
To: Elected Members

From: Manager Delivery Performance

Date: 17 December 2024 **File Ref:** 99.1049

Subject: 2025-34 Long Term Plan - Draft Infrastructure Strategy

PURPOSE

To outline the draft Infrastructure Strategy and seek Elected Member feedback.

Note the draft strategy currently contains placeholders for the financial tables and graphs, these will be populated in the document once complete. The draft strategy with the financial information will be provided to Elected Members as part of the summer reading pack and is scheduled to be approved by Elected Members on 28 January 2025.

BACKGROUND

Under section 101B of the Local Government Act 2002, councils are required to prepare and adopt an Infrastructure Strategy as part of their Long Term Plan (LTP). The purpose of the Infrastructure Strategy is to identify:

- Significant infrastructure issues for the local authority during the period covered by the strategy; and
- The principal options for managing those issues and the implications of those options.

The Act requires an Infrastructure Strategy to include existing or proposed assets to be used to provide certain services by, or on behalf of, Council. The core assets required under the Act are: roads and footpaths, sewerage treatment and disposal, water supply, stormwater drainage. Councils can also include other assets such as reserves and open spaces, community facilities etc.

An Infrastructure Strategy must outline:

- How Council intends to manage its infrastructure assets (having regard to matters such as when assets need to be renewed or replaced)
- How Council will respond to growth or decline in demand for service
- How Council plans for increases or decreases in levels of services
- Other matters, such as the need to improve public health or environmental outcomes (or mitigate adverse effects on them) and to manage risks from natural hazards.

Infrastructure Strategies provide a higher-level strategic view of infrastructure issues than Council's Activity Management Plans. They join up operational planning at the asset level and strategic planning at the corporate level.

INFRASTRUCTURE STRATEGY CONTENT

This draft Infrastructure Strategy is a 30-year Strategy, with year one being 2025/26.

The draft Strategy outlines Council’s overall approach to infrastructure planning and investment to align with the strategic direction of:

- Looking after what we have – prioritisation of renewals and improving asset knowledge
- Meeting levels of service and community expectations
- Transitioning to a sustainable future
- Responding to a changing operating environment
- Investing in growth.

Key Challenges

Challenge	Challenge
Local Water Done Well	The Government requires all councils to review the delivery of waters services and produce a plan for future delivery by September 2025. We know we need to change our approach towards the delivery of those services. The current approach is becoming increasingly inadequate, and councils will need a delivery model which complies with new legislation, ensures significant urban growth and development can be serviced, and ensures resilience, efficiency, affordability and sustainability in water service delivery.
Affordability	Council is guided by its Financial Strategy which outlines the financial vision and priorities for Council over the next nine years. Council is facing significant challenges in an environment of high inflation and increasing interest rate and operating costs. Affordability metrics have been adopted to measure affordability (rates charged compared with median household income). This challenge has led to a number of cornerstone projects being paused for the 2025-2034 LTP.
Climate Change	The need to take action to respond to climate change and its impacts has gained significant momentum. International consensus is that urgent action is needed in the next decade to manage and adapt to global temperature rises. Adapting to, and mitigating the effects of, climate change presents significant challenges for councils.
Staff resourcing, capacity and capability	The current labour market and supply chain capacity challenges tend to be cyclical as programmes of work are accelerated or slowed across the wider sector, and this is causing capacity issues in some areas, particularly impacting specialist roles. There is also an aging demographic amongst some parts of the sector. These are indicating that these challenges are forecast to continue in the future (particularly when economic activity lifts and results in larger capital works programmes across the Waikato and NZ).

Challenge	
Funding gaps between LTP and Activity Management Plans	Steady progress in infrastructure investment has seen a major focus on water supply, wastewater, stormwater and transport to meet levels of service and cope with growth pressures. To date, our district has invested substantially in three waters infrastructure to best service our growing community. Despite this investment a backlog of renewal work required has built up across all areas due to this work being deferred through LTP processes to address affordability issues. As noted in the 'Key Responses' table below under the heading of 'Looking after what we have' these renewal deferrals are addressed over the 2025-34 period.
Responding to population growth	Over the last two decades Waipā has experienced steady population growth, creating increased demand for services and infrastructure and putting pressure on infrastructure already in place. While growth rates have recently slowed the assumption is this is temporary, and growth rates will return to forecast levels reflecting the need for more housing alongside employment provision in our District.
Changing Government context	We operate within a complex legislative and policy environment, with rising environmental and safety expectations. Meeting these standards requires significant infrastructure investment. The changing approach of central government adds uncertainty, complicating long-term planning and increasing costs. In recent years, Central Government has advanced a considerable volume of policies and directives that local government must comply with (including national planning standards, urban development, protection of valuable farmland and water management reform). In addition, high-growth areas like Waipā have specific requirements to meet such as assessments of urban development capacity and the monitoring of this capacity and its uptake over time. Across the sector the formation of the Infrastructure Agency, evolution of Regional Deal opportunities, and increasing compliance requirements will continue to be challenging.

Key Responses

Response	
Local Water Done Well	In late 2024 Council has agreed to further investigate two options – either a regional Council Controlled Organisation (CCO) known as Waikato Water Done Well, or a sub-regional CCO option with growth Councils; with a Waipā-only CCO as a fall-back option. Consultation on the current state, and on a preferred option is planned for March/April 2025.
Moving towards a sustainable future	Ahu Ake provides a strong vision and plan for Council to follow in ensuring Waipā continues to be a great place to work, play, invest, and live. Post adoption of Ahu Ake a number of Council strategies

Response	
	will require review, and these will inform this infrastructure strategy. As a Council we need to ensure our infrastructure decisions enable us to work towards our goals of reducing emissions and waste and developing assets that are resilient to social and environmental changes. Responding to climate change is a strategic priority for Council with a focus on mitigation and adaptation and increasing knowledge and understanding of the impacts that it brings. Council has a Climate Change Governance Improvement Plan which aims to building capability and knowledge across Council.
Looking after what we have	As outlined due to the financial environment it is a challenge to balance the expectations from the community and the affordability of services for both the community and Council. As part of our infrastructure planning we have applied a suite of prioritization principles. While financial constraints have meant that we have needed to reduce renewals in the shorter term, by year nine of the 2025-34 LTP renewals have been returned to necessary levels.
Responding to population growth	Council has multiple strategies seeking to achieve the balance between ensuring growth is enabled and happens in the right way, at the right time and in the right place. Ahu Ake, Waipā Community Spatial Plan, provides the foundation for all future planning and investment by Council. Our District Plan and incorporating plan changes over time enable Council to respond to the changing needs of the community.
Striving for best practice asset management	We strive to continually improve our asset management practices. Best practice activity management is essential for delivering efficient, transparent, and community-focused services. It ensures that resources such as time, staff, and budgets are utilized effectively. Resourcing for this will need ongoing commitment to programmes supporting employment pathways (such as recently established apprenticeship programmes).
Strengthening key partnerships	Building and strengthening our key partnerships are a crucial part of planning for and delivering infrastructure for our communities.

Key Assumptions:

Key assumptions from the Draft 2025-34 LTP that impact delivery of infrastructure have been incorporated into the draft Strategy – these include:

- **Changes in legislation** - Details of emerging legislative changes are unable to be anticipated with any level of certainty. Therefore, current legislation is guiding our LTP and Infrastructure Strategy. A key assumption (in alignment with the LTP) is that Council will continue to fund and operate water, wastewater and stormwater services, although this is subject to the outcome of Council’s Water Services Delivery Plan and community consultation in early 2025.

- **Central Government grant and subsidy payments** – Council will continue to receive grants and subsidies from Central Government to assist with the expenditure programme, primarily in transport and waste minimisation.
- **Climate change** will impact the district through more severe storm events and more frequent and intense droughts.
- **Lifecycle and funding of assets** – the useful lives of assets are revised as part of the cyclical revaluation process for each asset – our land and buildings will be revalued every three years; our roads and waters assets will be revalued every second year and investment properties will be revalued annually. Inflation adjustments will be consistent with the Infometrics estimates outlined in the LTP inflation assumptions. Depreciation is the primary funding source for the renewal of assets, and loans will fund any additional replacement costs if depreciation funding has been exhausted.
- **Availability of staff and contractors** – that sufficient internal and external resources will be available to undertake capital works and maintain operational needs in the years outlined in the financial statements.
- **Population growth** – that along with Waipā’s Future Proof partners we have continued to use the NIDEA 2021 high growth scenario population growth projections based on the 2018 Census.
- **Development contribution revenue** – that the amount and timing of development contributions revenue to be received has been calculated consistent with the development contribution model and assumptions including economic and population projections.

Focus for the next 30 Years

The draft Infrastructure Strategy outlines significant infrastructure decisions that will be needed over the next 30 years which have the potential to either:

- Require significant investment
- Change our current approach to infrastructure management and delivery
- Change an existing level of service or require a new level of service, and/or
- Have a significant impact on the community.

This section also provides timeframes as to when these significant decisions will need to be made. Direction and guidance has been provided through the 2025-34 LTP process including:

- Providing sufficient renewal funding across all asset areas over the nine year period
- Capital expenditure to reflect the pace of growth and align with the Future Proof Strategy
- Prioritise asset management maturity improvements.

Funding Shortfall between AMPs and draft Infrastructure Strategy - Projects

Debt headroom considerations have significantly impacted Council’s ability to fund projects over the next nine years (and those in 2024/25).

These projects include those cornerstone projects “paused” by Council as part of both the Enhanced Annual Plan and the draft 2025-34 LTP (including Cambridge Library, Te Ara Wai, Te Awamutu to Pirongia Cycleway), and a number of projects that were considered unaffordable in the current

economic climate (including seal extension work, growth related development in Carters Flat, new pensioner housing developments, further cycleway construction in Cambridge and Te Awamutu, and growth related development work in the T6 growth cell). Alongside this, funding for work to improve stormwater discharge quality was significantly reduced or delayed. This is in line with ensuring that Council maintains the assets that we have and continues to be a good steward of these. This will have impacts for some growth cells where enabling infrastructure may not be available in line with developers' expectations, or levels of service may be impacted (for example the space available at Cambridge Library for some activities).

ATTACHMENT

ECM #	Title
11186805	Draft Infrastructure Strategy



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