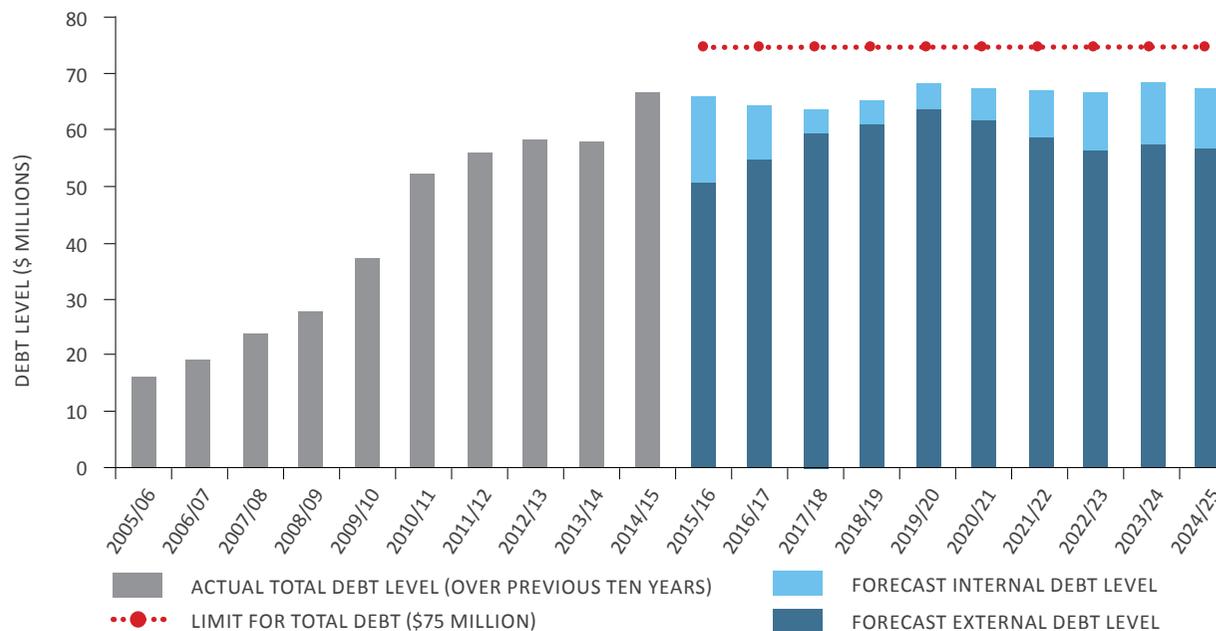
We use loan funding to spread asset costs over current and future ratepayers. Borrowing to pay for assets with a long life, for example 25-50 years (rather than just increasing rates to cover the full cost of an asset), means that those who benefit from the service provided, now and in the future, will contribute fairly towards its cost. This also helps to even out the impact on rates, avoiding steep cost increases and providing greater certainty for ratepayers.

As at 30 June 2014, our external debt (owed to banks and the Local Government Funding Agency) was \$45.5 million or around \$2,741 per rating unit. This is consistent with or favourable to the debt levels of many similar sized local government authorities around New Zealand. On top of this external debt, like most other councils, we also borrow from our own reserves, which are being held for other specific purposes, but are not yet required. When we include internal borrowings, our total debt, as at 30 June 2014, was \$57.9 million.

9.1. Limits for debt

Over the course of the 2015-25 LTP, we intend to maintain our debt at around the current level. This will mean only taking on new debt as we repay existing debt. To achieve this outcome, careful consideration has been given to prioritising and scheduling planned capital projects. To support the objective of maintaining debt at the current levels, we are also retaining our previous debt limit. As shown in the following graph, this will see the limit for total debt (including internal and external debt) held at the current level of \$75 million over the life of the 2015-25 LTP.

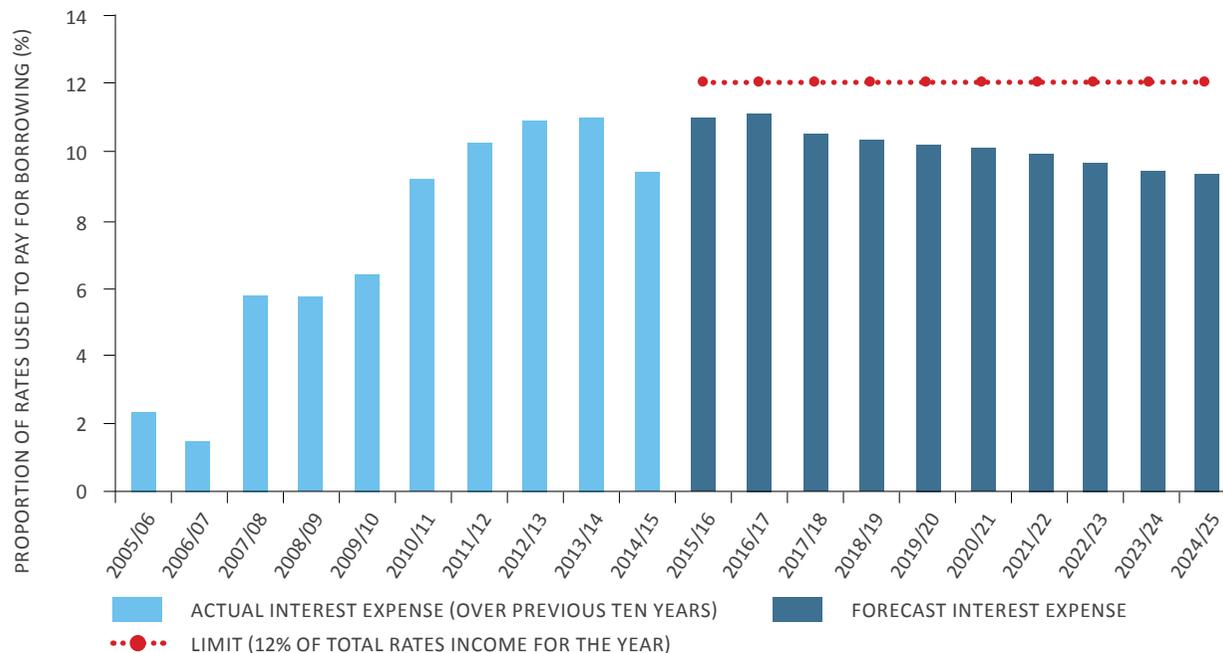
FIGURE 7: LIMIT FOR TOTAL DEBT 2005-2025



9.2. Limits for interest costs met from rates

To provide further certainty to ratepayers, we have set limits on the amount of rates revenue used to meet interest costs. This is because it is debt repayments, rather than our overall level of borrowing, that affects ratepayers from year to year. This will see the interest expense of our borrowing limited to 12% of total rates income. The following graph shows the proportion of rates required to repay debt over the past ten years and the forecast level over the life of the 2015-25 LTP.

FIGURE 8: LIMIT ON INTEREST EXPENSE AS A PROPORTION OF RATES REVENUE 2005-25



9.3. Borrowing from the Local Government Funding Agency

The Whakatāne District Council has been a shareholder in the Local Government Funding Agency (LGFA) since 2012. The LGFA is a partnership of participating local government authorities which has enabled borrowing at more secure and favourable rates than those provided by banks. Over the course of the 2015-25 LTP, we will reassess the favourability of the borrowing options available, as loans mature.

9.4. Policy on securities for borrowing

To borrow money (either from banks or the LGFA), the Council has to offer lenders some security (just as homeowners do with their mortgages). Like most councils, we secure our debt against our rates income, rather than against physical assets like land or buildings. This means that lenders can make us increase rates to repay debt under certain circumstances. Using this form of security helps to keep the interest rates on our debt low. The Council's full policy on security for borrowing is known as the Liability Management Policy. This is available on the Council's website (www.whakatane.govt.nz).



Infrastructure Strategy

PURPOSE

The purpose of this Infrastructure Strategy is to outline how the Whakatāne District Council intends to manage its infrastructure assets over the next 30 years.

The Council supplies a wide range of community services which rely on infrastructure assets. It is critical that those assets are managed well. This Strategy looks across the spectrum of water supply; sewage treatment and disposal; stormwater drainage; and the provision of roads and footpaths.

The Infrastructure Strategy has been developed to scope and prioritise key, long-term infrastructure issues, and outline how the Council proposes to address those issues. That information also informs the rest of the LTP.

An infrastructure strategy is a new legislative requirement (under section 101B and Clause 9, Schedule 10 of the Local Government Act 2002). The Act states that a “local authority must prepare, as part of its LTP, an infrastructure strategy for a period of at least 30 consecutive financial years”.

NOTE: All financial figures in the Infrastructure Strategy take into account expected inflation.

PLANNING FOR THE LONG-TERM - THE NEXT 30 YEARS

Many of Council’s infrastructure assets have a very long life. For example, water pipes have an expected life of 60-100 years. There is therefore a long planning horizon for initial provision and renewal, both of which can present cost peaks that are best planned for well in advance. This Infrastructure Strategy provides the long-term perspective required to assess whether there are hidden investment gaps, or affordability issues, beyond the ten-year planning horizon provided in the LTP 2015-25.

While the Council delivers services utilising a range of different infrastructure services, this Infrastructure Strategy focuses on the following four core infrastructure services:

- Water Supply
- Sewage Treatment and Disposal
- Stormwater Drainage
- Roads and Footpaths.

Infrastructure assets cannot be planned for in isolation, because issues that shape our community can also influence the management of our infrastructure. Significant issues may include:

demographic changes which affect the ability of the community to pay for infrastructure; growth or decline in population in particular areas within the District; natural hazards and climate change.

INFORMATION SUPPORTING THE DEVELOPMENT OF THIS STRATEGY

This Infrastructure Strategy has been developed in the context of a number of other documents and projects. In reading this Strategy you may wish to reference these supporting documents for more information. These include:

- Asset Management Plans - provide an outline of the asset management works required to prudently manage infrastructure and deliver essential services to the community.
- Financial Strategy - outlines the financial context in which the Council is operating and the financial implications of the projects planned through this Strategy.
- LTP 2015-25. While this strategy has a 30-year planning horizon, the projects planned for the first ten years are included in other sections of the LTP.

- Proposed Whakatāne District Plan (PWDP) - identifies areas where new or upgraded infrastructure will be required to cater for growth in the District over the next ten years. The decisions on the PWDP are expected in September 2015.
- Whakatāne and Plains Water Supply Strategy – May 2014 by Alan Bickers – a report commissioned by the Council on these two water schemes.
- Draft Plains 50 Year Strategy Study – September 2014 by Opus International Consultants Ltd – this is a draft Strategy only and has not been adopted by the Council.
- Eastern Bay of Plenty Spatial Plan – being developed in conjunction with neighbouring Councils and the Bay of Plenty Regional Council, the spatial plan will predict and coordinate the future development changes in the region and the impact these changes will have on various resources, including infrastructure requirements over the next 30 – 50 years.

KEY PRINCIPLES UNDERLYING THIS STRATEGY

The Council has identified four key principles for the development of the LTP 2015-25. These principles balance the various needs of the community and flow throughout the LTP, including the Financial Strategy and the projects outlined in this Infrastructure Strategy.

RESPONSIBLE

We will work with the community to prioritise core services and prudent infrastructure management which will meet their needs.

SUSTAINABLE

We will undertake good stewardship of our assets and services, managing these in a way that does not compromise our ability to provide quality, affordable services to the community in the future.

AFFORDABLE

We will be responsive and sensitive to the issue of rates affordability across the District, in particular when making decisions about infrastructure investments and funding mechanisms.

ENABLING

We will provide the infrastructure required to support and enable growth and prosperity in our District and work with others towards this goal.

CORE OUTCOMES FOR THE LTP 2015-25

The Council has identified four key outcomes for the development of the LTP 2015-25. These outcomes underlie the priorities and projects the Council is proposing to carry out over the next 30 years and form the basis of both the LTP 2015-25 and Council's Financial Strategy. They reflect the balance the Council must endeavour to achieve between focusing on the basics and providing value-added services for our community, at an affordable cost. The projects

outlined through this Infrastructure Strategy have been planned in order to help achieve these key outcomes. The Council's primary planned responses to these outcomes are as follows:

a. Delivering quality core services

This Infrastructure Strategy's key driver is getting the basics right and maintaining our existing assets to continue delivering quality core services. The majority of the works planned in this Strategy involve renewing existing infrastructure, reflecting the Council's primary focus on maintaining core infrastructure services.

b. Encouraging communities and businesses to thrive

Where the Council predicts growth will occur within the District, or where it is foreseen that infrastructure will help drive growth, the Council is proposing to carry out a number of projects which will enable and stimulate development.

c. Working together to meet the community's needs

The Council will continue to work with our key partners and seek opportunities for further partnerships, which will add value to the community through enhanced and affordable services.

d. Rates affordability

The Council intends to respond to the community's needs in a manner that is sensitive to economic factors, keeping costs down by focusing on the basics, deferring or deleting projects where appropriate and utilising various funding mechanisms and rating systems.

KEY ISSUES IDENTIFIED THROUGH THIS STRATEGY

This Infrastructure Strategy identifies six key issues that the Council proposes to address through a range of actions and projects. This Strategy outlines the Council's significant decisions, including principle options for addressing the identified issues, and defines the implications of undertaking or not undertaking these actions. The key issues determined through this strategy are:

1. Much of the Council's core infrastructure is ageing and the Council has a large number of renewals planned over the next 30 years;
2. New legislation leading to stricter environmental controls, which the Council must adhere to, while also endeavouring to improve community health and safety;
3. Our District is prone to natural hazards, requiring works to mitigate the risk to our community;
4. Increases required to some of the levels of service we provide to ensure a reliable service;
5. Growth in certain areas of the District will put increased pressure on some of our infrastructure;
6. Overall, the District is predicted to experience a fairly static, ageing population, which may have an impact our ability to provide added value services.

PLANNING ASSUMPTIONS

A broad range of factors influencing Council's long-term planning are discussed later in this LTP. The high level assumptions that are particularly relevant to this Infrastructure Strategy are categorised below and include:

NATURAL ENVIRONMENT

- Our District is at risk of a range of natural hazards, such as earthquakes, flooding, tsunami, debris flows, slips and volcanic activity.
- Our District is susceptible to many environmental processes, such as soil erosion, sediment build up, beach formation/erosion.
- Climate change is likely to increase the occurrence of severe weather patterns and impact on various Council activities.
- Predicted sea level rise might with time also affect some parts of our infrastructure.

SERVICE DELIVERY

- When renewing resource consents, the majority of consent conditions will remain the same, except where outlined in this Strategy.
- Infrastructure needed for growth-related development will be paid for by development contributions or financial contributions.
- We will continue to deliver our services to the community in the same way.
- In the event of a disaster, we will be able to continue delivering essential services to the community.

- Life-cycle assumptions for our significant infrastructure are defined through the Significant Accounting Policies found in the 'Our Costs in Detail' chapter of this LTP.

POPULATION

Population growth across our District is expected to reflect the population projections provided by the National Institute of Demographic and Economic Analysis (NIDEA), University of Waikato.

An ageing population will put added pressures on specific services.

- The socio-economic structure of our District will not change significantly.
- The number of properties from which we receive rates income is expected to increase by approximately 0.5% annually.
- The population in any one area of the District will not decline so rapidly over the coming 30 years that significant alternative planning solutions will be required.

LAND USE

- Demand for additional residential properties will be mainly focused around Whakatāne and Ōhope.
- Assumptions about residentially-zoned land are based on the Proposed District Plan.
- Capacity for residential land will be sufficient for the next 30 years.

- Land-use elsewhere in the District is assumed to maintain the status quo.
- Demand for industrial land will be consistent with the Proposed Whakatāne District Plan.

ECONOMIC ENVIRONMENT

- Economic growth in the Whakatāne District is expected to follow the medium ‘Reality Check’ projections, as outlined by BERL Economics in “Bay of Plenty Alternative population Projections” (May 2015). This predicts the generation of around 1,560 jobs in the District by 2025 with an increase in levels of employment, personal wealth and, potentially, population growth.
- It is assumed that economic development in Kawerau and Ōpōtiki are likely to have a positive impact on Whakatāne’s economy.
- We partner with the New Zealand Transport Agency for the operation and upkeep of our local road network. An assumption is made on the level of financial assistance NZTA provides for that activity. NZTA has confirmed that, following their national review of Funding Assistance Rates, the Financially Assisted Roding (FAR) Rate for Whakatāne District Council local roads shall change from the current 53%, up to 64%, rising at a rate of 1% per year from 2016/17. NZTA have also advised that the district’s Special Purpose roads, which currently receive 100% FAR will remain in place for the years 2015-18, after which it will reduce by 5% each year until 2024/25, when it reaches the base FAR of 64.

RISK

In the course of planning for the next 30 years, the Council has had to make a series of assumptions that may not eventuate exactly as predicted. In some instances, the risk associated with assumptions not being realised is more significant. To address this, the Council will be reviewing this Strategy every three years and will reconsider the accuracy of all assumptions and the likely impact on our infrastructure. Many assumptions around infrastructure renewals and upgrades are based on asset life cycles and population projections. The Council will continue to make asset condition inspections and monitor population changes to ensure that we are able to respond to changes in an appropriate manner. We also manage risk, utilising the processes defined in our risk management policy. These processes are consistent with Australian/New Zealand Standard AS/MZ 4360, which defines best practice risk assessment and management.

The Council is mindful that change in rainfall patterns as a result of climate change can adversely affect people and property in the District. The Council recognises, in the District Plan, that sea level rise poses a threat to subdivision, use and development of land within the District. The Coastal Erosion Risk Zones Areas for 2060 and the 2100 have all been established in response to future climate changes and the increased threat of coastal erosion and inundation.

The Council will continue to monitor and take into account the impact of climate change and sea level rise on the Council’s key infrastructure assets. It is

however assumed that moderate sea level rise will have a limited impact on most of our infrastructure assets.

The Council is also proposing to undertake a number of works through this Infrastructure Strategy that address or respond to the risk posed to our assets by natural disasters. For example, work is being undertaken across a range of our core infrastructure to assess and respond to the risk posed from an earthquake. Additionally, the planned work to increase the stormwater protection that the Council offers, will help to reduce the risk to the Council’s infrastructure from severe flooding events.

The Council is cognisant of the need to maintain its critical assets. These are the assets that are essential to public health and safety and act as lifelines. For Roding, State Highways act as the key lifelines for the community, however the Council owns a number of key roads, bridges and culverts that act as secondary routes and which need to be protected. With regard to Water Supply, Sewage Treatment and Disposal and Stormwater Drainage, all pump stations and associated rising mains, treatment plants, reservoirs and bulk mains are considered critical assets. The risk of failure of any of these assets would cause anything from severe inconvenience to posing a substantial health risk to our communities. Our work plans and infrastructure strategy have taken this into account and works associated with critical assets are prioritised.

HOW THE COUNCIL IS PLANNING TO ADDRESS THE SIGNIFICANT INFRASTRUCTURE ISSUES FACING THE WHAKATĀNE DISTRICT

The following pages summarise the significant infrastructure issues facing the Whakatāne District Council, the planned response to those issues, and the implications of taking or not taking the response action. In many instances, the same principal response option is capable of addressing several infrastructure issues.

Four core infrastructure services are outlined through this strategy:

1. Water Supply
2. Sewage Treatment and Disposal
3. Stormwater Drainage
4. Roading and Footpaths.

The issues outlined in this Strategy are also categorised into issues relating to the Council's core outcome objectives of:

- Delivering quality core services
- Encouraging communities and businesses to thrive
- Working together to meet the community's needs
- Rates affordability.

Delivering quality core services

ISSUE 1 - COUNCIL'S INFRASTRUCTURE IS AGEING

The Council provides core services that are essential for the health, safety and well-being of the community. If those services cease for any reason, the impact can be significant. Providing services that are reliable and not prone to breakage or outages is therefore essential. The Council carefully manages its core infrastructure to extend the life of our assets and gain the greatest value from our investment. We also maintain our assets appropriately and replace them before they start to fail, minimising service disruption. A large number of the Council's core infrastructure assets will be coming to the theoretical end of their useful life within the 30-year period of this Strategy. The Council is currently implementing continuous monitoring programmes of sampling its underground assets in order to ensure that their actual condition and needs and priorities for its renewal are well understood. Nevertheless this means the Council will have to undertake significant renewal works to maintain its current infrastructure networks. The Council funds renewals over a period of time, to help build up renewal reserve funds. This helps to spread the cost of renewals over the wider population that will benefit from the assets involved. Through the LTP 2015-25, the Council's Financial Strategy will extend the period over which renewals are funded from a 25-year average, to a 30-year average. This timeframe will be consistent with the 30-year timeframe in this strategy.

90% of the works planned through this Infrastructure Strategy are to maintain and renew the assets that the Council already owns and operates. Very few projects are required to improve or expand the level of service the Council currently delivers. The total value of the renewals required over the next 30 years equates to \$380.6 million (64.3%). If the Council does not undertake these works, major disruptions could occur as the networks begin to deteriorate. Increased repairs required by ageing infrastructure would mean that the cost of not undertaking renewals would be far greater than the proactive renewals programme planned.

COUNCIL'S SIGNIFICANT DECISIONS TO ADDRESS THE ISSUE

Renewing our ageing three water assets

More than 70% of the Council's water supply pipes are over 50 years old and are becoming prone to pipe breaks, causing supply issues and increased maintenance costs over the next 10 to 40 years. Some of the Council's sewerage pipes need replacement within the next 50 years to minimise the risk of service disruption and sewage overflows. As a result, the Council will implement an ongoing asset replacement programme for water and sewerage assets, at an approximate cost of \$104.1 million over the next 30 years.

The Edgecumbe community has experienced issues with its sewerage system since the 1987 earthquake, as a result of damage to the pipe network. This has resulted in groundwater infiltrating the network, including private laterals. The Council is planning

to gradually replace the whole network with a low pressure grinding pump system from 2026 to 2028, at an approximate cost of \$17.7 million over this period.

The Council is planning to install a sewerage scheme in Matatā, utilising a low pressure, on-site grinder pump system. See Issue 2 for more information about this project and the recent Environment Court decision. If the project proceeds as proposed, the grinder pumps and some electrical components theoretically will need replacement after 20 years. The Council is proposing to replace grinder pump and other components on as-needs basis, at an approximate cost of \$0.8 million from 2026 to 2028.

Significant expenditure required for renewals to our roading network

The Council is required to undertake significant renewals to the roading network over the next 30 years, at a total cost of approximately \$265 million. This includes 22 bridges that will reach the theoretical end of their useful life during that period, road pavements that have varied lifespans and deteriorate over time and drainage systems that are critical to ensuring the road network remains in good condition. The Council will review the condition of its assets on an ongoing basis to ensure that renewals are carried out as required. Not undertaking this renewals programme would lead to a significant deterioration of Council assets.

ISSUE 2 - ENSURING THE HEALTH AND SAFETY OF THE ENVIRONMENT AND THE COMMUNITY

The Council delivers services which help to ensure the health and safety of residents and maintain the health of the environment. A number of Council activities can have negative environmental impacts. To ensure that we appropriately mitigate environmental impacts, we seek resource consents to operate and deliver environmentally sensitive services. For example, the discharge of treated sewage is closely monitored to ensure it is not detrimentally affecting the environment. A number of such consents are due to expire over the next 30 years and consent renewals may require changes in the way we operate and deliver services. Existing consents are based on the current legislative environment and Regional Policy Statements. Over time, the conditions applying to some consents may become more restrictive. This may require upgrades to Council infrastructure, or new ways of operating and delivering some services. Similarly, the Drinking Water Standards outline specific requirements for the Council's water supplies. These standards can increase over time and the result for the Council can be costly to keep up with.

The Council endeavours to deliver services in a manner which protects the health and safety of the community. Where utilisation of a service does involve some risk - our roading network, for example - the Council implements measures to reduce the risk to the community wherever practicable and affordable.

COUNCIL'S SIGNIFICANT DECISIONS TO ADDRESS THE ISSUE

Upgrades to Council's plants to comply with new resource consent conditions

The resource consents to treat and discharge treated sewage into various waterways and sea from the Whakatāne, Ōhope, Edgecumbe, Tāneatua and Murupara sewerage systems will all expire over the next 12 years. It is anticipated that new consents may require upgrades to the current water and sewage treatment systems to achieve higher levels of treatment quality. In some instances, this may require new treatment technology or methods of disposal. Currently, the Council assumes the most likely option for all schemes will be to upgrade the current system to improve discharge quality. Over the next 12 years, approximately \$23.3 million will need to be spent to upgrade sewage treatment systems. The works required will depend on the requirements of the new resource consents and the specific works will not be undertaken until greater certainty exists around the new consent requirements. If the Council does not undertake the required works, this could have an impact on our ability to continue providing these core services.

Improving our service delivery to reduce the impact on the environment

The Council intends to provide a sewerage scheme in Matatā. The project was proposed to be carried out in 2016-19 at an approximate cost of \$12 million. A resource consent and notices of requirement

for the development of a sewerage treatment plant and land disposal field for Matatā were granted by Independent Commissioners in 2014. Subsequently, following appeals to the Environment Court in 2015, an interim decision was released that sought further information for the Court to be able to grant consent to the Land Application Field. However, the site for the proposed treatment plant was declined. The Council is now considering further options, and has retained the budget in the LTP to progress the project subject to confirmation of a favourable alternative site being identified, funding being confirmed by other parties, and resource consent being obtained. The objective of the project is to help to alleviate the environmental impact associated with the septic tank sewage disposal systems currently used throughout Matatā.

The Edgecumbe, Tāneatua and Murupara water schemes have a very high level of water usage per capita (over 400l/day/person) due to water wastage and leaks in private properties. If water wastage is not controlled, this may result in the exceedance of water abstraction limits under the existing resource consents. All these water schemes are unmetered and there is little incentive to conserve water. The Council is planning to implement a water conservation strategy and public education to encourage reduced water usage. If public education and implementing the water conservation strategy are not successful in reducing water consumption, approximately \$1.1 million will be required to install meters on water connections in these schemes. This project is not currently included in the Council's LTP 2015-25, for reasons of affordability, but will be considered for inclusion through the 2018-28 LTP.

Providing an alternative source of water

The quality of water supplied on the Plains has been an area of concern for the Council for many years, with no protozoa treatment and with levels of naturally occurring arsenic in the source water from Braemar Spring and the Johnson Road bores exceeding the Drinking Water Standards New Zealand 2005 (revised 2008). While the majority of the water consumed on the Plains is used for agricultural purposes, the Council has been planning to address this issue through the supply of water from an alternative bore in Paul Road, supplying water to Edgecumbe, Awakeri, Thornton and Onepū areas. These works are proposed through the draft Plains 50 Year Strategy. Apart from the supply of water to Edgecumbe, which received MOH funding, the works have not been scheduled through the Council's LTP 2015-25, as the financial viability and economic benefits of the Strategy have yet to be assessed. The regulatory environment is also currently very uncertain, with the National Policy Statement on Freshwater response to be formulated by the Bay of Plenty Regional Council in the next year. If the projects proposed in the draft Plains 50 Year Strategy do not proceed, the current level of service will be maintained on the Plains. Refer to Issue 3 for the discussion on the current and projected future demand on the Plains water scheme.

The Whakatāne and Ōhope water source is vulnerable to saline water intrusion during periods of low river flow, contamination with cyanobacteria, and high turbidity during extreme rainfall events. In recent years, the Council has managed the reduced

supply capability caused by salt water intrusion by imposing water restrictions and installing a temporary emergency intake upstream from the permanent intake. However in the future, climate change may affect abstraction of water from the Whakatāne River. To address this issue in a more permanent manner, the Council has two potential options. One of the options is to supply water from a new bore in the Poroporo area. However, the water quality at this bore is poor, and the Council has not been able to locate any other, feasible groundwater source near to the Whakatāne treatment plant. The other, preferred option is to establish an alternative water source, supplying emergency water from the Paul Road aquifer at an estimated cost of approximately \$6.8 million. This option assumes that the Awakeri area will be supplied from the Paul Road aquifer in the future, as proposed through the draft Plains 50 Year Strategy. Interconnection between the two schemes will provide increased security and flexibility of water supply management in the future. However, the Council has not yet adopted the draft Plains 50 Year Strategy and therefore, these works are not currently scheduled in the LTP 2015-25. The Council has adopted a timetable to consider the future of the Plains Water scheme in conjunction with the Plains Water Supply Advisory Board, major stakeholders such as Federated Farmers, Fonterra, the Rangitāiki River Forum, the Bay of Plenty Regional Council and the community. This project will be reconsidered through the LTP 2018-28.

Not completing the work to provide an alternative water source for Whakatāne from Paul Road will result in increased risk to supply security for the

Whakatāne and Ōhope water supplies in the long term. The Council will continue to utilise the long-term temporary emergency intake and consumption reduction measures when required, until a decision is made on this project.

Other water sources in the District also require minor works to maintain water supply quality. In Murupara, the installation of a chlorination plant at a cost of approximately \$200,000 would help to alleviate the potential health risk from this currently un-chlorinated source. However, this project will only be completed if the community agrees and the Council is able to secure funding from the Ministry of Health. This project is currently scheduled for the 2020/21 year.

Reduce energy consumption through installation of efficient street lighting technology

Street lighting accounts for a considerable percentage of the Council's annual electricity consumption. LED street lighting technology is developing rapidly and can provide energy savings up to 50%, compared to existing lighting systems. LED lights are also expected to last at least 2-3 times longer than current technology. The Council is planning to replace existing (high pressure sodium and metal-halide) streetlights with LED lighting. The cost budgeted for this upgrade is in the order of \$2 million and will be subject to a full business case being produced. This project is scheduled to be carried out during 2016-18.

Minimising the risk posed on our roads

The Council has a roading network of more than 900kms, spanning the whole District. Some of Council's main arterial roads suffer from alignment issues, out of context curves and widths that are no-longer appropriate for the increased traffic carried. Together with poor driver behaviour, these factors have resulted in an increase in the predicted and actual crash risk. Key affected roads are Thornton Road and Wainui Road (part of our Coastal Arterial Route). Sections of Thornton Road and Wainui Road requiring realignment have been identified in the Coastal Arterial Route Study and improvements have been scheduled in the 2015-25 LTP. Further investigation needs to be undertaken to identify the safety deficiencies on the District's southern route. The estimated cost of curve improvement works on the Coastal Arterial Route is \$2 million, funded from 2020-30. Seal widening works on Thornton and Wainui Road have an estimated cost of \$2.6 million, funded from 2018-30.

In addition, regular road safety inspections are undertaken on all the District's roads, with all identified safety deficiencies assessed, costed and prioritised. The Council has budgeted \$72 million over 30 years, to address minor resilience and safety improvements. Progression of these projects, together with continued road safety education and programmes and working with other agencies such as New Zealand Transport Agency, the Police and ACC, will contribute to the reduction of the District's collective crash risk over time and will ensure we continue to act consistently with 'Safer Journeys', Central Government's road safety strategy to 2020.

ISSUE 3 - RISK POSED BY NATURAL HAZARDS

A wide range of natural occurrences in the Bay of Plenty have the potential to be natural hazards. Flooding, volcanic eruption, large earthquakes, tsunami and extreme weather events are all classified as 'higher priority' natural hazards in the Bay of Plenty Proposed Regional Policy Statement. These are all relevant to the Whakatāne District and can have a significant impact on infrastructure assets, management and the delivery of service. Damage to assets can affect the ability of the Council to provide a continuous service to the community, for example earthquakes can affect the structural integrity of Council assets, and the Whakatāne District is located in an area prone to earthquake activity. Alongside the infrastructure responses that the Council is planning to carry out, we also have a selection of financial tools in place to help us respond in the case of an emergency, and minimise the impact on ratepayers at the time. More about these funding policies can be found in the Council's Financial Strategy.

Over the past decade, the Whakatāne District has been subjected to numerous heavy rain events resulting in widespread surface and river flooding. Major events in recent years have included the Whakatāne River overtopping the stop bank at Awatapu in 2004, heavy rain causing the Matatā debris flows in 2005 and widespread surface flooding of District roads, slips and damage to infrastructure and homes throughout the district between 2010 to 2012. The area has also suffered from a number of intense rainfall events that have resulted in

widespread flash flooding within the Whakatāne Township and Ōhope. These include the event of June 2010, where more than 75mm of rain fell in a single hour, and more recently the event on Good Friday 2014, where more than 60mm of rain fell in less than 45 minutes. In both events a number of properties in Whakatāne and Ōhope were damaged as a result and required extensive repair.

Conclusive evidence, both nationally and internationally, shows that the climate is changing, resulting in rising sea levels, increases in weather extremes, such as “Weather Bombs” (increased frequency of El Nino conditions), more storms, intense rainfall, flooding and drought, all of which impact on river and sea water and suggests that the District will experience increased frequency of severe weather events. This is backed by amendments to the RMA 1991 which require Councils to consider the effects of climate change. Climate change and its related impacts must be factored in when determining infrastructure requirements. Climate change could result in serious economic, social and environmental impacts affecting the Whakatāne District. The Council will monitor trends in climate change and review the engineering standards and guidelines for climate change related events.

COUNCIL’S SIGNIFICANT DECISIONS TO ADDRESS THE ISSUE

Increasing the capacity of our stormwater systems

The Council aims to provide protection for the community against flooding at least from a 1 in 50

year Annual Exceedance Probability Event where it is practicable and feasible. However, some areas of the District do not currently have this level of protection, and the Council is planning a series of works over the next 30 years to help move towards that level of protection.

The discharge of stormwater in the Whakatāne catchment mainly relies on pumping water into the Whakatāne River. The North-West quadrant of Edgecumbe experiences flooding during heavy stormwater events due to under capacity pipes, lack of overland flow paths and boundary conditions in adjoining rural drainage schemes where stormwater is discharged to. Most of the pump stations and some pipes in Whakatāne, Ōhope and Edgecumbe are under capacity, causing flooding in several low lying areas. The Council is planning a number of works to try and address the existing and future flooding risk in Whakatāne, Ōhope and Edgecumbe at a cost of approximately \$43.3 million over the next 30 years. This includes a project to control the stormwater in the upper Wainui Te Whara catchment. If these works are not undertaken, then the community will continue to be at the same level of risk from flooding as currently experienced. The frequency and impact of flooding is dependent on the specific weather conditions experienced, which cannot be predicted. However research shows that the District is likely to experience more extreme weather patterns as a result of climate change, the community may experience increased incidence and impacts of flooding in the future. The Council takes into account effects of future climate changes when designing upgrades to stormwater systems in the District.

Assessing the earthquake risk to our infrastructure

Under the Building Act, the Council is required to undertake assessments of our infrastructure to assess the risk of damage resulting from an earthquake. The Council is currently embarking on a project to identify, assess and prioritise the Council’s earthquake prone assets including the Council’s bridges and major structures in the District. A response to address this identified risk will be considered through the development of the Council’s LTP 2018-28, following further investigations. At that stage the Council will consider the options associated with this project.

However, a number of the Council’s water supply assets in Ōhope and Waimana have been identified as being vulnerable to the effects of earthquakes. A series of works are planned to address this vulnerability, including replacing the existing timber reservoirs in Ōhope with a 1,200m³ water reservoir in 2027/28, at an approximate cost of \$1.3 million, and replacing the existing timber water tanks in Waimana with a 150m³ steel tank in 2019/20, at an approximate cost of \$0.34 million. The alternative option to undertaking these works would be for the Council to continue monitoring and maintain the current level of risk and respond reactively in case of a natural event that affects one of these water sources.

ISSUE

4 - INCREASING THE LEVEL OF SERVICE TO ENSURE A RELIABLE SUPPLY

The current capacity of some of Council's core infrastructure is not sufficient to meet the needs of the community. As the community's expectations around levels of service and the protection provided against unforeseen events increases, the Council will need to consider increasing its service capabilities to ensure reliable supply.

COUNCIL'S SIGNIFICANT DECISIONS TO ADDRESS THE ISSUE

Increasing storage to reduce service disruptions

For the water activities, the ability to continue providing a service in adverse conditions can often be influenced by the level of water storage available. In the Whakatāne-Ōhope water supply, there is insufficient water storage capacity (less than 48 hours of usage stored) and the current number two, concrete reservoir is structurally vulnerable. The Council is planning to replace it with a new concrete reservoir of 4,500m³ capacity at a cost of approximately \$3.4 million in 2018-20. If reservoir capacity is not increased, risk to the continuation of supply during treatment plant or rising main failures or water source issues would be high.

For sewage treatment and disposal activities the emergency storage in the Whakatāne Town sewerage pump stations is also inadequate, causing increased risk of pump station overflows caused by faults or electrical failures. The installation of emergency storage tanks in critical pump stations is required to reduce the risk of sewage overflows. This will cost approximately \$5.2 million over the next 30 years. If the Council does not carry out the increased storage projects planned, the current level of risk will continue.

Increasing the level of infrastructure network capacity

The Council is planning to increase the capacity of the stormwater systems in Whakatāne, Ōhope and Edgecumbe. These works are in response to a strong community demand for an increased level of protection from severe flooding events. The increased stormwater projects planned through this Infrastructure Strategy are outlined under the section on natural hazards, as these works respond to more than one Council infrastructure issue.

The Plains water supply currently provides water to the Braemar, Awakeri, Edgecumbe, Thornton and Onepū areas. There are some issues with this water source not being able to meet current or projected future demand, in particular in the Awakeri area

and other areas outside the original Braemar water supply scheme boundary. The Council has investigated supplying water from the Paul Road water source to the Awakeri, Thornton and as an emergency supply to the Whakatāne-Ōhope water supply areas. This project would provide an equal level of water entitlement to all those users connected to the scheme. These works are proposed to be carried out in six phases under the draft Plains 50 Year Strategy. This project is dependent on further investigations and analysis and the Council has not yet committed to undertaking the projects proposed through the draft Plains 50 Year Strategy. If the projects do not go ahead, the community will continue to see a similar level of service to that currently delivered. Before the Council commits to undertaking this project, further consultation will occur with stakeholders and the community. The project will then be considered for inclusion in the Council's LTP 2018-28 and Infrastructure Strategy 2018-48.

Encouraging communities and businesses to thrive

ISSUE 5 - GROWTH IN CERTAIN AREAS ADDS PRESSURE TO THE COUNCIL'S INFRASTRUCTURE

Through the LTP the Council is planning to make the development of a thriving economy and vibrant communities a key priority. This will involve undertaking initiatives throughout our District and working with key partners to enhance the wellbeing of our community. As part of this focus, the Council recognises that working with iwi to support and encourage the aspirational economic goals of Māori will enhance the vitality of our District.

Population change is a key driver of demand for infrastructure. Change includes numerical population growth and decline, as well as changes to population structure, such as the number of persons in each age group and change in the number of households (Household Equivalent Units) and rateable units. The parts of the district that recorded the highest rates of population gain over the latest Census period were Poroporo (8.9%), Coastlands (8.6%), Urewera (5.5%) and Otakiri (4.7%). Coastlands has been an area of growth for some time, experiencing a population gain of 37.3% between the 2001 and 2006 Census periods. It is expected that the population in the main settlements in the Whakatāne District, particularly around the coast, such as

Whakatāne township, Ōhope and Coastlands, will remain reasonably static with pockets of growth. The biggest area of undeveloped, residential-zoned land in the District is Council-owned land at Bunyan Road, Piripai. This represents an opportunity for future residential development, in particular development that caters for the changing needs of our District. This area is likely to experience the greatest residential development over the next 30-year period.

The Proposed Whakatāne District Plan 2013 identifies a number of residential growth areas for the District over the next ten years, concentrated mainly in the coastal areas of Coastlands and Ōhope. These identified growth areas are a mixture of Greenfield sites and higher density residential areas involving newly-zoned residential land, existing residential-zoned areas where new development is anticipated and areas of residential intensification. Based on the Proposed Whakatāne District Plan 2013, growth is anticipated in the following areas:

- a. Shaw/Huna Roads, Coastlands (subject to District Plan review)
- b. Bunyan Road, Piripai
- c. Maraetōtara, Ōhope (subject to District Plan review and plan change)
- d. Kopeopeo (intensification).

Final decisions on the Proposed District Plan, including the proposed re-zoning of these areas where applicable, are expected in September 2015.

In most areas of the District, the Council's current infrastructure is sufficient to cater for changes in demand due to anticipated growth in residential dwellings and population. However, the concentrated areas of development anticipated through the District Plan development, particularly around coastal residential areas, as well as expansion into areas where there is no network provided, will put increased pressure on the current systems.

There is still a risk that demand for certain property types or locations may outstrip the available land and therefore act as a limitation on growth. There is also a risk that some changes in land-use elsewhere may place an unforeseen burden on Council infrastructure. This may particularly be the case with forestry to dairy conversions. To mitigate this risk the Council will continue to monitor development and demand within the District and neighbouring districts, to ensure we are responsive to increased demand. This includes working with other Eastern Bay of Plenty councils to develop a Spatial Plan that predicts future land use changes across the sub-region. In addition, infrastructure may be positioned for residential growth that does not materialise. Again the Council will monitor the progress of development and only proceed with infrastructure development when clear development plans are underway.

COUNCIL'S SIGNIFICANT DECISIONS TO ADDRESS THE ISSUE

Upgrade Council's infrastructure to cater for growth in particular areas.

The Council's Development Contributions Policy assumes development (increase in the number of Household Equivalent Units) in the areas of Whakatāne township, Ōhohe, Coastlands, Bunyan Road/Piripai, Mill Road, Shaw/Huna Roads and Matatā (subject to a new sewerage scheme). This growth is anticipated over the next 30-plus years. The Development Contributions Policy identifies the works required to cater for this growth and how it should be funded, including an element of developer pays, where it is clear the development has necessitated the need for new infrastructure.

On top of the recent sale of Council-owned land at Port Ōhohe, which is already under development, the Council is also working with a developer to try and progress a residential development incorporating a retirement village at Bunyan Road, Piripai. When this project advances, it will present a great opportunity for the development of desirable residential real estate close to the Whakatāne township.

Anticipated growth in coastal residential areas will put pressure on the Council's water supply system, requiring upgrades to the Whakatāne water treatment plant in 2030 at a cost of \$1.96 million. Council is also required to undertake upgrades/expansion to the water reticulation network supplying Bunyan Road/Piripai and Shaw/Huna Roads (subject to the outcome

of hearings on the Proposed District Plan) and Ōhohe. These works are scheduled between 2015-25, at a cost of approximately \$1.4 million. All of these works will help meet future demand and firefighting requirements. If development proceeds in the Shaw/Huna Roads area, further works are planned to upgrade the sewerage and stormwater infrastructure to coincide with the start of development, at a cost of \$1.78 million. The majority of these projects are likely to have a component of Development Contributions for their funding. However, for the stormwater works, the preferred option will involve an upgrade to an existing pump station on the Kopeopeo canal at an estimated value of \$932,000. The asset is owned by the Bay of Plenty Regional Council. The cost of this infrastructure would then be met by those developing the land, and a development agreement will be needed to determine how the cost will be equitably shared. In the case that not all the land area is developed at once, the Council is likely to meet the value of the upgrade needed for the balance of the land, until such time as that land is developed.

There is increased demand for light industrial growth, in particular in the Mill Road area. The area is zoned for this purpose, but there is currently insufficient infrastructure available. To address this, the Council is planning to install new sewerage reticulation and a new pump station at Mill Road. These works will cost approximately \$1.24 million in 2015/16. The Council is also planning to upgrade the water supply for Mill Road, at a cost of \$150,000 in 2015/16.

The Council is already experiencing pressure from demand on the Council's Plains Water Supply. This

situation will intensify as demand increases and consequently the Council has been investigating utilising an alternative source to supply the Plains area. Works to address this issue are covered in the draft Plains 50 Year Strategy, discussed earlier in this document, but are not currently included in the LTP 2015-25.

If the Council does not implement any of these expansions to cater for growth, development in the District may be impeded.

Increasing peak hour congestion is being experienced at some of the Whakatāne townships' major intersections, particularly: the Landing Road Bridge roundabout; Landing/Eivers Road roundabout; and the Domain Road/McAlister Street roundabout. Residential development on the western side of the Whakatāne River is also expected to increase these congestion levels further. The Council is monitoring traffic flow levels and will programme improvements as traffic flow capacity approaches intervention levels. The Council is planning to undertake capacity improvements at the Landing Road Bridge roundabout to ensure acceptable traffic flow service levels are provided. The intersection improvements at the Landing Road Bridge roundabout are estimated to cost \$763,000 in 2018/19. This cost is subject to further investigations, including understanding the bridge improvements required by NZTA as part of this project. If further increases in traffic are experienced without this project being undertaken, this will begin to have a more significant negative economic and social impact on the Whakatāne/Coastlands /Ōhohe urban areas.



Working together to meet the community's needs

ISSUE 6 - VALUE-ADDING PROJECTS MAY BE UNAFFORDABLE FOR OUR STATIC POPULATION

While some areas of growth have been identified, overall the District is predicted to experience a decline in population and an ageing population, as outlined under the affordability outcome on the following pages. These factors, coupled with the other issues highlighted in this Infrastructure Strategy (for example ageing assets requiring renewals), mean that Council needs to work hard to ensure the sustainability of the assets. Over time, the needs of our community change as a result of changing demographics, social expectations and new technology. The changes can impact on the services that the community demands. The Council needs to respond to these changes in order to maintain a thriving and vibrant community. If the Council does not keep pace with changing expectations and requirements, the issue of population decline and affordability will be exacerbated.

While the Council is solely responsible for the majority of its core infrastructure assets, we do not do this in isolation. We will actively pursue partnerships with Central Government and other agencies to ensure that our community benefits from extra services and facilities, which may otherwise be unaffordable if they were totally ratepayer-funded.

COUNCIL'S SIGNIFICANT DECISIONS TO ADDRESS THE ISSUE

Develop and maintain key partnerships to enhance community services

The Council works with several key partners to deliver our core services. NZTA is a critical investment partner, providing investment for a large portion of our roading works. Thanks to this partnership, the Council is able to maintain an effective roading network across the District, and add to the network with new facilities such as cycle paths. The Council is planning, through this Strategy, to look at the earthquake risk of its bridges. Without support from NZTA, such a project would be unaffordable for the community. The Council also works closely with the Ministry of Health (MoH), which enables us to deliver new or improved services to our smaller communities. A number of projects included in this Strategy are reliant on funding from MoH, including a new water bore in Matatā. The project to install a new water bore in Matatā is not currently included

in the 2015-25 LTP. The MoH is also substantially funding the proposed development of a sewerage scheme in Matatā, a project which would not have been financially viable had it not been for the subsidy support. The Matatā Sewerage Scheme is also proposed to be funded by the Bay of Plenty Regional Council through the Regional Infrastructure Fund. Subject to a final project approval, this extra funding will enable us to deliver new infrastructure to the Matatā community that will have positive impacts for the township and the environment, at an affordable level.

Increased demand for seal extensions

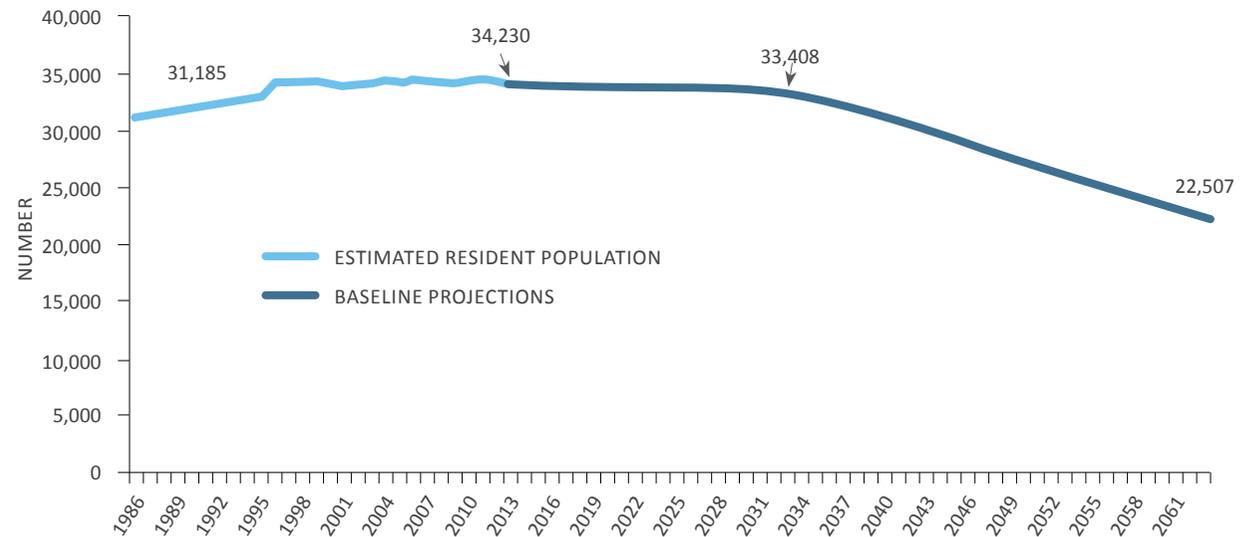
There are 200km of unsealed road remaining in the District and there is an ongoing demand from the rural community who reside on these roads to have them sealed. The Council has, since 2009, decided not to fund further seal extensions, unless a clear economic benefit is proven. However, there may be some instances where property owners who live on an unsealed road, wish to fund the cost of a seal extension. Where this is the case, the Council has signalled that it will work with property owners to facilitate a mutually agreeable solution. This Strategy does not currently include funding for seal extensions, but the Council may consider at some point in the future that there is merit in sealing a limited number of unsealed roads for strategic, safety and route efficiency reasons.

Rates Affordability

ISSUE 7 - BALANCING THE COMMUNITY'S DESIRE FOR INCREASED SERVICES WITH THE ABILITY TO PAY, GIVEN A DIMINISHING POPULATION

While growth is expected in Whakatāne and Ōhope, the District as a whole is predicted to experience slight population decline and structural change, which may make the maintenance, upgrading and renewal of existing infrastructure less affordable. At the 2013 Census, Whakatāne District's resident population was 32,691 a decrease of 606 or 1.8% on the 2006 Census figure of 33,297. The population of the Whakatāne District is projected to remain approximately stable until around 2033, experiencing both minor growth and decline until 2029 and falling to approximately 33,408 in 2033 and below 30,000 by 2045 (refer Figure 2). The decline reflects both an accelerated shift from natural increase to natural decline, beginning around 2036, and net migration across the entire period (Jackson, Cameron and Cochrane, 2014).

FIGURE 2: ESTIMATED RESIDENT POPULATION AND PROJECTED BASELINE POPULATION, WHAKATĀNE DISTRICT¹



¹ Source: Jackson N., Cameron, M. and Cochrane, B (2014): 2014 Review of Demographic and Labour Force Projections for the Bay of Plenty Region for the Period 2013-2063. University of Waikato, Hamilton, p 41.

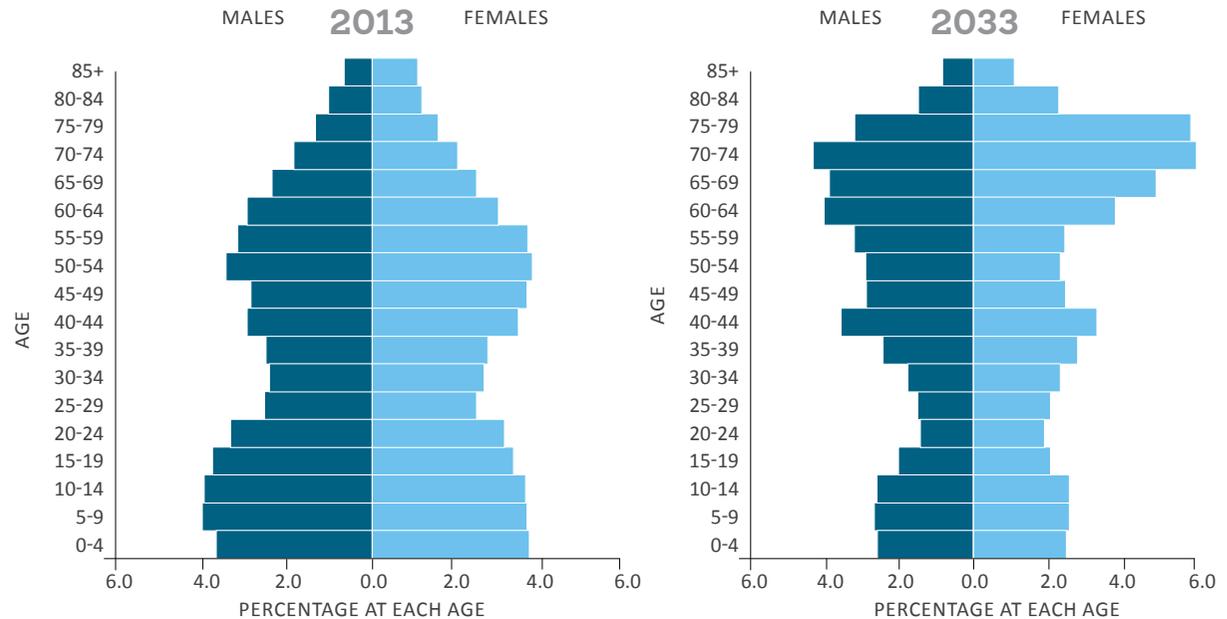
The small rural communities of Te Teko (22%), Orini (11.5%), Murupara (9.8%), Matahina-Minginui (8.8%), Rotomā (7.4%) and Waimana (6.3%) recorded noticeable population declines in the 2013 Census. Similarly, Matahina-Minginui, Waimana and Murupara also experienced population decline between the 2001 and 2006 Census periods. It is expected that these small rural communities will continue to decline over time as the ageing population retires and children move away to seek

employment or further education opportunities. Population decline in some locations may mean that there will be fewer ratepayers to support the cost of infrastructure. While the decline is not currently predicted to reach a point where drastic changes in infrastructure planning are required, the Council will continue to monitor this to ensure that we are positioned to respond if required. As a response, the Council is looking at ways we can reduce or reverse the predicted decline, by enhancing the vibrancy

and economy of our smaller rural communities. For example, the Council is looking to work with iwi to support their development intentions, particularly in the post treaty settlement environment to attract their whānau back to their traditional homes. The Council is also using funding mechanisms to ensure that development in rural communities is not cost-prohibitive. This includes equalising the cost of key services across the District and funding renewals on the basis of a 30-year average, reducing the potential for significant cost peaks in future years.

The Whakatāne District’s population is also predicted to age faster than most other areas in the Bay of Plenty. As shown in Figure 3, over one-third of the District’s population will be aged 65+ years by 2033 (up from 15.5% in 2013) and by 2063, that proportion is projected to reach 45.4 percent. This is driven primarily by the net migration loss of reproductive age adults and also initial gains at older ages. One of the implications of an ageing population is that more elderly people will be on fixed incomes and therefore will be less able to afford rates increases related to maintaining or building infrastructure. The change in the age profile of the community is also expected to lead to a larger demand for smaller households, more suited to the needs of the elderly population. This has led to the increase in households that the Council’s Development Contributions Policy is assuming will occur over the next 30 years. A larger number of smaller houses with fewer occupants per house increases the relevant requirement on Council infrastructure per resident.

FIGURE 3: AGE-SEX STRUCTURE (PERCENTAGE AT EACH AGE) 2013 AND 2033, WHAKATĀNE DISTRICT²



²Source: Jackson N., Cameron, M. and Cochrane, B (2014): 2014 Review of Demographic and Labour Force Projections for the Bay of Plenty Region for the Period 2013-2063. University of Waikato, Hamilton, p 43.

The predicted 30 year static/declining population at a District level and an ageing population with reduced disposable income means that there are challenges in increasing the rating base of the District. Alongside the issues of ageing infrastructure and increasing community expectations already discussed in this Strategy, the Council is under increased pressure to focus on affordability. As part of the development of the 2015-25 LTP, the Council has developed a Financial Strategy that provides the framework for its debt profile and rates income, alongside other key financial considerations. As a core focus for the LTP 2015-25, affordability drives a lot of the decisions around the Council’s work plan and levels of service

provision. The Council has identified a series of projects that it would like to undertake to address the issues raised. However, if all of these projects were to be completed within the next ten years, the rates increases required would be unaffordable for the community and debt levels would increase to an unacceptable level.

COUNCIL'S SIGNIFICANT DECISIONS TO ADDRESS THE ISSUE

Prioritising projects, undertaking further investigations and seeking external funding

There are a number of projects outlined in this Strategy that the Council may wish to complete during the next ten years, but which are not currently scheduled through this LTP 2015-25. This is often for affordability reasons, or due to the need to undertake further investigation. Where possible, the Council will consider alternative opportunities for funding these projects, including utilising Central Government or other external funding, wherever possible. The following projects, which have all been discussed within this Strategy, have not currently been included in the LTP 2015-25, but will be reconsidered through the development of the LTP 2018-28:

- a. Plains Water Supply 50 year Strategy
- b. Edgecumbe Water meters
- c. New Matatā Water Bore
- d. Seal extensions (unless an economic benefit exists).

Non-Infrastructure related works to address affordability

The Council is planning to carry out a wide range of projects and works to address the ongoing sustainability and affordability of its operations. A major focus is addressing the predicted population decline by enhancing the attractiveness of the District as a lifestyle, business and tourism destination. This includes creating development opportunities that address demographic trends. The Council is also looking to encourage communities to collaboratively enhance the vitality of the District. This includes working with iwi, following settlement of their Treaty claims, to understand their visions and aspirations and establish ways that the Council can assist the realisation of their aspirations.

The Financial Strategy looks at ways, through prudent financial management, the Council can enhance its future sustainability and affordability. This includes funding mechanisms, prudent investment and equitable income streams.

Infrastructure Investment Programme

TOTAL EXPENDITURE

In addressing the issues identified in the previous section of this Strategy, the Whakatāne District Council expects to spend \$592 million on new or replacement infrastructure between 2015 and 2045. Over the same period, \$1,569 million is expected to be spent on operating costs, including direct costs, depreciation, interest and overhead costs. For the 30-year period involved, these figures are anticipated to apply across the four infrastructure asset activity areas as follows:

INFRASTRUCTURE ACTIVITY	CAPITAL EXPENDITURE \$	OPERATIONAL EXPENDITURE \$
Sewage Treatment & Disposal	89,182,650	272,466,505
Water Supply	80,092,724	316,346,989
Stormwater Drainage	50,868,776	172,035,402
Roading and Footpaths	371,930,859	807,882,097
TOTAL	592,075,009	1,568,730,933

OPERATIONAL AND CAPITAL EXPENDITURE HIGHLIGHTS

Figures 4 and 5 show the expected expenditure year-on-year up to 2045, by driver (growth, asset renewal or level of service change) and by infrastructure activity area classification. Figure 6 shows the expected operational expenditure including direct costs, depreciation, interest, and overhead costs projections by activity for the period 2016-2045.

FIGURE 4: WHAKATĀNE DISTRICT INFRASTRUCTURE EXPENDITURE PROJECTIONS 2015-45

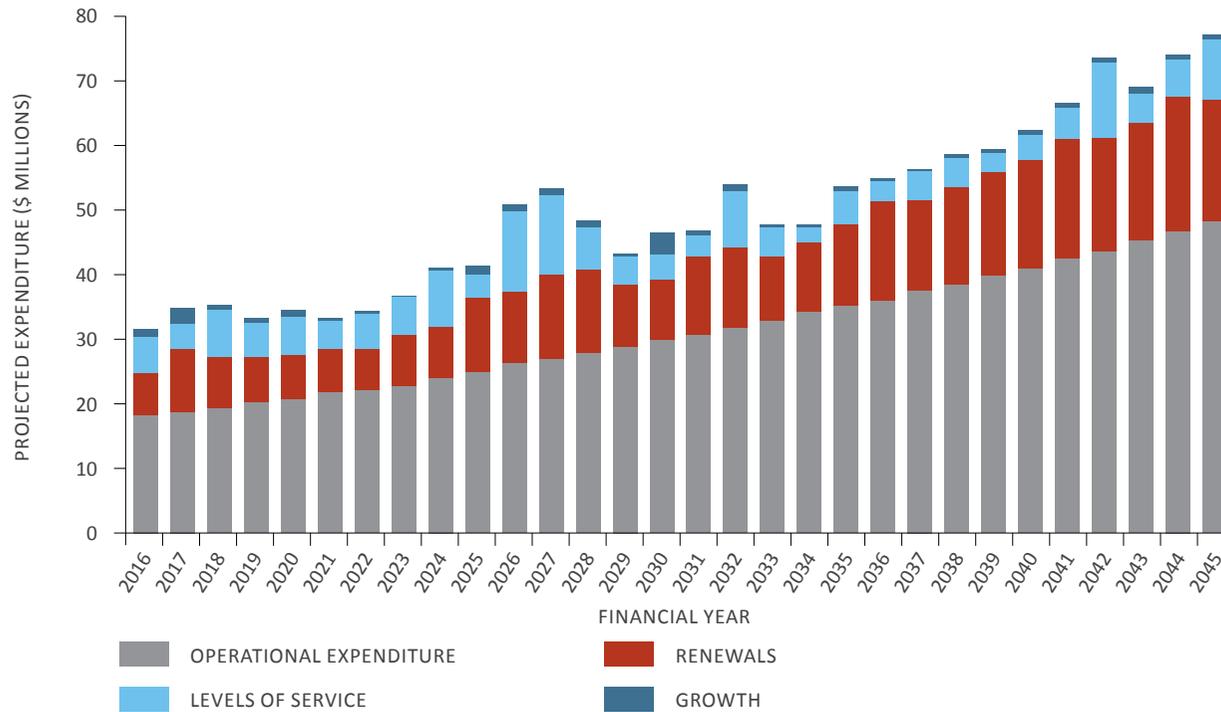




FIGURE 5: PROJECTED INFRASTRUCTURE EXPENDITURE 2015-45 (BY INFRASTRUCTURE ACTIVITY AREA CLASSIFICATION)

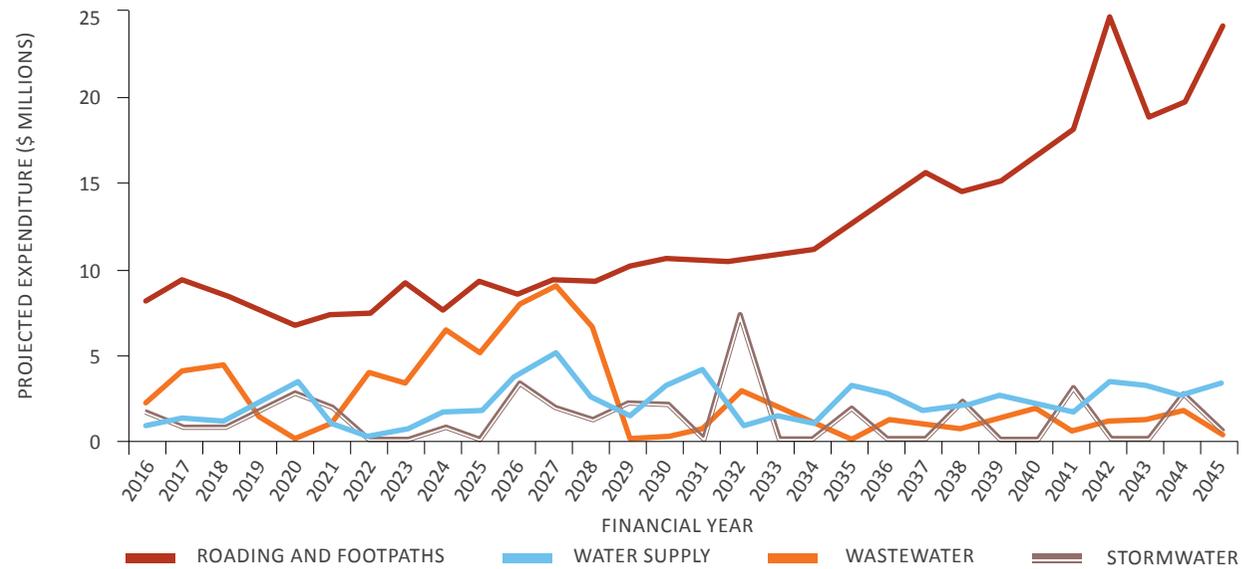
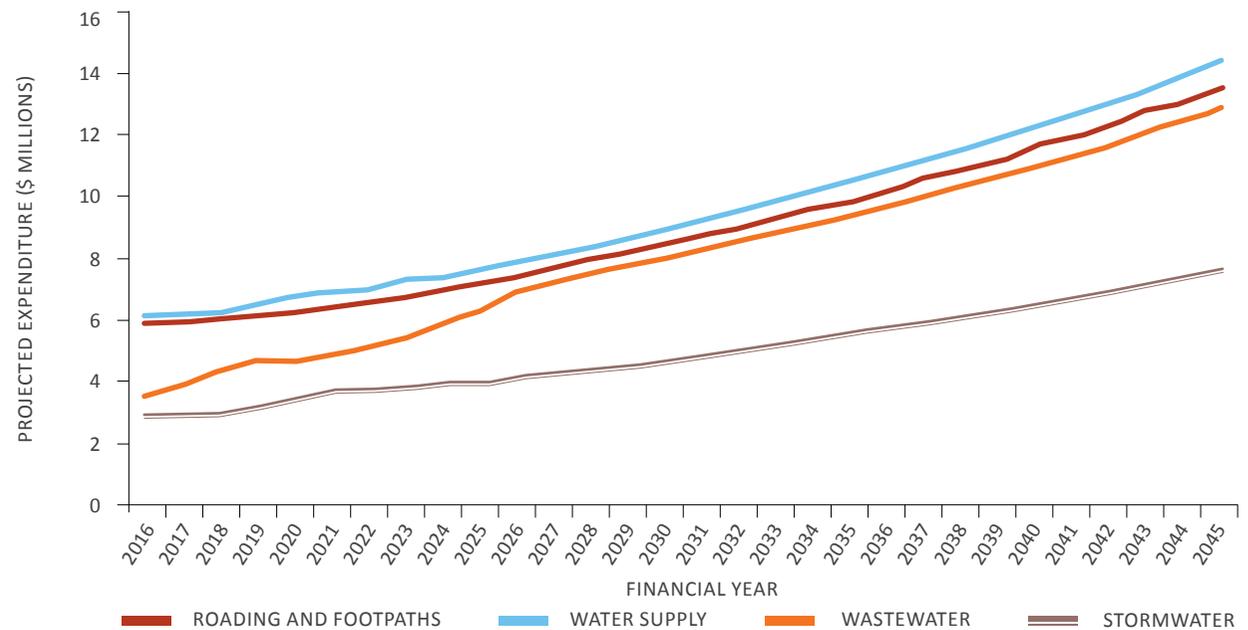


FIGURE 6: WHAKATĀNE DISTRICT INFRASTRUCTURE OPERATIONAL EXPENDITURE PROJECTIONS BY ACTIVITY 2015-45



This proposed expenditure is consistent with historical trends. Further information of previous operational and capital expenditure can be found in the Council’s Annual Reports on the Council’s website.

COUNCIL ASSET BASE

The Council manages a significant asset portfolio. The table below outlines the value of these assets for Roothing, Water, Stormwater and Sewerage, as at 30 June 2014.

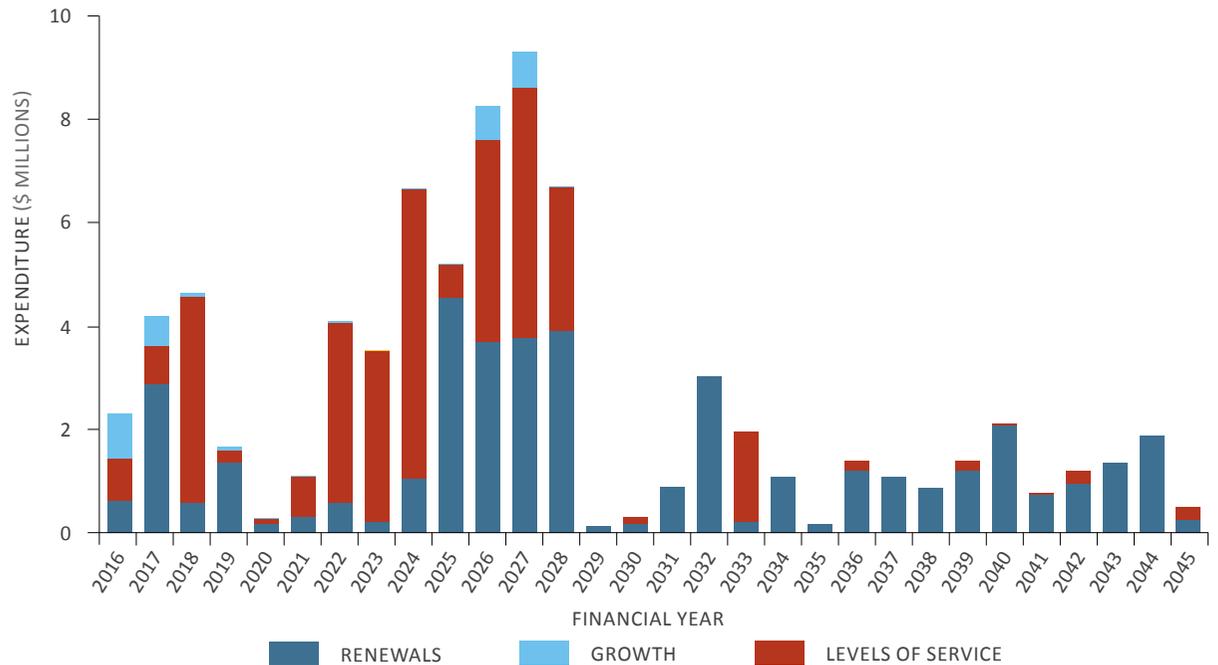
INFRASTRUCTURAL ASSETS	NET BOOK VALUE
Land Roothing	\$91,363,000
Roothing	\$232,583,000
Water – Treatment Plant and Facilities	\$2,475,000
Water - Other	\$63,739,000
Sewerage – Treatment Plants and Facilities	\$5,071,000
Sewerage - Other	\$40,715,000
Stormwater	\$43,877,000

Further details about our activities and assets can be found in the 'Our Work in Detail' chapter of this LTP.

MAJOR SEWERAGE CAPITAL WORKS PROGRAMME SUMMARY

Figure 7 below illustrates the projected capital expenditure associated with the management of Whakatāne District sewerage infrastructure assets until 2045.

FIGURE 7: WHAKATĀNE DISTRICT PROJECTED CAPITAL SEWERAGE EXPENDITURE 2015-45



Major sewerage infrastructure projects that are expected to be undertaken in the 2015-45 period are shown in the table below.

PROPOSAL (MOST LIKELY SCENARIO)	COST \$	TIMING	KEY ASSUMPTIONS	ALTERNATIVE OPTION
Mill Road Upgrades	1.235 million	2015/16	That this project will be funded from Development Contributions and loans	Do not undertake works, risk impeding growth and development
Shaw/Huna Road expansion	0.875 million	2015-17	That this project will be funded from Development Contributions and loans	Do not undertake works, risk impeding growth and development
Replacement of McAlister pump station rising main	4.78 million	2015-17	Condition assessment indicates that the pipe will start failing by this time	Replacement carried out in later or earlier years due to a different rate of deterioration
McAlister pump station emergency storage	5.24 million	2023-35	At least 8 hr storage capacity is required in emergency situations	Do nothing – accept risk of low capacity
Upgrading of Whakatāne sewage treatment plant	10.48 million	2022-27	New resource consent may require upgrades	Do nothing – upgrades not required for new consent
Replacement of rising main from pump station no.5 in Ōhope	3.1 million	2015-2017	Condition assessment indicates that the pipe will start failing by this time	Replacement carried out in later or earlier years due to a different rate of deterioration
Upgrading of Ōhope sewage treatment plant	1.15 million	2016-20	New resource consent may require upgrades	Do nothing – upgrades not required for new consent
Replacement of the existing reticulation with a new low pressure grinding pump system in Edgecumbe	17.7 million	2026-28	The existing reticulation system will have deteriorated by this time, causing significant reduction of LoS and very high operations and maintenance costs	Replacement carried out in later or earlier years due to a different rate of deterioration and/or community's ability to pay and demand for improvement.
Upgrading of sewage treatment plant in Edgecumbe to comply with the Tarawera River Catchment Management Plan	4.3 million	2015-18	Regional Council will enforce new effluent quality standards, requiring upgrades prior to consent expiration in 2026	Undertake upgrade in 2023-25 prior to consent expiring
Upgrading of sewage treatment plant in Tāneatua	3.2 million	2019-23	New resource consent may require upgrades	Do nothing – upgrades not required for new consent
Upgrading of sewage treatment plant in Murupara	4.1 million	2019- 23	New resource consent may require upgrades	Do nothing – upgrades not required for new consent
Installation of a new sewerage scheme in Matatā	4.454 million	2015-2017	A resource consent will be obtained for a treatment plant in Matatā for this sewerage scheme. A recent Environment Court decision has not been in favour of the proposed project. At the time of finalising this Strategy no clear decision as to the future of this project has been made. If this project goes ahead in some other form, more funds will be required in years 2016 and 2017	Do nothing - Matatā will come under Regional Council's maintenance zone for on-site effluent disposal regional plan

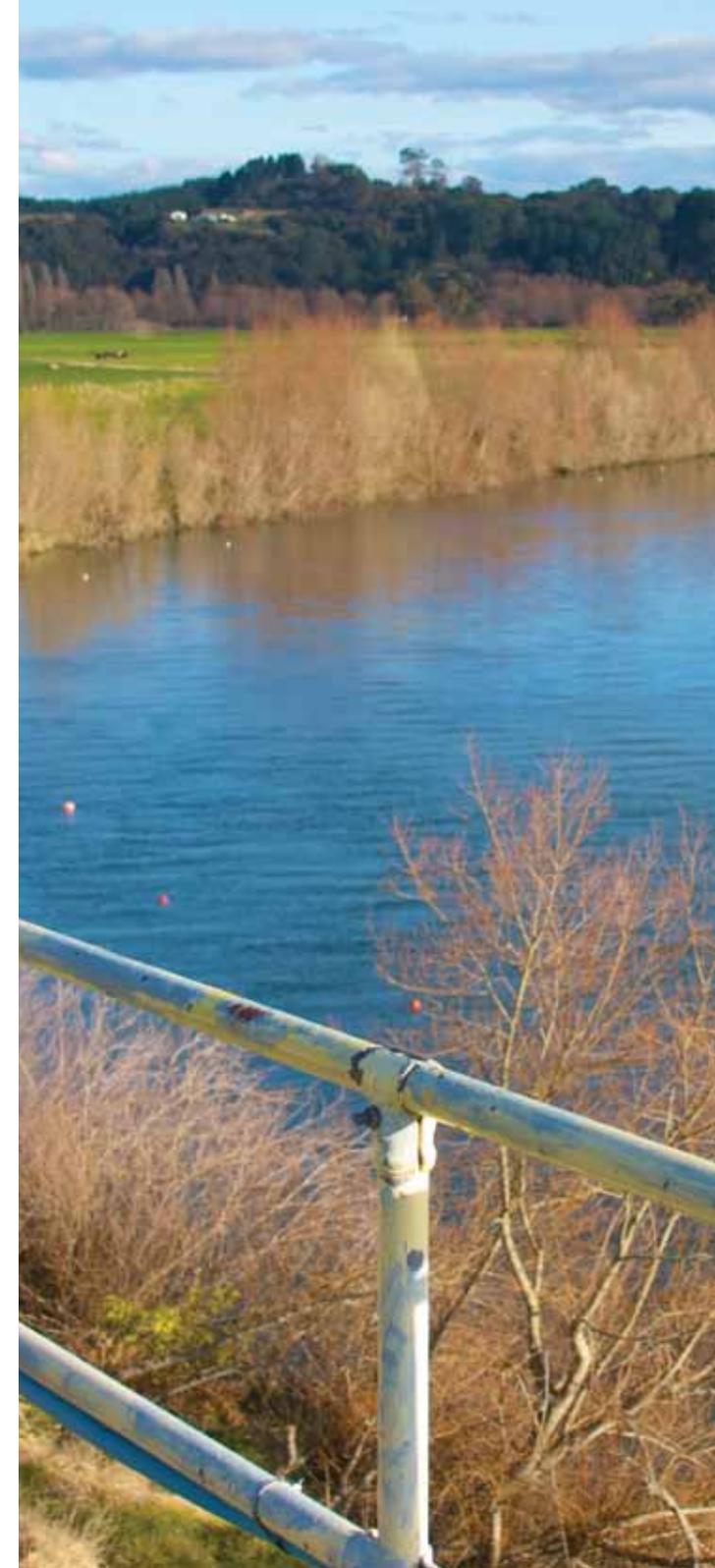
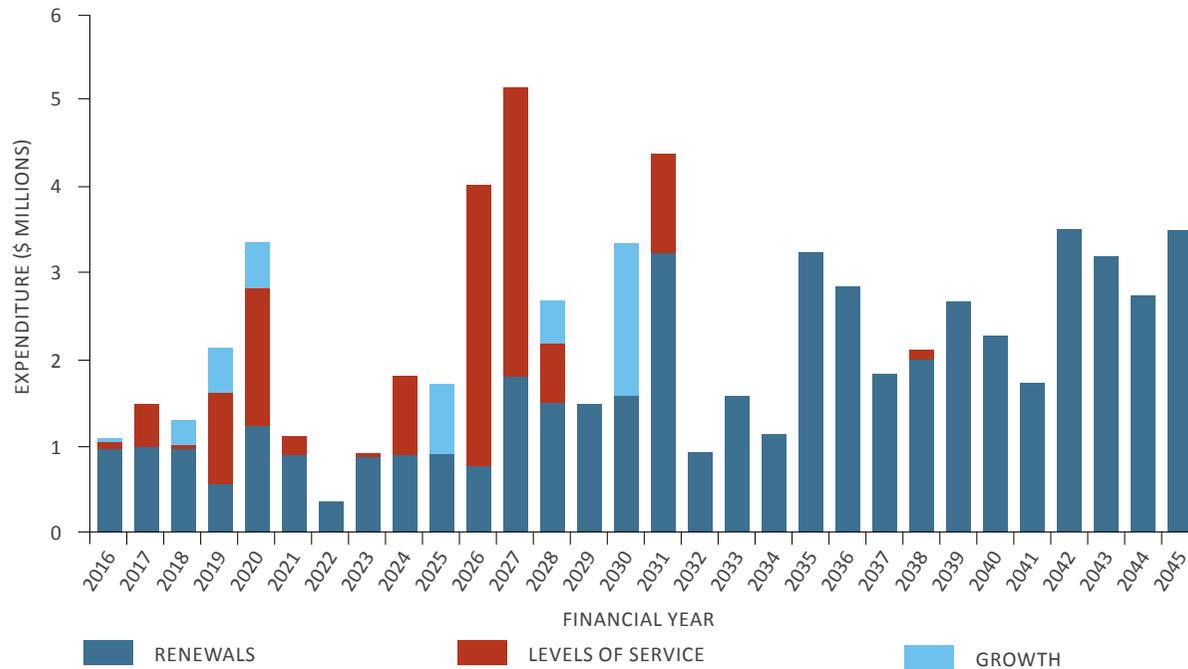
IMPLICATIONS OF UNCERTAINTY

The key uncertainty for our Sewage Treatment and Disposal infrastructure is around resource consent-driven changes. If the level of treatment required differs dramatically from the assumptions made, then the level of investment required to gain future resource consents may alter significantly. This could range from a continuation of current levels of treatment and disposal to a requirement to build a completely new facility, including a new disposal method. The financial implications of this uncertainty could be significant.

MAJOR WATER CAPITAL WORKS PROGRAMME SUMMARY

Figure 8 below illustrates the projected capital expenditure associated with the management of Whakatāne District water infrastructure assets through to 2045.

FIGURE 8: WHAKATĀNE DISTRICT PROJECTED CAPITAL WATER EXPENDITURE 2015-45





Major water supply infrastructure projects expected to be undertaken in the 2015-45 period are shown in the table below.

PROPOSAL (MOST LIKELY SCENARIO)	COST \$	TIMING	KEY ASSUMPTIONS	ALTERNATIVE OPTION
Shaw/Huna Road development expansion	0.3 million	2015-17	That this project will be funded from Development Contributions	Do not undertake works, risk impeding growth and development
Mill Road upgrade	0.15 million	2015/16	That this project will be funded from Development Contributions and loans	Do not undertake works, risk impeding growth and development
Install Murupara Chlorination unit	0.23 million	2020/21	That the community agree to having chlorine added to the water supply.	Do nothing – accept current water quality
Increase storage capacity in Whakatāne	3.4 million	2017-20	At least 24 hr storage required in emergency situations	Do nothing – accept risk of low capacity
Arawa Rd main replacement	2.3 million	2030-31	Condition assessment indicates that these mains will start failing by this time.	Replacement carried out in later or earlier years due to a different rate of deterioration.
Sludge treatment in Whakatāne	1 million	2022-24	New resource consent may require sludge treatment	Do nothing – upgrades not required for new consent
Upgrading of Whakatāne treatment plant	1.96 million	2030/31	Assuming medium growth in Whakatāne and Ōhope	Complete the project at a different time, depending on actual population change
Coastlands ring main	0.5 million	2016-18	Assuming medium growth in Whakatāne and Ōhope. Assuming Development Contributions funding	Complete the project at a different time, depending on actual population change
Reservoir replacement in Ōhope	1.3 million	2027/28	Economic life of the reservoirs may expire by this time	Replacement carried out in later or earlier years due to a different rate of deterioration.
Replacement of supply main to Ngāti Awa reservoir	0.9 million	2016-18	Condition assessment indicates that economic life of the pipe may expire by this time	Replacement carried out in later or earlier years due to a different rate of deterioration.
Upgrading Harbour Rd main Ōhope	0.89 million	2024/25	Assuming medium growth in Ōhope	Complete the project at a different time, depending on actual population change

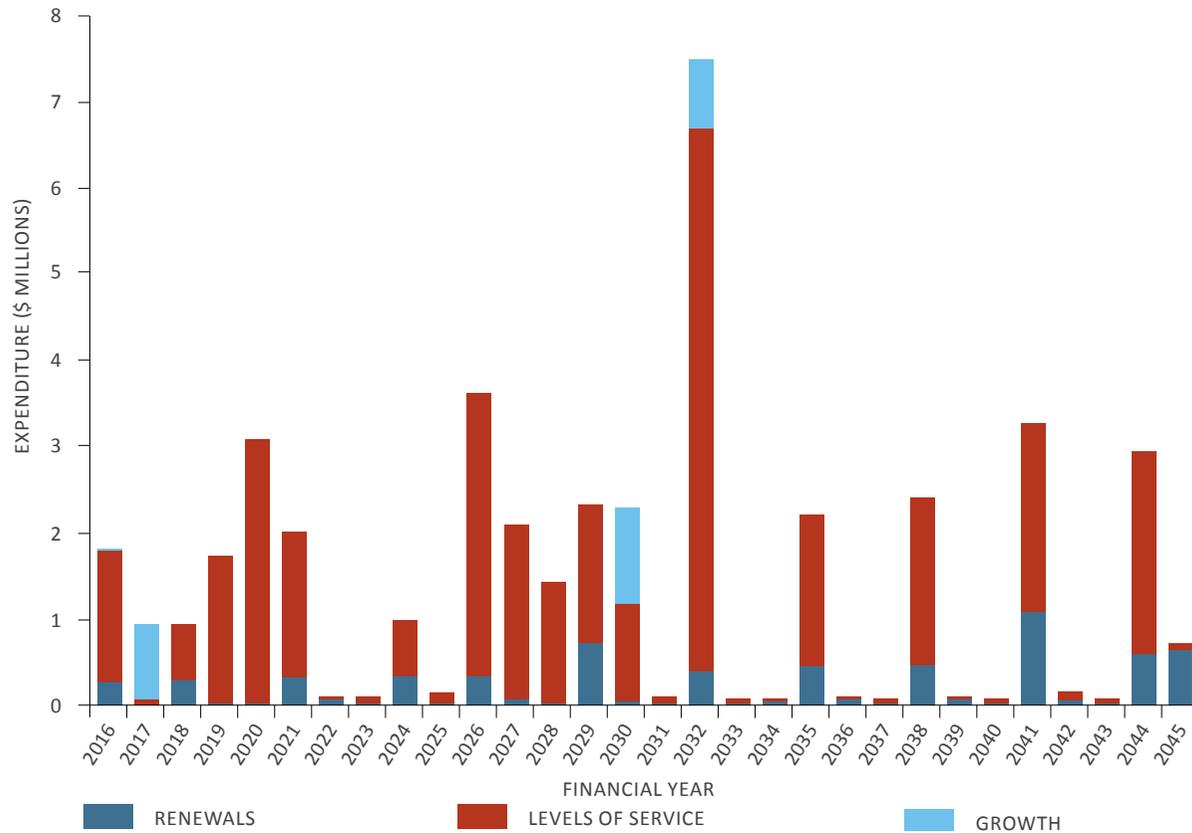
IMPLICATIONS OF UNCERTAINTY

Projects are based on assumptions around population growth and asset deterioration. If either of these progresses at a rate or in a manner different to those assumptions, the timeframe and scale of works required may vary. It is not expected that any change would be significant, and therefore have a significant cost implication. However, the Council will continue to monitor asset condition and population change on a regular basis.

MAJOR STORMWATER CAPITAL WORKS PROGRAMME SUMMARY

The chart below illustrates the projected capital expenditure associated with the management of Whakatāne District stormwater infrastructure assets through to 2045.

FIGURE 9: WHAKATĀNE DISTRICT PROJECTED CAPITAL STORMWATER EXPENDITURE 2015-45





Major stormwater infrastructure projects expected to be undertaken in the 2015-45 period are shown in the table below.

PROPOSAL (MOST LIKELY SCENARIO)	COST \$	TIMING	KEY ASSUMPTIONS	ALTERNATIVE OPTION
Upgrade McAlister Street pump station and installation of a new pump	7.9 million	2016 & 2031/32	Community demand for protection against a 1-in-50 Annual Exceedance Probability Event	Carry out upgrade within a different timeframe or scale
Shaw/Huna Road development expansion	0.93 million	2015-17	That this project will be funded largely from Development Contributions	Do not undertake works, risk impeding growth and development
Upgrading of St Joseph pump station	1.21 million	2018-21	Community demand for protection against a 1-in-50 Annual Exceedance Probability Event	Carry out upgrade within a different timeframe or scale
New pump station in Hinemoa Catchment	4 million	2017-21	Community demand for protection against a 1-in-50 Annual Exceedance Probability Event	Carry out upgrade within a different timeframe or scale
Upgrading of Riverside Drive pump station	2.45 million	2029-30	Community demand for protection against a 1-in-50 Annual Exceedance Probability Event	Carry out upgrade within a different timeframe or scale
Complete Wainui Te Whara stormwater solution	2.4 million	2015/16	Combination of upper catchment and lower catchment solution will be implemented	This project is already underway and an alternative solution is not being considered.
Pipe & pump upgrades to increase the conveyance capacity in Whakatāne including renewals	13.9 million	Over 30 years	Community demand for protection against a 1-in-50 Annual Exceedance Probability Event	Carry out upgrade within a different timeframe or scale
Stormwater new pump station and pipe works in Edgecumbe	5.9 million	2024-28	Community demand for protection against a 1-in-50 Annual Exceedance Probability Event	Carry out upgrade within a different timeframe or scale
Henderson Street improvements	0.9 million	2018-20	Community demand for protection against a 1-in-50 Annual Exceedance Probability Event	Carry out upgrade within a different timeframe or scale

IMPLICATIONS OF UNCERTAINTY

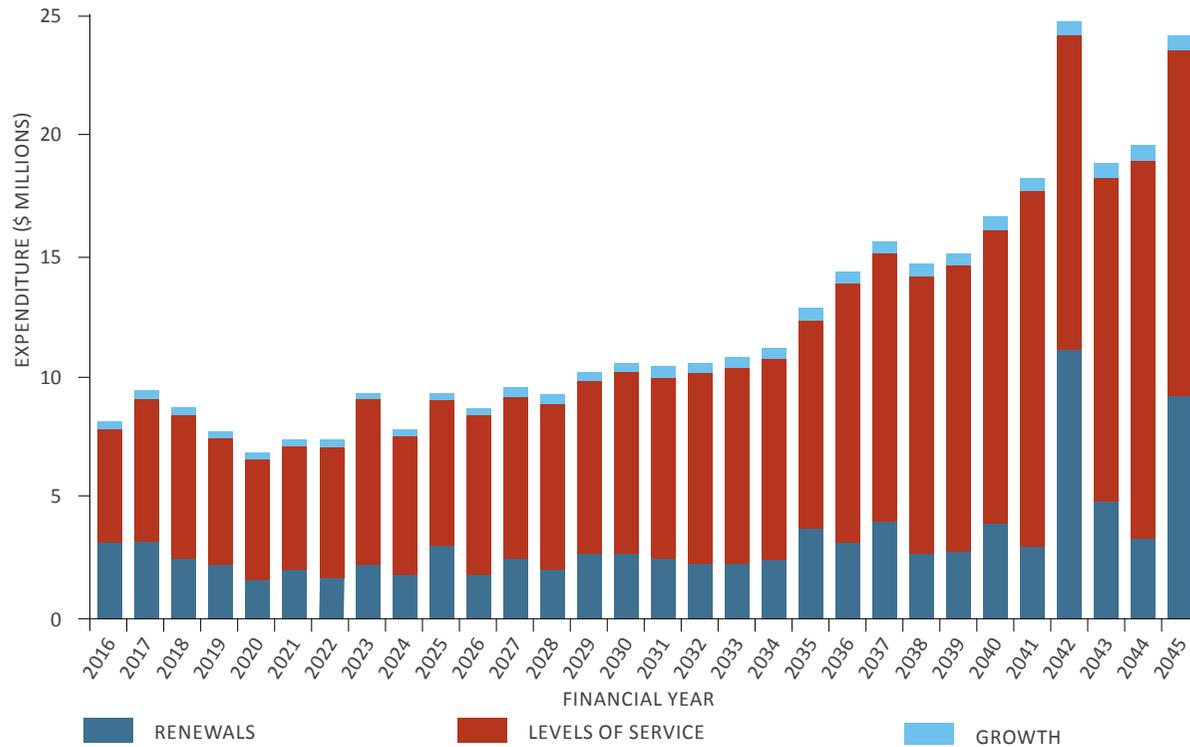
The stormwater projects proposed are the result of a clear demand from the community for an increased level of stormwater protection. While the Council considers that it will never be economically feasible to provide complete protection from extreme weather events, the Council has developed a programme of works to enhance the level of protection provided, within the limits proposed through the Council's Financial Strategy.

If the community requests a different level of protection from that proposed, or if the timeframes proposed for the upgrades are not deemed acceptable, the Council may need to alter the improvement programme. This could have a significant financial impact on the Council's programme of works, depending on the scale of the changes involved. Until the specified works are progressed, the current level of stormwater risk will remain.

MAJOR ROADS AND FOOTPATHS CAPITAL WORKS PROGRAMME SUMMARY

Figure 10 illustrates the projected capital expenditure associated with the management of Whakatāne District Roads and Footpaths infrastructure assets through to 2045.

FIGURE 10: WHAKATĀNE DISTRICT PROJECTED CAPITAL ROADS AND FOOTPATHS EXPENDITURE 2015-45



Major new roading and footpath infrastructure projects expected to be undertaken in the 2015-45 period are shown in the table below.

PROPOSAL (MOST LIKELY SCENARIO)	COST \$	TIMING	KEY ASSUMPTIONS	ALTERNATIVE OPTION
Sealed Road Resurfacing	\$99M	2015-2045	No significant changes to traffic mix and volume. Average seal life of 15 years achieved for years 1 to 20. Average seal life reduces to 12 years from year 21 to 30 due to accumulation of seal layers.	Extend average seal life. This will reduce annual resurfacing cost but result in increased reactive maintenance costs, reduced level of service and increased risk of pavement failure. Reduce average seal life. This will increase annual resurfacing costs but result in marginally decreased reactive maintenance costs and marginally decreased risk of pavement failure. Network performance / condition monitoring and benchmarking against other networks indicates current settings are close to optimal.
Sealed Pavement Rehabilitation	\$65M	2015-2045	No significant changes to traffic mix and volume. Rehabilitation is the least whole of life cost option. Rehabilitation requirement increases from 0.5% of the network per annum in year 1 to 1.2% of the network per annum in year 30 as the pavement age profile matures.	Rehabilitations do not proceed unless they are the least whole of life cost option. These evaluations are undertaken in accordance with NZTA procedures and include at least three options, as set out below: <ul style="list-style-type: none"> On-going maintenance Maintenance plus reseal Pavement Rehabilitation
Unsealed Road Metalling	\$34M	2015-2045	No significant changes to traffic mix and volume. No seal extensions. Average metalling cycle of 5 years	Reduce re-metalling rate. This will result in sharply increased reactive maintenance (grading) costs, and a significant increase in risk that the road will not be fit for purpose for significant lengths of time.
Minor Improvements (all improvement works < \$300,000)	\$74M	2015-2045	Programme targets delivering on NZTA investment outcomes, primarily: <ul style="list-style-type: none"> Reduced deaths and serious injuries Secure and resilient network. Efficient freight supply chains 	All activities in this category are assessed through the WDC Minor Improvements Policy. This policy includes a process for assessing the best value option from a range of alternatives for each site, and prioritising each site for inclusion in the programme.
Drainage Renewals	\$26M	2015-2045	Existing renewal rates remain appropriate.	Options include: <ul style="list-style-type: none"> Replace like for like Replace with improved facility Don't replace. <p>The range of feasible options is site specific and is assessed on a whole of life cost and affordability basis. Non-replacement of drainage structures generally significantly increases risk of extensive damage or deterioration to the road and other structures negatively impacting reactive maintenance costs, resilience, accessibility, safety and amenity of the roading asset.</p>
Bridge Replacements (>\$300,000)	\$16M	2023, 2035, 2036, 2037, 2040, 2042, 2043, 2044	Bridge replacement dates are based on established average achieved lives and engineering assessment/judgement.	The range of feasible options is site specific and is assessed on a whole of life cost and affordability basis in accordance with NZTA procedures. Assessed options include: <ul style="list-style-type: none"> Replace bridge with bridge Replace bridge with low cost ford Repair existing bridge and post weight limit

IMPLICATIONS OF UNCERTAINTY

Much of the transportation programme planned over the next 30 years is heavily reliant on NZTA funding investment. If the level of investment changes significantly, this could have a significant impact on the programme Council delivers. This could affect the level of service provided.

