SECTION 2:
Financial and Infrastructure Strategy

Introduction

This is a combined strategy as permitted under section 101B(5) of the Local Government Act 2002. The infrastructure strategy covers thirty years, 1 July 2018 to 30 June 2048.

Infrastructure accounts for over 80% of Council's operating expenditure and virtually all of Council's capital expenditure. The strategy outlines:

- the key infrastructural service issues the Rangitikei community must address over the next 30 years;
- the main options for dealing with those issues;
- the cost and service delivery implications for residents and businesses of those options, including the impact of increased debt; and
- the Council's current preferred scenario for infrastructure provision.

Factors of critical importance in the strategy are:

- the projected changes in population in different parts of the District
- the adequacy of government funding assistance for roads
- the conditions governing resource consents for water, wastewater and (potentially) stormwater;
- Government's decisions on the findings from the Havelock North inquiry into potable water supplies;
- the affordability of maintaining current urban reticulation and treatment systems (and the ability to secure government financial assistance);
- the affordability of new fit-for-purpose civic/community centres in Bulls, Marton and Taihape to replace earthquake-prone and outmoded facilities;
- the capacity (within the organisation and of contractors) to deliver the proposed capital programme within the projected times;
- knowledge of the condition and performance of the assets; and
- the sustainable level of debt.

Rangitikei District Council must deliver a large range of infrastructure projects while being financially sustainable for its communities. This involves a balancing act of continuing to deliver infrastructural services, while keeping them affordable by getting the best value, ensuring equity between current and future generations, fairly sharing the costs of delivering the services across different users and maintaining a strong balance sheet that can take climatic and financial shocks, which means ensuring it does not have too much debt.

Council's key financial strategy in managing its infrastructure assets is "low borrowing and funding depreciation". This acknowledges that some borrowing is important to ensure intergenerational equity, however, that excessive borrowing restricts the potential for future development projects.

The Strategy is split into three key sections:

Vision and Context

This section outlines Council's vision for the next 30 years, and provides contextual information about demographic, economic and political changes which will affect Council's delivery of services.

How Council will manage its assets

This section provides an overview of how Council will manage its assets including – levels of service, renewal/replacement of assets, responses to growth/decline in demand, maintaining and improving public health and environmental outcomes, resilience of assets and affordability and balance. Finally the section identifies key issues and assumptions for managing Council's assets, with a proposed response for managing the issue provided.

The most likely scenario

This section provides a description of the most likely scenario for Rangitikei in 2048. It provides details of the assumptions the scenario is based on, a specific description by activity group and an overview of specific projects. It goes onto provide an explanation of the costs and significant decisions about capital expenditure for the most likely scenario and how this scenario is proposed to be funded.

Vision and Context

Council's vision is for 'A Thriving District'. To make this vision a reality, Council has set nine community outcomes:

1 **Infrastructural service levels** - Ensuring services meet appropriate standards and are affordable

2 **Economic development** - Facilitating growth through infrastructure investment, an enabling regulatory framework and collaboration

3 **Future-looking community facilities** - Ensuring community facilities are future-fit and appropriately managed

4 **Earthquake-prone buildings** - Reducing the people-risk from Council-owned earthquake-prone buildings and providing a leadership/support role for other earthquake-prone buildings

5 **Communication/engagement and collaboration** - Ensuring communities are well-informed and engaged in decision-making, and productive partnerships are established/maintained

6 **Rates level/affordability/value** - Ensuring rate levels are prudent and value to ratepayers demonstrated

7 **Environment/climate change** - Responsiveness to expectations from the community and Government for more sustainable use of resources, a reduced carbon footprint, and planning for projected impacts in weather and sea-level changes

8 **Regulatory performance** – Implementing an enabling regulatory framework which is explicit on whether (and how) Council will exercise any statutory discretion available to it.

9 **Community resilience** - Advocating for, working in partnership and supporting groups which are concerned with the well-being of the District's communities

To support this vision, the Long term Plan contains a capital programme totalling $184 million over ten years to renew or create new assets and operating expenditure of $380 million,[3] as follows:

- Roading network – 796 km of sealed and 429 km of unsealed – valued (as at 30 June 2017) at $320 million, with an estimated replacement cost of $322 million: capital expenditure: $74.2 million; operating expenditure: $75.5 million
- Water supplies – : 6 urban (potable) treatment and reticulation systems and 4 rural (non-potable) reticulation systems – valued (as at 30 June 2017) at $53 million, with an estimated replacement cost of $97 million;: capital expenditure: $27.1 million; operating expenditure: $44.3 million
- Wastewater (i.e. sewage and the treatment and disposal of sewerage) – : 7 reticulated systems – valued (as at 30 June 2017) at $29 million, with an estimated replacement cost of $50 million: capital expenditure: $32.7 million; operating expenditure: $26.1 million
- Stormwater – : valued (as at 30 June 2017) at $16 million; and an estimated replacement cost of $27 million: capital expenditure: $13.7 million; operating expenditure: $6.3 million
- Community and leisure assets – including 3 libraries, 3 swimming pools, 7 urban halls, 15 rural halls, 9 toilets and restrooms, 10 parks and reserves, 72 community housing units – : valued (as at 30 June 2017) at $14 million: capital expenditure: $26.8 million; operating expenditure: $48.5 million

During the following 20 years (i.e. from 1 July 2028 to 30 June 2048) the estimated capital expenditure for these assets is $60 million and the estimated operating expenditure is $230 million.[4]

District Topography

The Rangitikei District comprises 4,500 square kilometres of mainly rural land. It is a diverse District, ranging from the sand plains on the south coast to the magnificent hill country of the upper Rangitikei. The sand plains extend inland from the coast to Bulls, where the Santoft Forest is a key feature. The area has a range of soil types and been developed for a wide range of agricultural activities including dry stock farming, cropping, horticulture and dairying.

[3] Graphed for each year on pages 27, 29, 31, 32.

[4] Graphed, on a five-yearly basis, on pages 28, 29, 31, 32.

The District also has a number of plains and terraces throughout the lower half which comprise of mostly Class 1 and 2 soils. These versatile soils are used for a wide variety of primary production purposes including; cropping, drystock farming, market gardening, horticulture and dairying.

The undulating to rolling hill country you encounter as you head north has a mix of soil types, which support a range of cropping, pastoral farming and forestry activities. For the steeper hill country, further north, soils are often prone to slipping and erosion and are largely grazed by drystock.

The most northern reaches of the District include approximately half of the windswept and remote Kaimanawa Ranges. These mountain land areas are largely undeveloped for primary production activities, although the Manuka honey industry is growing and support important indigenous forests, tussock land and wetlands.

There are a number of significant rivers within the District, particularly the Rangitikei, Whangaehu, Turakina, Hautapu and Kawhatau. These rivers have helped to shape the topography of the District, with valleys, gorges, terraces and flood plains. The most iconic river in the District is the Rangitikei River, which is one of New Zealand's longest rivers – originating in the Kaimanawa Ranges and flowing out to the Tasman Sea. The River is a gravel bed river, which is surrounded by papa cliffs through the middle reaches. Water quality for the Rangitikei River is good, especially in the northern areas, where it supports a world-class trout fishery.

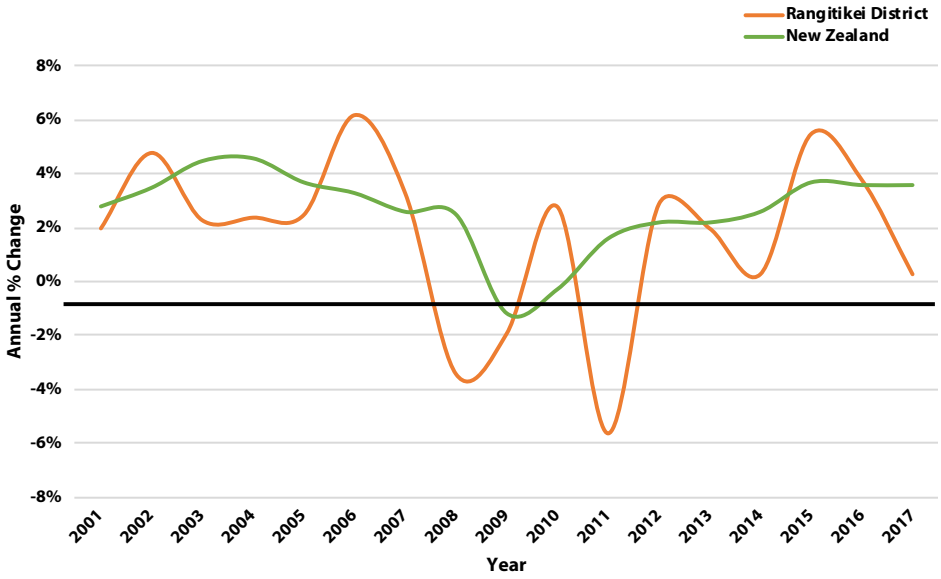


Figure 1. GDP Growth for the Rangitikei District compared with New Zealand (Source: Infometrics).

District Economy

GDP

Overall, the Rangitikei economy (as measured by GDP) has not grown apace with the rest of New Zealand. Since 2001, the growth in GDP has been 1.65% compared to 2.5% for New Zealand as a whole. However, this growth has not been consistent, with highs between 2005 and 2007 and particular declines in 2008, 2009 and 2011 (Figure 1). However, since 2012, the District has experienced varying levels of growth in GDP each year. The primary sector to the Rangitikei economy[5] dominates providing almost 30.4% of the District's GDP.

Growth initiatives

The Rangitikei District has been involved in the Central Government initiative to enhance productivity of regional New Zealand. This initiative led to the creation of the Regional Growth Study (2015) and associated Manawatu-Whanganui Economic Action Plan (2016), as well as Te Pae Tawhiti – Manawatu-Whanganui Maori Economic Development Strategy. The Regional Growth Study and Action Plan are being implemented through Accelerate 25.

[5] The primary sector extracts or harvests products from the earth and includes agriculture, forestry, fishing, and mining.
The secondary sector produces manufactured and other processed goods and includes manufacturing, electricity, gas and water, and construction.
The tertiary sector includes all service industries that are not knowledge intensive, such as retail trade, and food and accommodation services.
The quaternary sector includes knowledge intensive service industries. Knowledge-intensive industries are industries that satisfy two basic criteria: At least 25 per cent of the workforce must be qualified to degree level and at least 30 per cent of the workforce must be employed in professional, managerial, as well as scientific and technical occupations. Other includes owner occupied property operation and unallocated activity. An agribusiness earns most or all of its revenues from agriculture and includes the primary sector, excluding mining, processing and manufacturing and/or the packaging and distribution of products

The Regional Growth Study and subsequent Action Plan identified six key growth areas for the Rangitikei –

Tourism and visitor services – to work in conjunction with Ruapehu and Whanganui districts to extend mountain biking trails throughout the area and create a joint tourism marketing approach for the wider range of outdoor and cultural tourism operations.

Sheep and beef farming and processing – there are opportunities to improve on-farm productivity and to increase value-added processing.

Land use intensification – by maximising the productive use of high quality (class 1 and 2 soils) for dairying and arable/horticultural uses.

Manuka honey – to maximise currently underused hill country for Manuka honey production.

Fresh vegetables – there is opportunity to increase fresh vegetable production for export by undertaking a joint effort of growers to focus on particular export markets.

Poultry and grain processing – for the expansion of the industry for supply to China and other Asian countries.

Te Pae Tawhiti builds on the Regional Growth Study and Action Plan by providing a specific focus on the Maori economy in the Manawatu-Whanganui Region. The key focus is on economic growth that will contribute to gains for whanau, communities, marae, and future generations. Te Pae Tawhiti contains 10 priorities – ahuwhenua (land utilisation), kaimoana (river and seafood), maho tapoi (tourism), miere (honey), te ngahere (forestry and plant based products), pakihi matahiko (Maori digital enterprise), te piringa whanau (whanau cooperatives), whai ohanga (entrepreneurship and innovation), orange kaumatua (older Māori vitality), hanga whare (housing).

Forestry harvesting

A key change in the District's economy will be the harvesting of large scale forests which were established during the 1990s. This will result in peak harvest from 2027 – 2029. From 2018 to 2047 40% of the district tonnage occurs within the Parewanui / Santoft Road area. From 2027 to 2032 50% of district tonnage occurs on 3 roads within the Hunterville forest area (Turakina Valley Road, West Road and Watershed Road)[6].

Expected changes in land use

Council expects there to be a number of changes in land use over the coming 30 years. There is likely to be some residential expansion around the urban fringe to accommodate the moderate population growth expected. However, this residential growth is unlikely to affect more than 50 hectares of land currently used for primary production purposes which is minor when considering the scale of rural land in the District. Council's infrastructure is unlikely to be affected as it was constructed for larger populations than are projected for the next 30 years.

There are also likely to be changes in land use in the rural sector. The Regional Growth Study seeks to encourage land intensification and change from sheep and beef farming to higher value land uses such as Manuka, dairying, vegetable production and other horticultural/cropping activities. Additionally, Council has been supporting the feasibility of expanding rural water supplies to enable increased intensification of land uses. These changes in land use are unlikely to have a significant impact on Council's infrastructure. The most significant change could be altered use of rural roads; however, the change in vehicle movements is likely to be minor.

An increase in forestry planting could also occur as a result of Central Government's proposal to plant 100 million new trees per year. The impact of land use changes for forestry have the potential to affect the roading network once sites are mature and ready to be harvested. However, the needs of forestry properties and the impact on the roading network can be planned well in advance.

Climate change could also have an impact on land use. Climate is already significantly varied throughout the District, but it is likely that some areas will become dryer and some wetter which will impact the type of agricultural land uses. Drought is likely to become more frequent and intense. However, it is unlikely that the extent of changes will be so significant that they have an impact on Council's infrastructure.

[6] **Further comments on the approach taken to manage this issue are on page 94.**

Expected changes in population

The latest information Council has access to from Statistics New Zealand is from the 2013 Census. The next census information is not due to be released until 2018. The District's population has historically been declining, from 16,750 in 1996 to a low of 14,550 in 2013. However, recent population growth, (based on population estimates) shows consistently greater increases in population year on year since 2013 to a high of 1.3% in 2017 (Figure 2).

The most up to date population projections are those from the 2013 census which extend to 2043 – low medium and high scenarios are provided for the District as a whole[7] (Figure 3). Additionally, projections from both the medium and high scenarios are provided for each ward (Figure 4). When compared with the estimated population (Figure 5), the District is progressing in-between the medium and high projections. For the high scenario, but 2043 the District's population would have reached a stable peak of 15,900 residents. This is 900 more residents than the District is estimated to have in 2017. For the medium scenario, by 2043 the District's population would have slightly reduced to 13,550 residents. This is a reduction of 1,450 residents. Nevertheless, in both scenarios the populations remain smaller than 1996 levels so will not impact on the capacity or performance of Council's assets (or the capital and operating expenditure projections).

The population projections for the wards show that, for the high growth scenario, all wards are predicted to grow slowly, resulting in populations which are relatively stable over time. For the medium growth scenario, all wards are either predicted to either experience small growth for the first 10 years and then stabilise, or experience small growth for the first 10 years and then reduce slowly until 2043. For either scenario the populations remain relatively stable, with the difference of these two scenarios being relatively insignificant[8] and not enough to create issues for the District's infrastructure assets. However, population in particular locations may prove insufficient to renew existing water or wastewater assets, depending on the cost of negotiating and implementing new compliance requirements and the availability of government financial assistance.

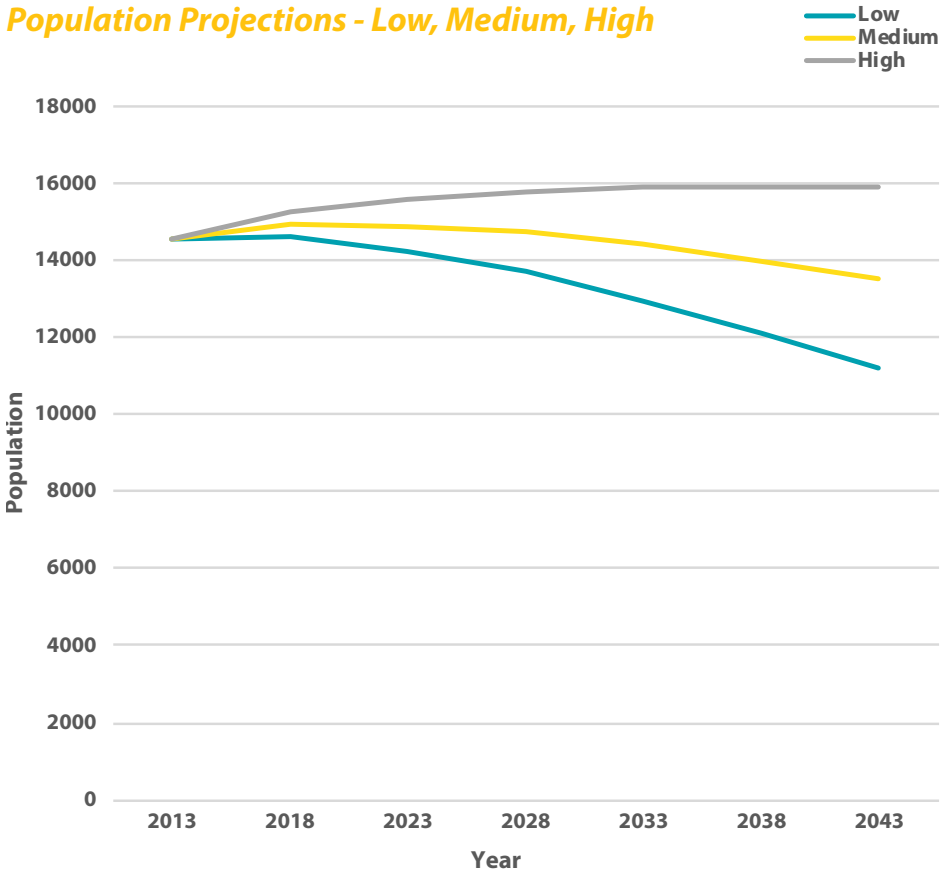


Figure 2. Population Projections – Rangitikei District (Source: Statistics New Zealand)

[7] **Last updated February 2017**

[8] **Turakina – 240 – difference; Marton – 920 difference; Bulls – 470 difference; Hunterville – 220 difference; Taihape – 650 difference**

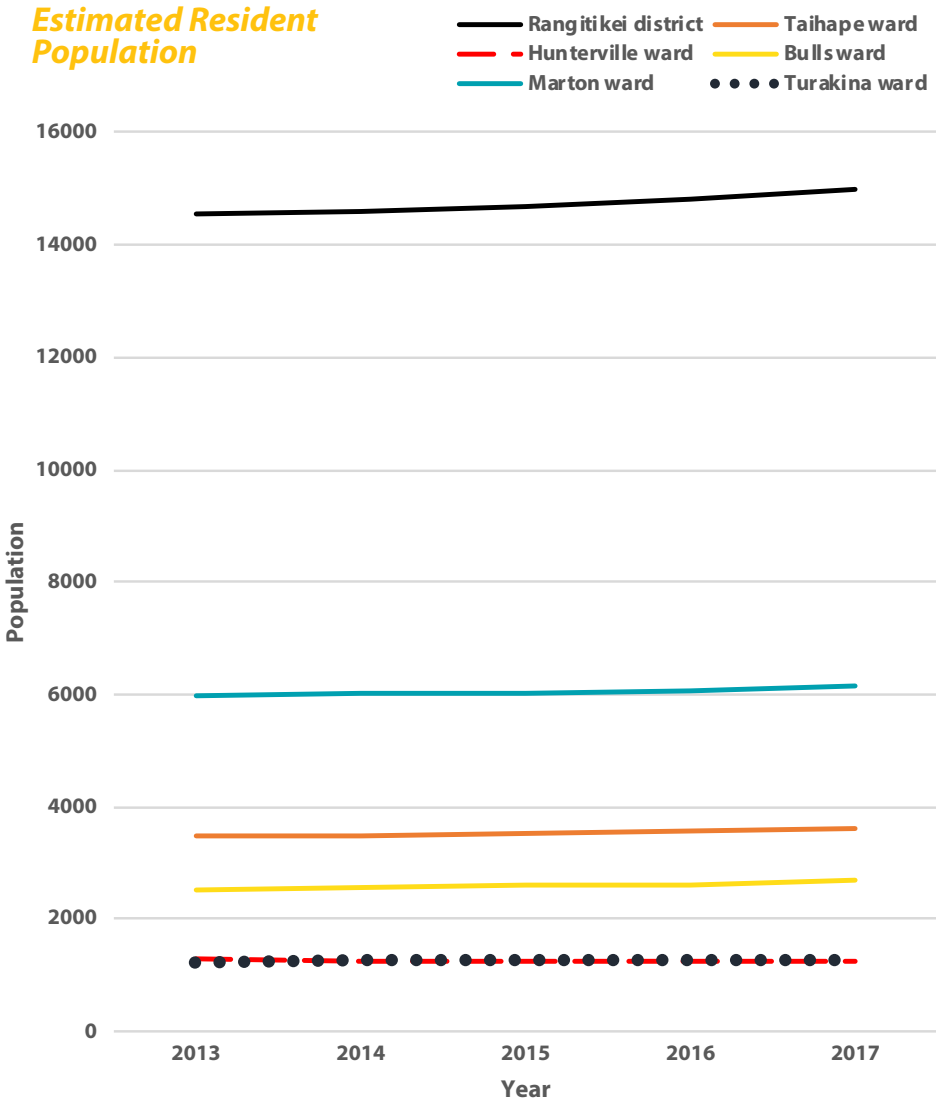


Figure 3. Estimated Resident population – by Ward (Source: Statistics NZ)

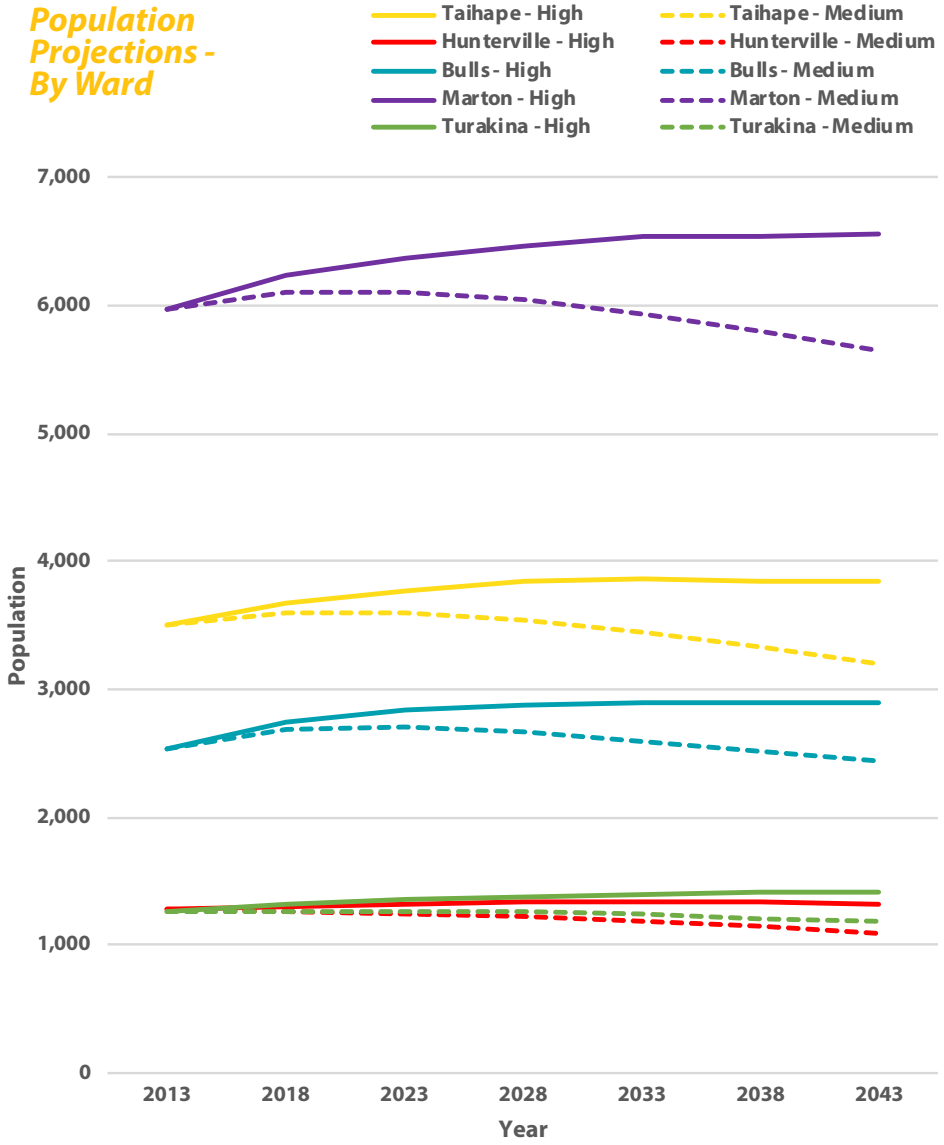


Figure 4. Population Projections – Ward – High and Medium (Source: Statistics New Zealand)

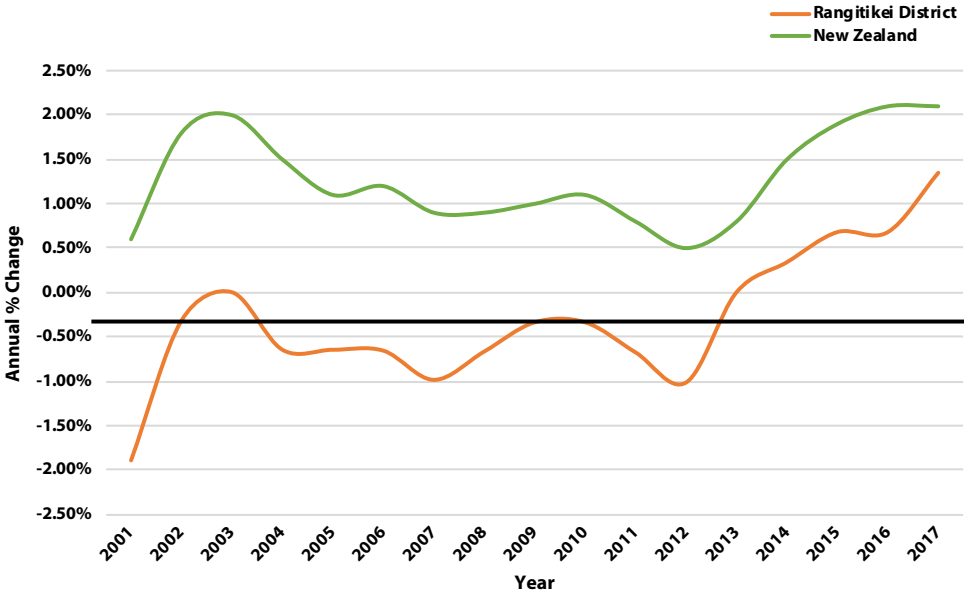


Figure 5. Population growth (Source: Infometrics).

Information from the 2013 census showed that the greatest out-migration from the District is to Manawatu (507), Palmerston North (426), Whanganui (399), Auckland (195) and Wellington (90). The greatest in-migration to the District was from Manawatu (291), Whanganui (285), Palmerston North (267), Auckland (204), Ruapehu (117), Horowhenua (102), Tararua (84) and Wellington (81). Given housing affordability issues which have arisen since 2013 in larger centres, it is likely that there could be an increased in-migration from larger centres such as Auckland in the 2018 census.

The Rangitikei District, like much of New Zealand, also has an ageing population. Figure 6 shows the number of people 65 years and older steadily increasing, while those younger are steadily decreasing[9].

Population projections by Age

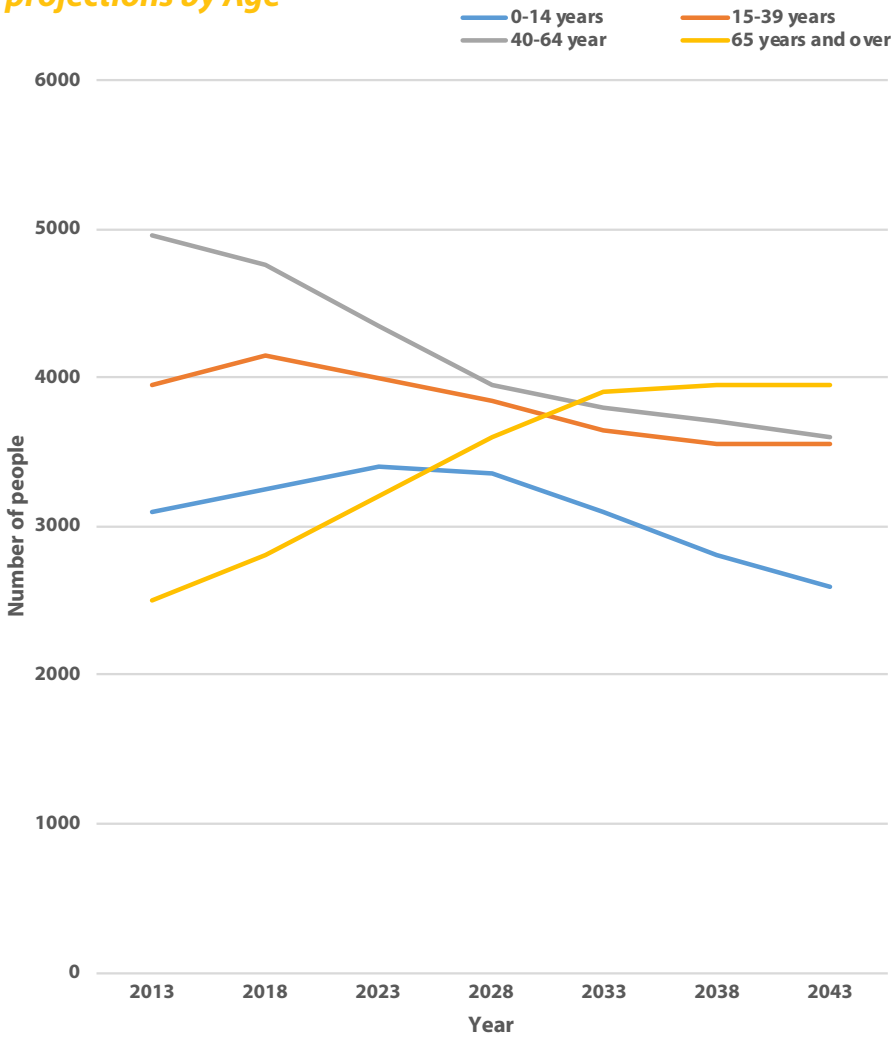


Figure 6. Population growth (by age) (source data: Statistics New Zealand)

[9] **The impact on infrastructure is discussed on page 24**

Other significant factors

Havelock North Inquiry

During 2017 an inquiry into the Havelock North water supply contamination incident was held. The inquiry was conducted in two stages. Stage 1 focused on assessing the cause of the outbreak and the conduct of those responsible for providing safe drinking water. Stage 2 looked at lessons learned and recommendations to be implemented for reducing the likelihood of such an outbreak occurring again. The stage 2 report (released December 2017) has the potential to be the most significant for this Council. The most significant recommendations relevant to Council are outlined below with a comment on their likely effect on Council:

- Publicise principles of drinking water safety – Council will ensure it is operating in accordance with principles of drinking water safety.
- Abolish the Secure Classification System – will not affect Council as it does not have any water sources with such a classification.
- Encourage/mandate universal treatment – will not affect Council as all drinking water supplies are currently treated.
- Establish a drinking water regulator – will not significantly affect Council as drinking water supplies are already monitored and assessed.
- Establish a licencing and qualifications system – will affect the cost of providing drinking water through increased regulation, licencing and training for staff.
- Amend the Resource Management Act to recognise drinking water source protection – could have an impact on future consent applications where Council discharges waste water upstream from a drinking water take.
- Establishment of joint working groups – will have a minor impact on Council via staff time to participate.

The major uncertainty about costs for Council is whether there will be new requirements on rural (non-potable) water supply schemes on the assumption that some properties connected to such schemes use the water as a domestic supply despite it being untreated and messaging from Council that it is not intended for human consumption. Currently these supplies are not chlorinated and would not meet the drinking-water standards.

Increasing protection of water bodies from contaminants

In the past, waste water has been discharged into water bodies, specifically for the Rangitikei District, the local rivers. However, increasing emphasis on improving water quality and cultural considerations are pushing these discharges towards a land based system. Specifically, the National Policy Statement for Freshwater was amended in 2017 as a method of meeting the Government's target of making 90 percent of New Zealand's rivers and lakes swimmable by 2040. The requirements include new standards for managing the level of nutrients (nitrogen and phosphorus) which enter waterways. Additionally, the Horizons One Plan (Policy 5-11) specifically requires that direct discharges to water are, at a minimum amended so that they at least pass through a system prior to entering a water body that addresses the potential impact on the water quality. The current trend to ensure compliance is to irrigate treated effluent to land. These requirements are significant for Council, as all of Council's discharge consents are directly to water.

Earthquake-prone Buildings

A new system for managing earthquake-prone buildings came into effect on 1 July 2017. This system requires the strengthening or demolition of specified earthquake-prone buildings in prescribed timeframes. Council is in the high risk zone so has timeframes of 5 years to be assessed as to whether its buildings are potentially earthquake prone and then 15 years for remedial works to be completed.[10]

Asbestos

Council must also meet the legislative requirements on managing asbestos in its buildings. The current policy position (until more detailed inspections are undertaken) adopted by Council is that all its buildings may contain asbestos. Priorities are being established for the inspections. A budget provision of $75,000 is included for 2018/19.

[10] **Further detail is provided on page 25; see also pages 115, 213, 217.**

How Council will manage its assets

This section will provide an outline of how Council will manage its assets in relation to the following factors:

- Renewal or replacement of assets
- Response to growth/decline in demand
- Allowing for planned increases or decreases in levels of service
- Resilience
- Affordability and balance
- Levels of service

Further to this, key issues and assumptions for managing Council's assets will be identified and a proposed response for managing the issue provided.

Renewal or replacement of assets

There are two inter-related decisions which Council needs to make about its investment in infrastructure.

- When should renewals take place and does this replacement mean like for like or are there other factors which come into play?
- When should new infrastructure be added and when should existing infrastructure be abandoned?

For the first question, the timing of decisions to renew is dependent upon:

- Performance – which relates to the ability of the asset to provide the required level of service to the customer, and
- Condition - which relates to the structural integrity of an asset

Council will approach the renewal, addition or depletion of infrastructure based primarily on performance. Performance will in part be a function of asset condition – and therefore it is important that information about asset condition is robust. However, the following factors will significantly contribute to infrastructure investment decisions.

- changing demand for services;
- rising public health and environmental outcomes;
- resilience; and
- Affordability.

Response to growth/decline for demand for services

Growing economy

Reliable transport routes are essential to support increasing agricultural productivity. At present, there are a number of conversions to dairying in the Santoft sand country (associated with substantial investments in extracting groundwater) which mean increasing traffic on the roads in this area. Nevertheless, the characteristics of this part of the network mean that no improvement is necessary. However, the drive to increased agricultural productivity may lead to improvements in the more remote parts of the roading network, potentially extending into (and contributing to) the opening up of the land-locked Maori land in the northern part of the District. Council would expect the capital costs of such projects to be funded by Government and/or neighbouring properties which will receive particular benefit from the extensions to the network.

A similar perspective applies to any expansion to the number of properties connected to rural water supply schemes. Making better use of the District's water reserves for agricultural purposes is the intended outcome of the current Strategic Water Resources project, co-funded by the Ministry for Primary Industries. This is particularly the case for the Hunterville scheme, which currently provides stockwater to 1670 farms over 61,000 ha. This scheme has become increasingly expensive (because of electricity costs) and the reticulation will need replacement within the next five-ten years. While that is provided for in the financial forecasts, such a programme will not address the inadequacies of electricity costs and irrigation capacity. Funding from Council is most likely to be regarded as a loan, so that the subscribers to the scheme would receive the benefit of the lower borrowing rate available to Council. Long-term funding implications for Council are a future decision. Council will invest $200,000 each year for the next ten years for further research and support for local economic development strategies which is likely to include the District's water resources. The extent of a capital contribution from Council, if any, in unknown, so is not included in the financial projections. Additionally, any new water takes would be subject to gaining resource consent.

Further to the agriculture related economic development initiatives, other areas are a focus for economic development – tourism, local business development.

Dedicated cycleways may become more prevalent in the District, as part of a national strategy or regional tourism initiatives, but this has yet to be considered formally by the Council. The impact of increased cycleways will be an increase in the number of tourists visiting the area, however, the number of tourist is unlikely to create significant adverse effects on Council's infrastructure which would require funding. Additionally, it is unlikely that Council would provide significant capital funding, so no provision is included in the financial estimates.

A major prompt for the town centre development projects in Bulls, Marton, and Taihape is to provide town centres which are attractive places both to live and visit. Given the strain on small town businesses, Council providing a civic heart of the main centres creates an environment which can contribute to a greater number of residents and visitors visiting the towns.

Allowing for planned increases or decreases in levels of service

In general, Council aims to continue the present levels of service across all groups of activities. Changes to the timing of key projects or the scope of other projects may occur, but these will be managed to ensure there are no unplanned reductions to the levels of service enjoyed by our communities.[11] Areas where levels of service have changed are in the following activities:

- Economic Development – increased level of service to support local business growth and stronger promotion and an increased level of service with the development of the Town Centres in Bulls, Marton and Taihape.
- Community and Leisure – Community Housing – potential increase in level of service as units are upgraded and amalgamated -
- Stormwater – potential increase with Council management of private drains and a programme of addressing stormwater 'hot spots'.
- Sewerage and the treatment and disposal of sewage – there may be potential decrease in level of service for a small number of properties where population is declining.
- Rubbish and recycling – there may be an increase in levels of service for recycling if the kerbside delivery option is strongly supported during submissions.

For the purposes of this Strategy it is assumed that the population will remain relatively static (or increase slightly) and that dispersal throughout the District will remain broadly as it is. However, where there is a projected reduction in population (and in the number of households) this means a diminishing number of properties connected to Council's water, wastewater and stormwater systems. For the District's smaller towns, this shrinkage may make such systems too expensive, particularly for wastewater with likely increased consent conditions to increase environmental outcomes. So, shrinkage of the area being served and possible closure is likely to be the result, depending on the comparative costs of alternatives. Council acknowledges concerns about this result and makes its projections on the basis that the current levels of service will be retained – even though this may mean a greater call on all ratepayers. If government financial support is forthcoming this 'public good' component of rates could be reduced.

The increasingly aging population may impact on the Council's community and leisure assets because of changing use (less active, more passive recreation). For example Council currently owns very few improvements on its parks and reserves. The majority of the facilities on Council-owned recreational land are code specific club rooms or hard surfaces. Over the course of thirty years, Council intends to divest itself of any remaining facilities on reserve land and to encourage community groups, particularly multi-sport user groups to manage their own facilities, as many of them already do. Council intends to ensure one specialised sports field for every major sporting code within the Rangitikei District. This may mean that there is an increase in operating grants and subsidies to manage these facilities on behalf of the community but little asset development is envisaged. Council will continue to support the provision of play grounds and skate parks but will look increasingly for partnerships with the community to renew or refurbish these facilities. Parks with low use may be leased rather than sold.

By contrast, although Council does not envisage any expansion of the current portfolio of community housing (although it may change resulting from disposal of existing units and creation of new units), it is open to the possibility that it may be a viable long-term with a specialist provider.

An aging population is creating demands for improvement to footpaths so that they are more suitable for users of mobility scooters.

[11] **More detail on the various activities is presented in Section 4 (from pages 89)**

Maintaining and improving public and environmental outcomes

The main area in which this is likely to affect the Council is in the discharge of waste water.

Currently, all of Council's waste water treatment plants discharge to a water body. Of particular significance is Policy 5-11 in the Regional Policy Statement which requires all renewal of consents for discharge of human sewage after 2020 to (at a minimum) "pass through an alternative system that mitigates the adverse effects on the mauri of the receiving water body".[12]

In addition, during the next thirty years there is very likely to be consents required for stormwater discharges (which Council is not currently required to have) and water takes from rivers will probably be reduced (and certainly more strictly enforced). This will reflect the view of Horizons Regional Council how Rangitikei District Council is to comply with the National Policy Statement on Freshwater Management under the Resource Management Act.

The table in Appendix 2 shows the expiry dates for Council's current consents from Horizons Regional Council.

Resilience of assets

Climate change

The Ministry for the Environment suggests that local councils should plan for a sea level rise of between 0.5m and 0.8m for periods up until 2090. This may impact on the District's seaside settlements, at Koitiata and Scotts Ferry. Horizons has already evaluated the likely risk at Koitiata, where the risk can be managed by controlling the movement of the mouth of the Turakina River. Inundations from the sea will be sporadic and not deep.

Climate change is likely to also result in more extreme storm and drought events. This requires Council to consider the capacity of urban storm water drainage system. In addition, more frequent droughts may affect the security of water supply to Taihape and Hunterville, which depend on river flow. Greater storage capacity is a potential remedy. Because of the impact such events can have on the roading network, there may be sections where improvement is regarded as providing greater certainty of resilience in extreme weather conditions. Council's approach to addressing this risk is to put at least $0.5 million into the roading reserve each year (funded from rates), until it reaches a total of $3.5 million.[13] Further to this consideration is being given to a debt facility to fund emergences where the response would exceed reserves.

The nature of Council infrastructure assets (roads, underground pipes, buildings for public congregation) means that they all offer lifelines in an emergency situation and yet are all potentially vulnerable to major disruption in such an event. The increasing frequency and severity of these events challenges any assumption that immediate support through insurance or central government emergency payments is available to ensure business continuity at a local level. In addition, Council needs to plan for the "what happens when" scenario rather than "what happens if".

Earthquake resilience

The 2010 and 2011 Christchurch earthquakes, and more recently the 2016 Kaikoura earthquake, together with climate change have brought massive changes in the way that central and local government throughout New Zealand think about managing the risk of major such disasters and ensuring continuity of essential services and recovery to business as usual as soon as possible.

Almost all of the Council's public buildings do not meet 33% of current earthquake standards and upgrading, while possible, is expensive and does not in itself deliver fit-for-purpose facilities. Council is looking to develop three multi-purpose facilities in Bulls, Marton and Taihape within the first ten years of the thirty year period. In all three towns, consideration of the expense of earthquake strengthening the existing facilities is likely to be a key factor that will affect these developments. Water and wastewater treatment plants and reservoirs are also subject to these requirements. Assessments for most have already been undertaken and works planned.

Part of the Council's reticulation renewals programme will involve using different construction methods and materials to provide greater earthquake resilience in pipelines. Council does not consider this risk is so great that it should bring forward its renewals programme. Instead it will address resilience at the time pipes are replaced.

Upgraded bridge structures are also influenced by this consideration.

[12] **The preferred discharge is to land.**

[13] **The exception is 2019/20, with the expected construction costs of the new Mangaweka Bridge.**

[13] **The exception is 2019/20, with the expected construction costs of the new Mangaweka Bridge.**

In addition to these factors, upgrades are sometimes undertaken because it is the more cost-effective option over time for maintaining the performance of the asset. This is significant in managing the Council's water, wastewater and stormwater reticulation systems.

Affordability and balance

A recurring theme throughout this Strategy is balance. Generally each choice that Council faces will provide options where benefits can be maximized through increased funding.

Generally each choice has options where funding can be minimized but the costs will be born in terms of reduced functionality or greater liability or risk. Council attempts to strike the balance to secure greatest value for its ratepayers whilst minimizing risk. In some instances, Council has little option but to invest as required to meet statutory or legal requirements. Examples of this are:

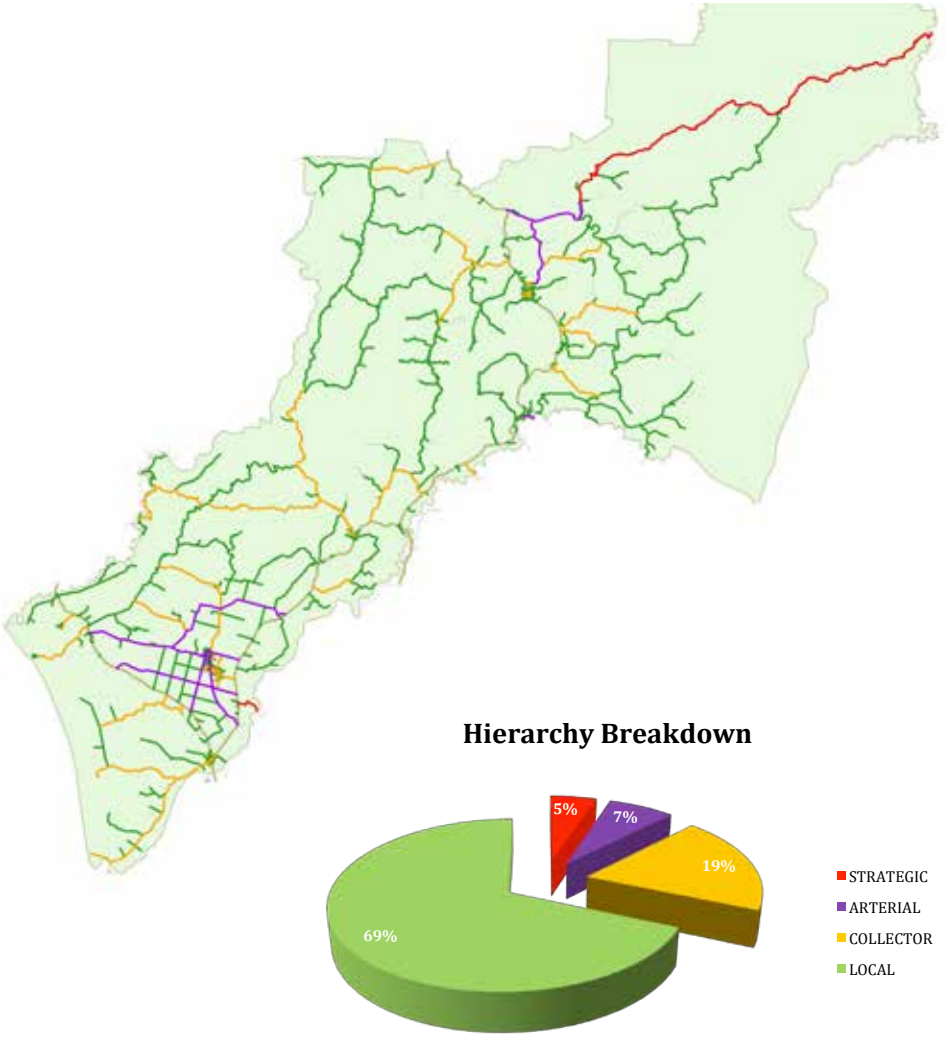
- The balance between adequately addressing current infrastructure needs for renewal and replacement whilst ensuring the "headroom" in debt levels is available to meet the demands of a total disaster scenario
- The balance between maximizing the external funding through the FAR for maintaining and renewing local roads and the requirement for the local share to be found from local ratepayers
- The balance between addressing the challenge of structural ageing of the population for the next 30-50 years against ongoing inward migration of families and younger age groups for jobs and lifestyle

Levels of service

Roading

Our roading network is the Council's most valuable asset. However, like many of our assets, it is aging and was not built to carry the heavy vehicles that use it today. The rural nature of our District means we have a large roading network for the size of our population.

Our intention is to reseal roads, on average, every 14 years and maintain the current level of service by resealing or repairing 60-65 km of road each year. Maintaining our roading network to this level means that currently, Council spends over a third of its rates on roading. Council is committed to continuing to invest in our roading network to ensure products can flow in and out of our District for national and international markets. Council continues to advocate that the Government deem the Taihape-Napier Road a state highway, which would reduce an ongoing financial cost to District ratepayers.



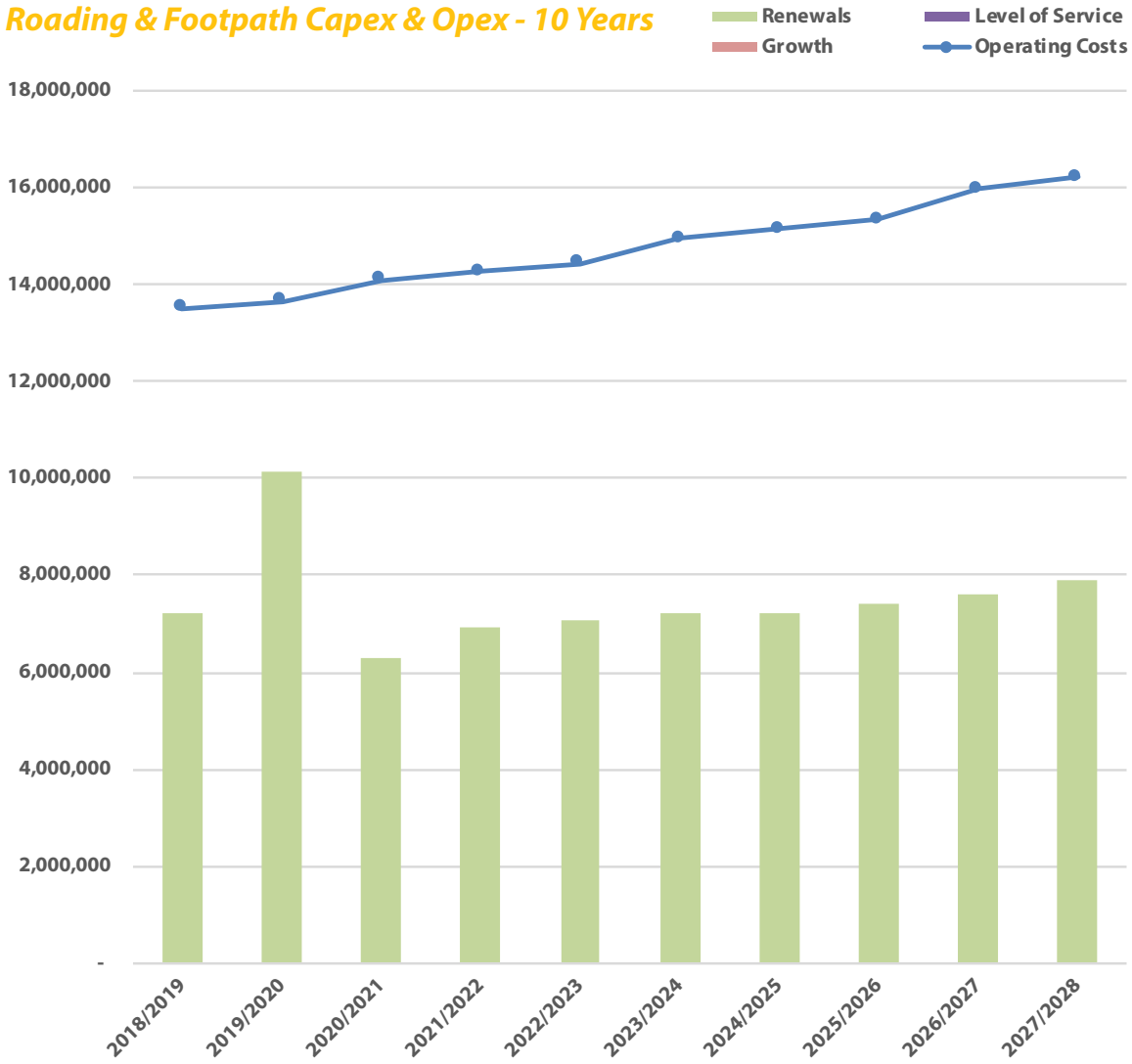
One Network Road Classification

The New Zealand Transport Agency has introduced a nationally consistent road classification system - the "One Network Road Classification" (ONRC). This system will determine the levels of service which NZTA will fund across all local networks. It measures performance over six areas – efficiency, safety, resilience, amenity, travel time reliability and accessibility. This means that there will be changes to maintenance treatments for some of the District's low-volume roads. However, while the funding envelope approved by NZTA for 2018-21 is at the same level as in 2015-18, there is a recognition that there are safety improvements (e.g. to bridge entrances) which need to be achieved.

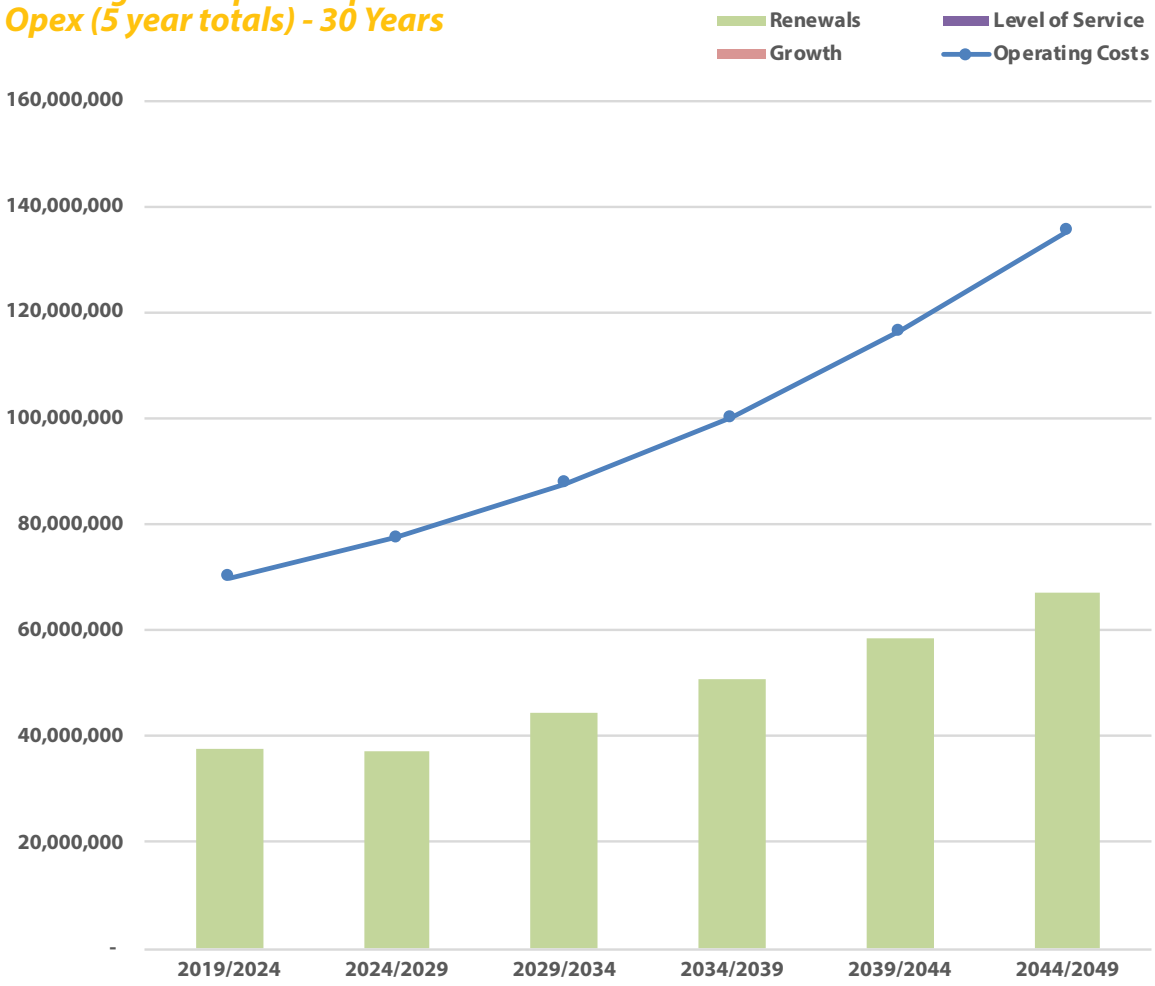
In order to get the most out of this funding envelope, Council has adopted a 'fix as you go' approach to roads that may be impacted by increased heavy traffic activities like forestry for a short time. This means that, for a road which is normally used by a small number of vehicles, any potholes or issues will be fixed at the time the defect occurs, rather than strengthen the road (at considerable cost) before the forestry operations start.

Where the current level of service in Rangitikei is higher than that determined in the classification, Council will need to fund the difference if it wishes to maintain current levels of service. Council would consult on this. Roadside drainage is critical in handling the bigger and more frequent storm events. In addition, Council needs to have capacity to fund its local share if there are storm events which result in substantial damage to the network: 100% subsidy from NZTA is very unlikely.

This graphs shows the indicative estimate of the projected capital and operating expenditure associated with the management of roading assets:



Roading & Footpath Capex & Opex (5 year totals) - 30 Years



Aging Bridges

Rangitikei has a number of bridges that were built from the early 1900s and are nearing the end of their useful lives. Council's asset management plan identifies when bridges are due for replacement. This doesn't necessarily mean all bridges will be replaced but it does trigger specific requirements for inspections and options to extend the remaining life, either by replacing components or more regular general maintenance. During 2017, Council approved a more rigorous bridge inspection programme. This is likely to accelerate remedial work – already evident in the Otara Bridge. Many of the older bridges will have increased maintenance to enable them to cope with the heavier loads they now carry.

The next most significant bridge due for replacement is the Mangaweka Bridge on Ruahine Road in 2018. This is a boundary bridge with Manawatu District and the costs will be shared with the Manawatu District Council. Costs will not be known until the detailed business case (now being prepared) has been accepted by NZTA. Our share of the replacement cost was previously estimated as $2 million.

Financial assistance from Government is not guaranteed for bridge replacements unless a business case can be justified. The economic criteria currently applied to bridge replacements favour very high traffic volume roads.

3 Waters

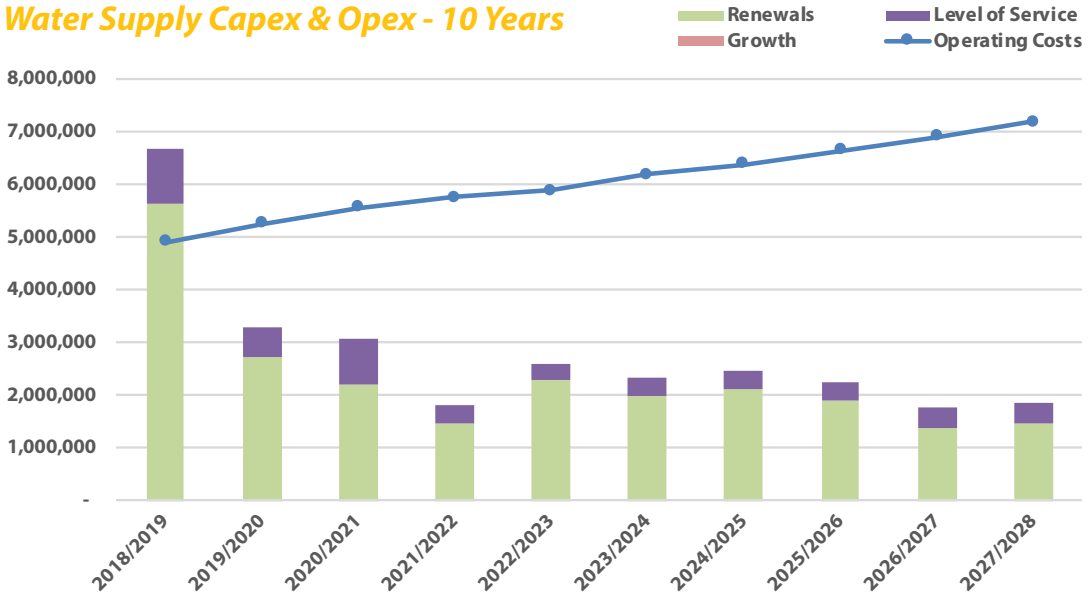
Changes in compliance requirements... for drinking water

The New Zealand Drinking Water Standards require our urban water supplies to comply with the protozoal standards. This means we have needed to improve the level of treatment above bacteriological compliance. Decisions taken by the Government from the Havelock North drinking water inquiry will probably mean national standards of treatment for all potable supplies and, possibly, different mechanisms to manage potable supplies. However, in Rangitikei, all potable supplies are chlorinated irrespective of source.

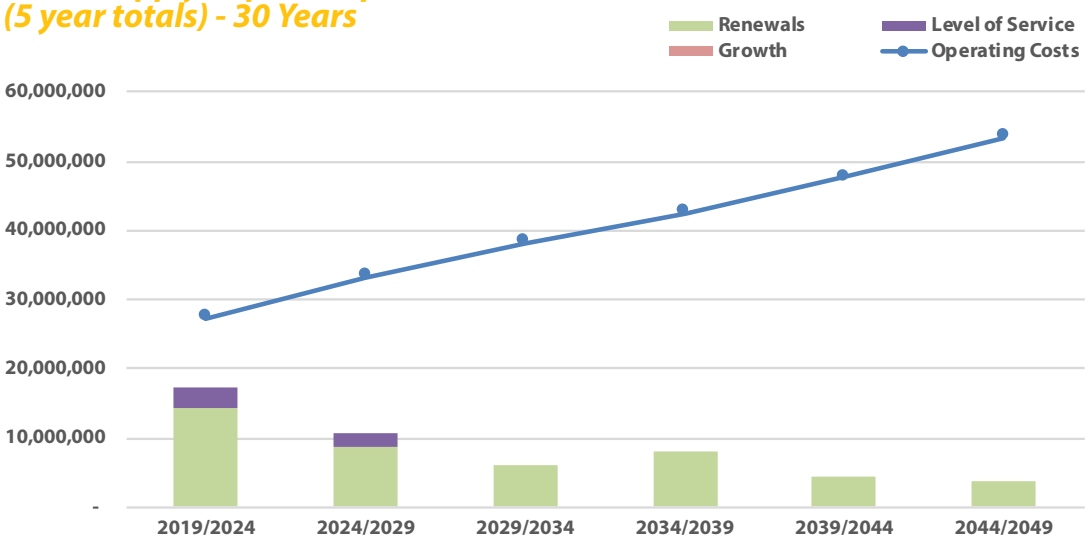
For the past three years all councils have had to measure the loss of water from urban reticulation schemes, which has resulted in a stronger focus on detecting (and resolving) the cause(s) for such losses. Whether there will be pressure from the Government to have all potable supplies metered is unknown.

The graphs show the indicative estimate of the projected capital and operating expenditure associated with the management of water supply assets:

Water Supply Capex & Opex - 10 Years



Water Supply Capex & Opex (5 year totals) - 30 Years



Changes in compliance requirements... for wastewater

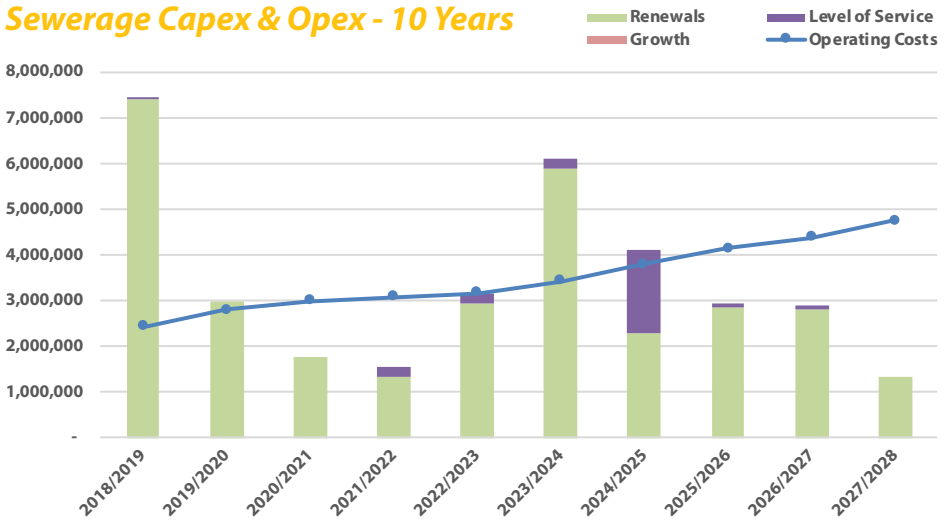
Discharges from our wastewater treatment plants are controlled through resource consents from Horizons Regional Council. The requirements of the Horizons "One Plan" and the National Policy Statement for Freshwater mean higher and more consistent standards for wastewater treatment. Council is supportive of these increasingly stringent requirements because we know how important water quality is for the health of the rivers in our District. We are planning ahead for the upgrades to our wastewater treatment plants that will be required when we renew our resource consents. This is likely to included increased land based discharge.

In Ratana, an expansion of the treatment plant is planned to meet requirements of the new residential subdivision. In addition, a grant was obtained from the Ministry for the Environment Freshwater Improvement Fund to cover the costs of having the plant discharge entirely to land. This means the discharge into Lake Waipu will cease.

For Marton, where the current consent expires in 2019, options to end discharge to the Tutaenui Stream have been examined. The indicative business case analysis finds that piping to Bulls, with a discharge to land from there, will be the most cost-effective solution and require one consent, itself a saving in cost and time for both Rangitikei and Horizons. Securing a combined plant will require considerable planning and would need an interim consent for a few years from Horizons for the current discharges from both towns. This includes the estimated cost of the consent application. A provision of $3.021 million has been included in 2018/19 to demonstrate Council's commitment to improving the discharge from Marton[14]. However, Council has yet to confirm the combined plant option; any such decision will take into account the analysis of soil types of land (and its availability to purchase or lease) near both plants and consideration of other treatment processes which result from a higher quality discharge. This could mean considerable variances to anticipated timing or costs, either of which being a trigger for further public consultation.

One of the implications of changing populations, higher compliance costs and tighter resource consent conditions, is the potential shrinkage of reticulated water and wastewater systems in smaller settlements (i.e. servicing fewer than 200 people). This creates uncertainty about providing services to small communities which currently lack them. Council will be advocating strongly to the Government for funding assistance in upgrading and extending these schemes, in line with the assistance provided to create them.

The graphs below show the indicative estimate of the projected capital and operating expenditure associated with the management of wastewater assets:



[14] **Sequencing has yet to be determined for a combined plant. For example, installing a pipe to transport Marton's treated wastewater to Bulls and using its present discharge arrangements would immediately end all discharge into the Tutaenui Stream. Developing the land-based discharge arrangements from Bulls would be the second stage, together with any modifications to the treatment plant if it was considered more cost-effective to close the Marton plant and send untreated wastewater from Marton to Bulls for treatment there.**

Changes in compliance requirements... for stormwater

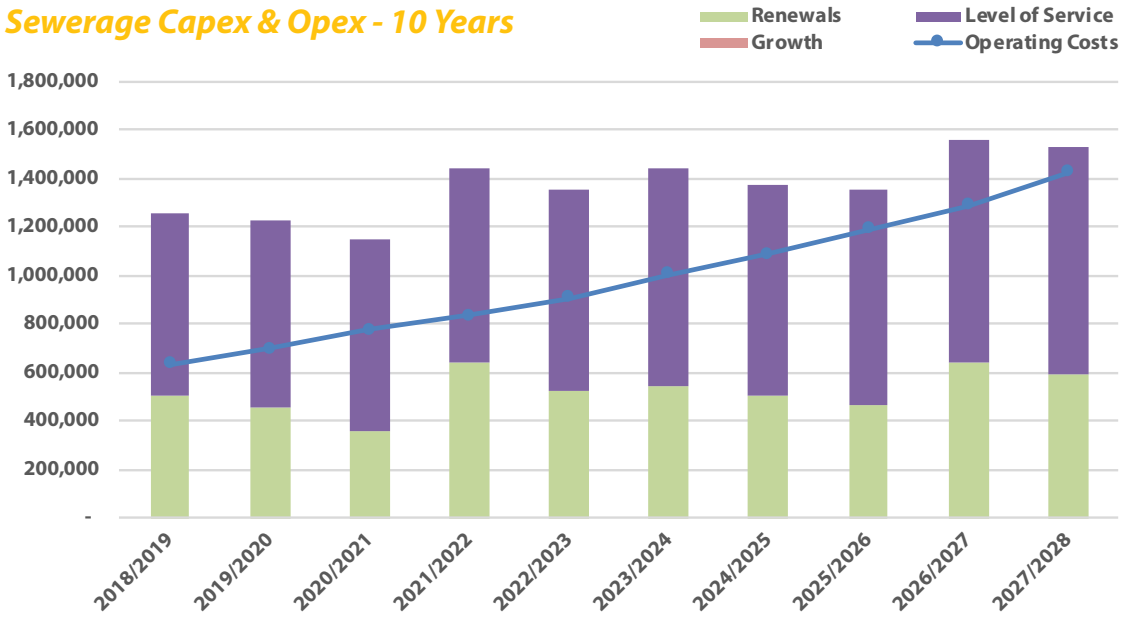
The National Policy Statement for Freshwater will also apply to stormwater run-off. This is an area which Council is currently not subject to any resource consent requirements. However, Horizons Regional Council advises they intend to introduce consent requirements for stormwater discharges. Council is generally supportive of this because of the potential damage that stormwater runoff can do to water quality in our streams and rivers. The first stormwater discharge consents that we will need to apply for and implement will be in Marton, with the timing determined by Horizons Regional Council.

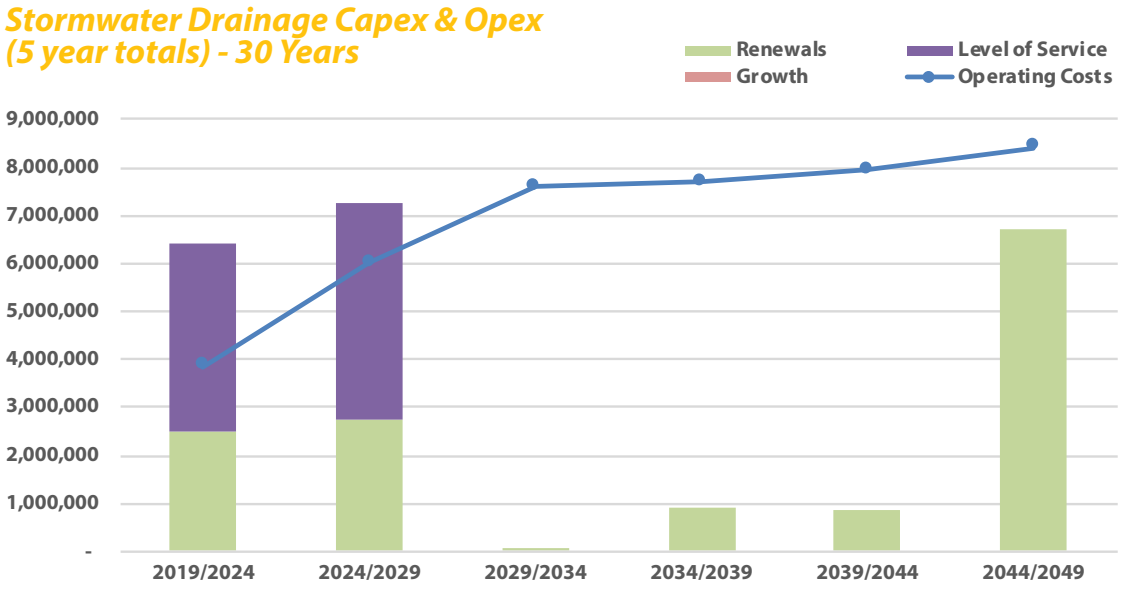
In addition, Council has decided to end the ambiguity over private drains in urban areas and to implement a more vigorous programme for dealing with problematic stormwater flows in our towns and villages. Early instances of this will be in Marton and Scotts Ferry. There will be costs to legalise easements for what have previously been accepted as private drains.

The graphs show the indicative estimate of the projected capital and operating expenditure associated with the management of stormwater assets:

Changes in compliance requirements... for rural (non-potable) water schemes

In addition to the urban water supplies which Council manages, there are four rural water supplies within the Rangitikei District: Hunterville, Erewhon, Omatane and Putorino. We have reviewed the management of each of these with the relevant community sub-committees (although Hunterville has yet to be completed), to ensure the most appropriate management model is applied. We have ensured that all scheme members understand that the water supplied is untreated and thus not potable. In 2026 the resource consent for abstraction for the Erewhon scheme expires, and also the consents for surface water takes for the Omatane and Putorino schemes. Council will apply for new consents.





Community and Leisure facilities

The provision of multi-functional civic/community facilities in Bulls, Marton and Taihape remains highly significant during 2018-28.

Bulls

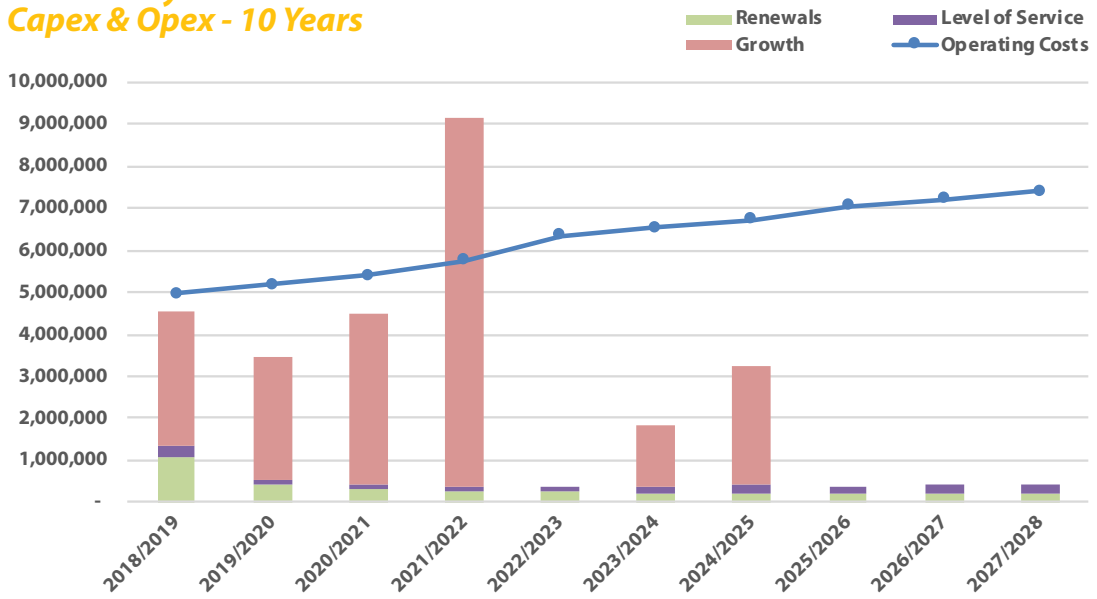
Tenders for constructing the Bulls community centre will be called on 29 June 2018. The facility is planned to be completed by December 2019 and fully operational early in 2020. It includes an auditorium, library/learning hub, visitor promotion area, community meeting rooms, a designated youth area and toilets (with 24/7 access).

Marton

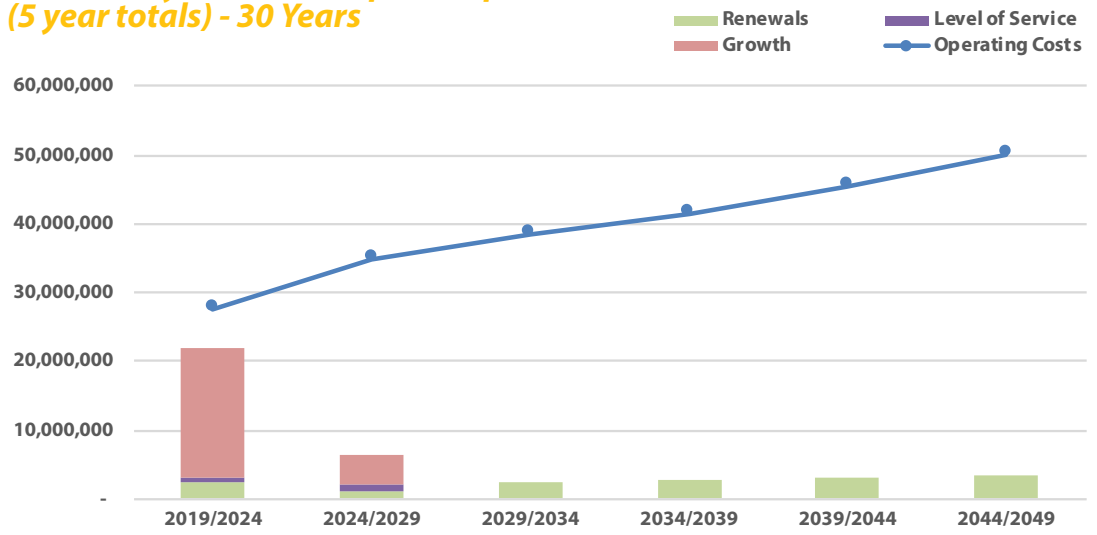
Outline concepts have been developed for the Cobbler/ Davenport/Abraham & Williams Buildings taking into account different options from demolition of the site, through to strengthening of the existing buildings. Key consideration will be given to the implications of the buildings being identified heritage status in the Rangitikei District Plan. . Council has commissioned costings for an upgrade of current buildings on the Marton Library site and the Marton Administration site so that they are fit for purpose as a reference point for the investigations on the Cobbler/ Davenport/Abraham & Williams Buildings site. Those investigations and subsequent design work are likely to take two to three years.

In addition, because those buildings are an integral and significant part of the Broadway CBD complex, Council intends to undertake a feasibility study on establishing the Marton Heritage Precinct as a collaborative initiative between private building owners and Council, provided external funding support is secured.

Community & Leisure Capex & Opex - 10 Years



Community & Leisure Capex & Opex (5 year totals) - 30 Years



Taihape

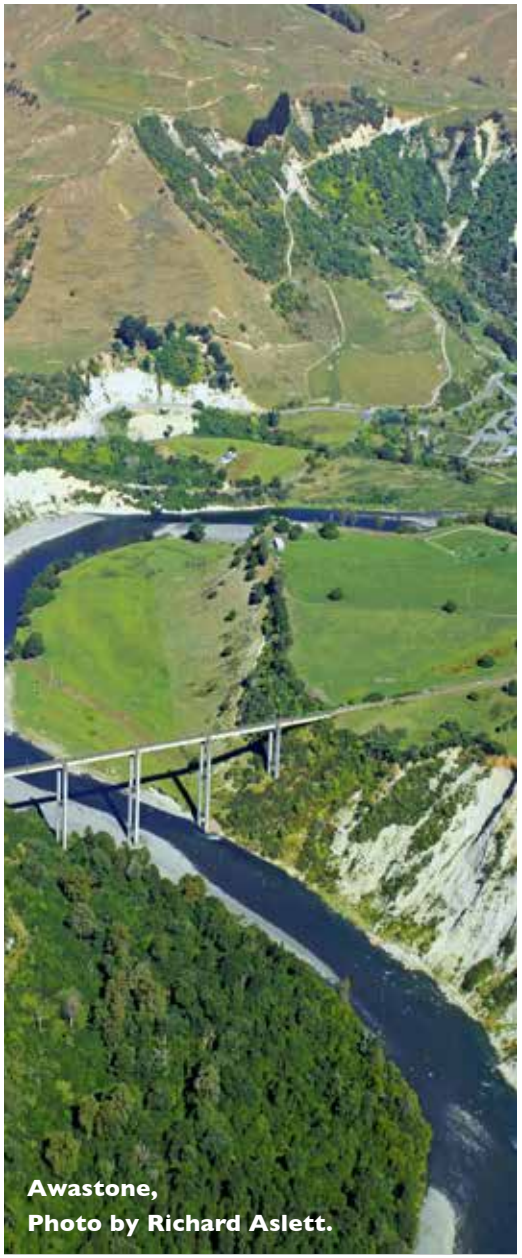
Council remains committed to developing an improved civic facility on the Town Hall site. While the building is earthquake-prone, Council understands there is considerable support for retaining at least the front section (and rebuilding on the rest of the site). However, just as with Bulls, there will need to be detailed consideration of what functions this upgraded facility should meet, and that consultation and preliminary design is planned over the next three years. It will be influenced by what is included in the upgraded amenities on Taihape Memorial Park.

The graphs below show the indicative estimate of the projected capital and operating expenditure associated with the management of community and leisure assets

Other facilities

Council provides a range of other community and leisure facilities, including parks, swimming pools, community halls and community housing. Many of these assets are run down and underused. However, there are a number of other providers of these sorts of facilities in the District. Some local schools provide halls, pools and sports fields which are available for community use, and many community and church groups own buildings which are available for hire. Much of this infrastructure is also run down and under-used.

Our strategy, over the next 10 years, remains that of having fewer but better community facilities. To achieve this we propose continuing not undertaking any major renewal or refurbishment of existing facilities until we have reviewed the need for the facility and explored the potential to partner/collaborate with other stakeholders. We are open to the full range of ownership, maintenance and management models (including contributing towards facilities owned by other organisations that meet community needs) in order to give communities more cost-effective options. However, Council accepts that it must take a lead in these discussions with the community to achieve a solution.



Awastone,
Photo by Richard Aslett.

The Most Likely Scenario

The Strategy considers the most likely scenario for our significant infrastructure-related decisions over the next 30 years, including projects noted below for wastewater plant upgrades and civic (town) centre redevelopment in the next 10 years. It also covers projects beyond that timeframe - such as the Hunterville wastewater upgrades, for which the current consent expires in 2037.

The size of the District, the scattered nature of urban areas and the population changes mean there are some significant challenges for the Council to manage. These challenges include our ability to continue to deliver quality services that are affordable

Council has considered the most likely scenario for the Rangitikei in 2048. The features of the District include the following;

- Same number of people living in the District, but the population is likely to be distributed differently, with a slight decline in smaller settlements and an older population
- Each town will have varying demographics
- Higher agricultural productivity so an increasing District valuation (but in rural rather than urban areas)
- Town centres with a changing character due to the impact of the demolition of a number of earthquake-prone buildings
- Increased emphasis on environmental outcomes
- More Iwi managed enterprises and settlement
- Land-locked land 'unlocked'

Assumptions

Council has made a number of assumptions which underlie the proposed scenario. The most critical assumption is that national standards will increasingly specify the requirements for local infrastructure. The specific assumptions made by the Council (and the confidence in each of these and potential effects of uncertainty) for the useful lives of assets, growth or decline in demand for services, and increase or decrease in the level of service are provided below.

1 Useful lives of assets

ASSUMPTION	CONFIDENCE	POTENTIAL EFFECTS OF UNCERTAINTY
Use of new materials in construction and maintenance of assets will reduce the reliability of data in asset management plans	Uncertain.	The characteristics of such materials are conjectural
The useful life of some significant assets will be longer than the ability or willingness of the community to afford them	Fairly certain. This reflects the projected shrinkage of the District's population.	-

2 Growth or decline in demand for services

ASSUMPTION	CONFIDENCE	POTENTIAL EFFECTS OF UNCERTAINTY
The increasing drive for improved agricultural productivity will maintain (f not increase) demand for high quality rural roads	Certain	
There will be increasing prioritisation on those assets serving the most people and/or the areas of greatest economic significance	Fairly certain.	This could lead to decline in service/handover of assets to community groups/individuals to manage
Increase in heavy vehicle usage will require proportionately more expenditure on arterial and connector roads	Fairly certain.	This trend may be less pronounced by greater use of rail for long-haul freight and/or more use of local transport services.
Increase in road safety hardware requirements	Certain. This reflects a current government priority which is likely to continue so long as road usage rises.	
Increased in demand for facilities for older people – passive exercise facilities, wider footpaths (including stopping bays) for scooters.	Certain. This reflects demographic projections for the District.	
Reduced demand for recreational facilities used by younger people	Fairly certain. This reflects the demographic projections for the District.	There might be a revival of interest in such pursuits, which would require Council to reconsider its approach.
Increased demand for community-based alternative services for water and wastewater	Fairly certain.	It depends on whether such low-tech solutions are able to demonstrate compliance with national and regional standards


Marton Water Treatment Plant.

3 Increase or decrease in the level of service

ASSUMPTION	CONFIDENCE	POTENTIAL EFFECTS OF UNCERTAINTY
Smaller communities could lose reticulated water supplies and need to rely on individual storage systems	Fairly certain. Costs are likely to become increasingly prohibitive.	There will be issues of water safety and fire-fighting capacity to be assured.
Wastewater disposal requirements in terms of environmental impacts will become stricter.	Certain. Land-based discharge will be the basis for any new consents.	Increased costs – and also closer consideration of alternative systems.
There will be an increased level of service for major roads, a decrease for minor roads and no extension to the sealed roading network unless paid for by the affected parties	Fairly certain.	This will depend on the way the One Roading Network Classification is implemented and the funding associated with it
There will be improved smoothness for footpaths (and vehicle access across then)	Fairly certain.	This will depend on the cost of maintaining the roading network being achievable within projected budgets (and the new Funding Assistance Rate)
There will be an increased level of service for those community and leisure assets associated with the key civic service centre in major towns.	Fairly certain.	Finalised designs and funding have yet to be approved. Budget constraints may constrain the assumed increase in level of service.
There will be increasing community ownership/ management of community and leisure assets	Certain.	

Specific projects

1 Bulls wastewater upgrade associated with Marton wastewater upgrade (2017/18-2026/27)

The **most likely scenario** is to upgrade the plant to deal with discharge from both towns. The projected cost for this is $16.6 million[15]. The main aspects of the upgrade are to (a) install a pipe from Marton to Bulls (mainly along SH-1), (b) install a pipe from Bulls to land discharge to the west and (c) upgrade the Bulls treatment plant to handle the greater volume and (d) close the Marton treatment plant. However, Council has yet to consider a detailed business case with the alternative options costed.

The **principal alternative** is to maintain two separate treatment operations. In Bulls this would see a meandering wetland in place of the narrow ditch as the passage from the treatment plant to the Rangitikei River and (b) strengthen the pond bund top and corners so that it survives large flood events and continues to contain the pond after the flood waters have receded. It is unlikely that Sanson would join this system although Horizons Regional Council would prefer a combined discharge. If it did, any additional cost would be met by Manawatu District Council. There has been earlier consideration given to including the discharges from Riverlands and Ohakea Base, but both organisations have opted to manage their own. The Marton plant would be upgraded and discharge to land arranged locally.

2 Bulls civic centre development (2017/18 to 2019/20)

The **most likely scenario** is to build a new civic precinct incorporating a library, information centre and town hall as a multi-purpose facility. The project was originally timed for 2015/16 to 2016/17 but there have been delays in finalising the design and securing the budgeted external funding . It has a projected capital cost of $5.19 million, but part of this will be offset by the sale of the present town hall and information centre sites, sale of other surplus properties in Bulls, contributions from the local community, and a lotteries grant. The projected Council contribution is $3.05 million. The operating costs for the new complex are expected to be about two thirds of those currently incurred with the present separate facilities.

The **principal alternative** is to refurbish the existing library and extend to include the information centre and refurbish the town hall, which would bring both buildings up to 33% of earthquake standard. This option does not allow the flexibility from a single multi-purpose facility and is unable to benefit from associated joint venture. However, there would still be the potential to secure a lotteries grant and to sell the current information centre site.

The lower cost option is to leave the current facilities as they are. However, this leaves Council exposed to the risk (and cost) of mandatory earthquake strengthening both the library and the town hall, so may not be a real option at all. It is unlikely to find favour with the community, given the high interest in securing a more useful and appealing civic heart for the town. It would also mean that the investment in design of the new facilities would be lost.

3 Community housing upgrade (2017/18 to 2020/21)

The **most likely scenario** is to upgrade the housing units so that they are at an appropriate standard to attract tenants – and potentially to sell those where refurbishment is less feasible and erect new units. Partial funding of depreciation will be restored. Long-term, Council maintains an interest in finding a community-based organisation with greater expertise in operating such facilities. This is a significant decision, as community housing is one of Council's strategic assets, and would be subject to separate consultation. The total cost of the upgrade over three years is estimated at $462,500.

The **principal alternative** would be to maintain the current arrangements. As depreciation would continue unfunded, only essential maintenance would be carried out. This may see a reduction in the very high occupancy rate with greater cost to ratepayers and would be less attractive to a community-based organisation. There could eventually be an issue in achieving compliance with the Healthy Homes Guarantee Act.

[15] **This includes the consent application process, pipeline installation, purchase of land, irrigation development, the upgrade.**

4 Ratana wastewater upgrade (2018/19-2019/20)

The **most likely scenario** is to upgrade the plant so it can treat the nitrogen and phosphorus present in the wastewater. This work is expected to cost $1.3 million. Government funding has been secured to cover the likely cost of purchasing land to end the discharge into Lake Waipu. This upgrade will be designed to cater for the additional wastewater flows from the proposed 60-lot subdivision in the settlement. There may be a need to increase capacity of sewer mains within the settlement.

The **principal alternative** would be to pump the discharge to Marton, 30 km distance. As there are no trade waste discharges in Ratana, the impact on the Marton plant would be minimal. However, the annual Ratana celebration in January sees a large influx of visitors so the amount of wastewater discharge during that time increases substantially

5 Marton civic centre development (2018/19 to 2021/22)

The **most likely scenario** is to move the Library and other Council services into a CBD development that will act as the catalyst to add to the town centre's vibrancy. The site has been purchased. Council envisages the project starting in 2018/19 and being completed by December 2021, but there are a number of variables which will affect this. The projected total cost is $12.8 million, but as no detailed design has been done the full cost of the project is not yet established, nor are the necessary external funds to make it viable. It will have a greater impact on capital funding and debt as the proposed Bulls civic/community centre.

The **principal alternative** is to refurbish and strengthen the existing library and administration building, including meeting IL4 requirements for the Emergency Operations Centre. This option does not allow the flexibility from a single multi-purpose facility that can stimulate regeneration of the CBD, not the opportunity to sell the current sites. The cost is similar to the most likely scenario and loses the opportunity to be a catalyst for development in the Marton CBD and use the current Administration site for new residential development.

The lower cost option is to leave the current facilities as they are. However, this leaves Council exposed to the risk (and cost) of mandatory earthquake strengthening of the library and administration building. The costs of doing this would depend on whether it was to the minimum 34%NBS or higher and the extent to which the facilities were renovated to reflect present and future needs. It is unlikely to find favour with the community, given the high interest in securing a more useful and appealing civic heart for the town.

6 Taihape Memorial Park community facility (2018/19 to 2019/20)

The **most likely scenario** is to build a new facility, retain (and strengthen) the historic grandstand, and relocate the present toilets to the side of this structure. The precise location and design will be finalised early in 2019/20 so that construction can proceed.

The **principal alternative** is to leave the current facilities as they are. The facilities within the grandstand are outmoded and not well-located in terms of how the Park is used. Other substandard facilities would be as they are.

7 Taihape civic centre development (2018/19 to 2024/25)

The **most likely scenario** is to build a new civic centre development on the current site of the Town Hall. Whether that means the whole building will be earthquake strengthened and refurbished or part of the building strengthened and a new structure replacing the current auditorium or the Town Hall demolished and a new building erected. This draft Long Term Plan includes Council funding of $4.3 million spread over two years from 2023/24 to help implement any agreed solutions. This will be further developed in the next Long Term Plan and is likely to have a similar impact on capital funding and debt to the Bulls civic/community centre.

The **principal alternative** is to leave the current facilities as they are. However, this leaves Council exposed to the risk (and cost) of mandatory earthquake strengthening the Town Hall, without being able to refurbish the building as a multi-purpose civic centre. It is unlikely to find favour with the community, given the high interest in securing a more useful and appealing civic heart for the town.

8 Mangaweka Bridge replacement (2018/19-2019/20)

The **most likely scenario** is to replace this bridge, built in 1899. It is a boundary bridge, so the cost is shared equally with Manawatu District Council. New Zealand Transport Agency funding has yet to be confirmed. A provision of $4.9 million has been made. This may be associated with retaining the existing structure, allowing pedestrian and cycling use.

The alternative is to not to have a vehicle bridge crossing, even if it is retained for pedestrian and cycling use. Demolition is costly. This would impact considerably on local farmers – alternative routes add significant time and cost for them (and formed part of the business case to the New Zealand Transport Agency for a replacement bridge).

9 Future-proofing the Hunterville Rural Water Supply Scheme – 2018/19-2027/28

The **most likely scenario** is not to maintain the status quo – but the extent, configuration, and capability of a future scheme has yet to be determined. There is potential for the supply for the Hunterville township to be detached from the scheme and serviced by a separate bore: Ministry of Health funding has been approved to assist with this. Establishing a Tutaenui rural water supply scheme (the subject of a pre-feasibility study jointly funded with the Ministry of Primary Industries in 2016/17-2017/18) would also increase the amount of water available but this will require closer investigation. A budget provision of $0.5 million has been made.

The **principal alternative** is to maintain the status quo – i.e. renew the current reticulation on a like-for-like basis, and continue with the current provision of treated drinking water to Hunterville town.

10 Mangaweka wastewater upgrade (2023/24-2025/26)

The **most likely scenario** is to replace the existing plant (commissioned in 2006) to meet new resource consent conditions and for Rangitikei ratepayers to bear the full cost. The estimated cost for this is $2.9 million.

The **principal alternative** is for Council to work with the community, Horizons Regional Council and central government to find an affordable solution for the connected properties in Mangaweka. The cost would depend on the extent of upgrade work required and the viability of other options for safe disposal of human waste.

11 Taihape wastewater upgrade (2024/25 to 2027/28)

The **most likely scenario** is to upgrade the plant to meet new consent conditions and continue to service the whole urban area. This scenario is dependent on progress with stormwater renewals to reduce the extent of infiltration and inundation into the town's wastewater system. The notional estimated cost of this is $2.6 million.

The **principal alternative** is to reduce the number of properties connected so that the network is smaller, more confined to the town centre, and thus handling a smaller quantity of effluent. This will depend on the extent of reduction in the number of properties utilising the network, the viability of other options and their comparative costs.

12 Hunterville wastewater upgrade (2034/35 to 2035/36)

The **most likely scenario** is to upgrade the plant to meet the new consent conditions. The notional estimated cost of this is $4.1 million. However, Horizons regards the plant as functioning very well, so it is possible that an upgrade may not be required.

The **principal alternative** is to pump the town's sewerage 25 km to Marton for disposal through the wastewater plant there. At present, the only source of trade waste is from food outlets, service stations and garages – if that were still the case in 20 years' time, the impact on the Marton plant would be minimal. However, pumping to Bulls may not be feasible if that is what happens to Marton's wastewater.

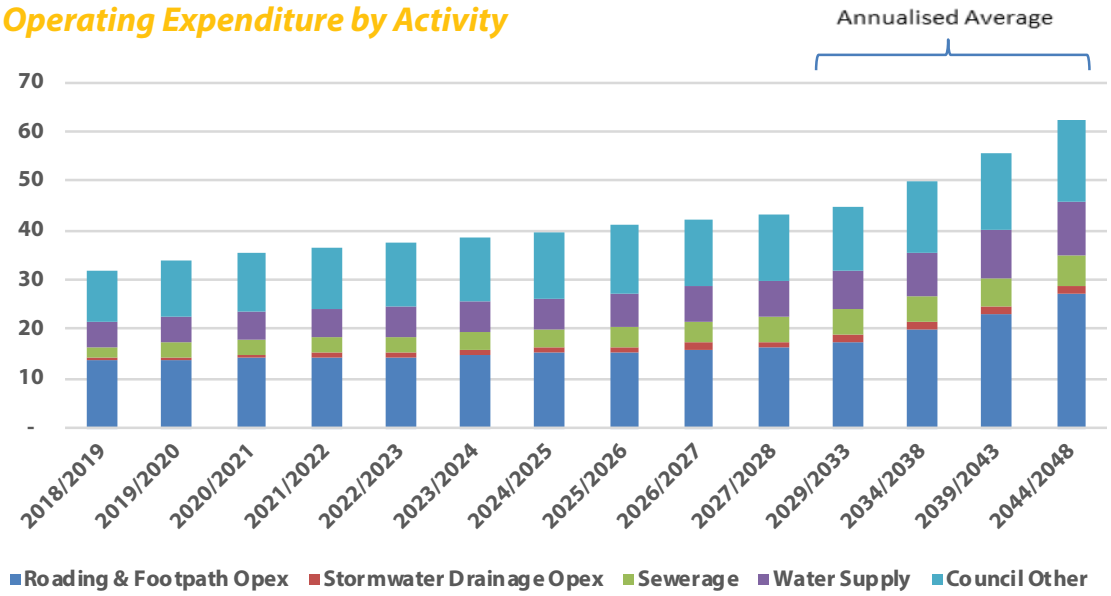
Costs and significant decisions about capital expenditure of the most likely scenario

The maintenance, renewal, and capital expenditure programme for Council's core assets is based on the information in Council's Asset/ Activity Management Plans.

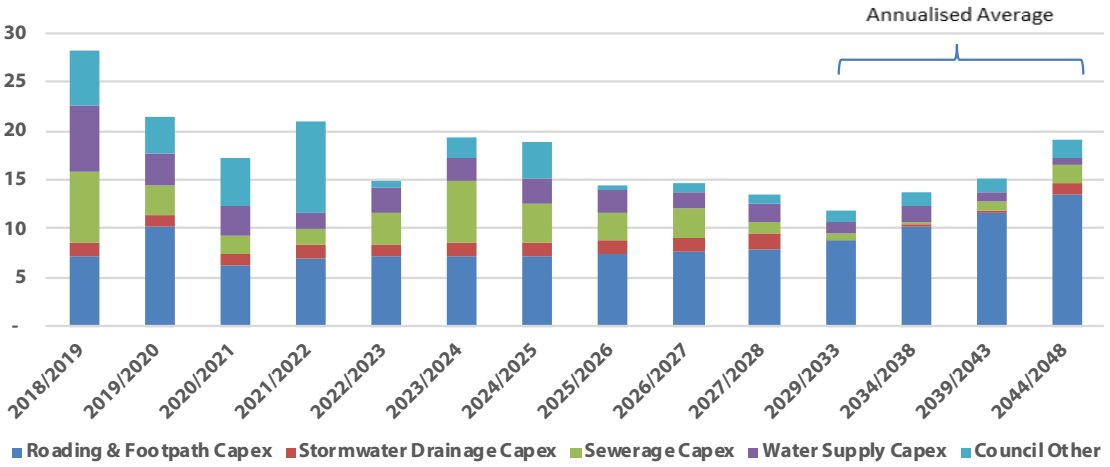
This information is the best information available to Council about these assets. For some assets (e.g. underground pipes) the information around age, type, and quantity is reliable, however it is acknowledged that information around condition has some limitations. Where these limitations exist the information will be reviewed as new information becomes available. Updated information could result in changes to the costs or timing of planned expenditure. Confidence about the information about the main classes of infrastructure assets is described in Appendix 1 at the end of this section.

Over the next 10 years the total investment across the District, for renewals and new capital work, is projected to be $184 million. This level of investment is required to maintain core services and levels of service. The graphs show projected capital and operating expenditure over the next thirty years. Years 11-30 are shown as five-year annual averages:

Operating Expenditure by Activity



Capital Expenditure by Activity



Council is now a member of the Local Government Funding Agency which provides access to longer term loans at rates lower than that charged by commercial banks. Nevertheless, the projected programme means that borrowing will be necessary. Historically, the Council has had minimal or no debt for the past fifteen years.

Our debt limits are defined in the Treasury Management Policy. These are:

- Total interest expense on net external debt will not exceed 15% of total rates income or 10% of total revenue
- The ratio of net external debt to annual rates income will not exceed 150%
- Net external debt will not exceed $2,500 per capita.

Note:

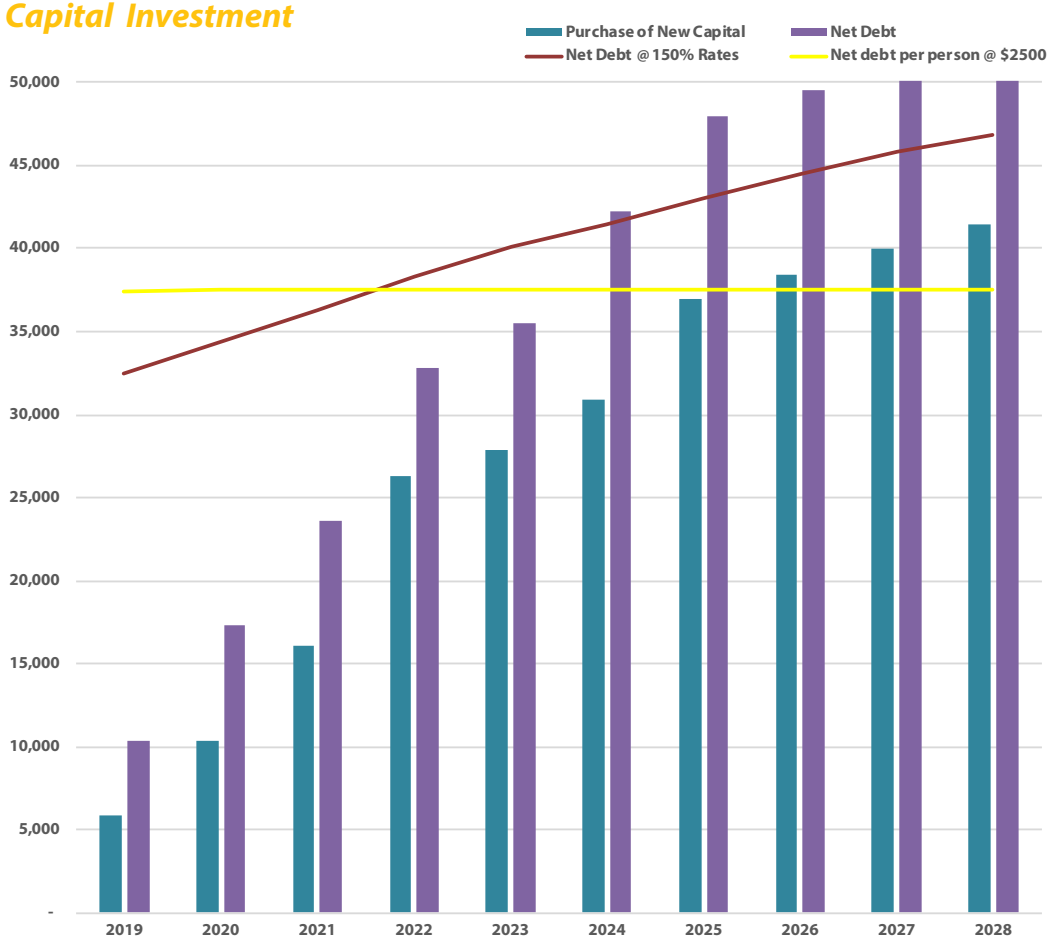
- Total Revenue is defined as cash earnings from rates, government capital grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes nongovernment capital contributions (e.g. developer contributions and vested assets).
- Net external debt is defined as total external debt less unencumbered cash/cash equivalents.
- The liquidity ratio is defined as external term debt plus committed bank facilities, plus unencumbered cash/cash equivalents divided by current external debt.

Net interest on external debt is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.

The graph below shows that the limit of debt as a percentage of rates income is breached after 2025. However, as evident in the succeeding graph, debt per capita (the most sensitive benchmark) is breached after 2023. This is why Council will be advocating strongly to the new government for financial assistance for the 3 waters.

The following graph analyses the components of capital investment and charts the total against debt as well as Council's self-imposed limits on debt.

Net Debt to new Capital Investment



The Benchmark disclosure statement on page 189 provides further analysis. Explanation for deficits (unbalanced budget) See Appendix 3.

Funding of the most likely scenario?

Revenue and financing policy

This policy sets out how activities will be funded and to what level. Council has made a detailed assessment on its revenue and financing policy, which was consulted on separately. No changes were made as a result of submissions. The policy is set out on page 153.

Rates

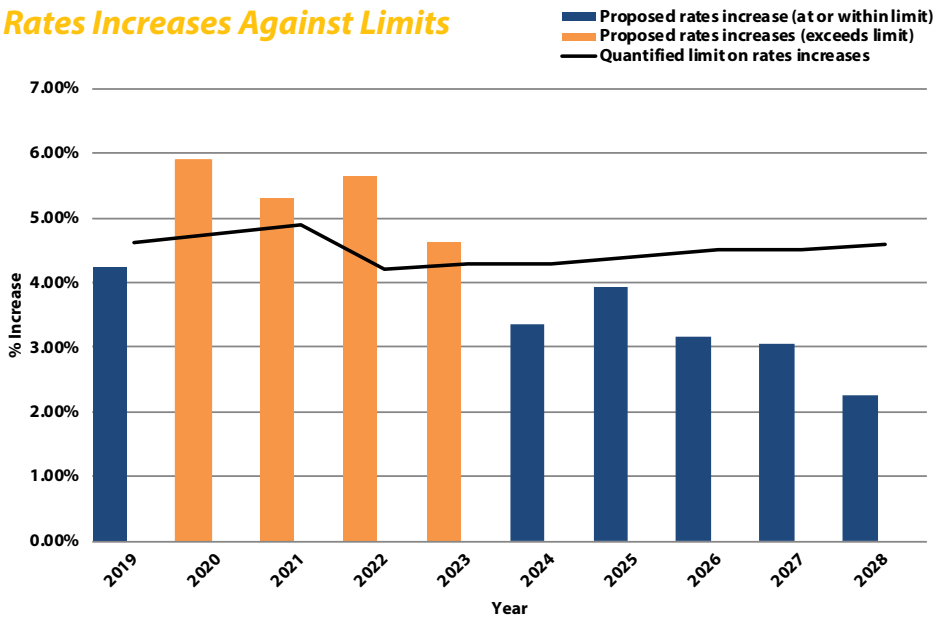
We know it's important to keep rates affordable. Our commitment is to cap any increases in expenditure to a level our community can afford, while still providing services and activities the community want and enjoy. We will continue to fund (through depreciation) future replacement of our critical assets, such as roads, and water and wastewater networks.

While rates will increase due to inflation, we will continue to look for more efficient ways of delivering services and running Council operations. The impact of depreciation and the need to fund new important infrastructure projects means that increases in expenditure will exceed the level of inflation. In order to keep rates affordable, we want to limit annual rate increases at an average 2% above the inflation rate. For the first three years we have applied the same rate increase as in the 2015-25 Long Term Plan. For Year 4 onwards, the rate increase is the Local Government Cost Index plus 2%. This means rate increases will, on average, be capped at a maximum 5% per year over the next 10 years. To achieve this we have looked closely at the timing and scale of major expenditure, such as water and wastewater treatment plant upgrades, and how these projects will be funded.

The quantified limits are as follows:

2018-19	4.61%	$21.755 million	2023-24	4.30%	$27.870 million
2019-20	4.75%	$22.706 million	2024-25	4.40%	$28.835 million
2020-21	4.90%	$24.144 million	2025-26	4.50%	$30.001 million
2021-22	4.20%	$25.190 million	2026-27	4.50%	$30.954 million
2022-23	4.30%	$26.637 million	2027-28	4.60%	$31.933 million

The following graph shows the relationship between forecast rates and rate increases:



Actual rate levels for each property will vary, depending on whether a property is connected to a Council water supply or wastewater scheme, the capital value of a property and whether that property's value changes relative to other properties. The three-yearly revaluation of properties doesn't change the amount of rates Council needs to run its business, but can result in changes to rating levels. Where a property's rating value falls relative to other properties, then a reduction in rates is possible. However, where a property's value rises relative to other properties, then

a higher than average rates increase is likely for that property. The limit represents Council's view on affordability. There were no breaches in the Consultation Document, although some years were very close to the limit. However, the budgets prepared for the Consultation Document included the cost of kerbside recycling only from 2019/20, but the outcome of submissions was not sufficiently conclusive for Council to decide on proceeding with that. Instead. it will be consulting again on the issue and – given the considerable interest from sections of the community to have kerbside rubbish collection as well as kerbside recycling – Council decided to budget for those costs from 2019/20. This is the immediate cause of the breach. The outcome of these further consultations could mean part or all of this budget provision is removed in the 2019/20 Annual Plan. As noted on page 41, Council will be advocating to the new government for financial assistance for the three waters (to reduce borrowing, debt and the resulting impact on rates). Those costs make it difficult to provide additional services and maintain rates affordability. For that reason, and the uncertainty of the outcome of the consultations about kerbside rubbish and recycling, Council is not proposing to change the limit on rates increases it has set[16]

Council faces increasing costs in a number of areas. For example, the cost of depreciation increases as the extent and value of our assets increase. In addition, the costs of some of the equipment, materials and services we use increase faster than the general rate of inflation.

Council is forecasting rate increases lower than total expenditure increases by using alternative funding sources, depreciation and reserves, and improving our efficiency.

Non-rates income sources

Fees, charges, grants and subsidies are very important sources of income for Council, and maximising these mean that rates can be kept at lower levels.

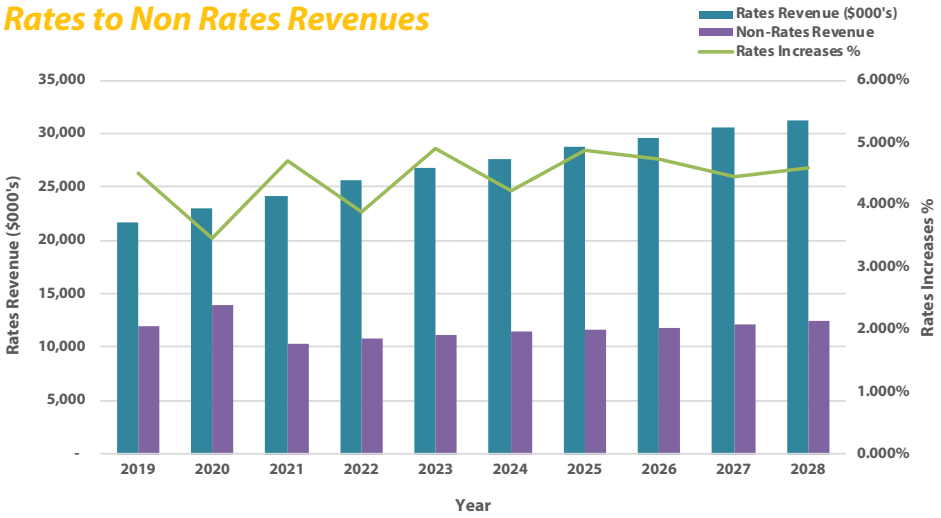
The most significant non-rates income for Council is the roading subsidy from the New Zealand Transport Agency (NZTA). In 2016/17 this amounted to $11.19 million.

Council seeks external funding assistance for its community well-being activity and in partnership with other community organisations, obtained $61,000 in 2016/17 for this work.

Other external funding is sought for capital projects, such as the refurbishment of community and leisure facilities or the provision of water supplies in our smaller communities. In recent years Council has been successful in securing significant funding grants for this work from local/regional trusts and government agencies. Recent examples of this are the grant from the Ministry of Health for upgrading the town water supply at Hunterville, the grant from the Ministry for the Environment for ending the discharge of Ratana's wastewater to Lake Waipu and the Lottery Community Facilities Fund for the construction of a new community facility in Bulls.

Fees and charges are another source of income. These are charged when individuals or groups have exclusive use of Council facilities, use a specific service (such as an interment or dumping rubbish at a transfer station) or require Council to act in a licensing or regulating role, such as building consents and liquor licences. In 2017/18 the forecast revenue from fees and charges is $2.093 million, nearly 10% of the forecast rates revenue.

The following graph shows Council's funding sources and proposed rates increases:



[16] **This is a disclosure under section 80 of the Local Government Act 2002.**

Depreciation

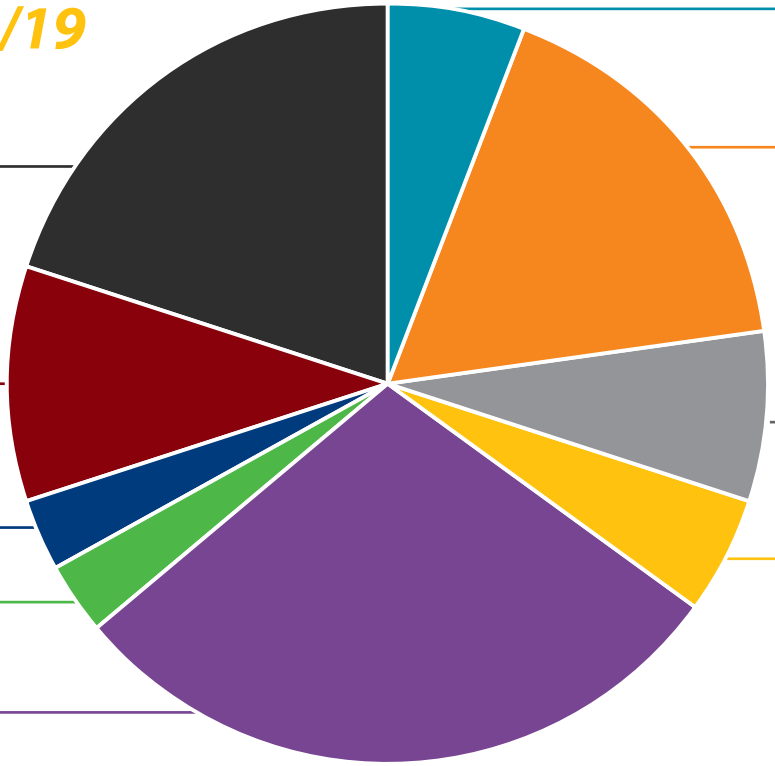
Rangitikei District Council funds its depreciation for most of its assets particularly infrastructure. The exceptions are for roading (due to Government funding over 50%), Community Housing and Swimming Pools (where Council is considering fully funding this over the life of the LTP) and the Rural Water Schemes, where the participants pay for all the maintenance. Council is of a view that community assets such as Halls and Libraries will always involve a contribution from fund raising and will look to fund only 50% of this depreciation in the future. Council is also looking to more closely match the life of these assets to their depreciation cycle, which will require a change in depreciation rates in the Council's depreciation policies. This has the effect of more closely matching the use of the assets to those that use it and pay for it.

However, the dollars collected in nominal terms on the historical cost of the asset do not cover the full cost of replacing assets, due to inflation and increased compliance and other costs for renewals and new capital infrastructure. Where depreciation reserves are insufficient, the required work is loan funded.

How far a rates dollar goes today…

The services and activities provided by Council are paid for by rates, spread across both urban and rural rating areas, and other income. Rates currently cover 64% of our expenditure, with the remaining coming from other sources, such as user fees/ charges and subsidies. The following graphic shows, in 2017/18, how each $1 of rates is spent.

Rates by Activity 2018/19



Securities

Council's policy on the giving of securities is set out in the Treasury Management Policy:

Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government Rating Act. The security offered by Council ranks equally or pari passu with other lenders. From time to time, and with Council approval, security may be offered by providing a charge over one or more of Councils assets. Any internal borrowing will be on an unsecured basis. Physical assets will be charged only where there is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. project finance) and Council considers a charge over physical assets to be appropriate.

Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

Council's objectives for holding and managing financial investments and equity securities are set out in the Treasury Management Policy.

The Council's general policy on investments is that:

- the Council may hold financial, property, forestry, and equity investments if there are strategic, commercial, economic or other valid reasons (e.g. where it is the most appropriate way to administer a Council function);
- the Council will keep under review its approach to all major investments and the credit rating of approved financial institutions; and
- the Council will review its policies on holding investments at least once every three years.

Appendices

Appendix 1

Data confidence

In projecting future costs for its infrastructure, Council needs to have regard for the reliability of the information it has on its assets. The maintenance, renewal, and capital expenditure programme for Council's core assets is based on the information in Council's Asset/Activity Management Plans. This is the best information available to Council about these assets. Information about asset condition has some limitations, as noted in the following pages. Where these limitations exist, the information will be reviewed as new information becomes available. Updated information could result in changes to the costs or timing of planned expenditure.

The Asset/Activity Management Plans for Roading and the 3 Waters contain more detail on this topic.

Roading

The RAMM databases are Council's prime asset register for the network. They are routinely updated, and random samples of newly collected RAMM data are QA field checked. The databases are also continually checked during the course of their use and any anomalies are corrected when identified.

The confidence asset data is in the range 'highly reliable' to 'reliable'. Some data fields are incomplete, but this relates to information that is unknown or cannot be readily assessed, e.g. historical information relating to construction dates, old pavement subsurface formation details etc. This would very expensive to obtain, i.e. by on site testing. This limits information that can be generated in some instances.

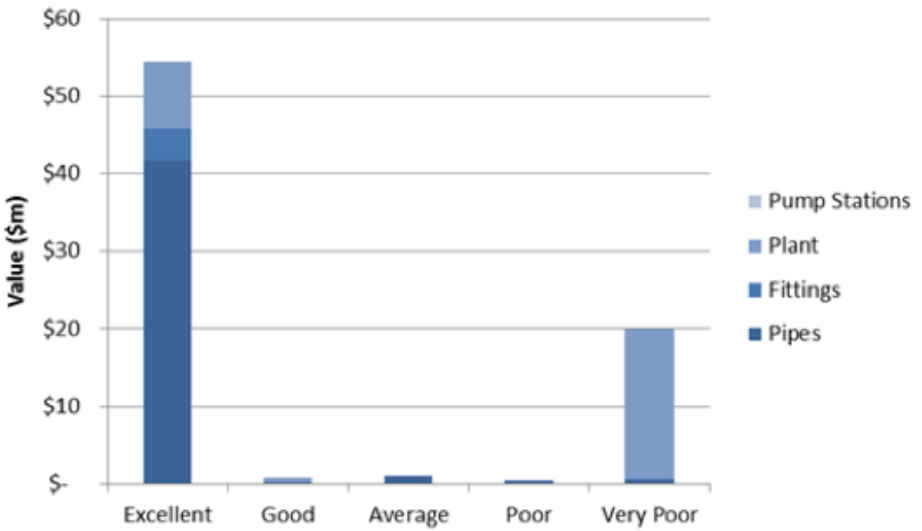
ASSET CLASS	DATA CONFIDENCE RATING	FORECAST CONFIDENCE RATING	METHOD OF COMPLETING THE RATING ASSESSMENT
Roading – carriageways and bridges	Highly reliable	Highly reliable	NZ Guidelines for Infrastructure Assessment
Roading – all other components	Reliable	Highly reliable	NZ Guidelines for Infrastructure Assessment

Chapter 6 in the Roading Activity Management Plan (pp. 151-162) discuss condition monitoring, which is done every two years. However, more attention is given to underlying defects (as evident in the more detailed graphs preceding this section, such as rutting, and also differentiating between the various classes of roads). This is a reflection that Rangitikei District is a low volume network where condition does not change much in a year: NZTA is satisfied with the frequency of condition monitoring.

Water, wastewater and stormwater

Council owns assets that in some cases are more than 100 years old, so a considerable portion of the infrastructure was created by the former Rangitikei County Council, Taihape Borough Council and Marton Borough Council. Many of the District's water, wastewater and stormwater assets are buried, meaning they cannot be easily inspected or, in some cases, even found. Historic records are held, and modern asset information systems ensure we are constantly improving the data we have. But there are still gaps in information for certain areas or assets. During the period 1998-1999, Council undertook a programme to digitise records on our infrastructure assets. GPS locations of known assets were recorded. This began the process of electronic record-keeping for our assets. There still remain cabinets of historic, hard copy plans that have been digitised through Archives Central.

Water assets - Condition information in 2014



Water assets – Condition assessment in 2017

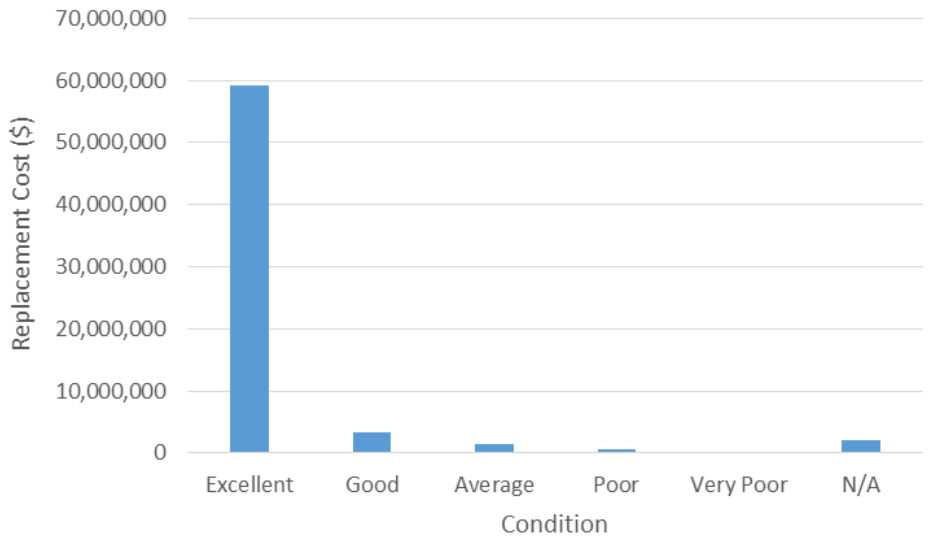


Figure A: Asset condition and Data confidence – Water

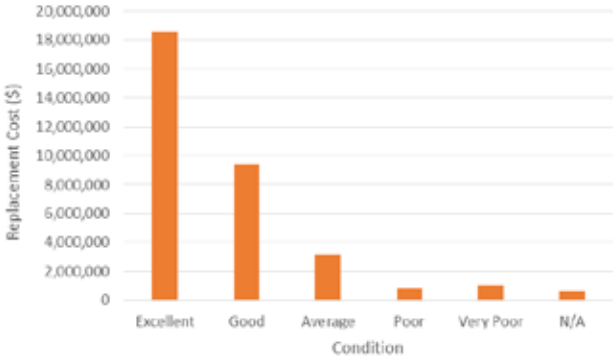
Figure A contrasts the asset condition recorded in 2017 with the confidence levels on the asset information held on our water assets in 2014 (an analysis not repeated in this way in 2017). While most of the condition (and information about condition) is graded "Excellent", there is a significant amount of assets for which information has been graded "Very Poor". Actual condition varies considerably. For example, in Bulls, much of the reticulation is copper or galvanised iron, which have deteriorated and contribute to leakage. Taihape's water reticulation is in very poor condition and best addressed by replacement of section rather than piecemeal repairs.

Condition assessment (2017) and confidence gradings for information on wastewater assets (2014) are given in Figure B. As can be seen, most wastewater asset information is reliable and has been graded "Excellent" – better than for water supply because of the number of CCTV inspections carried out. However, there are some assets for which the information was considered in 2014 as less reliable. MWH consultants carried out componentisation work on wastewater treatment plants in recent years, so most data on those assets is reliable.

Condition assessment (2017) and confidence gradings for information on stormwater assets (2014) are given in Figure C. Similar to water, the confidence in asset information for stormwater is mostly "Excellent", but with a significant amount (mainly pipes) graded "Very Poor". There is some variability between the main towns, with Hunterville being the least satisfactory.

The 3 Waters asset management plan provides a general overview on condition (page 37) and overall condition assessments for water (page 40+), wastewater (page 64+) and stormwater (page 89+), and a similar analysis for each plant/system. We

Wastewater assets – condition assessment in 2017



Wastewater assets – condition information in 2014

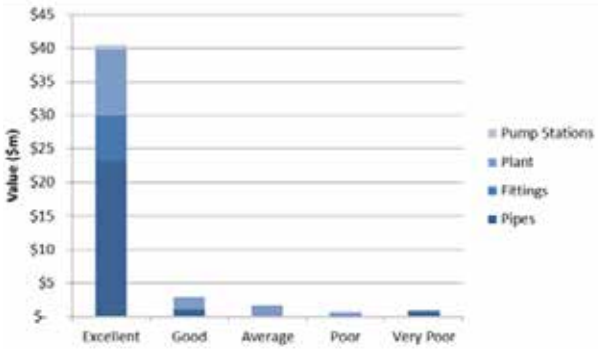
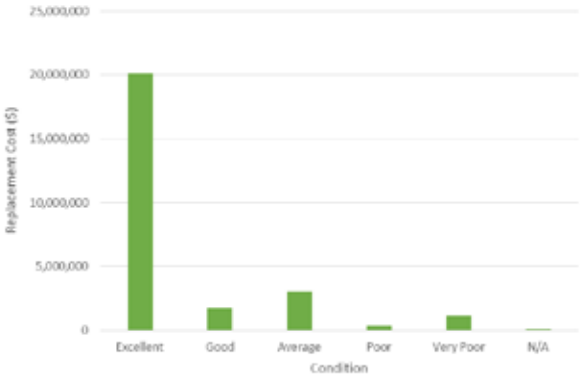


Figure B: Asset condition and Data Confidence – Wastewater

Stormwater assets – condition assessment in 2017



Stormwater assets – condition information in 2014

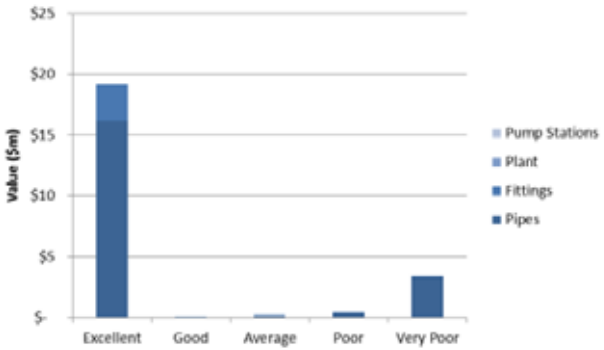


Figure C: Data Confidence – Stormwater

Bulls Domain Playground.

want to move to a programme of targeted condition assessments, but will not aim to inspect the entire water supply, wastewater or stormwater network, even over a period of years. Condition assessment programme is based on criticality, performance and age, with the objective to create a robust renewal programme.

Actual condition varies considerably. For example, in Bulls much of the water reticulation is copper or galvanised iron, which has deteriorated and contributes to leakage. Taihape's water reticulation is in very poor condition and best addressed by replacement of section rather than piecemeal repairs.

Community and Leisure Assets

The District's community and leisure asset base has developed over many generations to service a community with twice the current population and with very different lifestyle and community needs to today. Much of it is run-down and under-used. The previous two Long Term Plans have signalled that rationalisation needs to occur: however, this step needs to be taken over a period of time and in close consultation with local communities. Given this intention to reduce the portfolio of assets, it is not effective or efficient to undertake an extensive data collection and inputting process for assets which are immediately identified as not necessary to the future needs of the Rangitikei communities and no longer part of the asset management process. Asset information for this group of assets is generally compiled on a site basis, rather than identifying each item at that site. No formal assessment of data confidence has been undertaken.

Appendix 2:

Schedule of expiring consents *(only years with expiring consents are show.)*	**WATER**	**WASTEWATER**
Expired	Marton - discharge sludge – consent renewal in progress Mangaweka - river water take	Bulls - consent renewal in progress Ratana – consent renewal in progress
2019		Marton - discharge to water (and air)
2020	Taihape - river water take Ratana - abstraction bores (existing)	
2022	Bulls – abstraction bores	
2024		Mangaweka - discharge to Mangatera Stream Koitiata - discharge from oxidation ponds to land. Land use for the disposal area.
2026	Hunterville - dam	
2027	Marton - abstraction bore – Calico Line Erewhon - abstraction from stream and dam Omatane – abstraction from stream Putorino - abstraction from stream	Taihape - discharge into Hautapu River
2032	Marton abstraction Tutaenui bore	
2034	Ratana – abstraction bore (new)	
2037	Hunterville – river water take and diversion for infiltration gallery	Hunterville - discharge to land, water and air. Land use for rock outfall.

Appendix 3:

Explanation for deficits (unbalanced budget)

The Council's overall approach is to operate in a fiscally prudent and conservative manner. To achieve this we endeavour to keep rates increases at an affordable level; maintain a low level of debt and operate a lean cost structure.

In adopting the consultation document "Unfolding the Plan" for this Long Term Plan, Council was asked to resolve[17] that it is financially prudent for the 2018-28 Long Term Plan to set projected operating expenses at a different level than that required by section 100(1) of the Local Government Act 2002 having had regard to the four factors specified in section 100(2) of that Act. Those four factors are:

a. the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the Long-Term Plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and

b. the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and

c. the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life; and

d. the funding and financial policies adopted under section 102.

The Council does not fully fund the depreciation for all Council assets and, as a result, this Long Term Plan shows operating deficits of operating revenue to operating expenditure in 2020/21, 2021/22 and 2023/24. This is driven by:

- the decision by Council to not replace some assets in the future (mainly old community buildings);
- the way Roading and Community and Leisure Assets are funded – 63% of most of the maintenance and renewal costs of Roading is funded by the New Zealand Transport Agency (NZTA) by way of a grant. This grant covers the majority of the depreciation funding required for our largest asset group. Deficits can occur in years in which subsidies on renewals are less than 63%, through depreciation. Council considers incurring a deficit in these years to be a prudent approach, because if we were to rate for the deficit we would be building up depreciation reserves that are unlikely to be used in the next thirty years given the One Network Road Classification. Council already has budgeted to build up reserves of $1.5 million to meet unforeseen emergency repairs on the roading network.
- Council currently funds no depreciation on the rural water schemes, housing pools and real estate; and funds depreciation of 50% for parks, halls and public toilets for the following reasons:

  Rural water schemes: owner committees pay for renewals as they are required, therefore there is no need for Council to build up reserves and fund depreciation however one Water Scheme Committee has started to make a small provision for replacement of its plant similar to creating a depreciation reserves.

  Housing and pools: Council considered that these assets would not be replaced and therefore depreciation did not need to be funded. Council has reviewed this and is make provision to raise the funding to 95% over the period of the 2018-28 Long Term Plan

  Parks, halls and public toilets: Council is committed to the "fewer but better" concept in managing community facilities, and on that basis decided to fund half deprecation for these assets.

[17] **Council, 29 March 2018: 18/RDC/091.**