



kōrero mai
now we're
talking...



Long Term Plan

Mahere pae tawhiti

LTP Amendment

Consultation Document

Submissions close Friday 18 November, 4pm

2021-31

SECURING **TODAY**. SHAPING **TOMORROW**. STRONG **FUTURE**.

INTRODUCTION | He kupu whakataki

“We propose to invest money **IN our community, **ON** our community and **FOR** our community, now!”**

*Susan Law,
Chief Executive*

Supporting and encouraging district growth is a priority for Council and our community.

We can't properly plan or prepare for growth without first understanding the capacity and capability of our current infrastructure. This is established by doing asset modelling; which we have been working on for several years, in response to our growth trends.

The modelling work has identified several priority infrastructure improvement projects we need to deliver to support business, industrial and residential growth in our district for our communities' current needs and for future growth.

Most of the infrastructure is to unlock land for businesses to grow or relocate here, and develop residential subdivisions for housing for workers to live in the district; instead of commuting from outside of the South Waikato.

We now know what we need to do for our community, our towns and our district to grow and thrive.

These infrastructure works projects, totaling \$58.2 million, sit in the three waters space. The projects are spread across our water supply, wastewater and stormwater activities in the urban environment.

Recent housing and business assessments undertaken for Tirau and Tokoroa will require work to rezone additional land for development. The rezoning work will be undertaken through a District Plan review, but will only come into effect post 1 July 2024.

Economic growth has grown in momentum in recent years. Our community is starting to flourish as we benefit from economic opportunities.

If we choose not to invest at scale and at pace, there is a risk we will miss out on economic growth and employment opportunities for our people.

Currently we are constrained in what we can offer businesses because we don't have the supporting infrastructure.

To facilitate economic growth and ensure that South Waikato communities benefit from this growing economy, we need to enable infrastructure to open up land for development.

This is your opportunity to be part of the decision to lead growth in our district; and grab the future with both hands.

We propose to invest money **IN our community, **ON** our community and **FOR** our community, **NOW**.**



SINCE THE LTP 2021-31 | Mai rānō i te Mahere pae tawhiti 2021-31

In developing the 2021-31 LTP, Council decided, together with our community, that our key focus needed to be on responding positively to **GROWTH**, building Council and community **RESILIENCE** and strengthening and developing key **RELATIONSHIPS**.

With this LTP Amendment, Council and the community can continue to rise to the opportunities of growth. We are working hard to put our district in the best position to attract and facilitate investment to foster district growth.

In order to **secure** today and **shape** tomorrow for a **strong** future, our focus has to be on growing our economy, creating jobs for our people, fostering new business initiatives and people connections.

And we need some new infrastructure to keep pace with our growing economy.

HISTORY OF OUR GROWTH | Te hītori o tā mātou tupuranga

Until about five or so years ago, our district was in population decline. When this happens, councils are legally obligated to plan for a declining population, cut back on spending and prepare for a smaller rating base.

Assumptions in our 2015 -2025 LTP specifically centered around decline. Between the 2015 LTP and the 2018 LTP, things started to change and there was a steady upswing in both business and population growth. Drivers such as improved state highway networks with several bypasses and property price increases in neighbouring areas, started to make living in and setting up businesses in the South Waikato more attractive. So, in the 2018 LTP, we had to change our planning assumptions to cater for this growth.

In addition, Central Government now requires councils to prepare for population growth and increased housing demand as part of its national strategy to facilitate housing development.

WHY AN LTP AMENDMENT? | He aha ai he Mahere pae tawhiti rerekē?

The LTP is Council's Long Term Plan. The current LTP looks out ten years from 2021 to 2031.

It outlines Council's direction for the future, including the services and projects planned and the issues and challenges facing our District and community. It's our plan to make the South Waikato a great place to live, work and play.

Council needs to do an LTP Amendment because the proposed projects change our financials. When we adopted the LTP 2021-31, we hadn't completed the necessary modelling and so couldn't include the projects in the LTP.

- Time is of the essence. Council doesn't want to delay this enhanced infrastructure programme until the next complete LTP review because the longer we delay, the more costly it will be, as construction prices are only going one way for the foreseeable future; and that is up! This work needs to happen anyway at some point in the future. We believe it is best to bite the bullet now and get the enhanced programme going.
- We are already turning investment opportunities away. We need to progress this infrastructure programme as soon as we can to take advantage of current and future opportunities.
- Possibly losing our three waters to a new entity - that consists of 21 other councils, including several high growth districts, also means that our priorities for our district's growth may not be regional priorities and our communities may miss out on the advantages that comes with growth.
- We need to get these projects into our Asset Management Plans (AMPs) so that when/if the new water entities take the three waters over, our priorities for our communities are captured and will be progressed.

Now that we have the information to inform our enhanced infrastructure programme, we are required to do an Amendment.

WHO DOES THIS LTP AMENDMENT IMPACT? | Mā wai e whakaaweawe i tenei Mahere pae tawhiti rerekē?

Everyone. Ratepayers. Residents. Community.

Our district is realising the benefits of a growing economy, increased investor interest, and very real developments, such as the South Waikato Trades Training Centre, a new dairy factory in Tokoroa, new subdivisions and upcoming retirement village in Putāruru. Many in our community are seeing employment opportunities during construction; and beyond construction there will be even more jobs to boost our people.

When we adopt an LTP in the lead up to Year 1 (of the LTP), it includes budgeted projections for Years 1 to 10. It is hard to know exactly what this looks like, without a crystal ball and we don't have one of those. So, we make assumptions about the future of the activities we provide, assets we hold, issues that affect us, cost forecasts and our ability to deliver our services. Assumptions, formed by careful analysis of trends, signals and other data, allow us to plan and budget over a ten-year period. Assumptions include:

Infrastructure assumptions such as construction costs, life of asset, future of three waters reform, population growth.

Financial assumptions such as inflation and interest on borrowing

Economic and rating assumptions such as the number of rating units, rating revaluations.

We also assume that legislation will be ever-changing!

A key assumption that is driving this enhanced capital programme is our district and population growth. We have assumed that Putāruru, Tirau and Arapuni townships will grow by 1% and Tokoroa by .3% per year over the ten-year period. Our population will grow by 30% by 2053.

For a full list of assumptions refer to Part 8 of the full LTP Amendment.

What does growth mean?

- More people living here.
- Increased income for our people.
- More of our people in jobs.
- More available land for a range of housing options.
- More new businesses and expanded current businesses.

AUDIT REQUIREMENTS | Ngā herenga tātari kaute

The full amended LTP, supporting documents including Asset Management Plans, 30-year Infrastructure Strategy and financial implications have formed part of this Audit review. This Consultation Document (CD) has been audited by Deloitte Ltd on behalf of the Auditor-General - the Audit report is included on pages 18 and 19 of this Consultation Document.

building **BIG** empowering **GROWTH**

THE OPTIONS | Ngā kowhiringa

In this Consultation Document (CD), Council proposes two options - Option A or Option B. This CD outlines the options, advantages, disadvantages, levels of service, risks, total cost, rate impact and debt impact for each option.

Option A

Progress the infrastructure projects (in the water, wastewater and stormwater space).

Option A is Council's preferred option.

Option A takes up considerable space in this CD, compared to Option B; simply because our proposed options are basically all or nothing; and Option A has a lot of detail.

Option A detail can be found on pages 6 to 12.

Option B

Not to progress the infrastructure projects.

Option B detail can be found on pages 14 to 15.

** Please note: valuations are unaudited*

Water FACTS

There are 293km of water pipes in our underground water supply network. We have nine water sources (bores and/or springs), six water treatment plants and 11 reservoirs. Our network also includes 1,738 valves and 1,138 fire hydrants.

We drew 2,127,853 cubic metres (m³) of water from the Tokoroa bore last year, 409,802 m³ from Te Waihou spring, 516,367 m³ from the Glenshea bore, with 185,167 m³ from Tirau and 64,899 m³ from Arapuni.

The replacement value of our water infrastructure assets is \$90 million* (as at 30 June 2022).

Stormwater FACTS

There are 123 km of open drains and piped drains across the district.

There are 11 retention dams/ponds.

The replacement value of our stormwater infrastructure assets is \$83 million* (as at 30 June 2022).

Wastewater FACTS

There are 7,484 properties in Tokoroa, Putāruru, Tirau and Arapuni townships connected to SWDC's wastewater systems.

The system includes four wastewater treatment plants, 18 pump stations, 3,232 manholes and 215 kilometres of pipes.

The replacement value of our wastewater infrastructure assets is \$125 million* (as at 30 June 2022).

OPTION A – PROGRESS THE INFRASTRUCTURE PROJECTS | Kowhiringa A – Mahia ngā kaupapa hanganga

Council has already confirmed with our community that economic growth and resilience is a priority. We did this through the 2018-28 Long Term Plan and again through the Long Term Plan 2021-31.

The infrastructure modelling work which Council has progressed over the past several years has identified priority infrastructure improvement projects we need to deliver to support business, industrial and residential growth in our district for our communities' current needs and for future growth.

These capital works projects sit in the three waters space.

While these projects have been determined to be shovel ready, there are risks to the proposed timeline delivery due to landowner approval and resource consent processes in some cases; along with contractor availability and capacity.

Option

A

pages 6 to 12

THE PROJECTS | Ngā kaupapa

These three waters projects will be funded by debt. While the total project cost is \$58.2 million, we already have \$4.6 million in our budgets for some of this project work, therefore we are proposing to debt fund \$53.6 million for the projects. This debt funding is targeted to urban areas that receive the services.

How is debt funding repaid? Debt is repaid via rates. Which can seem quite scary given we are talking about debt of \$53.6 million! Several key points about this scary figure:

- Debt funding is repaid over years, through an inter-generational equity model which means that ratepayers now and future ratepayers pay for the infrastructure; not just ratepayers of today.
- **IF three waters goes ahead** as proposed, the debt will be transferred to the new entity.
- **IF three waters doesn't go ahead**, and the debt stays with Council, we will put a Development Contribution* Policy to ensure that ratepayers don't pay the full cost of the growth related projects (largely water and wastewater). Instead, developers of any newly zoned land will contribute.

** What are DCs? Development contributions are put in place to ensure there is a fair split between the cost of infrastructure between ratepayers and developers. This is achieved by analysis of the proportion of the development that is required to meet current population needs and the proportion that is required for growth.*

A brief outline of the infrastructure projects are The on Page 7, including estimated cost, estimated timeline and type of investment.

hanga **NUI** whakamana **TUPURANGA**

#	Project	Est. budget	Description	Investment type	Budget years
1	Tokoroa	\$10.7 million	Provide water and wastewater infrastructure to the boundaries of developments to unlock potential growth cells for future development.	Growth	2025-26 and 2026-27
2	Tokoroa	\$16.9 million	Develop stormwater infrastructure – including land purchase, retention basins, open drains, enlarged pipes, across the town to mitigate flooding. This will reduce flooding of existing sections and it supports infill housing development.	Level of Service Growth	2023-24 to 2026-27
3	Maraetai Road, Tokoroa	\$4.0 million	Provide three water infrastructure assets to enable the development of the Maraetai Road Intermodal Business Park to allow for the development of for sale/for lease sections. Includes construction and consenting of two large stormwater ponds and an extended fire main for required firefighting capacity at an industrial development.	Growth	2023-24 and 2024-25
4	Honowhenua, Tokoroa	\$0.3 million	Extend water infrastructure to the boundary of the Honowhenua development (capacity for the development of up to 200 houses). The Honowhenua subdivision is on the south side of Tokoroa adjacent to Strathmore Park.	Growth	2023-24
5	Tīrau	\$12.8 million	Provide water and wastewater infrastructure to the boundaries of developments to unlock potential growth cells for future development.	Growth	2025-26 and 2026-27
6	Tīrau	\$3.9 million	Develop stormwater infrastructure structures and strategies to slow the rate at which stormwater flows into the town and increase the rate at which it leaves the town (ie, to mitigate flooding in projects below). This supports infill development.	Level of Service Growth	2023-24 and 2024-25
7	Putāruru	\$7.3 million	Develop stormwater infrastructure – including widening of flood prone areas and integration controls - across the town, to mitigate flooding. This will reduce flooding of existing sections and it supports infill housing development.	Level of Service Growth	2023-24 and 2024-25
8	Districtwide Telemetry & SCADA	\$2.3 million	To upgrade water and wastewater infrastructure control and communication systems at various remote locations within our District to ensure compliance with wastewater consent conditions and drinking water standards.	Renewal	2023-24 and 2024-25
		\$58.2	Total estimated cost of the projects... but...		
	Existing funding	\$4.6 million	... we already have \$4.6 million in the LTP budget for some of this work, so we can take this off the estimated total cost of the projects.		

\$53.6 million Total debt funding required (\$58.2 million minus \$4.6 million = \$53.6 million)

ADVANTAGES AND DISADVANTAGES | Ngā huanga me ngā taumahatanga

To assist our community to understand the impact this enhanced infrastructure works project will have on the district, Council has done an analysis of the advantages and disadvantages. These relate to one or more of the infrastructure projects above.

Disadvantages

The proposed programme of works outlined in this CD is approximately two years' worth of capital expenditure **over and above what is currently planned in Council's LTP 2021-31**. This will put pressure on delivery of BAU. Additional staffing resource in the project management field to effectively manage these significantly large projects will likely be required. This is included in the figures in this document.

All projects are subject to lead times for design and engineering consultants, **labour and materials availability** and **fluctuating costs** in the current market. This is why Council has already started working in this space (see page 16 of the CD). None of this work is wasted, because even if we don't progress the works now (as per the Amendment), the works are still required in the future.

Projects will **increase debt levels and rates** in the short term. This is illustrated in the tables and graphs for Option A.

IF Three Waters Reform as proposed at the time of writing does not proceed, our debt levels will be higher than if we didn't do the projects. In addition, our **ongoing rates would be higher due to increased operational and maintenance spend to maintain the level of service**. See page 13 of this CD for Three Water Reform background and current status of the reforms.

Without this development, Council and community cannot meet residential, industrial and commercial growth demand.

*Photo: The new **ofi** dairy factory under construction at the southern entrance to Tokoroa.*

option
A



Advantages

Providing this new infrastructure **enables industrial and business zoned land to be developed** which is **critical to attracting new enterprises** to move to the South Waikato. This will create employment and supply chain and economic flow on will benefit local communities. Currently Council is turning investment away because our infrastructure cannot support the initiatives. This translates into a loss of jobs for our people.

Telemetry and SCADA (Supervisory Control And Data Acquisition) upgrades to **achieve required improvements** in reporting by relaying constant monitoring data. This ensures **compliance with water and wastewater treatment standards and consent conditions** and is essential to enhance the health, safety and wellbeing of our communities connected to the water supply and enhance environmental protection (wastewater).

Infrastructure investment to **increase market housing supply** (numbers and type) is critical to attracting new businesses and skilled employees required for existing enterprises to grow and expand. Building this infrastructure will **enhance our ability to meet housing demand** now for our existing community and into the future for new people moving to the district. Currently housing demand exceeds supply and quality is generally poor. Even if new businesses develop here, without appropriate housing stock, staff may well commute. This translates value leakage when dollars earned within the district are spent outside the district*. This is not being achieved currently and until housing improves, South Waikato communities will not benefit as much as they could.

**Every dollar spent local, creates three dollars of value in the community due to circulation*

Enable and accelerate infill residential development within Tīrau and Tokoroa to **increase the immediate range and quantum of new housing supply** for general market, as well as for the social housing market.

Enabling infill housing can trickle a range of new housing stock into the market while **larger substantial subdivisions are underway**.

Enabling infill housing provides **contract opportunities for a range of construction companies**, from large national building companies to smaller building companies, that can't tender for large scale subdivisions but can for small infill housing projects.

Large growth cell housing developments will **provide an increase in rental options** for our community.

Ensures **wastewater treatment plants meet its resource consent conditions** and ensures **environmental sustainability**.

Addresses current stormwater and flooding issues across various locations in the district by reducing the number of properties and sections potentially impacted by a flooding risk (1 in 100-year flooding)*. Improvements will also reduce the flood risk to new properties that will be opened up for densification by mitigating the long term effects of climate change, reducing the rate and volume of stormwater into the system and increasing the rate and volume out of the system.

** incorporates 50 years of climate change projections*

Provides 7.4ha of **new development ready industrial zoned lots** with direct freight connectivity to the existing Tokoroa Road Rail Terminal and creates between 200-250 full-time jobs. Will provide suitably zoned and services land for **new businesses to build on and invest in**, without the investor doing the development from scratch.

option
A

“Council’s role is to facilitate economic growth and with this infrastructure we can do more in this space for the people of the South Waikato.”

*Susan Law,
Chief Executive*

FUNDING IMPLICATIONS | Ngā hiraunga pūtea

When we adopted the financial direction within the Council Strategy as part of the LTP 2021-31 we set some financial limits including:

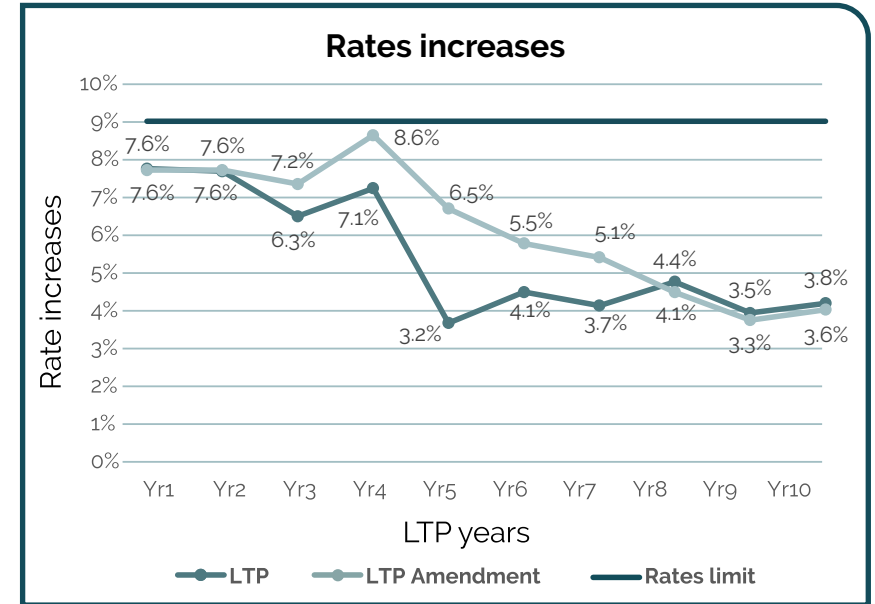
- net debt to revenue ratio* would be no more than 175% of total revenue;
- average rates revenue increase# would not be larger than 9% for any year; and
- average rate revenue increase over the ten-year period^ covered by the LTP would be no more than an average of 6%.

The only limit that is exceeded in this Amendment is the 175% net debt to revenue ratio - at 178% in Year 6 (2026-27). This is higher than the limit allowed by our funding agency. We draw your attention to this. Council will need to do some work in this area during the next LTP to avoid exceeding this limit when the time comes.

* plain English - net debt divided by revenue, expressed as a percentage. Net debt - borrowings less cash and investments

plain English - the average percentage rates increase per ratepayer

^ plain English - this is the average rates revenue increase (see line above) averaged out over the ten-year period.



option A

			NEW LTP 2024-34		NEW LTP 2027-37		NEW LTP 2030-40		
LTP Year	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Years	2022-23 (current)	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Current LTP average rate	7.6%	6.3%	7.1%	3.2%	4.1%	3.7%	4.4%	3.5%	3.8%
Average rate increase	7.6% (unchanged)	7.2% (0.9% increase)	8.6% (1.5% increase)	6.5% (3.3% increase)	5.5% (1.4% increase)	5.1% (1.4% increase)	4.1% (0.3% increase)	3.3% (0.2% decrease)	3.6% (0.2% decrease)
Increase in net debt	(\$0.164) (decrease)	\$13.496 m	\$24.440 m	\$38.330 m	\$53.560 m	\$53.560 m	\$53.560 m	\$53.560 m	\$53.560 m
Total new capital project cost	(\$0.164 m) (decrease)	\$13.496 m	\$24.440 m	\$38.330 m	\$53.560 m	\$53.560 m	\$53.560 m	\$53.560 m	\$53.560 m

INFLATION IMPACT ON AMENDED LONG TERM PLAN | Te kawekawe ō te tāmi ahumoni i runga i te mahere pae tawhiti reke

The original Long Term Plan dated 30 June 2021 included assumptions around the movement in inflation for the forecast period up to June 2031 for our operational and capital expenditure. These rates were based on modelling completed by Business and Economic Research Ltd (BERL) and reflected a trend of near normal inflation rates between 2% and 3%.

Over recent months a significant spike has been forecast in most economic models. NZ Treasury's modelling dated 19 May 2022 provided the following estimate of this change.

While high level sensitivity modelling to assess the impact of this movement on rates indicates a short term rise in Year 3 (2023-24) and Year 4 (2024-25), the overall trend over the period is well below benchmark.

With this background, no adjustment has been made in the Long Term Plan amendment for this inflationary movement for the following reasons:

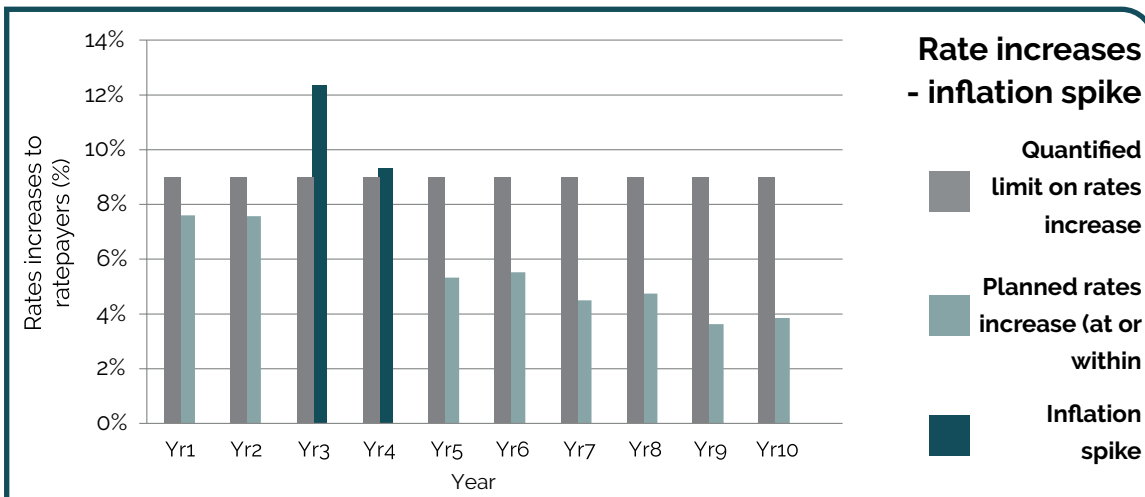
- Movements in inflation have been extremely volatile and difficult to predict.
- The purpose of the Long Term Plan Amendment is to outline the impact of Council's adopted strategy of elevated investment in growth capital projects on our financial outlook. Any adjustment to inflation would affect all Council projects and thereby remove any comparability with the original LTP.
- A revamp of the whole LTP to account for a potential short blip in Years 3 and 4 would not be prudent and may in fact be misleading due to the high level of uncertainty.
- An LTP Amendment does not reset the three-year LTP review cycle. A full LTP process would still need to be completed by 30 June 2024. Doing a full LTP review as part of this Amendment would be poor use of Council's limited resources.

Extract from NZ Treasury

June years	Actual	Forecast				
		2021	2022	2023	2024	2025
Real production GDP (annual average % change)	5.3	1.7	4.2	0.7	1.6	2.5
Unemployment rate (June quarter)	4.0	3.1	3.3	4.4	4.8	4.7
CPI inflation (annual % change)	3.3	6.7	5.2	3.6	2.7	2.2
Current account (annual, % of GDP)	-3.3	-6.7	-6.4	-4.9	-4.0	-3.6

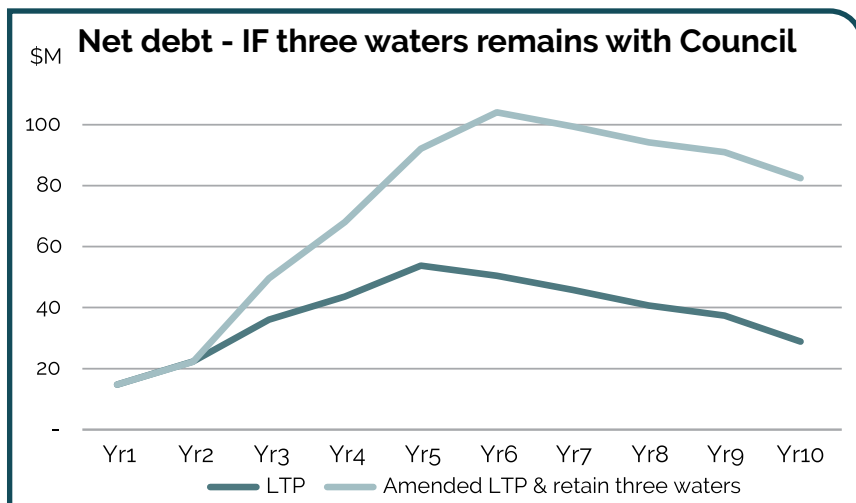
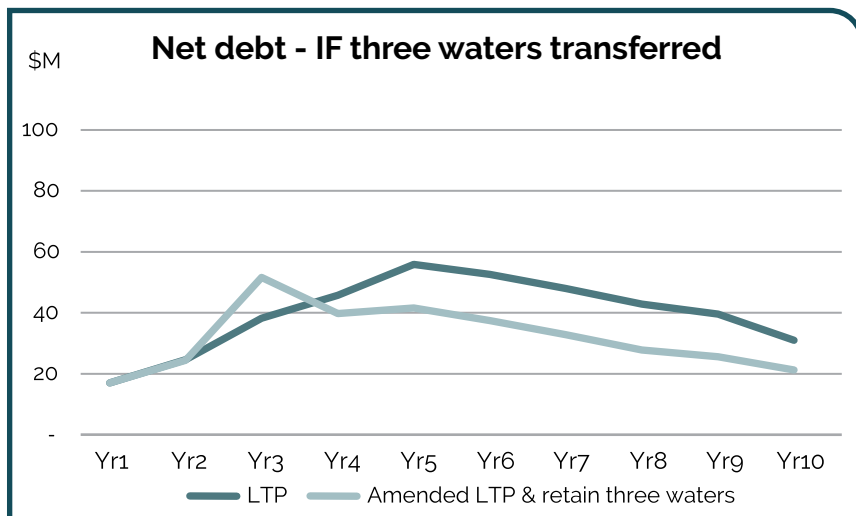
The New Zealand economy has overall been resilient to the transmission of the Delta and Omicron variants across the motu, although some businesses and households have been more impacted than others. High vaccination rates are limiting the health impacts of the virus while the more permissible COVID-19 Protection Framework enables greater economic activity. In addition, fiscal support measures have helped support the economy to date. Consequently, the Omicron outbreak will weaken the GDP growth and hours worked in the first half of 2022 as people fulfil their isolation requirements, but the impacts are expected to be relatively small and temporary.

The labour market remains characterised by a state of tightness whilst tax revenues remain strong. The unemployment rate in the March 2022 quarter remained at a record-low 3.2% and hours worked, which were expected to decline due to Omicron, fell only 0.2%. These conditions, in turn, have supported core Crown tax revenue, which was \$2.7 billion above the 2021 Half Year Update forecast for the nine months to March 2022.



THE DEBT PICTURE | Te pikitia nama

The primary driver for the spend is to enable growth. We have done a lot of work on the necessary modelling to identify what infrastructure improvements we need to meet the demands of growth. The projects sit in the three waters activity space which is where a link to the three waters reform can be made. The decision to proceed with Option A or not changes the future debt picture, depending on whether or not three waters reform proceeds or not.



RATES EXAMPLES | Ngā tauira reiti

Urban	House icon	Year 2 rates - 2022-23 (current financial year)		Year 3 rates - 2023-24 (next financial year)	
		Property Value*	Current	Proposed	Increase/week*
Arapuni		\$485,000	\$3,108	\$3,361	\$4.86
Tīrau		\$555,000	\$3,218	\$3,468	\$4.82
Putāruru		\$475,000	\$2,979	\$3,217	\$4.57
Tokoroa		\$380,000	\$2,682	\$2,919	\$4.56

Lifestyle	House icon	Year 2 rates - 2022-23 (current financial year)		Year 3 rates - 2023-24 (next financial year)	
		Property Value*	Current	Proposed	Increase/week*
Tīrau		\$810,000	\$2,569	\$2,644	\$1.44
Putāruru		\$750,000	\$2,401	\$2,472	\$1.38
Tokoroa		\$730,000	\$2,323	\$2,411	\$1.69

Rural	House icon	Year 2 rates - 2022-23 (current financial year)		Year 3 rates - 2023-24 (next financial year)	
		Property Value*	Current	Proposed	Increase/week*
Tīrau		\$3,889,000	\$11,093	\$11,445	\$6.76
Putāruru		\$3,620,000	\$10,373	\$10,703	\$6.34
Tokoroa		\$4,917,000	\$13,776	\$14,239	\$8.90

end of option **A**

Rates calculator available at www.southwaikato.govt.nz.

* average

See pages 14 to 15 for Option B

MORE ON THREE WATERS REFORM | Mōhiohio atu mo te whakahoutanga o ngā wai e toru

The three water reform process is a central Government led initiative. The Government aims to improve the safety, quality, resilience, accessibility and performance of three water services, in a way that is affordable for New Zealanders now and into the future. The proposed model provides for four Water Entities to be established that controls three waters across the country. Many in our community will be aware of Council's stance on this reform. We support parts (regulatory body, iwi involvement, need for change) and we are unsupportive of other parts, including the proposed model itself. The Three Waters Reform Bill is currently before Parliament, following public consultation.

Due to the uncertainty around the Reform, Council has retained three waters infrastructure in its long term planning. What is important for this LTP Amendment is the long term debt picture. This debt picture changes depending on whether or not the Reform continues along its current timeline or not.

You can read more about this under Option A on pages 6 to 12.

** In 2016, Havelock North's drinking water was affected by a campylobacter contamination. 5,500 people fell ill, 45 were hospitalised and four people died. An inquiry was two-fold. 1. Identify the cause of the outbreak. 2. Look at the wider regulatory context and ways to reduce the likelihood of it happening again.*

In mid-2017, the second part of the review (2. above) raised questions about the regulatory framework and capability and sustainability of Aotearoa's water service providers. The inquiry found systematic failure of council water suppliers to meet safe drinking water standards.

Government decided change was needed = Three Waters Reform.



Timeline

August 2016 – Havelock North incident*

From mid-2017 – Government started the Three Waters Review

July 2020 – Government announced Three Waters Reform Programme

Between 1 August 2021 and 30 September 2021 – DIA/councils engagement period

September 2021 – Waters Services Act was passed, establishing Taumata Arowai as NZ's water regulator

October 2021 – Government decided to progress the reforms

from November 2021 – National Transition Unit executes Government's decisions on the reforms

January 2022 – DIA established three working groups – governance, technical and rural supply

June 2022 – Water Services Entity Bill readings through Parliament. Currently undergoing hearings

October 2022 – AMPs shared with DIA*
* limited ability to change AMPs after this point

January 2023 to 30 June 2024 – further three water reform progress, specifics unknown, will include transition process, data, workforce preparation

1 July 2024 – new entities take over

OPTION B – NOT PROGRESS THE INFRASTRUCTURE PROJECTS | Kowhiringa B – Kaua e mahia nga kaupapa hanganga

This is the simpler option to present, however it is not Council's preferred option. Basically, this option outlines the advantages, disadvantages, debt profile, rating impact and levels of service IF we do **not** proceed with the infrastructure projects detailed in Option A.

Council has already confirmed with our community that economic growth and resilience is a priority. We did this through the 2018-28 Long Term Plan and again through the Long Term Plan 2021-31.

The infrastructure modelling work Council has progressed over the past several years has identified priority infrastructure improvement projects we need to deliver to support business, industrial and residential growth in our district for our communities' current needs and for future growth.

If we choose not to invest at scale and at pace (Option B), there is a risk we will miss out on economic growth and employment opportunities for our people. We will also not have sufficient housing for people working in the district. Currently we are constrained in what we can offer businesses because we don't have the supporting infrastructure.

If we don't get these projects into our plans now, there is a risk that the water entity (three waters reform) will not prioritise this work.

The advantages and disadvantages outlined alongside are identified for Option B.

The rating and debt impact is below.

			NEW LTP 2024-34			NEW LTP 2027-37			NEW LTP 2030-40
LTP Year	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Years	Current (22-23)	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Current LTP average rate	7.6%	6.3%	7.1%	3.2%	4.1%	3.7%	4.4%	3.5%	3.8%
Average rate increase	Unchanged, bearing in mind that we will be reviewing the LTP in early 2024. Figures may change as a result of that process.								
Increase in debt	Unchanged, bearing in mind that we will be reviewing the LTP in early 2024. Figures may change as a result of that process.								

Advantages	Disadvantages
No increase in debt levels or rates as forecast in the current LTP.	These projects may not get priority in the new water services* entity when we have to compete against 21 other councils' priorities. This means that our infrastructure requirements may not happen in the short to medium term. As a result, many current and future economic opportunities will be lost, resulting in population and business stagnation. * for more on Three Waters, please visit page 13.
No need to engage on a constrained open market for construction contractors that is already under pressure.	Significant stormwater projects will not be undertaken to protect residents' property in the district from extreme flooding events. Currently flooding events cause issues at locations around the district. The stormwater projects identified are required to better protect property and respond to climate change and 1 in 100-year flooding modelling. Properties will continue to flood.
No competing resources with current annual plan projects.	If specific growth-related works are not undertaken or provided for in financial planning, they may impede the District Plan zoning changes due to RMA requirements.
	<p>Lack of supply of new development ready industrial and business zoned land is resulting in inbound investment into the district having to be declined or postponed pending the enabling of new supply. This translates directly into job losses for our people.</p> <p>Inability to plan for a range of suitable housing opportunities to support population growth. Our housing stock is old and limited. This constrains both business investors moving their businesses here and the rental market for our local community.</p> <p>Unable to accelerate infill residential development within Tīrau and Tokoroa as part of the upcoming District Plan Review.</p> <p>Existing resource consents may fail compliance conditions.</p> <p>Limited mitigation to address long-term climate change effects of increased stormwater flow through our urban areas.</p> <p>Large scale industrial development stymied; including job creation.</p>

option
B

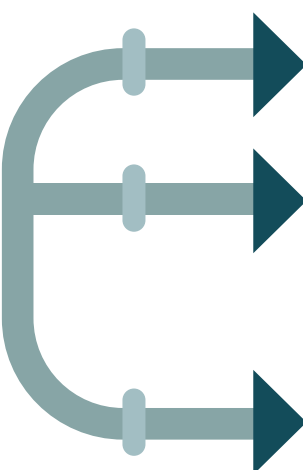


*The new South Waikato Trades Training Centre at the northern entrance to Tokoroa is under construction. This is a joint venture between central Government, **Toi ohomai** and the **South Waikato Investment Fund Trust**, supported by Council.*

THE PROCESS | Te hātepe

There are several work streams involved - outlined below. **We have initiated a high level heads up with iwi and Waikato Regional Council. Audit has reviewed the Amendment (see pages 18 and 19 of this CD) and consultation is currently underway.**

IF this amendment does not proceed, the work that we have done is not lost, because the capital works still need to be done in the future; possibly as part of the 2024-34 LTP. Where these bodies of work lie is dependent on whether or not three waters goes ahead. The Amendment is effectively trying to expedite this work so that we can start responding better to growth opportunities.



	Name	Detail	Completion timeframe
	1 Inform iwi	IF we decide to proceed with the capital programme, we will need significant input from iwi into a number of resource consent processes. We wanted to give iwi the heads up as this will be a large body of work. <i>We want to be clear – this is not a pre-determined outcome.</i>	End September
	2 Inform Waikato Regional Council (WRC)	IF we decide to proceed with the capital programme, we will need significant input from Waikato Regional Council into a number of resource consent processes. We wanted to give WRC the heads up as this will be a large body of work. <i>We want to be clear – this is not a pre-determined outcome.</i>	End September
	3 Audit approval	Our auditors are required to reivew our Amended LTP, supporting documents such as the 30-year Infrastructure Strategy and Asset Management Plans and supporting financials prior to consultation; and audit the Consultation Document as a reasonable basis for consultation.	Early October
	4 Community consultation	We need to consult with our community.	NOW
	5 Hearings and deliberations	As part of the consultation process, we need to hear from our community in public hearings (if people wish to speak to their written submissions). Council will then discuss, deliberate and decide on the outcome.	Early December
	6 Audit and Council	Final adoption of the Amended LTP 2021-31.	Mid December
Processes 7 and 8 only IF projects progressed...	7 Negotiate with contractors	To finalise scope of contractors.	-
	8 Build	This may occur through Council management or the new water entities, depending if the move to the new entities occurs or not.	-



SUBMISSION FORM | Puka tukunga

Prefer to do an online submission?
Go to www.southwaikato.govt.nz. Click on: **COMMUNITY ENGAGEMENT**

Office use only

Name: _____ Surname: _____ Street address: _____ Town: _____

Email: _____ Phone: _____

If your submission is on behalf of an organisation, please identify: _____

Do you wish to speak to your submission at the hearings? (PLEASE TICK) Y N

Council's consultation process is public and your comments will be available for public inspection. Your submission won't be returned to you. If you require a copy, please make one before submitting. You may include additional sheets of paper.

Please read the Consultation Document before completing this submission. It will provide clarity on the questions we're asking.

I have read the Consultation Document (PLEASE TICK)

All supporting documents are available online at www.southwaikato.govt.nz. Click on **COMMUNITY ENGAGEMENT**

THE OPTIONS (6 to 15)

Q1 – Council's preference is to proceed with Option A (the infrastructure projects).
What is your preference?

Option A – proceed with the infrastructure projects

Option B – don't proceed with the projects

Q2 - Explain?

THE PROJECTS (PAGE 7)

Q3 – Looking at the list of projects, do you have any comments to add? Please include the project number (in the first column in the table in the CD on page 7).

GENERAL

Q4 – Anything further that you would like Council to consider?



AUDIT REPORT | Te pūrongorongo o te tātari kaute

TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL'S CONSULTATION DOCUMENT INDEPENDENT AUDITOR'S REPORT ON THE PROPOSED AMENDMENT OF THE 2021-31 LONG-TERM PLAN

I am the Auditor-General's appointed auditor for the South Waikato District Council (the Council). The Local Government Act 2002 (the Act) requires the Council to prepare a consultation document for an amendment of a long-term plan. Section 93D of the Act sets out the content requirements of such a consultation document and requires an audit report thereon. I have audited the information in the consultation document for the proposed amendment of the 2021-31 long-term plan, using the staff and resources of Deloitte Limited. We completed our audit on 11 October 2022.

Adverse opinion

In our opinion, because of the significance of the matters described in the Basis for adverse opinion section of our report, the consultation document does not provide an effective basis for public participation in the Council's decisions about the proposed amendment to its 2021-31 long-term plan. This is because the assumptions relating to inflationary movements and three waters reform underlying the information in the consultation document are not reasonable.

Basis for adverse opinion

The Council has not amended its assumptions based on the the best information available as described below. These assumptions are therefore not reasonable or supportable, which affects the credibility of the proposed long-term plan amendment.

Assumption related to inflationary movements

Over recent months New Zealand has experienced a significant increase in inflation which is expected to decline in the next three to four years. Current inflation is expected to have a significant cumulative effect over the 10-year period. Page 11 of the consultation document outlines that the Council did not amend the assumptions that underpin the information in the consultation document to reflect the most recent inflationary forecast.

Assumption related to three waters reform

On 27 October 2021, the Government announced that legislation will be introduced to establish four publicly owned water services entities to take over responsibility for three waters service delivery and infrastructure from local authorities, from 1 July 2024. The Water Services Entities Bill was introduced in Parliament on 2 June 2022 and is currently before the Finance and Expenditure Committee. Although the Bill does not directly provide for ownership of infrastructure, it makes clear the government's intention to transfer infrastructure ownership from councils to the four water services entities. Pages 6 and 12 of the consultation document outline the effect of the reform on debt if the reform either goes ahead or does not go ahead. The Council has not amended the assumptions that underpin the information in the consultation document to reflect the changes in responsibility, which not only affects debt but also assets and the statement of comprehensive revenue and expenditure.

The effect of not amending the above-mentioned assumptions is pervasive to the proposed long-term plan amendment given the significance of the inflationary movements and the three waters reform. We did not determine the impact of the inflationary movements or the three waters reform, because it was impracticable for us to do so.

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the consultation document related to the proposed amendment of the plan. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the proposed amendment of the plan.

We did not evaluate the security and controls over the publication of the consultation document related to the proposed amendment of the plan.

Other Matter – Effect of Water Services Entities Bill on amendment of long-term plan

Without further modifying our opinion, we draw attention to sub-part 4 of schedule 1 of the Water Services Entities Bill, which outlines that some council decisions relating to the provision of water services need to be confirmed by the Department of Internal Affairs before they can be implemented. This requirement could affect the proposed amendments, depending on the final wording of the Bill and when the Bill is passed.

Responsibilities of the Council and auditor

The Council is responsible, when it is proposing to amend its plan, for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document that meet the purposes set out in the Act; and

- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

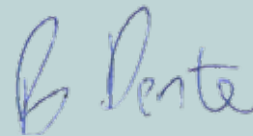
We are responsible for reporting on the consultation document related to the proposed amendment of the plan, as required by section 93D of the Act. We do not express an opinion on the merits of any policy content of the consultation document.

Independence and quality control

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council.



Bruno Dente

for Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand



THERE ARE THREE WAYS TO TELL US WHAT YOU THINK | E toru ngā huarahi hei whakaatu mai ō whakaaro

Face to face

Attend one of two public drop in sessions or public meetings:

**Tokoroa – Tuesday 25 October
5-7pm at South Waikato Sport & Events Centre**

**Putāruru – Thursday 27 October
5-7pm at The Plaza Putāruru**

Online

Complete the submission online at www.southwaikato.govt.nz. Click on: **LTP Amendment - have your say!**

OR

Private message the Communications Team with your thoughts via our Facebook page: www.facebook.com/southwaikato.districtcouncil

Hardcopy

Complete the submission on page 17 in this document. Cut it out.

Mail this to Freepost Authority Number 201, LTP 2021-31, South Waikato District Council, Torphin Crescent, Tokoroa, 3420.

OR

Drop it off the offices or libraries or The Dog in Tīrau.

OR

Scan and email to info@southwaikato.govt.nz (write LTP 2021-31 **AMENDMENT** submission in the subject bar).

LTP TIMELINE | Te rangi wā mō te mahere pae tawhiti

