Section 1

Introduction and overview

A message from the Mayor

Reflections on an epic road trip

We hit the road earlier this year with a rough map of the next ten years and a boot-load of tough decisions to make. Things had changed a lot since you helped us write our last long term plan three years ago, and we really needed to talk.

Our population is now blossoming, business is booming, visitors are flocking - which is all great news, but it raises some important questions too.

How will we manage our infrastructure to cope with these extra demands? What about the effects of climate change? How will we cover the cost of upgrading our treatment plants to meet tougher government legislation around things like wastewater?

We know rates are already unaffordable for some of you; how can we balance things so we continue to grow as a district while making sure everyone can afford to pay?

It's been a big two months. We've travelled to almost every corner of the district, picked up a trailer full of feedback, and enjoyed your great company every step of the way. Unfortunately, as they say, all good road trips must come to an end.

The good news is, now we've considered all your feedback, we're embarking on a whole new adventure. This is our plan. The one we've written together. It isn't perfect. It won't please everyone. But in our view it represents the best bits of all of us and the best possible way forward for the Hauraki District - our home, our future.

Overview

Every three years we must prepare a long term plan. It's our key strategic planning document that sets out our priorities, what we intend to do, and how much it will cost, for the next ten year period (or 30 years for our infrastructure assets). However, most of the detail is for the first three years of the plan.

Looking back

When we last talked with you about our planned route in 2015, the financial challenges we were facing were quite different to what they are now. In 2015 our population was expected to stay the same so we weren't having to meet the needs of more customers. We'd nearly finished upgrading all our water treatment plants to meet new national requirements and not many other upgrades were needed. The rest was mostly business as usual. We had a plan in place to reduce the debt we borrowed to pay for our water upgrades and other services and we were in a good financial position. Since then, things have changed quite significantly and we are facing some major speed bumps over the next ten years and beyond.

A summary of our challenges

Over the next ten years (and beyond) we are facing a major increase in the cost of delivering our services. We aren't able to fund this without finding more money and this will affect the amount of rates and user fees that you pay. A lot of the costs are for things we must do – either to keep our infrastructure working or to upgrade our services to meet new government standards. In the longer term we can expect a greater number of high spend items that, while we know will come our way, we don't know when or how much it will cost. We want to ensure that our communities can afford to pay to use our services and their rates bill, but we also need to be in a good financial position to cope with the likely twists and turns ahead. The amount that we spend and borrow in the short to medium term will shape how much flexibility we have to respond to these speed bumps we may come across in the future.

Our budgets are made up of what it costs to:

1. service what we've already got to keep delivering what we already deliver
2. change the level of service we provide
3. to provide for more people and changes in land use (additional capacity)
4. be prepared in case of an emergency.

Many of these costs are fixed – that is, we don't have much control over them or the ability to make changes. Just like oil when you service your car, the cost of that oil is set by many others along the way; such as, the mechanic, the freight company, and the oil manufacturer to name a few.

While we're facing a major increase in costs, we're also reluctant to postpone some of the 'nice to have' projects that help keep our communities the vibrant places they are – that's things like main street upgrades and great community library spaces. This means that rates (excluding water rates) will go up an average of 4.4% per year over the next ten years, but it will be higher in the earlier years. The increase in the first year will be 6.4%. Some of our user fees have increased and we'll need to keep borrowing to pay for infrastructure and community assets.

Infrastructure costs ahead

Over the last 20 years we have been investing a lot in upgrading our water and wastewater treatment plants. Accelerate to today, and the condition of some of our other water pipes, wastewater pipes and roading infrastructure needs attention. Also as a result of central government direction to clean up our waterways, we are facing some major upgrades of our seven wastewater plants over the next 15 years and we'll have to look at treating our stormwater before its discharged.

You may have heard about a recent national enquiry into Havelock North's drinking water. The enquiry resulted in some recommendations that councils improve the way they treat their drinking water supplies. We already use a number of these treatment methods and we don't anticipate that we'll need to do any more major works as a result.

Over the next ten years, 59% of our capital spend will be on maintaining our assets. 41% will be spent on improving assets or providing new ones.

Growth and infrastructure

Our population is growing and putting increased demands on some of our infrastructure. New environmental regulations requiring upgrades to our wastewater plants will mean we have no extra capacity available in some of our schemes, and therefore won't be able to give new properties the green light to connect. We need to make sure our infrastructure can cater for this growth and make sure we have the right amount of land to welcome it; add to this the need to prepare for potential hazards in the future, and we have some challenging conversations down the road. We'll need to ensure we are in a good financial position to deal with changes as they cross our path.

Natural hazards and climate change

We need to consider how climate change and other natural hazards could affect our communities. More recent climate change forecasts anticipate the effects will be felt much earlier than we previously thought. Over the next three years, we'll be looking at how vulnerable our communities are and how effective our infrastructure will be. Some of our services will be negatively affected by the forecasted sea level rise and will need to be upgraded or will have increased operating costs.

Other natural events like storms, earthquakes and tsunami also pose risks. We don't know how big a problem some of these hazards are yet but we think it's responsible to ensure we are in a good financial position to deal with any new spend required once we know more.

Affordability

Recent indicators of local deprivation of our communities suggest that it may be more difficult for some of our customers to pay for our services (via rates or user fees) compared to New Zealanders in general. Our residents' income levels have been much lower than the national average. The experts tell us that rates can become unaffordable where they exceed 5% of a household's income. Our research suggests that at least 28% of our home owners meet this threshold. We've looked at what we can do to help to relieve the pressure on those customers and have made some changes to who pays what through our revenue and financing policy.

There's more

Of course the world around us continues to change in a range of ways, from more use of new technologies like self-driving and electric vehicles to new governance arrangements coming out of the settlement of Te Tiriti o Waitangi (the Treaty of Waitangi). In this age of rapid change, we'll need to keep an eye on new developments that affect what we deliver and be ready to adapt. We also need to be ready for unforeseen natural events like earthquakes and storms that require us to spend on recovery work.

Our plan in a nutshell

We've considered what we must deliver and what we'd like to deliver. Our plan is a bit of a balancing act. Unfortunately, we can't give everything the green light.

We've prioritised the essential items, but will also continue to investing in some 'discretionary' projects that help make our communities great places to be. While often thought of as nice to have, these projects are what make our communities the great places they are. We've increased the emergency roading works budget that we will accrue to help us pay for road repairs resulting from damage of unforeseen natural events. We'll also be looking seriously at what climate change forecasts mean for our communities and our services.

Our debt levels will be much higher than we previously planned. Instead of being well on their way to being paid off over the next few years, they will stay constant for a period beyond the life of this plan. This is driven by the need to borrow $16 million more over the next ten years for wastewater upgrades alone.

This all means rates will go up more than we previously planned by an average of 4.4% per year over the next ten years. It will be higher in the earlier years.

We don't expect the increase in costs we are facing to reduce in the decades ahead so in the long term we accept that rates will continue to go up. We also think it's important to provide some room to move to pay for new and unexpected bills, so we've also raised the amount of rates we can charge and debt we can borrow if we need to (these are like our bottom lines).

We've changed the way we fund some activities through rates, to better reflect our ratepayers' ability to pay. We've also increased some of our user fees to reflect the increased cost of our services.

So in a nutshell:
- rates will go up
- the share of rates everyone pays will change
- some user fees and charges will increase
- we'll need to keep borrowing to pay for work on our infrastructure and community assets.

Your feedback

Before adopting this plan, we sought feedback from our local communities during March, April and up to May 2018 on our proposed approach. Our 'we need to talk' campaign provided a wide range of opportunities for you to let us know what you thought about our plans; either by dropping in to an event, having a Facebook conversation, telling us or writing to us about what you thought, or online feedback via our rates calculator and interactive 'we need to talk' website. The key issues we wanted to talk to you about included:

- how well we should maintain our roads,
- projects in your patch (prioritisation of local projects), and
- changes to the way we fund some of our services to help keep rates affordable.

We received written feedback from 288 people or organisations, and even more shared through face to face conversations. Over 2,000 points were raised. The council considered all feedback received and in summary, some of the key decisions made were:

- the investment in roading will be increased to get our maintenance programme back on track as we proposed.
- we will further investigate an upgrade to the library services provided in Ngatea, which would include partnering with the Haurakian Trust, or a newly formed Trust, to deliver a joint community space including library service, and other community based activities and services.
- we will do a partial upgrade of Ngatea main street, following further consultation with the community on what it would look like.
- we will complete a streetscape development in Wharf Street, Paeroa.
- we will shift about 5% of our general rate funding from uniform annual charges to capital value based rates.
- we will only mow berms in Waihi in streets wider than 20 metres, and berms adjacent to council land and reserves.
- we will reduce the amount of funding provided to town promotional organisations by 25%.

As a result of all feedback received we have updated our plans including our financial strategy and infrastructure strategy to reflect the decisions made.

Our long term plan was adopted on 27 June 2018, and became effective as of 1 July 2018. That means that our work programme for the next three years is largely set. However, each year following the adoption of the long term plan (years two and three) we produce an annual plan. The annual plan is an opportunity to check in, and make any minor amendments that may be required. If we need to make a significant change from the direction of our long term plan, we will seek feedback from the community, or those affected, regarding that matter.

What our auditors think

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader:

Independent auditor's report on Hauraki District Council's 2018-28 Long-Term Plan

I am the Auditor-General's appointed auditor for Hauraki District Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's long-term plan (the plan). Section 259C of the Act requires a report on disclosures made under certain regulations. We have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 27 June 2018.

Opinion

In my opinion:

- the plan provides a reasonable basis for:
    - long-term, integrated decision-making and co-ordination of the Council's resources; and
    - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures within section 5f of the plan represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

Basis of opinion

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 plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;

- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;

- the information in the plan is based on materially complete and reliable information;

- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;

- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;

- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;

- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;

- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and

- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;

- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and

- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

I am responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. I do not express an opinion on the merits of the plan's policy content.

Independence

In carrying out our work, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of *Professional and Ethical Standard 1 (Revised)*; and
- quality control requirements, which incorporate the quality control requirements of *Professional and Ethical Standard 3 (Amended)*.

In addition to this report on the plan and all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed. This assignment is compatible with those independence requirements. Other than this assignment, we have no relationship with or interests in the Council.

6/2018

David Walker
Audit New Zealand
On behalf of the Auditor-General, Auckland, New Zealand