

MASTERTON DISTRICT COUNCIL

EXTRAORDINARY COUNCIL AGENDA

WEDNESDAY 24 FEBRUARY 2021

MEMBERSHIP

Her Worship (Chairperson)

Cr G Caffell
Cr D Holmes
Cr G McClymont
Cr T Nelson
Cr C Peterson

Cr B Gare
Cr B Johnson
Cr F Mailman
Cr T Nixon
Cr S Ryan

Notice is given that a meeting of the Masterton District Council will be held at 3.00pm on Wednesday 24 February at Waiata House, 27 Lincoln Rd, Masterton.

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE CONSTRUED AS COUNCIL
POLICY UNTIL ADOPTED**

23 February 2021



Values

1. **Public interest:** members will serve the best interests of the people within the Masterton district and discharge their duties conscientiously, to the best of their ability.
2. **Public trust:** members, in order to foster community confidence and trust in their Council, will work together constructively and uphold the values of honesty, integrity, accountability and transparency.
3. **Ethical behaviour:** members will not place themselves in situations where their honesty and integrity may be questioned, will not behave improperly and will avoid the appearance of any such behaviour.
4. **Objectivity:** members will make decisions on merit; including appointments, awarding contracts, and recommending individuals for rewards or benefits.
5. **Respect for others:** will treat people, including other members, with respect and courtesy, regardless of their ethnicity, age, religion, gender, sexual orientation, or disability. Members will respect the impartiality and integrity of Council staff.
6. **Duty to uphold the law:** members will comply with all legislative requirements applying to their role, abide by this Code, and act in accordance with the trust placed in them by the public.
7. **Equitable contribution:** members will take all reasonable steps to ensure they fulfil the duties and responsibilities of office, including attending meetings and workshops, preparing for meetings, attending civic events, and participating in relevant training seminars.
8. **Leadership:** members will actively promote and support these principles and ensure they are reflected in the way in which MDC operates, including a regular review and assessment of MDC's collective performance.

These values complement, and work in conjunction with, the principles of section 14 of the LGA 2002; the governance principles of section 39 of the LGA 2002; and our MDC governance principles:

Whakamana Tangata	Respecting the mandate of each member, and ensuring the integrity of the committee as a whole by acknowledging the principle of collective responsibility and decision-making.
Manaakitanga	Recognising and embracing the mana of others.
Rangatiratanga	Demonstrating effective leadership with integrity, humility, honesty and transparency.
Whanaungatanga	Building and sustaining effective and efficient relationships.
Kotahitanga	Working collectively.

1

AGENDA

1. Karakia
2. Conflicts of Interest (Members to declare conflicts, if any)
3. Apologies
4. Late Items
5. Items to be considered under Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987

FOR DECISION

6. **KEY LONG TERM PLAN DOCUMENTATION – APPROVAL FOR AUDIT REVIEW** (019/21)
Pages 121-289

KATH ROSS - CHIEF EXECUTIVE

To:	Your Worship and Elected Members
From:	Angela Jane, Manager Strategic Planning David Hopman, Manager Assets and Operations David Paris, Manager Finance
Endorsed By:	Kathryn Ross, Chief Executive
Date:	24 February 2021
Subject:	Key Long Term Plan documentation – approval for Audit review
DECISION	
Recommendation:	
That Council	
(1) approves for Audit New Zealand review:	
a) the draft 2021-31 Long Term Plan Consultation Document (Attachment 1 to Report 019/21);	
b) the draft Financial Strategy, as supporting information for the 2021-31 Long Term Plan (Attachment 2 to Report 019/21);	
c) the draft Infrastructure Strategy, as supporting information for the 2021-31 Long Term Plan (Attachment 3 to Report 019/21);	
d) the draft significant assumptions as part of the supporting information for the 2021-31 Long Term Plan (Attachment 4 to Report 019/21);	
(2) delegates authority to the Chief Executive to finalise the wording for readability and to make compliance changes to Attachments 1-4 in response to the review undertaken by Audit New Zealand.	

PURPOSE

The purpose of this report is to seek Council approval of the following for the 2021-31 Long-Term Plan (LTP):

- key content for the draft Consultation Document content (Attachment 1)
- draft Financial Strategy (Attachment 2)
- draft Infrastructure Strategy (Attachment 3), and
- draft Significant Assumptions (Attachment 4).

Attachments 1-4 are scheduled to be reviewed by Audit New Zealand ahead of LTP consultation in April 2021 (see Next Steps section of this Report for a timeline of key dates).

BACKGROUND

The Local Government Act 2002 (LGA) requires Councils to prepare and adopt a Long Term Plan (LTP) every three years.

The LTP outlines the long-term direction for the activities we plan to deliver throughout the Masterton district. It states our vision and the outcomes we want to achieve for our community. It details what we intend to do over the next 10 years, including the services we will provide, the projects we will undertake, how much we will spend, how we will pay for everything and how we will measure success.

We are also required to develop a Consultation Document that:

- fairly represents the matters proposed for inclusion in the LTP in a way that can be readily understood by interested or affected people;
- explains the overall objectives of the proposals, and how rates, debt, and levels of service might be affected; and
- explains what significant choices face the district, and the consequences of those choices.

The Financial and Infrastructure Strategies, and the Significant Assumptions, are key supporting documents for the LTP Consultation Document providing more detail about our plans and proposals, and contextual information that has been considered. The content for the Consultation Document and supporting information discussed in this report has been developed in alignment with requirements of the Local Government Act 2002. For the Consultation Document we have also drawn on examples of best practice.

Within the context of this report, Council is being asked to approve key content proposed for the 2021-31 LTP Consultation Document, ahead of it being reviewed by Audit New Zealand (refer Attachment 1).

The full draft Consultation Document and supporting information is scheduled to be adopted by Council on 31 March 2021 prior to public consultation commencing.

ANALYSIS AND ADVICE

A series of council workshops have been held to inform the development the 2021-31 LTP Consultation Document and its supporting information. These have covered the levels of service for council activities, our asset management plans for infrastructure assets, key assumptions that underpin the asset, activity and financial planning. All this content has been fed into the draft Infrastructure and Financial Strategies and our draft Consultation Document.

Content for the LTP 2021-31 Consultation Document

The key content of the Consultation Document focuses on three issues that are included for consultation:

- A new civic facility
- Masterton revamp project, and
- More housing for seniors.

The Consultation Document also includes important information from our Infrastructure Strategy. Additional infographics are being developed to enhance this content, including an overview of other

key capex projects for the next 10 years and forecast infrastructure expenditure for the next 30 years.

Information from our Financial Strategy is to be incorporated in the Consultation Document. This will include how much the plan will cost, how we intend to pay for that, our plans for borrowing and how the plan will impact the average urban ratepayer.

We have also included:

- Information about our response to key challenges - climate change, water resilience and COVID-19 recovery
- Emerging matters that will require further conversations with our community, including decisions related to Three Waters Reform.
- Reference to other consultation opportunities that are also occurring at the same time – the Wellington Regional Growth Framework, our Significance and Engagement Policy and Fees and Charges Proposal.

The Consultation Document in Attachment 1 has not been formatted as a public consultation document yet. The document will include photographs and infographics and to make it an attractive and readable document.

Financial Strategy and Infrastructure Strategies

The Financial Strategy and Infrastructure Strategy support the Consultation Document. These strategies provide the foundations that support prudent asset and financial management over the long-term. The processes for developing these strategies is aligned, and the documents must reflect each other.

The **Financial Strategy** focuses on the financial implications, constraints, and consequences of Council's policy and service delivery options, and is a top-down direction for the way in which these will be managed. The Council's financial projections for the ten years have been developed using a financial model that builds up the financial data from base level budgets for operating revenue and expenditure, capital expenditure and funding in the form of rates, loans and reserve funds.

The **Infrastructure Strategy** details the significant infrastructural issues that are likely to arise over the next 30 years, including their financial and non-financial consequences, and the options for managing them.

The LGA requires that both strategies are adopted by Council as part of the 2021-31 LTP.

Significant Assumptions

Forecasting assumptions are one of the building blocks for the LTP. Forecasts of growth and demand are major drivers of expenditure and help inform financial forecasts.

In the LTP we must disclose all significant forecasting assumptions and risks, the level of uncertainty associated with each assumption and the potential effect of that uncertainty on financial estimates. Significant forecasting assumptions must be:

- realistic
- evidence-based
- internally consistent with other assumptions
- applied consistently across the LTP and supporting documents (unless there is good reason not to and the difference in treatment and reason are both explained).

Our Significant Assumptions consist of three parts:

- Part 1 - Growth Assumptions, including population, household and economic growth as well as COVID-19 as a factor that has and will influence our economic growth
- Part 2 - Climate Change Assumptions
- Part 3 – Financial and Other Assumptions

Growth Assumptions

Infometrics was contracted to undertake forecasts for the three Wairarapa Councils. The initial report was published in June 2020. Given the timing of this work, the report did take COVID-19 implications into consideration. However, as the situation with COVID-19 is unprecedented and evolving, a refresh was completed in November 2020. The November 'refresh' has been considered, along with other supporting information, in the development of the Growth Assumptions for the 2021-31 LTP.

With recent COVID-19 developments, and the high level of uncertainty around this assumption (as specified in our assumptions document), we will continue to monitor both COVID-19 and economic developments in particular up until the date Council adopts the supporting information for the CD (scheduled for 31 March 2020). We will revise Economic and COVID-19 assumptions if need be at that time.

It is recommended that the Council take a consistent approach across our growth assumptions aligning our planning with the medium scenario across all growth assumptions, and assumptions that have the capacity to influence growth. This includes population and household growth, and the economy.

The rationale for this includes;

- While Masterton has experienced growth more recently, it is not considered a 'growth Council' in the sense of places like Tauranga or Selwyn.
- Recent growth in Masterton appears to have peaked in 2018, at 2.3% growth for that year.
- In 2020 we had a similar level of growth (2.2%) however much of this growth was influenced by net international migration (people shifting to the area from outside the country) - a reflection of the situation with COVID-19 and people returning 'home'. This is unlikely to continue at the same level in the short term.
- Housing prices have been rising but there is concern at a national level regarding how long that can last. At the same time, affordable housing is one feature that makes Masterton attractive to new residents. As our housing affordability decreases, this could influence our attractiveness.

- The current global situation with COVID-19 increases uncertainty regarding the global economic situation and increases risks for NZ as well.

The growth assumptions include our best/worst or high/low scenarios.

OPTIONS CONSIDERED

A summary of the options considered is included in the table below.

Option	Advantages	Disadvantages
1 Approves the key content for the draft 2021-31 Long Term Plan Consultation Document; draft Financial Strategy; draft Infrastructure Strategy; and draft significant assumptions for Audit review.	<ul style="list-style-type: none"> • Keeps to agreed project timelines. • Council approves content ahead of the Audit NZ review commencing. 	No disadvantages have been identified.
2 Delays the approval of the key content for the 2021-31 Long Term Plan draft Consultation Document; draft Financial Strategy; draft Infrastructure Strategy; and draft significant assumptions.	No advantages have been identified.	<ul style="list-style-type: none"> • Will compromise agreed timeframes for the scheduled Audit NZ review. • Has implications for meeting legislative timeframes for adopting the LTP.

Recommended Option

Option 1 is recommended. This will ensure that we can finalise the draft content based on Council's approval ahead of the scheduled review by Audit NZ, and to ensure that we keep on track to meet both project and legislative timeframes.

SUPPORTING INFORMATION

Strategic, Policy and Legislative Implications

The Local Government Act 2002 (LGA) is the primary legislative Act driving the requirements for the LTP, the Consultation Document, and all of the related LTP supporting information.

The LGA stipulates the frequency of when councils are required to prepare and adopt an LTP (every three years); details what must be included in the LTP and specifies what is considered supporting information. It also requires Councils to consult using the Special Consultative Procedure.

We have developed the draft Consultation Document, Infrastructure and Financial Strategies and the Significant Assumptions with legal requirements in mind.

Significance, Engagement and Consultation

The Financial Strategy, Infrastructure Strategy, and assumptions form part of the supporting information for the 2021-31 Long Term Plan Consultation Document.

Consultation is scheduled over April/May 2021. Supporting information will be reviewed by audit and made available for members of our community during the consultation period. The community can provide feedback/comment on any matter included in the Consultation Document or supporting information.

As required by legislation, we are planning to consult following the requirements of the Special Consultative Procedure.

Financial Considerations

The Council pays Audit New Zealand to review these documents. The cost of the audit can be influenced by the audit process. Approving these documents and confirming key content now may assist the audit process as the issues, and how we intend to communicate these, will have been 'locked in' prior to the onsite audit occurring.

Beyond the immediate decision to approve these documents:

- The Financial Strategy outlines how we intend to fund Council activities and service and fund our Infrastructure requirements (as outlined in the Infrastructure Strategy), for the next 30 years.
- The assumptions specify what financial information we have drawn on when developing our plan and what assumptions we have made about things like interest rates, borrowing and rates of inflation.
- The Consultation Document reflects key projects and decisions that will influence rates for our community over the next 10 years.
- Together these are an important suite of documents that will influence our community for the next 10 years and beyond.

Treaty Considerations/Implications for Māori

No implications specific to Māori have been identified in relation to the recommendations made in this report being to adopt the listed documents for audit review.

However, the issues included in these documents will have implications for Māori, and other members of our community. It is important for Māori to share their views and provide feedback on these issues when our consultation period opens. Our Consultation Plan will consider how we can best engage with Māori regarding these issues.

Communications/Engagement Plan

The Financial Strategy, Infrastructure Strategy, and assumptions will be made available as part of the supporting information for the 2021-31 Long term Plan Consultation Document. The Financial

Strategy, Infrastructure Strategy, and assumptions will also be included in the final Long Term Plan document when that is adopted in June 2021.

A Communications Plan is in development to support the consultation period. A range of different methods and approaches will be used to reach different members of our community.

Environmental/Climate Change Impact and Considerations

No implications specific to the Environment/Climate Change have been identified in relation to the recommendations made in this report. However, the content proposed in the 2021-31 Long Term Plan Consultation Document provides information on what Council has planned or underway as a response to addressing impacts of climate change. Our budgets also reflect the investment we are planning to make in environmental/climate change related initiatives/programmes.

NEXT STEPS

The next steps for the 2021-31 LTP are outlined below:

March 2021	<ul style="list-style-type: none">• Audit NZ review• Council adoption of the 2021-31 LTP Consultation Document and supporting information for public consultation
April 2021	<ul style="list-style-type: none">• Public consultation commences
May 2021	<ul style="list-style-type: none">• LTP Hearings
June 2021	<ul style="list-style-type: none">• LTP Deliberations• Council adoption of the final 2021-31 LTP

DRAFT FOR AUDIT REVIEW <INSERT PLAN NAME>

LONG TERM PLAN 2021-31: CONSULTATION DOCUMENT

Now is the time to have your say! What future do we want for our mokopuna?

DISCLAIMER: This document has been prepared for Audit New Zealand's review of Masterton District Council's draft consultation document for the 2021-31 Long Term Plan. This is a pre-designed version of the key content to be included in the Consultation Document. Translations are to be inserted for key headings. The content is subject to change in response to audit feedback. The audit will take place during March 2021. The consultation document is scheduled for adoption following audit review on 31 March 2021.

Inside Cover Page

<INSERT PLAN NAME>

Tell us what you think about our plans to build a better Masterton:

- Masterton's Civic Facility
- Revamping Masterton
- More Housing for Seniors

Contents Page:

<TO FINALISE WHEN THE DOCUMENT IS COMPLETED>

- Be Mindful of Our Past
- As We Move Masterton into the Future (Message from our Mayor and CE)

Masterton's Future

- The focus of our plan

The "Big Decisions" now

- Civic Facility
- Masterton Revamp
- More Housing for Seniors

Responding to key challenges

- Climate Change
- Water Resilience
- COVID-19 Recovery

What else have we got planned?

- For the next 10 years
- For the next 30 years

What about the dollars?

- What will our plan cost?
- How will we pay for it?
 - o The plan for income
 - o The plan for borrowing
- What else has changed?
- What does that mean for you?

What else is on our radar?

- The future of rural halls
- Revenue and Finance Policy review
- Wairarapa Combined District Plan Review
- Three Waters Reform

Have your say on these proposals too

- Wellington Regional Growth Framework
- Draft Significance and Engagement Policy
- Fees and charges

Tell Us What You Think!

- How to have your say
- Feedback form

BE MINDFUL OF OUR PAST...

He Hiringa Tangata, He Hiringa Whenua (Our People, Our Land)

People are at the heart of everything we do. We were proud to adopt our Wellbeing Strategy, *He Hiringa Tangata, He Hiringa Whenua*, in 2018. This strategy provides direction to support social, cultural, environmental, and economic development that together have a tangible impact on the wellbeing of our people, now and in the future.

He Hiringa Tangata, He Hiringa Whenua has guided our decision-making over the past three years and shaped our strategic direction for this plan, placing people firmly at the centre.

The journey from 2018 to today has been a positive one. We have worked towards building a better Masterton, looking after our people and our place, to enhance the wellbeing of our community. We have achieved a lot. And now it is time to consider what path we take next.

INSERT INFOGRAPHIC WITH SOME KEY ACHIEVEMENTS SINCE 2018

AS WE MOVE MASTERTON INTO THE FUTURE (MAYOR'S/CE'S MESSAGE)

Mā te huruhuru ka rere te manu.

Adorn this bird with feathers to enable it to fly.

Whakaoriori is the Māori name for Masterton. Loosely translated it means "to chant". The story that goes with this name tells of old people sitting with young ones in their laps or wrapped in blankets listening to birdsong in the evenings and chanting along with the music of the birds as they as they rocked their children to sleep. This whakatauki, or proverb, resonates given the link to our history and because the projects that we have planned are about caring for our children and could also be considered the feathers that enable Masterton to move forward and 'fly'.

<MESSAGE FROM MAYOR AND CE TO BE INSERTED>

HWM and/or CEO

MASTERTON'S FUTURE

The developments we have planned for Masterton will change our town in a way that hasn't been seen since the 1950s.

We are building a new future.

When we consider the options laid out in this document, we need to focus on the big picture, not just the next five years. These are long-term decisions - and opportunities - that will shape our community and have long-term consequences for our children.

Our vision for Masterton/Whakaoriori is that it offers the best of rural provincial living.

We want "the best" for all our community, and especially our tamariki and mokopuna. We want them to be proud of who they are, and where they come from. We want Masterton to be a place where everyone thrives.

To achieve that, we need to be future-focussed. Borrowing a phrase that resonated with us all last year, we need to "go hard and go early" - or in our case, go now! That means creating jobs and employment for our current generation and creating something special for those coming later.

Or we can wait and see.

But the longer we wait, the more likely it is that our kids will miss out. Our options will diminish as the cost of these projects escalate over time.

And the longer we wait, the longer we go without. These assets will offer our community more employment now, and better places and spaces in the future - spaces where our community can connect, grow stronger, and thrive.

If we wait too long, we will have to live with the reality of a tired town centre, entrances that don't reflect us or promote our district, and senior members of our community who don't have homes, or are stuck in bigger homes that our whanau and children could use. We'll still have a library that is limited in what it can offer our community and an archive that can no longer store and protect our history.

What future will you choose?

Worried about the cost?

We know that every opportunity comes with a cost, and we have taken those costs seriously. We know our community are concerned about affordability and that you want to "keep it real".

We are looking to combine some projects, like the civic facility and library, that will give us a bigger bang for our buck and enable us to tackle more than one challenge through a single project.

We are planning to use loans to fund projects that have a long-term benefit for our community, spreading the cost over as much as 50 years for the civic facility.

We are also committed to actively pursuing external funding opportunities wherever we can to reduce the cost for our community. In the last year we have been successful in securing funding for the Hood Aerodrome development, and our recent Skatepark Revamp. We are confident that we can attract additional funding through central government or other partnerships. To explore that funding, these projects need to be in our plan now.

LAYOUT SIDEBARS THROUGH THIS DOCUMENT ARE TO BE
DESIGNED.

What are the big decisions?

We want your opinion on three key projects, and our plan to pay for them, before we confirm our long term plan for 2021-31:

1. Civic Facility – investing in a shared, multi-purpose facility

This option will bring our civic facility, library and some front-counter customer services functions together in a new location that aligns with the broader plans for our town. See page X.

2. Masterton Revamp

This option is a chance to implement the Town Centre Strategy we invested almost five years in developing to create a vibrant heart for our town, and boost its entrances, so they are welcoming and reflect who we are. See page X.

3. More Housing for Seniors

This option will increase public housing for senior members of our community, reducing the number of seniors who face homelessness and making bigger houses available for our wider community to use. See page X.

4. Paying for the Plan

Our plan takes current and future benefits into consideration. We're planning to borrow the money for these big projects now and spread the repayments over a longer time frame. We will also 'smooth' the impact now knowing our community have had a hard hit in the last year. That will spread the costs over the full life of this Plan rather than having a bigger impact in any one year. We are also committed to seeking external funding and partnership arrangements wherever we can to reduce the cost for our community, See page X.

What do you think of our plans?

Now is your opportunity to have your say on Council decisions that will impact our community over the next 10 years and beyond.

It's important you have your say on these projects. See the 'Tell us what you think!' section for info on how.

ENHANCING OUR WELLBEING

We have identified five aspirational outcomes that will help us achieve our vision for Masterton and enhance wellbeing for our community:

An engaged and empowered community

Masterton/Whakaoriori is a positive, strong, inclusive, and self-determining community with equitable opportunities for everyone.

Pride in our identity and heritage

Masterton/Whakaoriori values the place and role of tangata whenua and is proud of our cultural identity and heritage.

A sustainable and healthy Environment

Masterton/Whakaoriori has rivers we can swim in and drink from, clean air to breathe, green and blue spaces that we can enjoy and share with future generations.

A thriving and resilient economy

Masterton/Whakaoriori has a strong, sustainable, low-carbon economy that supports our people and places.

Efficient, safe and effective infrastructure

Masterton/Whakaoriori has high quality and cost-effective infrastructure that meets the current and future needs of our community.

These outcomes reflect the objectives in our Wellbeing and Infrastructure Strategies. More information is available [HERE](#)

THE BIG DECISIONS

New Civic Facility

The civic facility project is a once-in-a lifetime opportunity to create something really special for our future generations - something that will connect our tamariki and mokopuna to their past and support their future.

We want the new civic facility to be fit for purpose and future proofed - to be a space that has flexibility for the future so it will be long-lasting. We also want it to reflect our people, our place and our past.

There was enough support from residents last year for the Council to confirm building a new civic facility. We have considered feedback about a new civic facility from our community, including what it should contain, what it could offer for our community, how we can make sure it meets our needs long into the future, and where it would be best located.

We are looking at a site for the facility that embraces the ideas and aspirations our community identified when we developed the Town Centre Strategy in 2018. These include improving links with the Waipoua River, joining things up to create better connections between different parts of our town, and “greening up” the town centre.

The new civic facility will house a flexible theatre space that seats 500 people and can be used for a variety of performances, events, small conferences, and gatherings. It will have a foyer that can also act as an exhibition space, an information hub that would include some council services, and meeting rooms and kitchen facilities to support the civic facility. These spaces will flow out, connecting with the outdoor surroundings.

HOW WILL THIS PROJECT CONTRIBUTE TO WELLBEING?

SOCIAL: The civic facility will provide a place for our community to connect, celebrate and participate in social, cultural, recreational and learning opportunities.

CULTURAL: It will bring together some of our history and culture in one community space.

ECONOMIC: It will provide space for local and touring events, and opportunities for employment, contributing to our economy.

ENVIRONMENT: The build will incorporate ‘green design’ and complement our natural environment.

INFRASTRUCTURE: It will be built with future needs in mind, providing modern infrastructure that will last.

*INSERT OUTCOME SYMBOLS IN
PLACE OF FIRST WORD*

Artistic impression – indicative only



Our library is a real community asset but is too small, limiting what we can offer our community. These days modern libraries are known as the “third space” between home and work, providing a place for community interaction, meeting people or being “alone together” (doing our own thing in the same space). Libraries should be able to be places of literacy and learning, information, creativity and inspiration, and cultural connections. We haven’t got enough space at our community archive either and need to find a permanent home to store our taonga, our treasured possessions.

Artistic impression – indicative only



By including the library and archive, we will create one central community place that will bring together Masterton’s history, with cultural, recreational and learning opportunities. Bringing these things together will solve a number of challenges in one building. We will:

- meet the need for a space for our community to connect socially and culturally
- gain an expanded library to deliver on modern technology opportunities
- safely house our users, visitors and staff without being too crowded
- provide a secure long-term space for our archive.

Building one facility to meet multiple needs will be more affordable than addressing each challenge on its own. We intend to secure contributions from external parties (like central government and trusts) to assist with the cost and are seeking feedback on the level of the contribution that is necessary to make this project affordable.

The new civic facility, along with our town centre upgrade, is part of our vision to create future proofed spaces and places for our community, while still incorporating our history. This is one of the most important things we will deliver for our community. We want to do it once, do it right and create something we can all be proud of.

OUR PREFERRED OPTION (what we have based our Plan on)

Build the facility soon with some external funding

The Council will build a civic facility that includes a space for performances, functions and meetings, the library and archive, an information hub that would include some front-counter services and a foyer area that can act as an exhibition space. The civic facility will be located on a new site that allows us to build a facility that will remain fit for purpose for many years and aligns with our Town Centre Strategy. Construction would start in 2022/23 and the facility would be completed in 2024/25.

The estimated cost of building the new civic facility is \$30.8 million. This incorporates 2,800 square metres of space for the library and archive, and a flexible theatre space seating seat 500 people that could be used for performances/meetings/functions/exhibitions.

We have estimated additional annual net operating costs at \$1.3 million by Year 5 (2025/26). We will include our front-counter services in this facility so we can consolidate our staffing in two key sites.

We plan to take out a 50-year loan to fund most of the project and have anticipated a contribution of \$4 million of external funding. By 2025/26, the additional \$1.3 million needed each year translates to \$101 in rates for the average urban residential property (the result of rates increases over five years).

ALTERNATIVE OPTION

Build the facility without external funding

The Council builds the facility described in the proposal above without reliance on external funding contributions. The timeframe for delivery would be approximately the same given the time required to undertake the work needed to prepare to build – e.g. refining designs and seeking consents.

Taking this option would increase the annual additional cost to \$1.44 million by year 5 (2025/26) which would equate to \$111 in rates for the average urban residential property (the result of rates increases over five years).

Check out our Questions and Answers on the Civic Facility here [\[insert link\]](#).

Other supporting information about our plans for the civic facility is available on our website [\[insert link\]](#)

Masterton Revamp

Our town centre is the heart of Masterton. It's a place where our community connects – whether that's bumping into old friends, hanging out with mates after school, or sharing kai or a coffee. It's also where many of us work, do business and shop.

Our Town Centre Strategy, adopted by the Council in 2018, recognised the community's desire for our town centre to be a vibrant space, to be greener, and have better connections with the Waipoua river and with other key places like Queen Elizabeth Park. People asked for spaces that reflected our people with local art and our culture on display. Our tamariki wanted space where they could play, be active and have fun. All of these things are part of what we will deliver as we implement the strategy.

The developments we have planned for Masterton will change our town in a way that hasn't been seen since the 1950s. Over the next 10 years, we are planning to complete key projects in the Town Centre Strategy. That includes revamping all three sections of Queen Street and Charlie's Lane, as well as bringing the 'park' (more green space) into Park and Bruce Streets and developing Dixon Street and the Waipoua River precinct. This will create an exciting and lively hub for our community that includes places for markets and outdoor events. Our town centre will be a space that we can all be proud of, and a place that our community will love to spend time in for years to come.

We also plan to improve the entrances to Masterton. These entrances create a first impression for visitors and greet our whānau when they return home. We want our 'welcome' to be inviting, and to reflect 'us' by promoting what we love about our district.

Much of this work involves roading, cycleways, and pavements and some of it will qualify for the government roading subsidy, through Waka Kotahi (New Zealand Transport Agency, or NZTA). We have timed the different stages of the project with NZTA funding rounds. We have also planned work to occur when maintenance is scheduled, to be more efficient and reduce disruption. We are also future proofing development with sustainable environmental design that will address climate impacts, water resilience, promote walking and cycling, and improve safety. Some of this may be eligible for government funding in the future.

The Council and our community invested substantial time and money in developing the Town Centre Strategy, and designing the first stages of work including, lower Queen Street. If we don't proceed with implementing the strategy, there would be no benefit from our investment. Scheduled maintenance work in these areas would still need to be completed and work may have to be re-done when we do eventually upgrade these areas in the future.

The Masterton revamp, and our welcome entrances, are key parts of our vision to make Masterton a modern town. We want our district to be a vibrant and welcoming place, from entering Masterton to its very heart.

HOW WILL THIS PROJECT CONTRIBUTE TO WELLBEING?

SOCIAL: Creating a vibrant heart in the centre of our town that provides spaces for our community to connect and spend time together.

CULTURE: Our entrances and our town centre will reflect our local culture and heritage, and our local people, promoting what we are most proud of.

ECONOMIC: A vibrant centre will encourage people to spend more time in our town centre, and to shop locally.

ENVIRONMENT: 'Greening it up' will improve the look and feel of our town and enable it to better reflect and connect with and promote our surrounding natural heritage.

INFRASTRUCTURE: Our hard infrastructure, like roads, footpaths, and pipes will also be upgraded and improved.

INSERT OUTCOME SYMBOLS IN PLACE OF FIRST WORD

TO INSERT: IMAGE OF MAP THAT SHOWS THE DIFFERENCE BETWEEN THE PREFERRED AND ALTERNATIVE OPTIONS

OUR PREFERRED OPTION (what we have based our Plan on)

Full Masterton revamp over 10 years

The Council will revamp Masterton over the next 10 years, implementing the Town Centre Strategy that was adopted in 2018.

The estimated cost of the Masterton revamp is \$35.4 million over the 10 years of this plan. The budget covers key projects in the Town Centre Strategy, starting with lower Queen Street in 2021, and all four 'Welcome to Masterton' entrances (north, south, east and west).

Loan funding of \$27.3 million is needed, along with the government's roading subsidy on some components, and depreciation reserves where we are renewing our assets. (Depreciation reserves are built up by putting aside money each year to pay to replace an asset when it reaches the end of its operational life.) There will be progressive rates increases totalling 5.2 per cent over the 10 years. The additional rates required is forecast to be \$2.3 million by year 10, converting to \$214 more in rates per year for the average urban residential property by 2030/31.

There may be opportunities to attract further government funding to off-set some of these costs but at this stage we cannot guarantee it.

ALTERNATIVE OPTION

Partial revamp over 10 years

The Council scales back the project, completing all of Queen Street, Charlies Lane, the Waipoua River precinct, and our north and south entrances only. Work on Dixon, Park and Bruce Streets would not take place. The east and west entrances to Masterton would not be improved.

The estimated cost of a partial revamp is \$22.4 million over the 10 years of this plan. With loan funding of \$14.6 million alongside the government's roading subsidy and depreciation reserves, the additional annual cost to our ratepayers by 2030/31 is expected to be to \$1.3 million. Progressive rates increases over the 10 years will total 3 per cent, which equates to \$120 more in rates per year for the average urban residential property by 2030/31.

Check out our Questions and Answers on the Masterton revamp here [\[insert link\]](#).

More information about our plans for the Masterton revamp is available on our website [\[insert link\]](#)

For more information on our Strategy, go to <https://mastertontown.nz/> or check out the information on our website <https://mstn.govt.nz/council-2/projects/cbd-village-concept-upgrades/>

More Housing for Seniors

A strong community looks after its most vulnerable members, and we want to develop more affordable homes for senior members of our community who are struggling to access appropriate housing.

Currently, the Council's 44 senior housing units at Panama Village occupy about one-third of the available land area, leaving four hectares available for more housing. The Panama land was originally gifted to the community, and under current rules can only be used to accommodate older people or those in need.

A priority in the Council's Wellbeing Strategy, *He Hiringa Tangata, He Hiringa Whenua*, is to advocate for better housing opportunities for all our residents. The government's recent decision on locations for greater public housing investment did not include Masterton, but at a local level we recognise the urgent need for more housing in our district

The Council currently supports senior housing through owning and managing 78 senior housing units in four locations. We are also fortunate to have a range of supportive community providers and organisations in our district, including community trusts providing public housing.

However, both the Council and the community trusts have waiting lists of people in need of accommodation.

Subsidised rent for public housing is available from the government when a registered Community Housing Provider (CHP) or Kāinga Ora (the government agency that acts as landlord for state housing) manages the public housing stock. This subsidy gives our more vulnerable people the ability to live independently in a safe and healthy home, while receiving a contribution towards their rent. The rate of the subsidy is 25 per cent of a person's income.

Normally, our senior tenants do not come from the Public Housing Register and councils (and therefore our elderly or needy residents) are not eligible for subsidised rent or the additional operational grants available under the Government's schemes for new housing. The only way we can take advantage of the subsidy would be if we leased our housing to a Community Housing Provider (or if they operated it for us).

Our current rental criteria for pensioner housing requires residents to be aged 60 or older, receiving a permanent benefit, and having assets of less than \$25,000 (single) or \$35,000 (couple). We have made exceptions based on need and current occupancy rates.

Building more senior housing would be part of a wider strategic approach to housing issues in our district.

HOW WILL THIS PROJECT CONTRIBUTE TO WELLBEING?

SOCIAL: This will help to meet housing needs for senior members of our community. Housing underpins many other wellbeing outcomes, including physical and mental health.

ENVIRONMENTAL: Green design features will be incorporated in our new units.

INFRASTRUCTURE: We will add modern housing infrastructure to our housing portfolio.

*INSERT OUTCOME SYMBOLS IN
PLACE OF FIRST WORD*

OUR PREFERRED OPTION (what we have based our Plan on)

We build 25 pensioner units

The Council funds and builds 25 units (15 x 1-bedroom units and 10 x 2-bedroom units) on the vacant land at Panama Village and partners with a community housing provider to manage the housing so that tenants can access the government subsidised rent, making it affordable housing.

The estimated cost of building the 25 units with the required infrastructure (includes water and wastewater pipes, roading and paving, stormwater, power, landscaping) is \$7.5 million. We have estimated an annual income of \$351,000 which accounts for market rent (the government subsidises the eligible tenants) less the cost for the services of the community housing provider to manage the units.

The Council will fund the capital costs of the project through borrowing. There will be an estimated additional net cost to our ratepayers of \$143,000 per year, which equates to rates of \$11 per year from 2023 for the average urban residential property.

ALTERNATIVE OPTION

We offer land and someone else builds more public housing

The Council investigates a means of making the vacant land at Panama Village available for other providers to fund and build more public housing.

With another provider building units on council land there is no cost to ratepayers. Tenants and providers can potentially access government funding (both for the build work and for ongoing costs).

Check out our Questions and Answers on more housing for seniors here [\[insert link\]](#).

More information about our plans for housing for seniors is available on our website [\[insert link\]](#)

RESPONDING TO KEY CHALLENGES

Climate Change

Climate change is one of the biggest challenges facing this and future generations. One of five strategic directions in our Wellbeing Strategy, *He Hiringa Tangata, He Hiringa Whenua*, is to 'Address current and future impacts of climate change'. Some of our key actions include:

- We have established a climate change work programme to better respond to local opportunities, challenges and requirements of the Climate Change Response (Zero Carbon) Amendment Act 2019.
- Our corporate Climate Change Action Plan was recently approved, setting out a range of actions and targets to decrease the Council's carbon footprint.
- We are establishing a community forum to support us to co-develop an equivalent plan for our district. That plan will look more broadly at what we can do together as a community to respond to climate change challenges.
- Our infrastructure asset management plans, and infrastructure strategy, have considered climate change when planning for the future. Key immediate responses are water resilience, which we discuss in the next section, and developing a Stormwater Strategy to help us better plan and prioritise this work.
- Through the Wairarapa Combined District Plan review, we will also be exploring options and tools to support climate change resilience. This is where we will consider things that you have suggested, like water storage tanks, as well as how we look after and protect our environment.

WHAT ABOUT WELLBEING?

Climate change has the potential to impact every facet of our lives and everything we do. It is important for our community's wellbeing that we take action to mitigate its effects, and adapt to ensure we are resilient in the future.

Water Resilience - Having Enough Water

We know having enough water to meet our basic needs is important to our community. We have received a lot of feedback that supports the Council taking action to make sure our community is resilient when it comes to water, and we are acting on that:

- The three Wairarapa Councils have been jointly developing a Water Resilience Strategy.
- The Council has funding in Year 3 of the LTP (2023/24) for water storage reservoirs at the Kaituna Water Treatment Plant.
- Leak detection is underway with associated water renewals.
- Water meters are being installed and charging will be introduced from Year 2 of the LTP (2022/23).
- Through the Wairarapa Combined District Plan review, we will also be exploring options and tools to support water conservation and resilience.

WHAT ABOUT WELLBEING?

Water is essential for our individual health as well as the health of our environment and economy. Water also has specific cultural significance for Māori. It is critical for our community wellbeing.

The Wairarapa Water Project team is exploring resource consent options for a proposed community dam project. If the consent is successful, we will complete an assessment of our options and consider how that project could contribute to water resilience and the wellbeing of our community.

COVID-19 and Economic Recovery

COVID-19 had a big impact on our community when we went into Alert Level 4 lockdown in 2020. To date our recovery as a community has been more positive than we expected, but we know some people have been affected more than others. We are taking action to support recovery for all members of our community:

- We have developed a joint Wairarapa Recovery Plan that includes identifying and promoting opportunities across our region and stimulating business growth.
- In November you told us you supported the Council investing in projects that would help to create jobs locally, and help our economy, if we could minimise the impact on rates. The projects we have planned will offer lots of opportunities for local contractors and local employment. We are seeking external funding support wherever possible.

WHAT ABOUT WELLBEING?

The economic consequences of COVID-19 have impacted many in our community – some much harder than others. It is important for the wellbeing of our community that we make sure we ALL benefit from our recovery efforts. We cannot leave anyone behind.

WHAT ELSE HAVE WE GOT PLANNED?

In addition to our Big Decisions there are a range of other infrastructure projects we're planning to deliver in this Plan.

For the next 10 years

INSERT INFOGRAPHIC WITH KEY CAPEX PROJECTS THAT ARE PLANNED FOR THE NEXT 10 YEARS (SEE LIST IN BOXES BELOW NOTING THE INFOGRAPHIC WILL INCLUDE THE YEARS AND FINANCIALS).

EXPANDED COMMENT IN TEXT BOXES FOR SOME TO SUPPORT THE INFOGRAPHIC - SEE BULLET POINTS UNDER LISTS BELOW.

WHAT ABOUT WELLBEING?

Infrastructure includes things like roads and footpaths, water supply networks and wastewater networks. These things are essential for community wellbeing. We want high quality and cost-effective infrastructure that meets the current and future needs of our community.

ROADING

Project/Investment
Rural Road Renewals
Urban Road Renewals
Rural & Urban Minor Roading Improvements
Footpath Renewals & Upgrades
Urban Cycleways
Colombo Road Bridge over the Waipoua
Gordon Street Upgrade
Millard Avenue Urbanisation
Chamberlain Road Upgrade
Kitchener to Gordon Paper Road Development
Mataikona Road

THREE WATERS (Water, Stormwater and Wastewater)

Project/Investment
Wastewater Infrastructure Renewals
Homebush Strategy Implementation
Increased Irrigation at Homebush
Millard Ave Wastewater Urbanisation
Riversdale Wastewater Renewals
Castlepoint Wastewater Renewals
Stormwater Renewals
Flood Protection
Stormwater Treatment
Urban Water Storage
Urban Water Infrastructure Renewals
Wainuioru Water Supply UV Filter

SOLID WASTE

Project/Investment
Landfill Capping
Nursery Road Transfer Station Renewals

COMMUNITY SPACES AND FACILITIES

Project/Investment
Queen Elizabeth Park Renewals
Kids Own Playground Renewals
New Recreation Trails
New Waipoua Cycle & Pedestrian Bridge -Waipoua River
Sportsground Building Renewals & Improvements
Colin Pugh Sports Bowl Track Renewal
Skatepark Revamp
Trust House Recreation Centre Renewals
Senior Housing Renewals & Upgrades
Rental Property Upgrades
Hood Airport Development

REGULATORY

Project/Investment
New Animal Shelter

Some of these projects might need a bit more explanation:

- **Renewals** – You’ll notice that a lot of these projects are “renewals”. That means we’re doing work to keep the asset in good condition. These projects are really important because they are looking after our existing assets and making sure they remain fit for purpose.
- **Urban Water Storage** – We’re planning to increase the water storage capacity for our urban water supply. Water resilience is one of our key challenges (see Responding to Our Key Challenges).
- **Hood Aerodrome Development** – Last year we were successful with our application for central government funding to develop the aerodrome. We will be working through a five-year programme to improve the facility and to future-proof its role in our community’s resilience. Work includes improvements to the runways and infrastructure on the airfield.
- **Animal Shelter** – We’re investing in a new Animal Shelter that will ensure we meet the current code requirements of the Animal Welfare Act.
- **Trust House Recreation Centre** – We need to renew some of the machinery and equipment that runs the pools and make improvements to the building such as improving energy efficiency to meet environmental targets and to improve accessibility for all users. We will also investigate and develop options for refurbishment or replacement of some of the older parts of the complex to meet evolving community need and to keep the asset in good condition for the future.
- **Our Sport Facilities** – We’ve made a start improving the buildings on our sport grounds, like the Cricket grandstand in the park. We are continuing with plans to improve other buildings too, including the Pioneer Rugby clubrooms and the Queen Elizabeth Park bowls pavilion. The surface of the all-weather athletics track at Colin Pugh sports bowl requires replacement and we have a 5 year plan to renew that.

- **Our Parks** – We are continuing work at Queen Elizabeth Park, replacing furniture and doing some landscaping.
- **Skatepark Revamp** – Last year we were successful with our application for central government funding to revamp the skatepark. The revamp was designed in partnership with youth and work will be completed in Year 1.
- **Recreation Trails** – We are investing in new recreation trails to expand our local networks.
- **Waipoua Cycle and Pedestrian Bridge** – This bridge will connect the recreation trails on each side of the Waipoua River so we can walk or bike a “river loop”.
- **Mataikona Road** – This road is at risk from coastal erosion and needs investment to ensure the road remains useable.

For the next 30 years

Planning *really* long-term is important when it comes to looking after our infrastructure and making sure we have the right level of investment at the right time to meet our community’s needs, both now and in the future.

Things that we take into consideration when we are thinking about our future infrastructure include population growth, the condition of our assets (like how old the pipes are and how long they might last), new technology, the changing legal and regulatory environment, and key challenges like climate change.

Beyond the next 10 years, the single biggest infrastructure investment that we need to make will be extending the Homebush Water Treatment Plant irrigation and upgrading the plant to meet future consent requirements. We expect to invest just over \$10 million in the additional irrigation, and a further \$32 million in the upgrade. This process needs to be underway by 2034.

Over the 30 years from 2021 to 2051, we are planning to invest a total of \$X in infrastructure.

INSERT INFOGRAPHIC THAT SHOWS THE 30 YEAR SPEND FOR KEY ACTIVITY AREAS:
Roading; Wastewater; Water Supply; Stormwater and Community Facilities.

Our Infrastructure Strategy looks past the 10 years of this Plan, thinking at least 30 years ahead to help us plan to meet the future needs of our community too.

For more information, see our Infrastructure Strategy and Asset Management Plans on our website [INSERT LINK]

WHAT ABOUT THE DOLLARS?

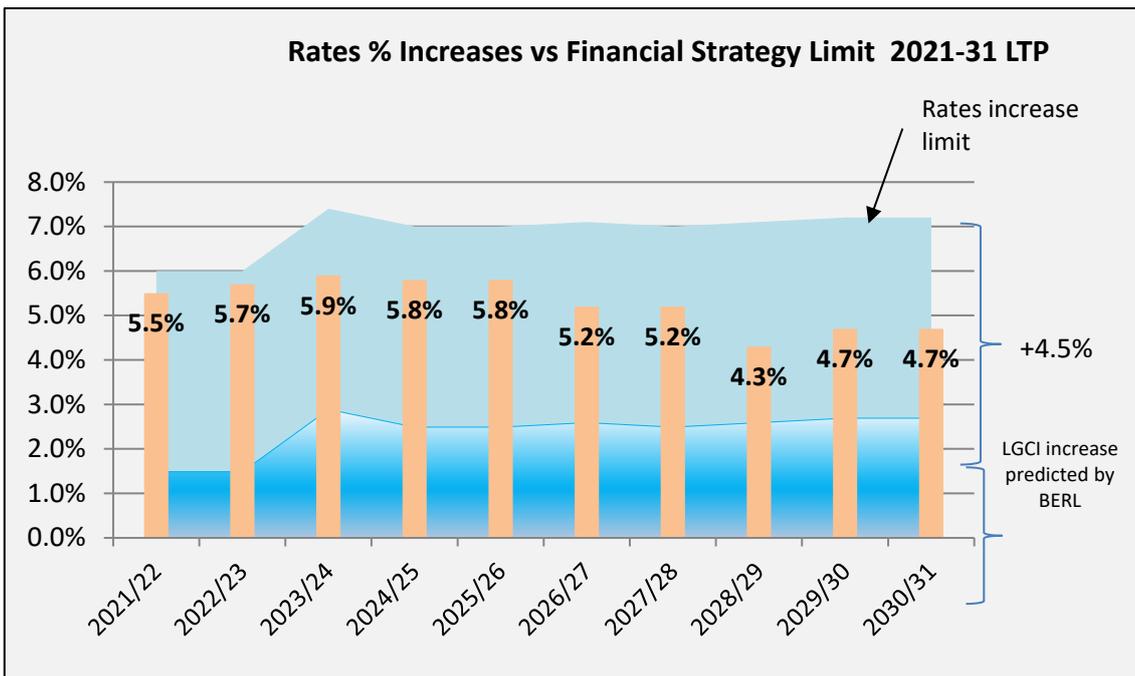
What will it cost?

The expenditure to deliver all our services increases in year 1, particularly for some of our asset-based services such as roading and community facilities. The expenditure levels also reflect the full funding required without the COVID-19 relief that the Council provided for in 2020/21 with capping rates at 2% and capping or waiving some fees and charges. The proposed big decision projects, the Civic Facility and Town revamp, will contribute to increasing costs from year 2 onwards.

Our expenditure is funded through a mix of rates, fees and charges, reserves, and subsidies. Wherever possible we seek external funding to reduce the impact on our community.

We're proposing to cap increases on our rates income across the next 10 years at 4.5% plus the rate of inflation (using the local government cost index to match to our activities).

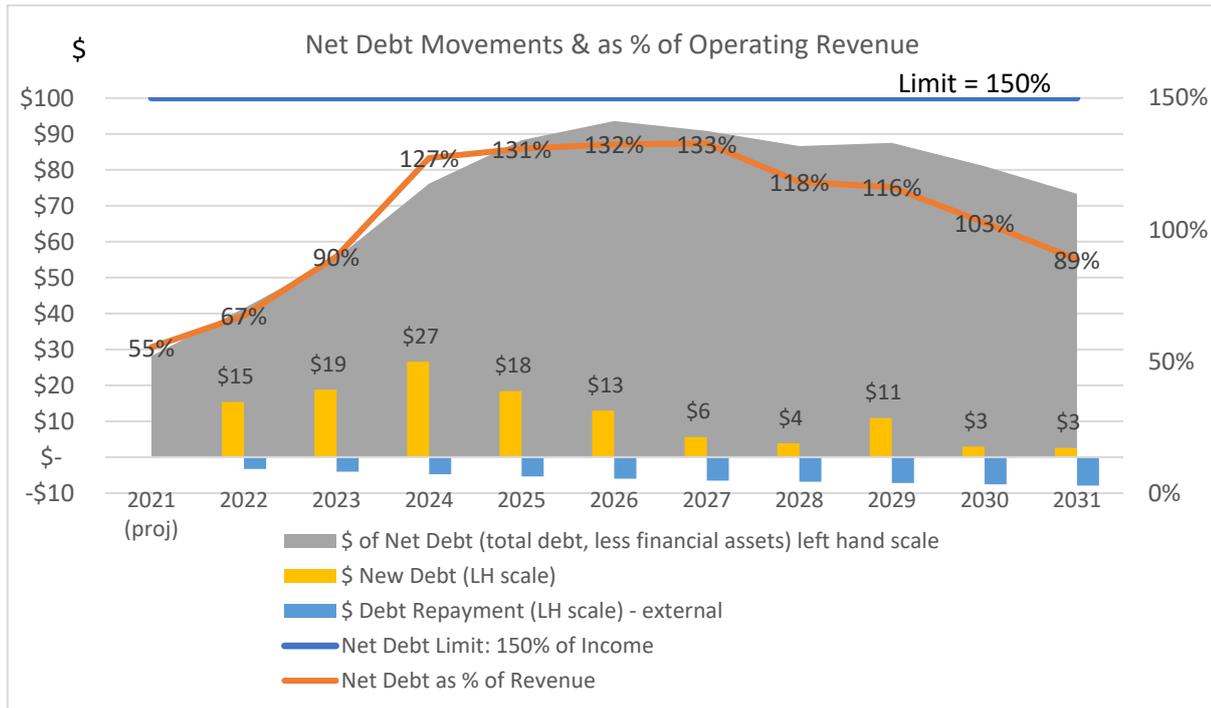
The Council has smoothed the impact of these increases over the 10 years of the Long-Term Plan. This means that rather than having large rate increases in the first few years, there will be smaller annual rates increases of between 4% and 6% in each year. The smoothing has been achieved by using reserve funds instead of rates, then replacing those reserve funds in the later years.



Our plan for borrowing

All councils set debt limits, which caps our total borrowing. The limit is benchmarked by comparing the total debt to our total income. We will hold net debt as a percentage of operating revenue below 150%. The effect of that limit is shown in the graph.

[simpler graph will be used]



The level of net external debt is projected to increase from \$26.2 million to a maximum of \$93.6 million by Year 5 and then reduces to \$73.3 million

To build or renew infrastructure is very costly. Infrastructure assets and buildings last a long time and residents over many generations get to benefit from the services provided by these assets. It's sensible, and prudent, to borrow the money for building and renewing these asset so that the payments are spread over time.

This is also much fairer as it's not just you and your whanau who benefit from new pipes and buildings. Future residents and businesses significantly benefit from new or improved infrastructure that we put in today. The money being borrowed will be paid back through rates, so, ratepayers, current and future, fund a share of the increases in infrastructure expenditure.

For more information see our Financial Strategy on our website [INSERT LINK]

What else has changed?

Your property valuation

All properties in the district have been revalued since last year's rates were calculated. The new valuations, assessed by Quotable Value, are based on market values as at 1 September 2020. All sectors (residential, rural, commercial and industrial) have shown an increase in value but the average for each sector is very different (for example, commercial properties increased significantly less than residential) and there is a reasonable variation within each sector.

If all values had increased by the same percentage, everyone would pay the same share of rates as last year. Where a property's valuation increases by less than the average increase, they can expect to pay a smaller share of the total rates. Where a property's valuation increases by more than the average increase, they can expect to pay a bigger share of the total rates.

To understand the impact of the Council's proposed rates increases combined with the impact of your new property valuation please use the link below to the Council's rating calculator.

What does that mean for you?

INSERT RATES IMPACT INFOGRAPHIC AND EXAMPLE RATES

FEES AND CHARGES

Fees and charges are targeted at people who choose to use a particular service or make lifestyle decisions, such as owning a dog or having a swimming pool, that Council is required to oversee or monitor.

We are suggesting some changes to fees and charges from 1 July 2021 including:

- Increasing all fees by the rate of inflation.
- Increasing some fees by more to better reflect the cost of delivering the service. These fee areas include resource management fees, food premise verification fees and swimming pool inspection fees.
- Increasing dog registration to reflect the cost of building the new animal shelter and costs that were absorbed last year when we chose not to increase dog registration fees as part of our COVID-19 response.

For a full list of changes, see our Fees and Charges Proposal that is available [HERE](#). <insert weblink>

WHAT ELSE IS ON OUR RADAR?

There are lots of other decisions to be made over the next year that will move Masterton forward and shape the future for our children. We'll be coming back to you later in the year to talk about these issues:

INSERT INFOGRAPHIC SHOWING WHATS COMING UP AS INCLUDED BELOW.

The Future of Rural Halls

The Council owns seven rural halls throughout our district. The halls are generally in pretty good condition for their age, but not all of them are well used. We're thinking about the best options for their future. We haven't made any decisions yet, and don't have any recommendations, but options that other councils have considered that might be worth us exploring include:

- Gifting the halls to local community groups – Success with this has been variable. Some have become vibrant hubs, but in other cases community groups have not had the funds, volunteer base or expertise needed to maintain the halls
- Managing the halls in partnership with a local community group, school or association – In this arrangement, the Council continues to own the hall and manages core maintenance. The community organisation takes care of the day-to-day management and minor maintenance. We currently have some arrangements like that now, and these halls are well used.
- Selling the halls – In other areas, some halls have been sold if they aren't used and no community groups are interested in taking them on.

We're keen to hear what our rural communities think about rural halls and how they use them. We also want to know what they think of the options that other councils have considered, and whether they have any other suggestions. This feedback will help us narrow down some viable options that we can test and explore further. We will then bring these options back to the different hall communities for further discussion.

Revenue and Finance Policy Review

In a nutshell, this policy is about how the Council funds the activities and services that we provide for our community. It outlines things like:

- How much rates funding we allocate for each service, to recognise the value to the community, and how much we collect from user fees and charges.
- How we calculate each rate. For example, is it based on the land or capital value of a property, or do we target expenditure to specific property types like urban, rural or commercial.

We know from your feedback that some of you are keen to see changes to this policy. Our review will start in July 2021 and once completed we will come back to engage with you on any proposed changes.

WHAT ABOUT WELLBEING?

The halls we own date from the 1890s to the 1950s. In the past they have been important community hubs contributing to the wellbeing of our rural communities. However, the way we live and socialise has changed, and we don't know if all of these halls still add the value they once did. We want to understand what contributes to the wellbeing of these communities now, and what role our halls have to play in that.

WHAT ABOUT WELLBEING?

Equity and fairness are important aspects of wellbeing. The policy review will consider how we can structure collecting money to achieve the best outcomes for our community.

Wairarapa Combined District Plan Review

We have recently started working with Carterton and South Wairarapa District Councils on reviewing the Wairarapa Combined District Plan. The revised plan will be an important tool for supporting water resilience and the climate change response for our community. It will also shape our future by setting rules about how we use our land, how big sections can be, what trees, natural landscapes and historic buildings we want to protect, and how we look after our environment. We will be engaging with you as we develop sections of the Plan over the coming year.

We are mindful of the government's planning reforms and will adapt the review to meet the government's requirements.

Three Waters Reform

Some of you will have heard about the Three Waters Reform. This is a process that central government is leading to consider the future of the three water services councils currently deliver – drinking water supply, wastewater and stormwater – and who is best placed to provide these in future.

The Council has signed a Memorandum of Understanding (MoU) with central government agreeing to take part in exploring options for the future. The work we are doing with central government is to identify approaches that could benefit the future delivery of these services.

We expect to have more information on the proposal for Three Waters in May 2021. Once we know what central government is suggesting, we will assess what that means for our community and come back to you before we decide whether to continue to participate in the reform process or opt out. We expect to have to make that decision later in 2021. If we choose to participate, the proposal is likely to be implemented during the 2023/24 financial year.

Regardless of the outcome of the reform process, we know communities will need drinking water and wastewater services, whether they are delivered by the Council or another organisation.

The Three Waters activities are included in our financial strategy and the infrastructure strategy. These strategies, along with other supporting information like our forecasting assumptions and disclosures, give you a complete and accurate a set of information on the medium-term and long-term financial situation for these services.

More information on the Government's reform strategy and timeline is available at <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

WHAT ABOUT WELLBEING?

The district plan is a key tool for managing our environmental, social and cultural aspirations, alongside growth and economic needs, to achieve the best balance for our community. It is also an important tool for climate change action.

WHAT ABOUT WELLBEING?

Water is essential to wellbeing and regardless of the outcome of the Three Waters Reform, water will continue to be supplied to our community.

MAKE SURE YOU ALSO HAVE YOUR SAY ON THESE PROPOSALS TOO!

Wellington Regional Growth Framework

The Wellington region is facing a number of housing and urban development, transport, and resilience challenges for the future. These challenges are regional issues that are best dealt with by councils together, not individually. Many of these challenges cross local council boundaries and the maximum benefit can be gained from tackling these together.

The Wellington Regional Growth Framework (WRGF) is a 30-year spatial plan that covers the eight districts in the Wellington Region and the Horowhenua District, and has involved collaboration between central government, the councils of the Wellington/Horowhenua Region and iwi partners. Spatial plans set out where we put different things as we expand.

The WRGF identifies recommended areas for housing, public transport and roads, three waters infrastructure (stormwater, wastewater and drinking water), businesses and jobs, in the context of issues such as housing affordability, climate change, resilience and natural hazards. It also seeks to reflect the housing and urban development aspirations of mana whenua across the region.

The WRGF is one of a number of spatial plans that have been/are being developed around the country under the government's Urban Growth Agenda.

The Framework aligns with other work being undertaken including developing a joint Water Resilience Strategy and a district Stormwater Strategy, the development of our Parks and Open Spaces Strategy and expansion of our recreational cycling trails.

The Framework will also be considered as we progress the review of the Wairarapa Combined District Plan.

Consultation on the Wellington Regional Growth Framework is being undertaken in a similar timeframe to the Long Term Plan but not as part of our council consultation.

For more detailed information on the Wellington Regional Growth Framework and to have your say go to <https://wrgf.co.nz/>.

WHAT ABOUT WELLBEING?

This Framework will influence how we grow in the wider context of the Wellington region. This is a really important framework that will influence our community wellbeing. Take the time to have your say!

Significance and Engagement Policy

We are consulting on our draft Significance and Engagement Policy alongside the Long-Term Plan.

All councils are required to have a Significance and Engagement Policy. The policy applies to all decisions that councils make and shows how we determine the importance or significance of an issue, proposal or decision, and how we plan to engage with the community as part of the decision-making process.

For further information on the draft Significance and Engagement Policy and to have your say, go to <https://mstn.govt.nz/community-4/current-consultations/>

WHAT ABOUT WELLBEING?

An important part of wellbeing is being part of a community that has opportunities to provide input into decisions that are made and that will influence you. This policy outlines what decisions the Council will discuss with you and how they will go about that. Take the time to have your say!

TELL US WHAT YOU THINK!

WE WANT YOUR FEEDBACK

This plan will make a difference for our children and their children. It's really important you tell us what you think!

Online - You can submit your thoughts online at mstn.govt.nz. Online submissions save processing costs and time.

Email - You can email your feedback to submissions@mstn.govt.nz

Phone - You can give us a call and tell us what you think. Our team will be available between 8am and 5pm Monday to Friday (excluding public holidays) on 06-370-6300.

Hard Copy - You can write your thoughts down if that works better for you. Feedback forms can be picked up at our Queen Street office or the Masterton library.

Kanohi ki Kanohi (Face to Face) - You can catch up with us in person at one of our local 'pop ups' in the community or invite us to one of your meetings to talk about our plans for the future. See our website for information on where and when we'll be out and about in Masterton/Whakaoriori.

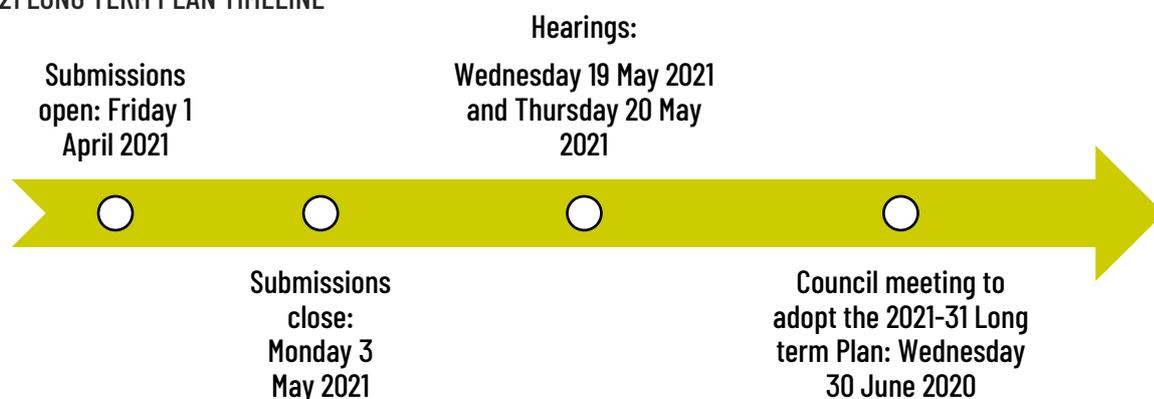
We need your submissions by **4pm on Monday 3 May 2021**.

If you submit feedback on the plan, you can also come and talk to the Council about your thoughts and ideas on **Wednesday 19 May 2021** or **Thursday 20 May 2021**. If there are a lot of people who would like to speak to the Council, we may schedule an additional day.

For every submission we receive, you'll also have the chance to select the Primary School that you would like to see get a funding boost. We'll donate \$1,000 to the school that gets the most votes relative to their school roll, so even small schools are in with a chance to win! Plus, there are a range of individual prizes up for grabs, so make sure you tell us what you think!

Note: if COVID-19 alert levels change, restrictions may affect some options listed above. At all alert levels, submissions will be welcome online or over the phone.

2021 LONG TERM PLAN TIMELINE



HOW TO HAVE YOUR SAY

This document outlines the key issues and council plans for 2021-31. Supporting information is available here: [\[insert link\]](#)

More information on our plans for the next 10 years, and how to give us feedback, can be accessed here [<fix alignment with icons>](#):



Customer Service
Centre at 161 Queen
Street



Masterton
District Library



Online at
[mstn.govt.n
z](http://mstn.govt.nz)

**Don't
forget to
check out
these
proposals
too!**

FEES AND CHARGES - We're planning to make changes to our current Fees and Charges. Further information about these changes is available here: [\[insert link\]](#).

SIGNIFICANCE AND ENGAGEMENT POLICY - We also want to know what you think about our proposed Significance and Engagement Policy. This document outlines what future decisions we will consult you about and how we will go about that. The Statement of Proposal and submission form for the Policy Review is available here: [\[insert link\]](#).

WELLINGTON REGIONAL GROWTH FRAMEWORK - Consultation on the Framework is not part of our council consultation but will shape our district, so it is important to share your thoughts on this spatial plan developed by local government, central government and iwi partners in the Wellington-Wairarapa-Horowhenua region. The intent is to provide an agreed regional direction for growth and investment and to deliver on the Urban Growth Agenda objectives of the Government. To participate in the consultation on the Framework, please go to <https://wrqf.co.nz/>.

Financial Strategy Masterton District Council

Introduction

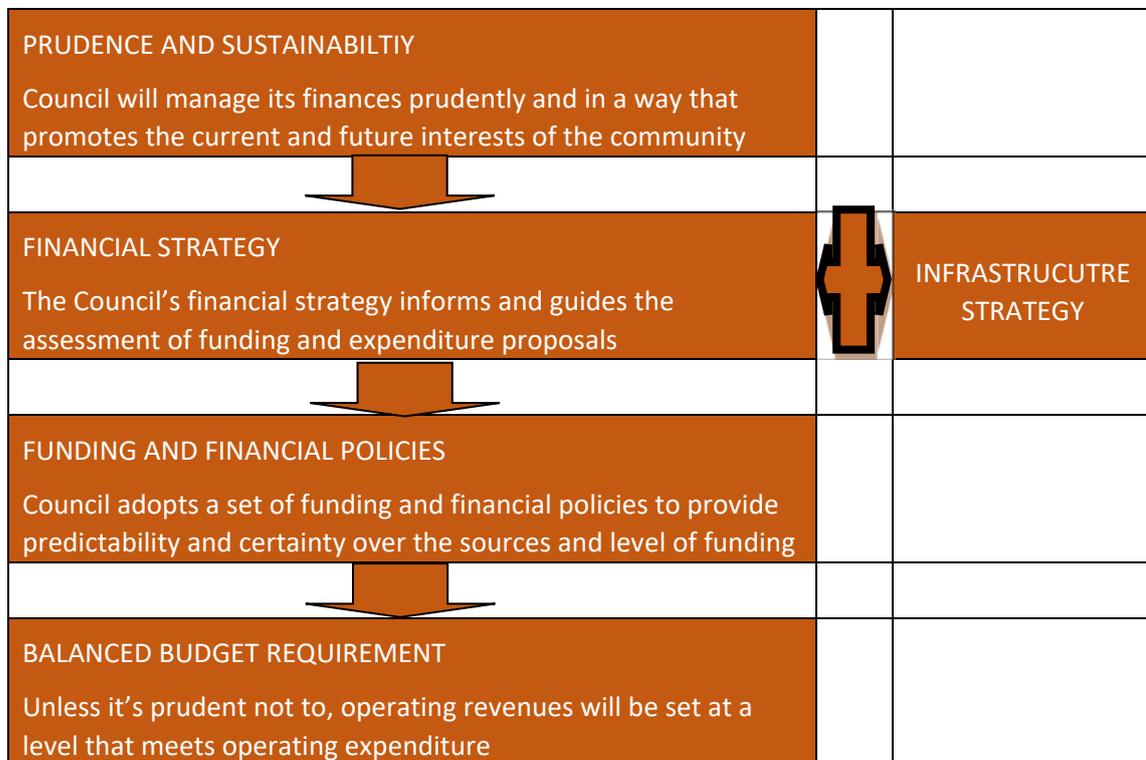
This financial strategy sets the overall direction for the Council’s finances over the next ten years. It outlines a similar approach to our financial management as described in the previous Long Term Plan. Our approach for prudent financial management includes:

- spreading the cost across today’s and tomorrow’s users (inter-generational equity)
- having capacity to fund our future capital expenditure programme
- responsibly managing our reserves and investments to meet the inter-generational equity principle
- growth funding the costs of growth

We prepare detailed plans every year and a 10-year plan and review of policies every three years. We produce summary versions of those plans for our community and ratepayers and we consult about what we plan to do. We report against those plans every year and our Annual Report is audited by Audit New Zealand.

The end-point focus of the financial strategy is to ‘maintain service delivery while ensuring financial sustainability’. To deliver our services we need to maintain and renew the assets they depend on. To that end, asset management plans have been prepared and are the basis for forecast renewal expenditure programmes.

The Council’s financial management responsibilities



This financial strategy includes the limits on rates, rate increases and borrowing and describes our ability to provide and maintain service levels within these limits. It also outlines the Council’s policy on giving security for borrowing and financial investments.

This financial strategy is closely linked to the Council's Infrastructure Strategy. The Infrastructure Strategy details the capital and operational budgets and specific projects in the areas of transportation and roads, water supply, stormwater, wastewater and community facilities.

Overview

Last year the Council took the time to understand the likely impacts of the COVID-19 pandemic on our community and we adjusted our revenue collection from rates and fees to support our community's ability to rebound. While the impacts of COVID-19 are unprecedented and evolving (which creates uncertainty) we have seen that Masterton district's economic recovery has been positive. Some of this reflects the drivers of our economy, which is heavily influenced by the primary sector and less reliant on tourism. Council's revenue streams have been relatively unaffected and construction activity and consenting volumes are still increasing. We have based our forward planning on the assumption that our recovery will continue on this trajectory.

Our financial performance and position over the last 12 years has been dominated by infrastructure expenditure. Over the next ten years we have scheduled some high value construction projects to address areas of community well-being. The proposed new civic facility, delivering our town centre revamp and building more pensioner housing are all significant projects that increase the level of service to our community. We are funding the majority of these projects with new debt and we will be increasing rates to pay for that increased level of service.

We are looking to respond to the needs identified in our asset management plans and increase spending on our roading assets to maintain the current level of service. Water resilience is also a major driver for expenditure as we look at water storage, leaks, meters and sustainable urban drainage (such as rain gardens).

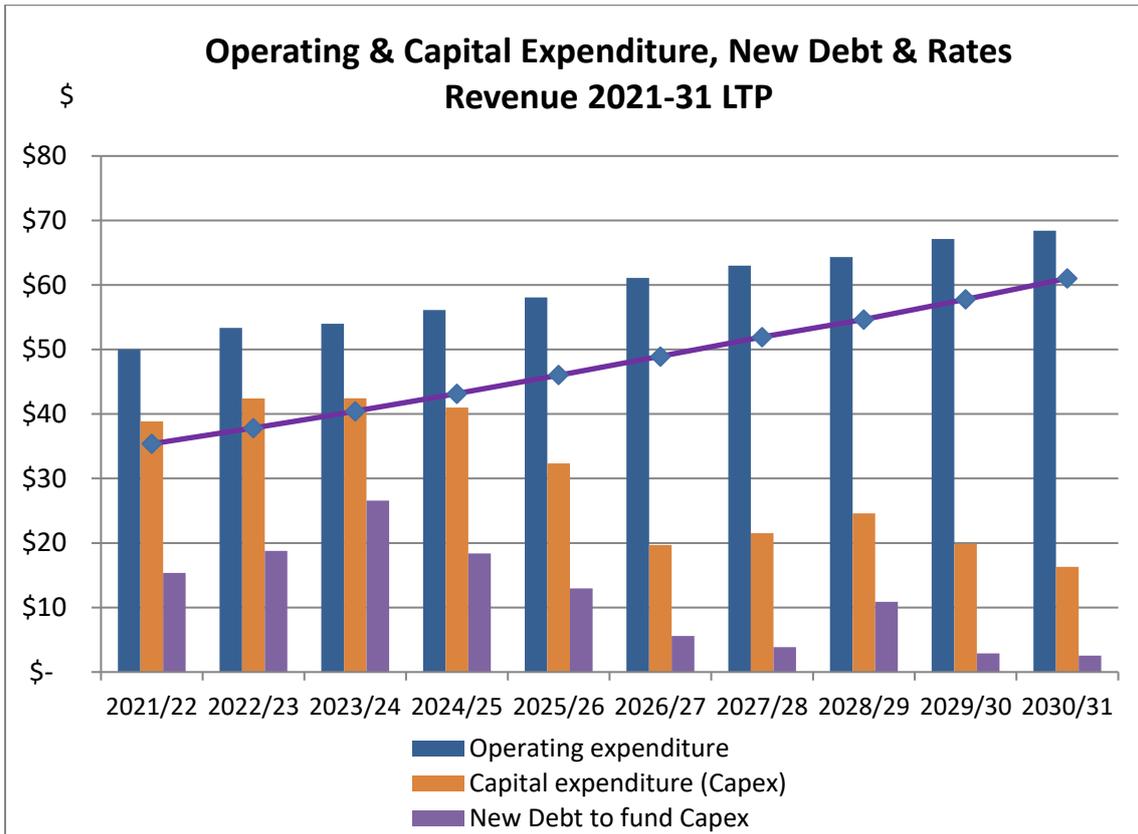
The level of net external debt is projected to increase from \$26.2 million to a maximum of \$93.6 million by Year 5.

Beyond 2031 significant investment in wastewater treatment, water and stormwater infrastructure is planned and we will be in a good position to be able fund this work from both depreciation reserves and debt.

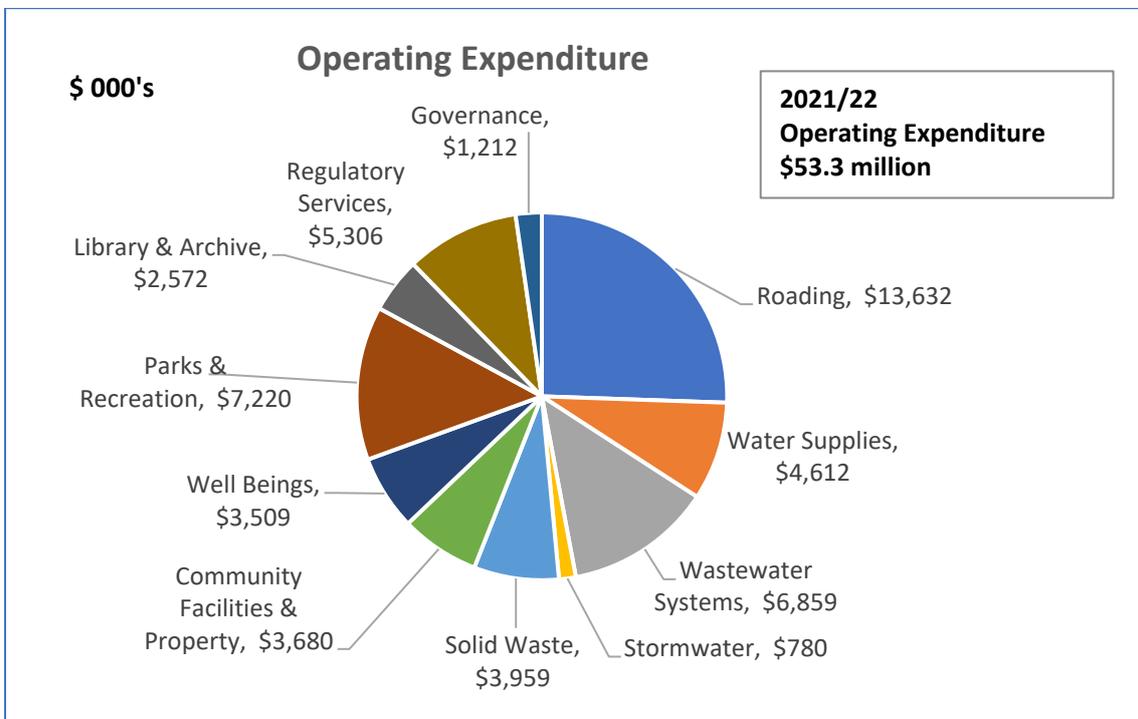
Rates increases beyond the limits in the last Long Term Plan (LTP) are required to fund the current and improved levels of service associated with the civic facility, housing and town revamp. In addition, the Council needs to catch up on the financial relief it provided to the community (through a reduced rates increase and lower fees) in 2020/21 in response to the impacts of the COVID-19 pandemic.

The proposed new limits are the Local Government Cost Index (LGCI) plus 4.5%, after growth. The previous LTP limit was LGCI plus 3.5%, after growth. Expenditure to be funded by rates is higher in the first five years of the plan so the Council has reduced this burden by smoothing the increases across the 10 years by utilising reserve funds in the early years and repaying them in the later years.

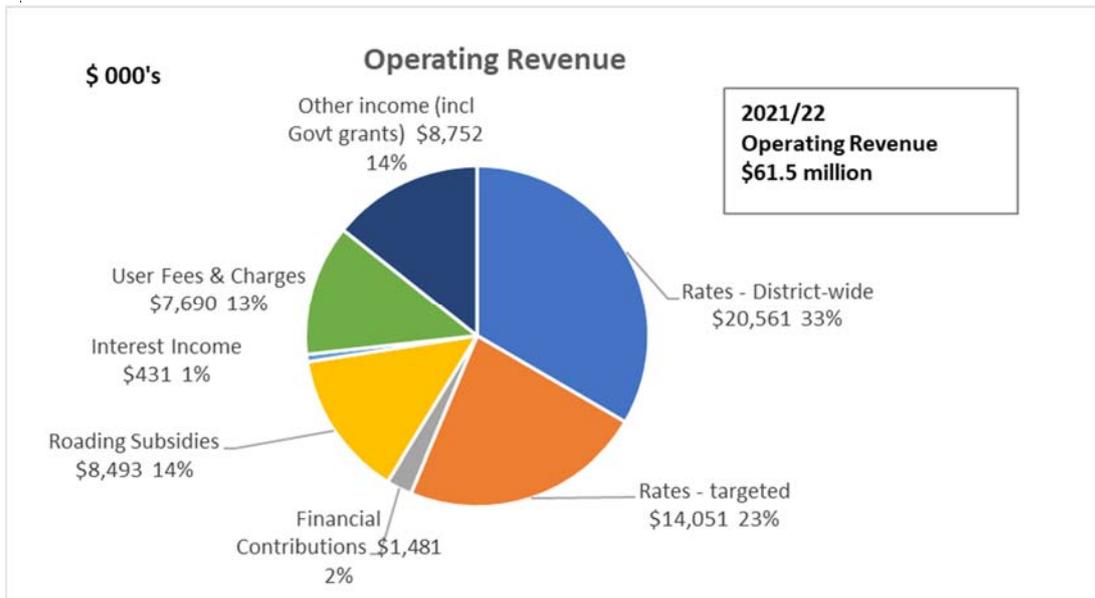
The graph below represents the financial picture of the forecast activity over the next 10 years. Some large capital projects are funded by new debt and the additional cost associated with those projects is the prime driver for the increasing rates required.



Where is the money spent?



Where does the money come from?



Our district

We expect to see population average annual growth of 1.01% per annum over the life of the plan which means Masterton district’s population will grow from 27,500 in 2020 to 30,549 (+11.1%) by 2031. Projections through to 2051 see the population increase to 32,153 (+14.5%) by 2051.

Our population will continue to age faster than the NZ average. Masterton currently has more people aged 65+ (21% compared to 15.2%); similar numbers of people aged under 15 (19.4% compared to 19.7%) and a smaller proportion of ‘working age’ (15-64 years - 59.6% compared to 65.1%). Our forecasting shows the Masterton population aged 65+ is expected to grow by approximately 73% between 2019 and 2051, from 5,825 to 10,100 people. Youth (under 15 years of age) and ‘working age’ groups are expected to remain at similar levels throughout this period. The combined effect is that the proportion of people aged 65+ will increase and Masterton’s population will age, projected to move from an average age of 42 in 2019 to 48 in 2051.

We are currently working to ensure we balance demand at both ends of the demographic pyramid, providing services and opportunities that engage and contribute to the wellbeing of both our younger and our more mature populations.

We are also becoming more diverse and we are reflecting this diversity in all that we do.

Household numbers are forecast to grow from 11,182 in 2020 to 12,718 in 2031 (+13.7%) and 13,794 by 2051 (+23.4%). This equates to average annual growth of 1.25% to 2031; and an average of 0.78% per annum to 2051.

Masterton has capacity for this level of forecast population and household growth within its key infrastructure and services and can accommodate housing growth up to 1.8% per annum over the next ten years.

Our services

We are planning to provide the same services at the same standard in most of our activities, but there are some areas (such as the urban water supply, the library, archives and civic facility, pensioner housing and town centre) where we are investing in assets and adding to operating costs. This investment will mean we need to collect more money (in the form of rates) over the period of the plan.

The proposed new civic facility, delivering our town centre revamp and building more pensioner housing are all significant projects that will increase the level of service to our community. We are funding the majority of these projects with new debt and we will be increasing rates to pay for that increased level of service. We will hold the rates increases below the limits defined in this strategy. We are responding to the needs identified in our asset management plans and increasing our spending on our water supply and roading assets to maintain the level of service delivered with those assets. Water resilience is also a major driver for expenditure with more water storage planned.

The Council is planning for regular and consistent renewal expenditure on roading, water, sewer and stormwater assets as well as 'business as usual' for all other Council services. We will keep debt below the borrowing limits defined in this strategy.

Water and Wastewater Infrastructure

Over the last 10 years our service to the community and the way we pay for it has been dominated by the capital expenditure and associated loan funding needed for the \$46 million upgrade of our wastewater treatment plant at Homebush. The completion of that project in 2015 and its subsequent successful operation have achieved greatly improved environmental outcomes. However, our work is not done. We are therefore planning to invest more to extend irrigation at Homebush and further reduce the environmental impacts of operating the plant to meet what we think will be tighter environmental standards when our resource consent expires. Our investment is nearly \$61 million (\$5million in years 5 and 6 of this LTP for irrigation and a further \$45.3 million spread over five years from 2030).

We will therefore progressively repay the current debt relating to Homebush over the next 10 years to enable further borrowing from 2030 to make the changes we need to make to meet higher environmental standards.

The Council has taken a proactive approach to the renewal of water and wastewater pipes over the last nine years. Since 2009, some 22% of the sewer pipe network (30.2 km) and 13% of the water pipe network (21.4 km) have been renewed or relined. This has cost \$21.3 million and has been funded, in the main, by current revenue (from our depreciation reserves).

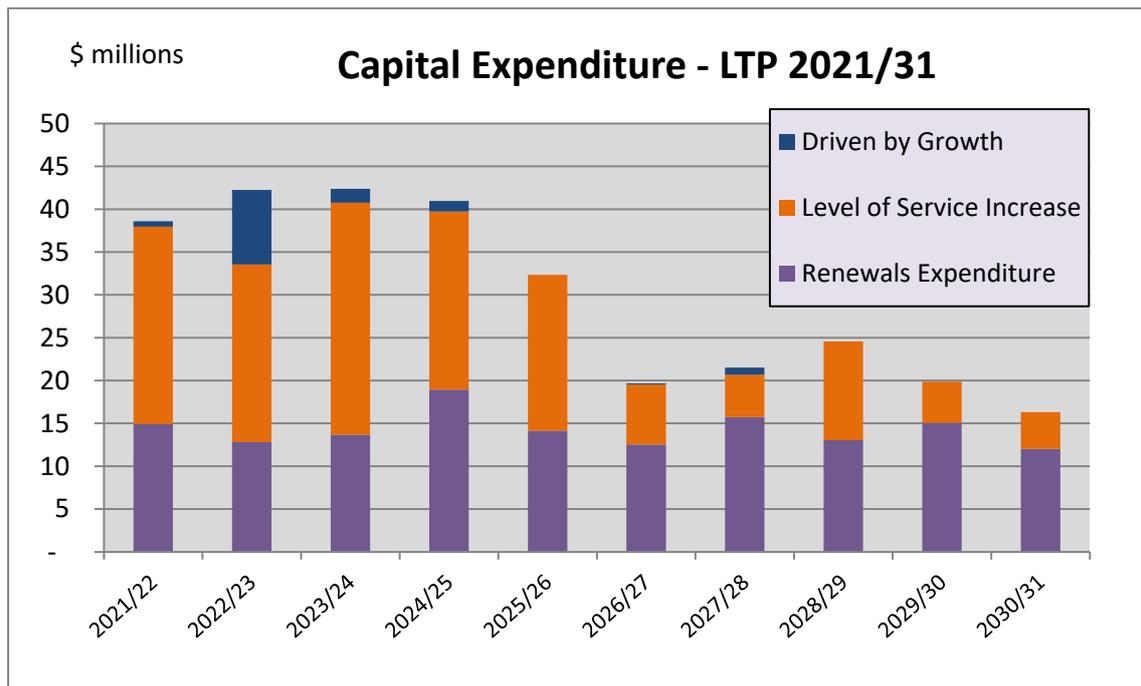
The Infrastructure Strategy indicates ongoing annual expenditure on renewal of our pipe networks. This financial strategy allows for those renewals be funded by money held in our depreciation reserves. Where planned capital renewals exceed the money in our depreciation reserve, the Council will borrow to fund the work. The extent of new debt required to fund these renewals programmes is included in the projection of debt shown in the graphs on the following pages.

In the last LTP the focus of our infrastructure investment moved to the Masterton urban water supply. The first major project is underway – the installation of water meters. Still on our work programme is building more water storage, renewing the Upper Plain trunk main, building an additional reservoir in Lansdowne and allowing for investment in water main renewals of between \$1.2 and \$1.6 million each year over the first seven years of the LTP. Expenditure at

this level is more than what we have available from our depreciation reserves, so an average of 25% of the renewal programme over those years is expected to be funded from additional debt.

Growing our Assets

Most capital expenditure over the next 10 years is driven by renewal of assets or increased levels of service from our assets. Where there is a need to invest because growth has caused additional demand, we will first use the financial contributions that we have collected from developers. These financial contributions are paid to councils under the requirements of the Wairarapa Combined District Plan.



Financial position

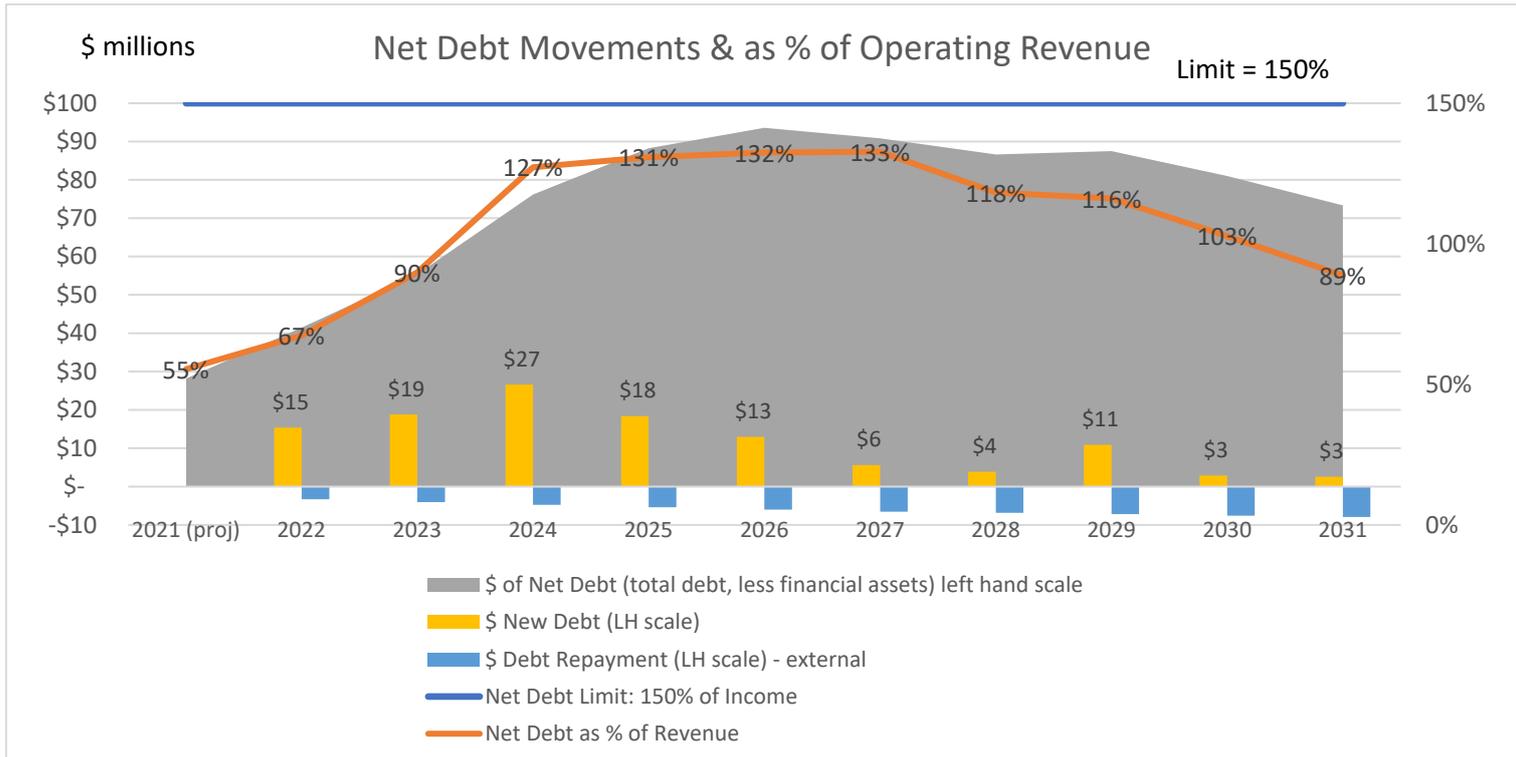
Council's debt

The level of external debt at 30 June 2021 is expected to be \$51 million. Net Debt (external debt offset by cash and financial assets) is expected to be \$28.2 million and will increase to \$93.6 million by 2026 before reducing to \$73.3 million by 2031 (see graph below under 'Debt Limits' section).

We are spreading the loan repayments on the Homebush debt over 25 years (the term of the consent). As described earlier, this will allow for further borrowing when additional investment is expected to be required in the early 2030s. Funding asset upgrades with debt allows the cost of to be borne by current and future ratepayers. We have set prudent policy limits on our borrowing to ensure our community is not over-indebted (see graph below under 'Debt Limits' section). We use interest rate risk management policies to protect against interest rate movements and provide a predictable cost of debt. We are assuming an average interest rate of 2.8%pa across the 10 years of the plan.

Our ability to borrow is based on our ability, via a Debenture Trust Deed, to offer rates revenue as security. We have invested in the NZ Local Government Funding Agency (LGFA) as a shareholding council and this enables us to borrow from them and take advantage of their access to favourable debt funding costs.

We are expecting little need for new infrastructure driven by growth in the district, however where growth is expected to drive a need for investment, financial contributions are taken from developers. These are both general and specific to areas where the growth is driving the need for a specific piece of infrastructure. Our Financial Contributions Policy is based on charging under the provisions of the Resource Management Act and the District Plan. The principle that 'growth funds growth' is one that up-coming revisions to the Wairarapa Combined District Plan (and the financial contributions set under it) will embed. We have assumed the level of contributions will remain constant under a new financial contributions scheme under a revised District Plan.



The charts on these pages show the net external debt increasing through to 2027, then reducing as loan repayments and financial assets increase. New debt and repayment of debt are separately budgeted and shown on the chart above.

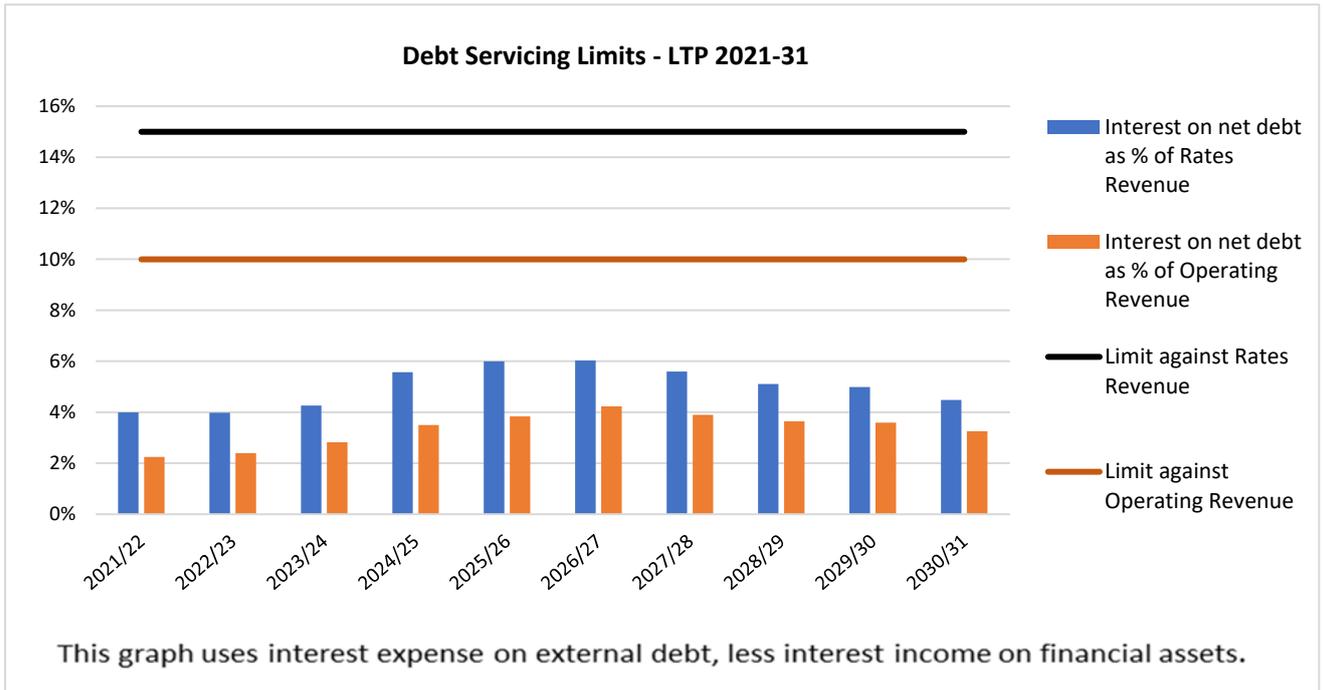
The limit of net debt being below 150% of Operating Revenue is considered prudent. There is room to borrow more and stay below the debt servicing limit.

If interest rates increase, the liability management policy of maintaining a prudent proportion fixed interest (using hedging) protects against those movements.

Debt limits

The level of debt forecast over the next 10 years is represented in the previous graph, alongside the limit we have set as maintaining a prudent level of debt. We have also set a limit on how much debt servicing costs will be as a percentage of rates income and operating income. The limits are:

- Net debt not to exceed 150% of Operating Revenue
- Interest on external debt not to exceed 10% of Operating Revenue
- Interest on external debt not to exceed 15% of Rates Income



Reserve Funds and Investments

We have modest reserve funds built up from asset sales and depreciation on assets, which are expected to be \$22.8 million at 30 June 2021. The funds are invested in fixed interest instruments such as bond funds and term deposits and allows for internal borrowing/investment. The interest earned on funds invested is used to offset debt servicing costs for specific projects.

In the first five years of this LTP the roading and 3 waters reserve funds will be drawn down for renewals expenditure faster than they are replenished from depreciation, but not significantly. Across the balance of the 10 years there are projected funding surpluses that will build up the reserve fund balances. There is potential to repay debt earlier or utilise more internal borrowing but the LTP model assumes all debt required over the 10 years will be borrowed externally.

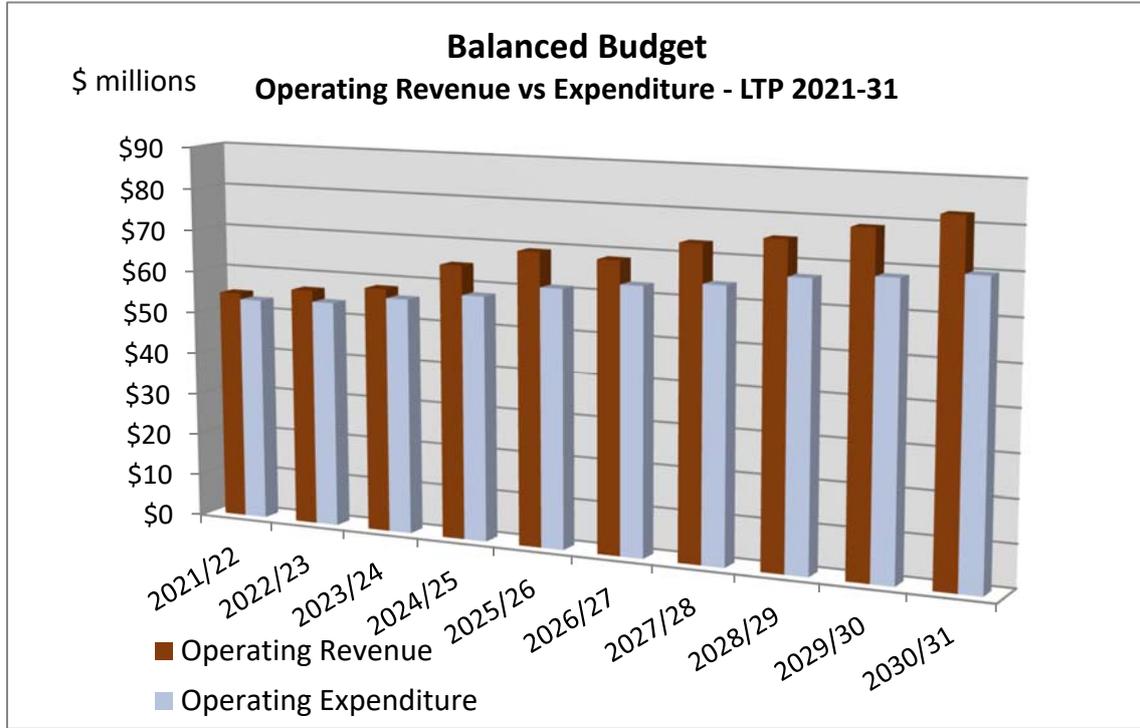
The Net Debt position takes account of cash funds building up in the later years of the LTP.

Financial investments are administered within the guidelines of the Treasury Management Policy. The primary objective of investing is the protection of the investment capital, with a prudent approach to risk and return. In preparing the LTP, the Council has assumed an average return on fixed interest investments of 2% in year 1 and 1.5% pa from 2022.

Depreciation and the balanced budget

We have achieved a 'balanced budget' as per the statutory requirement across the life of the LTP. The first five years of this LTP include provision for grant funding coming from central Government and other sources as one-off revenue to fund capital expenditure. These include 3-waters stimulus funding, airport expansion funding and external grants for the civic facility. In the graph below, this one-off revenue has been excluded as it will distort the balanced budget position.

Over the 10 years of the LTP, revaluations of assets have been allowed for. In general revaluations increase the value of the asset and this generates an increased need for funding of the depreciation associated with the asset. We have built in consistent increases in the funding of depreciation, except on assets we do not expect to replace, allowing us to consistently achieve a surplus budget and remain financially sustainable.



Full depreciation on Council assets has been recognised as an expense, but we have decided not to fully fund all depreciation on a number of specific assets (i.e. not fully allow for revenue to match the expense).

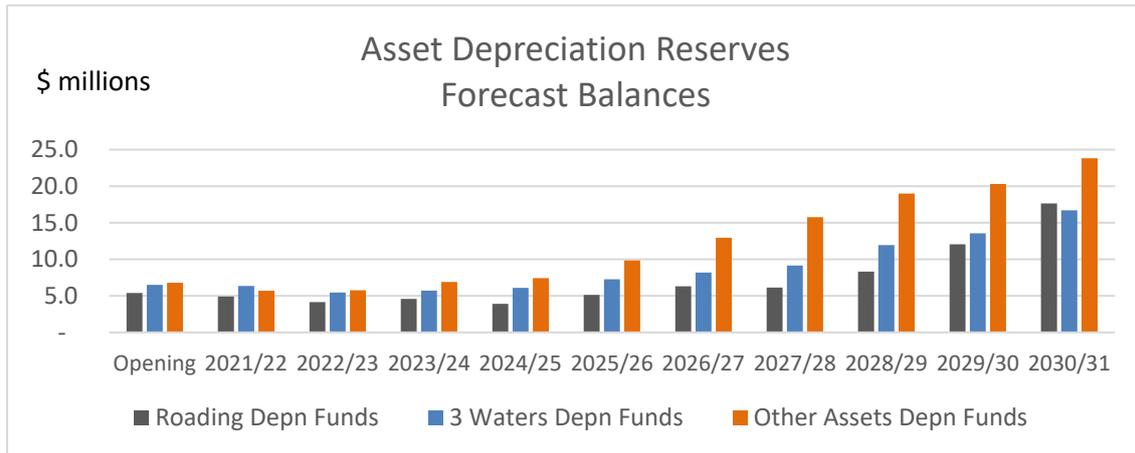
In the roading activity, as noted above, the renewals programme is designed to maintain the road network in a constant state. Depreciation expense is recognised and renewals are capitalised. The value of the capital programme is funded by way of subsidies from the NZTA and rates income. Those assets in the roading activity that are not renewed on an annual programme have funding from the depreciation reserve to cover our share (after the NZTA subsidy is received).

Other assets where the depreciation expense is not fully funded and the reasoning for each are as follows:

- Housing for the Elderly – to hold rents low and have no rates input, not all depreciation is covered by rental income. We have covered renewing components as required but full replacement of the homes at the end of their anticipated life will require external income assistance (e.g. government subsidies or more debt to be taken on). We have allowed to maintain and renew parts of the buildings appropriately, so we expect to extend the useful life of these assets and delay their replacement.
- Rural Halls – there is no intention to replace at least half of these buildings. This has been Council’s policy for some time.
- Recreation Centre – the redevelopment of this facility in 2003/04 was half-funded with

external contributions of approximately \$3.5 million. We are funding sufficient depreciation to cover replacement of plant and equipment. Not all depreciation is funded as we have assumed the future replacement of the facility will again attract external funding when it is required.

- Water, sewerage and stormwater assets – we have chosen to fund debt repayment directly from rates revenue in order to ensure the cost of upgrades are allocated and paid for by the ratepayers who benefit from those assets. Where loan repayments are funded by rates revenue, full depreciation from rates will not be funded as well.

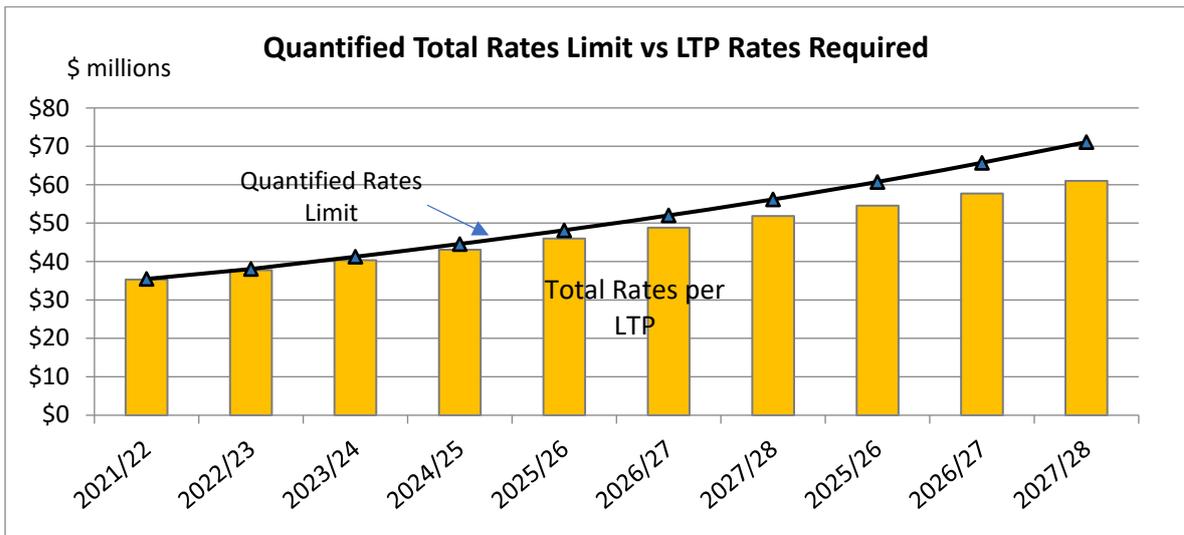
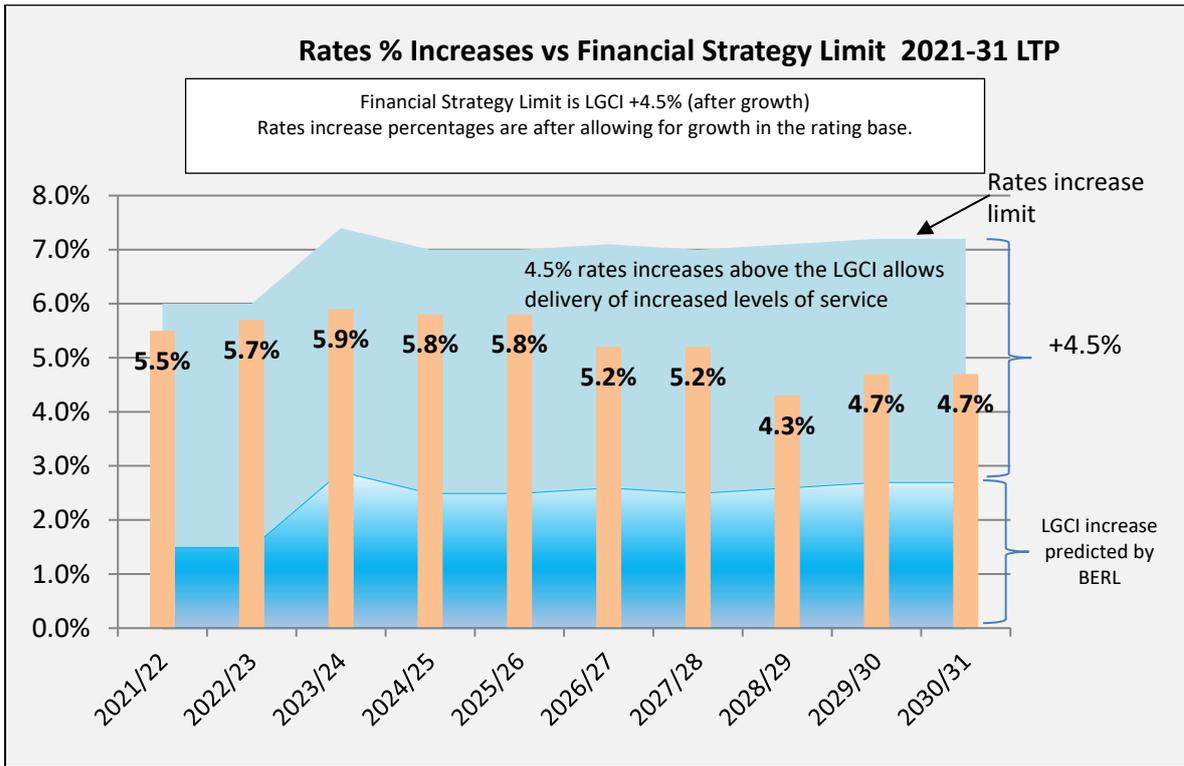


Rates increases

Rates revenue makes up approximately 68% of our operating revenue. Rates are levied on the property owners of the district and making affordable changes in the level of those rates is a key aspect of our decision making framework. There are many drivers for the need to increase our rates revenue by between 4% and 6% across the ten years of this LTP. In years 1-3 our roading programme has seen a step change in expenditure. In Years 2 - 5 the impact of the proposed investment in a new civic facility is a factor in the rates increases.

We have set a limit on how much rates revenue can increase – that limit is the LGCI movement plus 4.5%, plus growth in the rating base. For the year 2021-22 the LGCI is forecast to increase by 1.5%, so the Council is looking to stay below a 6.0% increase in its rates revenue. The LGCI is the rate of inflation of Council costs, calculated independently by Business and Economic Research Ltd (BERL).

Across the 10 years of the LTP, we believe we can hold the rates increases within the limit the Council has set. The number of properties that we can levy rates on and the capital values of those properties is predicted to grow annually over the course of the 10 years. We believe that growth will generate an additional 1.5% per annum of rates income in year 1, 1.25% in year 2 and 1% there-after. The extra revenue from this growth is taken up when comparing to the rates increase limits.



Risk and Resilience

Our financial resilience in the face of unexpected costs is based on having financial assets of at least \$15 million (and growing each year) to meet the initial costs of an event. Those funds are a mixture of term deposits and bond fund investments and are easily accessible if required. We carry material damage insurance cover on all buildings and significant above-ground assets. We also cover our underground network assets – the Council is a member of the Local Authority Protection Programme Fund (LAPP) which is designed to meet our obligation to pay 40% of the costs to restore our underground infrastructure in the event of a disaster. The balance of 60% is expected to be met by central Government’s Disaster Recovery Fund. Insurance products for our 40% of cover remain an option if the LAPP fund is not the most appropriate vehicle to cover MDC’s share of the risk.

Damage to roads and bridge assets in the event of a natural disaster (including flooding) will be funded by our annual roading budget, NZTA subsidies and our roading and flood damage reserve funds (which are part of the \$15 million noted above). We have assumed that the NZTA share of the costs will increase depending on the severity of the event.

INFRASTRUCTURE STRATEGY – 2021 - 2031

MASTERTON DISTRICT COUNCIL **DRAFT**



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QUALITY INFORMATION	
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DOCUMENT CONTROL	2
Introduction	8
PURPOSE	8
CONTEXT	8
GEOGRAPHY	10
POPULATION	10
FUTURE GROWTH	11
Strategic Alignment.....	16
ALIGNMENT WITH OTHER DOCUMENTS	16
VISION	16
EVOLVING COMMUNITY EXPECTATIONS.....	16
REGIONAL SPATIAL PLANNING	17
UNDERSTANDING LEVEL OF SERVICES.....	18
CATERING FOR GROWTH AND DEMAND	18
MINIMISING THE RISK, INCREASING THE RESILIENCE.....	19
MANAGING THE LIFE OF OUR ASSETS	20
Water infrastructure assets	20
CRITICAL ASSETS.....	20
LEVELS OF SERVICE.....	21
HISTORICAL OPERATING EXPENDITURE.....	21

Wastewater infrastructure assets.....	21
LEVELS OF SERVICE.....	22
HISTORICAL OPERATING EXPENDITURE.....	22
STORMWATER INFRASTRUCTURE ASSETS.....	18
LEVELS OF SERVICE.....	18
HISTORICAL OPERATING EXPENDITURE.....	18
SOLID WASTE INFRASTRUCTURE ASSETS.....	19
CRITICAL ASSETS.....	19
LEVELS OF SERVICE.....	19
HISTORICAL OPERATING EXPENDITURE.....	19
Transport (roading) infrastructure assets.....	20
CRITICAL ASSETS.....	20
LEVELS OF SERVICE.....	20
HISTORICAL OPERATING EXPENDITURE.....	20
Parks, open spaces and community facilities infrastructure assets.....	21
CRITICAL ASSETS.....	21
HISTORICAL OPERATING EXPENDITURE.....	21
PLANNED EXPENDITURE.....	ERROR! BOOKMARK NOT DEFINED.
Maintenance strategies.....	22
DATA CONFIDENCE.....	22
Our approach to asset management.....	22

RENEW OR REPLACE ASSETS	22
RESPONSE TO COMMUNITY GROWTH OR DECLINE	23
LIFECYCLE RENEWALS	23
PLANNED INCREASE OR DECREASE IN THE LEVELS OF SERVICE	23
MAINTAIN OR IMPROVE PUBLIC HEALTH	23
NATURAL RESOURCES PLAN	23
DEMAND DRIVERS.....	24
PARKS PLAYING SURFACES.....	25
RISK AND RESILIENCE FOR INFRASTRUCTURE.....	25
Operational risks	26
WATER SUPPLY ASSETS.....	26
WASTEWATER ASSETS	26
STORMWATER ASSETS	26
SOLID WASTE ASSETS.....	26
ROADING ASSETS	26
PARKS, PROPERTY AND COMMUNITY FACILITIES ASSETS	26
Other risks.....	27
CLIMATE CHANGE AND STORMWATER PROTECTION	27
INCREASED FLOOD RISK	30
EARTHQUAKE RESILIENCE RISKS	30
What work is planned?	31
SIGNIFICANT INFRASTRUCTURE.....	31

WORK PROGRAMMES ASSUMPTIONS.....	31
Significant projects required.....	31
RENEWALS OF EXISTING 3 WATER ASSETS.....	36
RENEWALS AND UPGRADES OF EXISTING ROADING ASSETS.....	36
NETWORK EXPANSION AND UPGRADES.....	37
DELIVERING A NEW CIVIC FACILITY:.....	37
MASTERTON REVAMP (TOWN CENTRE UPGRADE):.....	37
WATER SUPPLY RESILIENCE.....	38
HOMEBUSH WASTEWATER TREATMENT PLANT UPGRADE/CONSENT REVIEW.....	38
HOOD AERODROME.....	38
BUILDING A NEW ANIMAL SHELTER:.....	39
SKATEPARK RENEWAL.....	39
SENIOR HOUSING.....	39
Funding of Operating and Capital Expenditure.....	40
FINANCE GRAPHS TO ADD.....	40
RENEWAL AND MAINTENANCE PROGRAMMES.....	41
PLANNED EXPENDITURE – WATER ASSETS.....	42
PLANNED EXPENDITURE – WASTEWATER ASSETS.....	43
PLANNED EXPENDITURE – STORMWATER ASSETS.....	43
PLANNED EXPENDITURE – SOLID WASTE ASSETS.....	45
PLANNED EXPENDITURE – ROADING ASSETS.....	46
PLANNED EXPENDITURE – COMMUNITY FACILITIES AND PROPERTY ASSETS.....	46

PLANNED EXPENDITURE – PARKS ASSETS..... 47

DRAFT

INTRODUCTION

Purpose

Purpose of the Infrastructure Strategy

This Infrastructure Strategy outlines how we intend to manage our infrastructure assets over the next 30 years.

Infrastructure is an important community asset accounting for 88% of operating expenditure and 98% of capital expenditure, with assets grouped within the following activity areas:

- Water supply
- Wastewater
- Stormwater
- Solid waste
- Transport (roads, streets, footpaths and parking areas)
- Parks, Open Spaces and Community Facilities

Good infrastructure enables businesses and communities to flourish. It is essential to health, safety and transport and has a significant impact on the physical environment. Planning and programming infrastructure spending right is a pre-requisite to determining how much we can spend on services that enhance the quality of life of our residents and attract people to live in Masterton.

This strategy sets out the significant issues and risks relating to our infrastructure assets over the next 30 years and:

- our main options for dealing with those issues;

- cost and service delivery implications for residents and businesses of those options; and
- The Council's current preferred scenario for infrastructure provision

Context

The place - Masterton (Whakaoriori) - Wairarapa

Wairarapa is said to have been named by the Māori explorer Haunui as he stood on a peak in the Remutaka Range, looking down over the extensive valley. As he looked, the sun sparkled on the waters of the rivers and lakes, and he called the area Wairarapa-Glistening Waters.

The land was settled by successive waves of Māori. By the time Captain Cook became the first European to see Wairarapa in 1770, members of the Rangitāne and Kahungunu iwi were the tangata whenua of Wairarapa.

During the disruption caused by the Musket Wars many Wairarapa Māori left the district for sanctuary of Hawkes Bay and the East Coast, returning in 1841, following 10 years exile. They set about rebuilding their villages and re-establishing cultivations on their traditional sites. Sites near Masterton included Kaikokirikiri near today's Mahunga golf course, Mangaakuta at Homebush, and Kaitekateka at Te Ore Ore.

In 1841 the first European explorers were also making their way through the interior of the valley, searching for grazing areas for the recently arrived Wellington settlers. By the late 1840s the first large run holders were established, leasing their substantial holdings from local Māori, grazing their stock on largely unaltered pasture.

In 1853, a group of Wellington and Hutt Valley workingmen, led by cooper Joseph Masters, formed the Small Farms Association, and petitioned Governor Grey for land upon which to establish their settlement. Following negotiations with local chief Te Retimana Te Korou, a piece of land on the banks of the Waipoua River was purchased, and on May 21, 1854, the first settlers from the Association arrived on the site of the new township of Masterton. The town grew slowly but as the rural areas surrounding it were more intensively farmed, Masterton grew to be the major town in the valley. It was declared a borough in 1877.

The rural areas were first administered as part of Wairarapa East and Wairarapa West Counties, then as part of Wairarapa North County. In 1899 the Mauriceville County was formed, then in 1900 Masterton and Castlepoint Counties were established. Masterton and Castlepoint Counties amalgamated in 1958 and were joined by Mauriceville County in 1966. Masterton County and Masterton Borough united, and following minor boundary adjustments, the current Masterton District was constituted on 1 November 1989, as part of a nation-wide reorganisation of local government.

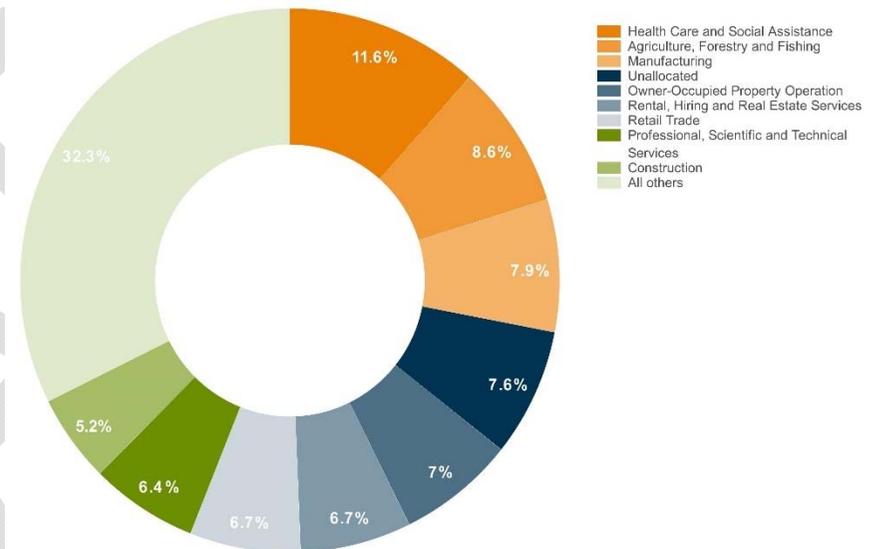
Masterton is the largest township in the Masterton district and the Wairarapa region. Ninety minutes north of Wellington city, Masterton offers an escape from the hustle and bustle. The Wairarapa region is becoming famous for its wine, historical aircraft, and as one of the earliest inland European settlements the area has many historical sites to discover.

The Wairarapa railway line allows many residents easy commuting access to work in the cities of Wellington, Lower Hutt and Upper Hutt.

Local industries are predominantly service industries for the surrounding farming community, with industrial development growing in new industrial parks being developed at Waingawa (a services

agreement with Carterton District), Solway and Upper Plain. The four largest industry sectors in the district are Health Care and Social Assistance (11.6%), Agriculture, Forestry and Fisheries (8.6%) Manufacturing (7.9%) and Owner-Occupied Property operation (7%)*

Infometrics eco profile



The town is the headquarters of the annual Golden Shears sheep-shearing competition, and the "Wings over Wairarapa" Air Show.

Masterton has Sister City relationships with Hatsukaichi in Hiroshima, Japan; Changchun, China; and Armidale in New South Wales, Australia.

Masterton District Council governs the Masterton district territorial authority. It is made up of an elected mayor, a deputy mayor/councillor, and nine additional councillors. They are elected

under the 'First Past the Post' system in triennial elections, with the last election being held in October 2019.

The Mayor of Masterton and all ten of the councillors are elected 'at large'. Iwi representatives from our two Iwi (Kahungunu ki Wairarapa Iwi and Rangitāne o Wairarapa Iwi) are appointed to the Council and have speaking rights at all meetings but not voting rights.

Geography

The Masterton district comprises of 229,500ha of land located between the Tararua Range to the west and the Pacific Ocean to the east. The main urban area is Masterton located on the Wairarapa valley between the Ruamāhanga, Waipoua and Waingawa Rivers. The Masterton district has 206km of water pipes, 190km of sewer pipes, 48km of stormwater pipes and 808km of roads. It has two water treatment plants and four sewerage treatment plants.

Masterton District

Population

The population of the district increased slightly during the 1980s, rising from about 22,000 in 1981 to about 22,600 in 1991. The population has been relatively stable since, however the most recent 2018 census data does show an increase to 25,557. The 2020 population estimate is 27,500. (stats NZ*)

There are 19,810 urban and 5,747 rural and semi-rural residents (2018 census). – Note: mesh blocks have changed after 2018 (SA2)

The Masterton district includes the following census area units:

Rural and semi-rural: Homebush-Te Ore Ore; Opaki (part); Upper Plain (part) Kopuaranga and Whareama.

Urban: Masterton Central; Kuripuni; Cameron & Soldiers Park; McJorow Park; Solway North; Solway South; Ngaumutawa (part); Douglas Park and Lansdowne West and East.

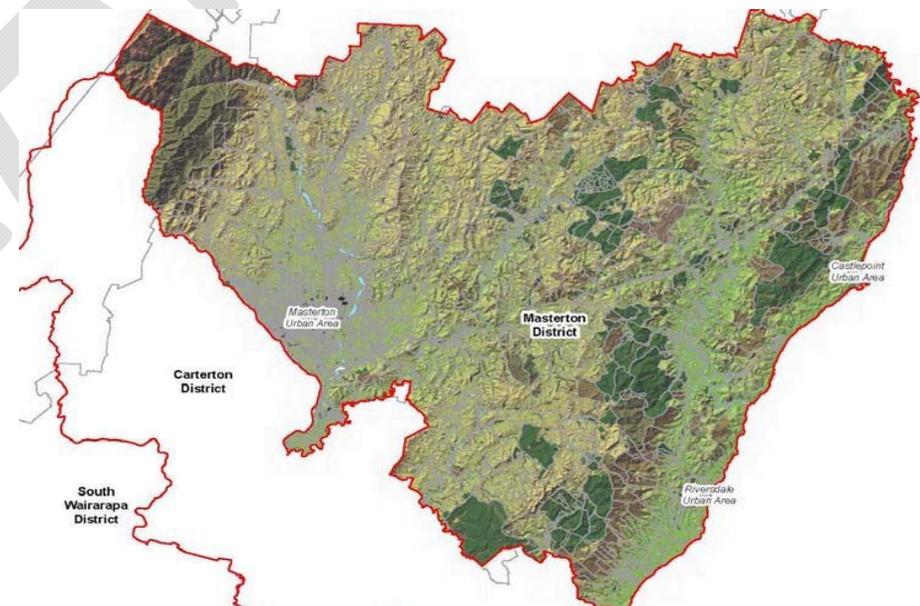
Key characteristics of this population base include:

77% of the population lives in the urban area of Masterton.

Those of Māori identification represent approximately 21.3% (compared with the national average of 16.2%).

Overall, 25.7% of the population was aged under 19, and 27% were aged 60 years and over, compared with 24.6% and 19.8% respectively for New Zealand.

As illustrated by the table below, the total population in Masterton is almost unchanged over the last 15 years, but the proportion of people aged over 60 years has increased by approximately 1-2% at each

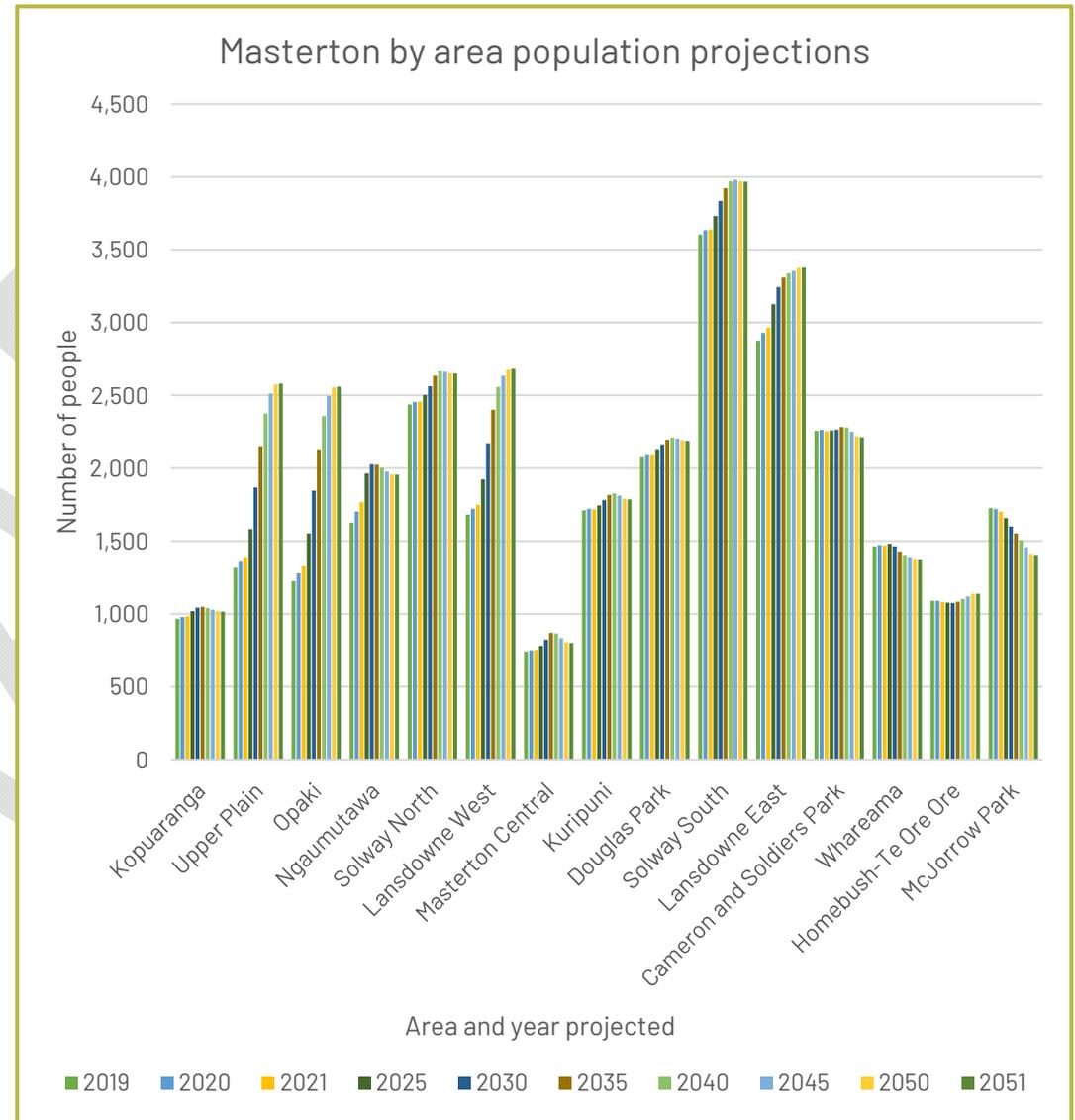


census count since 1991. The number/proportion of single occupant houses is steadily increasing and is now at 28.5%

Masterton population aged over 60					
	1991	1996	2006	2013	2018
Total population	22,556	22,758	22,617	22,623	25,557
Population aged 60+	3,636	4,179	4,593	5,019	6,900
% of population aged 60+	(16%)	(18%)	(20%)	(22%)	(27%)

Future growth

In Masterton district, the majority of population growth is expected to take place in the Masterton urban area, with urban expansion on the north and west fringes and light intensification around railway stations and in Masterton central. The strongest growth is expected to take place in Upper Plain (population increase of 1,265 over 2019-2051), Opaki (1,336), Lansdowne west (1,001), and Lansdowne east (502). Moderate growth is expected in Solway north (213), Solway south (363) and Ngaumutawa (330). Ngaumutawa growth is expected to take place in the near term as the last greenfield land in the area is developed. Small population declines are projected in McJorrow Park, Whareama, and Cameron and Soldiers Park, however it is important to note that this is due to a decreasing household size rather than a decrease in the number of households. **Source- Infometrics Population**



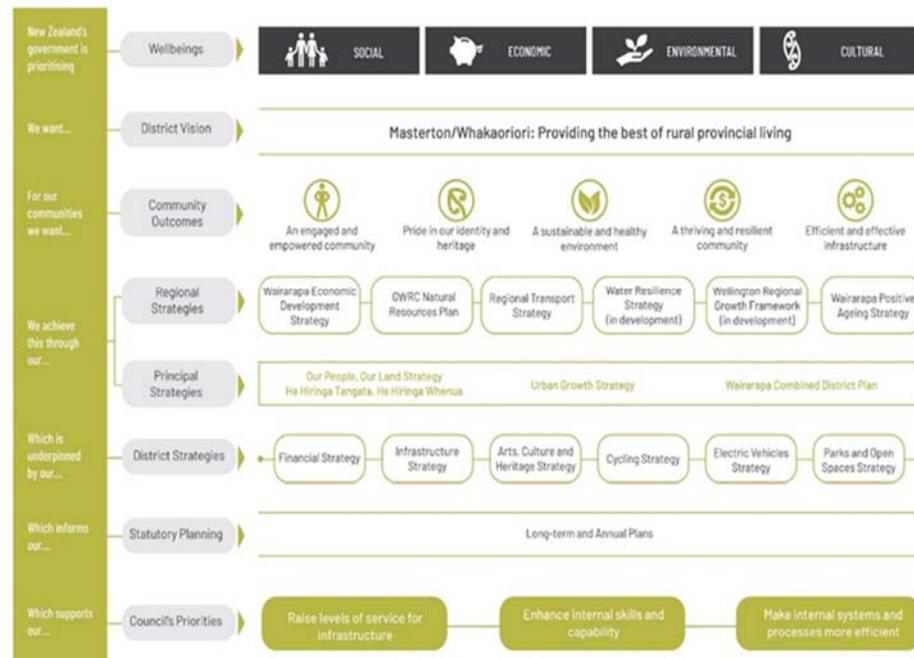
STRATEGIC ALIGNMENT

Alignment with other documents

This Infrastructure Strategy has been developed in alignment with other key documents, including Asset Management Plans for each group of assets and the 2021-31 Financial Strategy.

The diagram below illustrates the relationship between the strategy and other documents.

OUR STRATEGIC FRAMEWORK



Vision

This strategy recognises the Council's vision: Providing the best of rural provincial living. It also acknowledges the community outcomes that flow from our My Masterton: Our People Our Land strategy (He Hiringa Tangata, He Hiringa Whenua) and aims to deliver efficient and effective infrastructure that:

- supports a social engaged and empowered community.
- recognises cultural pride in our identity and heritage.
- is environmentally sustainable and healthy; and
- is economically thriving and resilient.

Evolving community expectations

Community expectations change and evolve over time and future generations want to see current thinking challenged and debated. More and more people are environmentally aware and readily embrace technological advancement. The Council recognises the following community expectations within this strategy:

- greening of expectation with the community.
- increased Iwi representation.
- resilient networks.
- recognising future generations.
- urban growth; and
- technological impacts.

Regional Spatial Planning

The Wellington Regional Growth Framework ([HTTPS://WRGF.CO.NZ/WP-CONTENT/UPLOADS/2020/10/1246-GWRC-DRAFT-FRAMEWORK-REPORT-SEPT-2020-14.PDF](https://wrgf.co.nz/wp-content/uploads/2020/10/1246-GWRC-DRAFT-FRAMEWORK-REPORT-SEPT-2020-14.pdf)) is a 30-year spatial plan for the Wellington-Wairarapa-Horowhenua region.

The Framework outlines how the region can accommodate additional people and jobs and meet the Framework's objectives, which requires the region to:

- Enable more housing development around transport nodes (i.e. train stations and bus hubs) and support transformational change in key locations across the region - where there is good access to public transport that supports mode-shift.
- Develop more well-located greenfield housing development, ensure that it is higher density than most current greenfield (i.e. townhouses and apartments), and that it is connected to public transport.
- Increase housing capacity in our major centres (including Masterton CBD) by expanding the housing footprint and permitting higher densities than are currently enabled in many places.

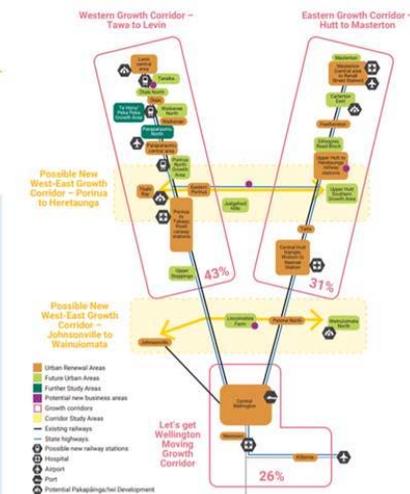
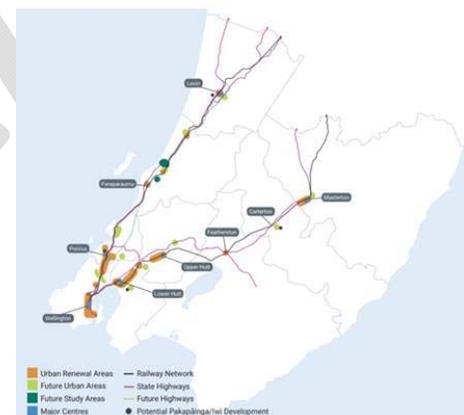
The Framework was endorsed by Masterton District Council in December 2020. It signals a number of potentially significant infrastructure issues for councils and central government over the 30-year period. The Framework includes the following key initiatives that will impact on future infrastructure requirements:

- Develop a regional approach to climate change impacts including coastal protection, longer term development areas and areas to stop developing. This will include a programme to consider

management of three waters, rail and road assets at risk and how to protect taonga.

- Develop a 50- to 100-year regional three waters strategy to support anticipated growth, including upgrades to infrastructure (including bulk infrastructure) that supports growth in key development areas and improves environmental outcomes. This has already largely been taken into account in Masterton's water infrastructure projects.
- Increase rapid transit rail/bus network accessibility, capacity and frequency including inter-regional connectivity to address overcrowding, provide for future growth and enable higher service frequencies including inter-regional connectivity
- Significantly improve multi-modal connections to rapid transit stops as part of master planning and delivery of higher density urban development in major centres and at nodes.

The spatial representation of growth



- Establish a connected regional cycling network by eliminating pinch points on the network and delivering transformational projects to improve access.

It takes into account work planned by the Council (through its District Planning process) and by other councils in the region. The Framework has been developed to deliver on the Urban Growth Agenda (UGA) objectives of the Government, which includes improving environmental, employment, transport, and housing outcomes for communities. Similar objectives and challenges exist at both a local level (through Council and at a regional level through the Wellington Regional Growth Framework).

The Framework takes account of the requirements of the National Policy Statement on Urban Development. Going forward it will also need to consider government policy work such as the RMA review and the three waters review. The Framework provides for a scenario for the Wellington region of accommodating an additional 200,000 people and 100,000 jobs over the 30-year period, of which Masterton population is a subset.

AIMS OF THE INFRASTRUCTURE STRATEGY

Understanding Level of Services

This strategy intends to match the level of service the asset provides with the expectations of customers given financial, technical and legislative constraints. We use formal asset management systems and practices, which provide the Council with key benefits, such as:

- improved understanding of service level options and requirements;
- minimum life cycle (long term) costs for an agreed level of service;

- better understanding and forecasting of asset related management options and costs;
- managed risk of asset failure;
- improved decision making based on costs and benefits of alternatives;
- clear justification for forward works programmes and funding requirements;
- improved accountability over the use of public resources; and
- improved customer satisfaction.

This strategy enables the Council, as owners of a comprehensive range of assets, to demonstrate to our customers and other stakeholders that services are being delivered in the most effective manner over at least a 30-year time period.

Catering for growth and demand

This strategy aims to create, operate, maintain, rehabilitate and replace assets at the required level of service for present and future customers and residents in a cost-effective and sustainable manner. Therefore, we must forecast the needs and demands of the community now and in the future, and outline strategies to develop the assets to meet those needs.

The following factors have been considered in order to predict future demand:

- demographics and population;
- economic development and commercial influences;
- climate and environmental changes; and

- demand for improvements in levels of service from other various sources including:
 - advances in available technology;
 - improving standards of living;
 - a greater understanding of customers' perceptions and expectations;
 - changing legislative requirements;
 - changes in the Council's strategic asset management; and
 - changing customer expectations.

Population growth, including changes in our demographics, is considered the key factor for predicting the future demand for services and assets. Population growth is strongly aligned with economic development.

Minimising the risk, increasing the resilience

Risk management is as much about identifying opportunities as avoiding or mitigating losses. Risk management in asset management planning is a requirement of the Local Government Act 2002 (LGA). Risk management will be used when there are:

- large potential damages/losses;
- changing economic conditions;
- varying levels of demand for services;
- investments that lie outside the ability to fund;
- important political, economic or financial aspects;
- environmental or safety issues; or
- threats or changes to service levels.

The range and complexity of issues addressed in this section are a clear indication of the increasing challenges facing our communities.

We are not alone in facing these challenges. Many of these issues are national or global in their scope and impact. However, many of the most difficult challenges to resolve are new to us all, resource and energy constraints, – and good models of how to deal with them are lacking.

Local government has a role and responsibility in addressing these issues as many of their impacts will be felt locally. Vital infrastructure, which underpins the daily functioning of our communities, is often wholly or partly provided by councils e.g. pipes and roads. The community's ability to deal with increased flooding risk or possible transport fuel shortages is critically dependent on how the council manages the stormwater and roading networks.

These issues could mean that there will be a periods of uncertainty and change for the district. The Masterton district is particularly vulnerable to the impacts of global economic pressures given its high proportion of people on low, fixed incomes and high number of young people on low wages. Possibly correlated is the higher incidence of single occupant households, many of whom are over 65. As a result, many people's range of choices is restricted which in turn limits their resilience to change.

There is a need for communities to cope with these multiple pressures and be able to adapt to new technologies and ways of life – in other words, to be resilient. We acknowledge that the Council has a role in helping to build local resilience to potential shocks. How we plan to manage and maintain our assets is one of the ways we fulfil this role.

We do this through:

- trying to anticipate risks;

- engaging with the community as early as possible to develop options; and
- making decisions about infrastructure systems and design in such a way that possible improvements are included and choices are kept open as much as possible – adaptability is built in.

The strategy considers how to respond to these significant global issues and pressures to enable us to build resilient communities.

Managing the life of our assets

Managing the life of our assets to ensure our assets are fit for purpose. All assets will eventually reach the end of their useful life and need to be replaced or retired. We manage each asset to ensure it's working at its optimum level. Our assets are measured on:

- what the asset is and what is its purpose (description);
- asset capacity and performance;
- asset condition (including age);
- asset current valuation; and
- asset maintenance.

The activity of asset management is a continual, cyclic process that incorporates the concept of continual improvement. Over time it is intended that the asset management plans and processes will be improved with better information, better management systems and a more holistic, lifecycle approach to the long-term management of the infrastructural assets.

WATER INFRASTRUCTURE ASSETS

Water assets are grouped by each population centre in the Masterton district into water aggregated communities for analysis. The different water communities identified are:

- Urban fully served. Masterton is the only community in this group to date.
- Semi-served (water only). Tinui is the only community in this group to date.
- Bores and unserved (roof water). Includes Whakataki, Mataikona, rural schools (e.g. Mauriceville, Rathkeale and Whareama), rural halls, and private rural facilities (e.g. Ararangi Camp, Camp Anderson, Riversdale Motor Camp).
- Industrial communities with Building Act requirements for water and wastewater.
- Private water supplies. This includes Castlepoint, Fernridge, Upper Plain, Mauriceville, Opaki and Taueru (Tauweru), and lastly the Wainuioru scheme which is owned by the Council but operated by a User Committee.

Total water assets optimised replacement valuation as at 2020 was \$101,273,948 (Source - WSP/Opus valuations Nov 2020)

Critical assets

The critical assets that are identified in the asset management plan are:

- the Kaituna Water Treatment Plant;
- the trunk main from Kaituna to the Masterton urban area; and

- urban storage reservoirs, Upper Plain, Titoki Street, Tinui, and Manuka Street.

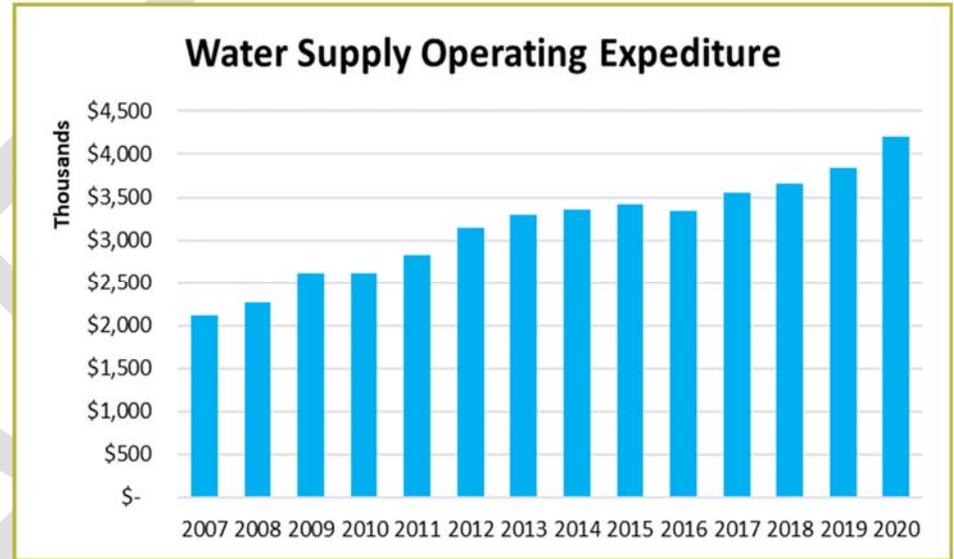
Levels of service

Water supply levels of service are summarised as:

- providing an efficient and effective water supply systems;
- providing water supply services in a way that is acceptable, safe and has minimal environmental impact; and
- applying restrictions to accessing urban water in times of low river flow eg sprinkler bans; alternate days.

Historical operating expenditure

The graph below shows the historical operating expenditure on water assets.



WASTEWATER INFRASTRUCTURE ASSETS

The main wastewater systems in the Masterton district are located in Masterton, Riversdale, Castlepoint and Tinui. They comprise the following:

- Masterton – utilises an urban wastewater reticulation network and a treatment plant with waste stabilisation ponds that dispose primarily to border strips and supporting infrastructure and then to the Ruamāhanga River.

- Riversdale – a wastewater reticulation system and a treatment plant with land disposal via an irrigation scheme.
- Castlepoint – a wastewater reticulation system and a waste stabilisation pond followed by three wetland cells.
- Tinui – a wastewater reticulation system, then discharge to constructed wetland.

Total wastewater assets optimised replacement valuation as at 2020 was \$163,055,288 – including resource consent valuations (Source - WSP/Opus valuations Nov 2020)

- Critical assets

The critical assets that are identified in the asset management plan are:

- the Colombo Road siphon;
- Homebush wastewater treatment facility;
- the wastewater trunk mains network; and
- pump stations.

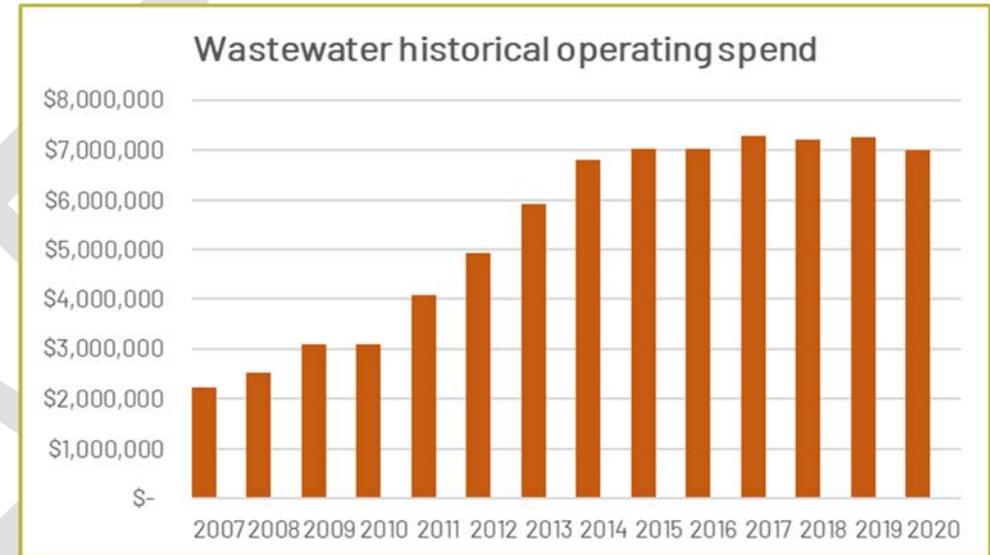
Levels of service

Wastewater levels of service are summarised as:

- providing efficient and effective wastewater systems for the collection, transfer and disposal of wastewater;
- providing wastewater disposal that is acceptable, safe and has minimal impact on the environment; and
- delivering inspection, monitoring and enforcement services of trade waste disposal to protect community health and safety.

Historical operating expenditure

The graph below shows the historical operating expenditure on wastewater assets.



Note: Includes costs associated with Homebush Wastewater treatment plant.

Stormwater infrastructure assets

The stormwater system consists of 48km of pipes and approximately 800 manholes and 4km of river stop banks along the Waipoua and Ruamāhanga rivers. There are also some retention embankments for high flow management. The Council also contributes to designated stop bank protection works on the Waingawa and Ruamāhanga Rivers.

Total stormwater (including rural) assets optimised replacement valuation as at 2020 was \$42,684,387 Source - WSP/Opus valuations Nov 2020)

Critical assets

The critical assets that are identified in the asset management plan are:

- the Chapel Street (Town) drain; and
- Waipoua stop bank.

Levels of service

Stormwater waste levels of service are summarised as:

- providing an efficient and effective stormwater system to minimise the impact of heavy rainfall and reduce flooding risk; and
- delivering stormwater services in a manner that is acceptable, safe and where possible enhances the environment.

Historical operating expenditure

The graph below shows the historical operating expenditure on stormwater assets.



Solid waste infrastructure assets

Solid waste assets facilitate the collection and transportation of solid waste. Assets are located at the following locations:

- Nursery Road Transfer Station (inclusive of the recycling centre), residual waste transfer station, closed landfill and associated amenities.
- There are monitored closed landfills situated at Hastwell, Tinui, Castlepoint, Riversdale and Mauriceville.

Total solid waste assets optimised replacement valuation as at 2020 was \$1,595,590 **Source - WSP/Opus valuations Nov 2020**

Critical assets

There are no critical assets identified in the asset management plan.

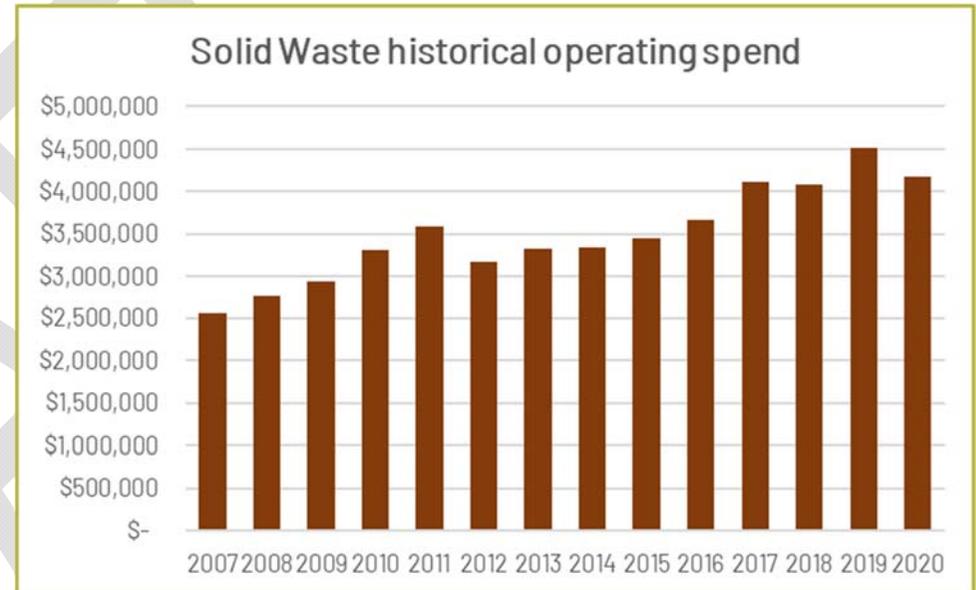
Levels of service

Solid waste levels of service are summarised as:

- providing efficient and effective solid waste management facilities and solutions across the district; and
- operating the rural and urban transfer, composting and recycling operations in a safe and environmentally-sensitive manner

Historical operating expenditure

The graph below shows the historical operating expenditure on solid waste assets.



TRANSPORT (ROADING) INFRASTRUCTURE ASSETS

There are approximately 279km unsealed and 529km of sealed carriageway in the roading network. The network also includes approximately 208km of footpaths, 2800 streetlamps, 4832 signs, 40km of drainage culverts as well as 202 km of kerbing, channels and associated drainage structures. Hood Aerodrome has a 1250m sealed runway, three grass runways, a terminal and multiple privately-owned hangers and buildings. There are 5,87km of cycle lanes and shared paths and 267 bridges.

The roading assets optimised replacement valuation as at 2020 was \$714,343,325 Source - WSP/Opus valuations Nov 2020)

Critical assets

The critical roads that are identified in the asset management plan and the Wairarapa Lifelines project as being the important routes on those roads that are vulnerable to natural hazards:

- Masterton – Martinborough (Te Whiti Road)
- Opaki – Kaiparoro Road
- Whangaehu Valley Road
- Te Ore Ore – Bideford Road
- Masterton – Castlepoint Road
- Blairlogie – Langdale Road
- Riversdale Road
- Homewood Road
- Upper Plain Road
- Masterton Stronvar Road

- Manawa Road
- Mataikona Road

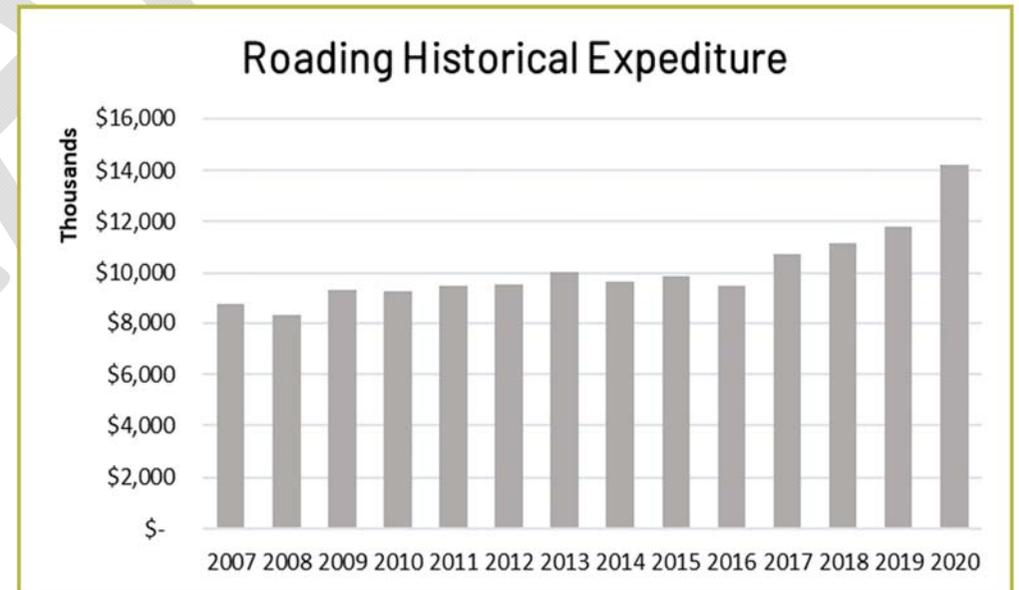
Levels of service

Roading levels of Service are summarised as:

- roads and urban streets are provided to ensure a safe and well maintained roading network;
- footpaths are safe, well maintained and accessible; and
- a range of on and off street parking opportunities is provided.

Historical operating expenditure

The graph below shows the historical operating expenditure on roading assets.



PARKS, OPEN SPACES AND COMMUNITY FACILITIES INFRASTRUCTURE ASSETS

The Council's community facilities include the library, town hall, rural halls, community housing, cemeteries, reserves, the swimming pool, the aerodrome, Mawley Park camping grounds, sport facilities and fields.

Parks and Open Spaces assets optimised replacement valuation as at 2020 was \$21,000,000.

Total community building assets optimised replacement valuation as at 2020 was \$36,300,000.

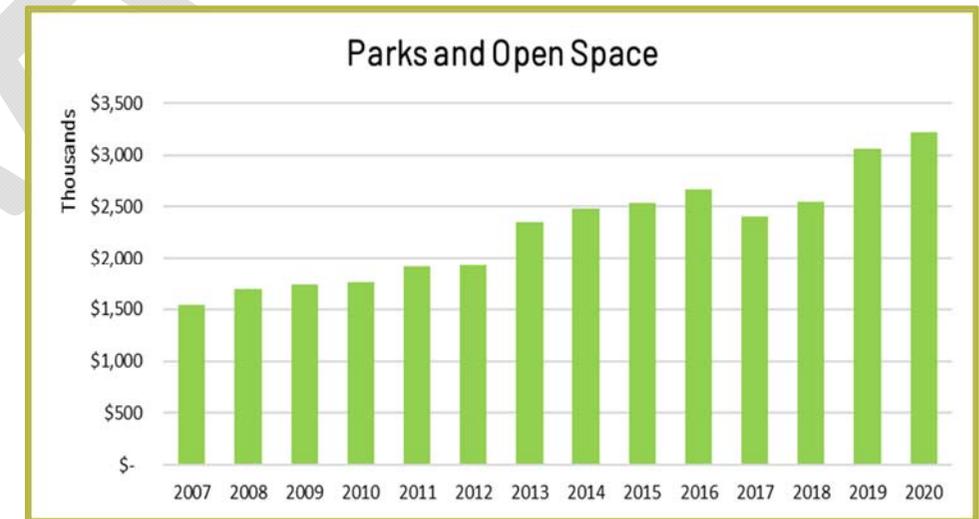
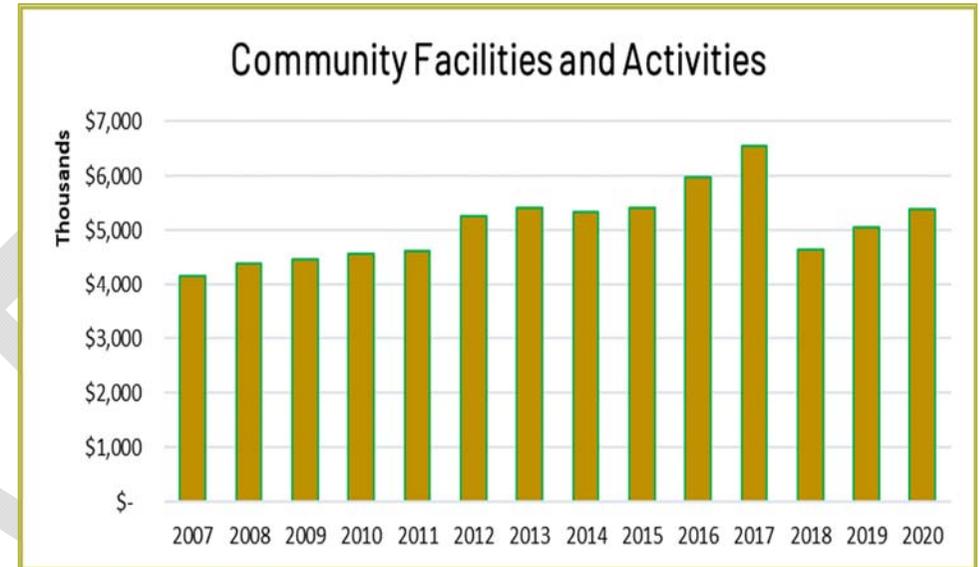
Hood Aerodrome runway assets optimised replacement valuation as at 2020 was \$4,264,992. *Source - WSP/Opus valuations Nov 2020*

Critical assets

There are no critical assets identified in the asset management plan. We acknowledge that some assets that may not meet our definition of critical are considered to be of significant value to the community.

Historical operating expenditure

The graph below shows the historical operating expenditure on parks and community facilities assets.



MAINTENANCE STRATEGIES

Maintenance strategies have been developed to achieve cost effective maintenance to maintain assets to meet the intended levels of service. We have determined that the most effective way to achieve this objective is to contract out the network maintenance works to commercial contractors.

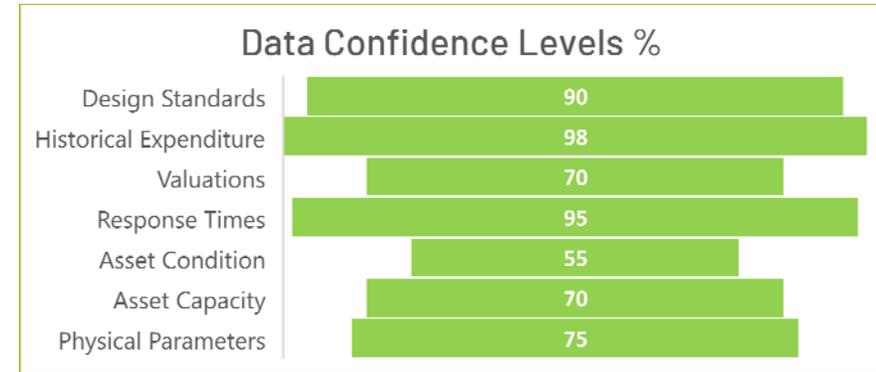
We will review the cost-effectiveness of the current arrangements for meeting the needs of the community within the district for good-quality local infrastructure, local public services, and the performance of regulatory functions according to the LGA (section 17a) in 2020 -21.

Data confidence

Data confidence is rated for all asset streams in the Asset Management Plans and is summarised the table below.

OUR APPROACH TO ASSET MANAGEMENT

The following principles and issues set out the long-term approach used to manage the the Council's infrastructure.



Renew or replace assets

The objective of infrastructure asset management is to create, operate, maintain, rehabilitate and replace assets at the required level of service for present and future customers in a cost effective and sustainable manner. Capital investment decisions are determined by the following considerations:

- When existing infrastructure should be replaced?
- When should the Council invest in improving the existing service?
- How much needs to be invested to provide infrastructure for a growing community?

The Asset Management Plans for each infrastructure activity provide the details of the renewal programme.

Response to community growth or decline

Projections suggest that, without intervention, Masterton's population will increase by 1% per annum

Existing Council systems and services (such as Kaituna water supply and the Homebush wastewater treatment plant) have the capacity and capability to accommodate increasing development or demand resulting from economic or population growth demands that are beyond the current projected growth forecasts.

Lifecycle renewals

The Optimised Renewal Decision Making process is the primary basis for making lifecycle renewal decisions. This process is a risk-based methodology which assesses the probability of each failure mode (including structural, capacity, performance, age, operational and performance) and the consequence (or damages) of the failures.

A scoring system of 1 to 5 is employed to quantitatively assess the risk components e.g. structurally failed sections will attract a failure mode probability of 5. The risks of failure (for each failure mode) of each section are assessed and calculated by quantifying the product of their probability and consequence of failure.

Assets with a high risk of failure are then ranked and the top group is included in the priority 1 list. The ongoing programme of collecting further asset information and variation of market prices for asset renewal/replacement, as well as new technology advances in the associated industries, mean that the priority list is provisional and will be subject to change with new information. Lifecycles of renewed assets vary depending on type but are typically 18 years for road reseals, 25 years for footpaths and 60 to 80 years for pipework.

Planned increase or decrease in the levels of service

Levels of service are assumed to be maintained at current levels in this programme, with the exception of the proposal to build a new and expanded library and archive within the Civic Facility. If other levels of service changes are made, these will be incorporated in future Long-term Plans (LTP). Key factors in determining any changes to the current levels of service are affordability, user expectations and the willingness of the community to pay.

Maintain or improve public health

Given recent drinking water contamination at Havelock North, our focus is to maintain Masterton's high drinking water quality. Due to the nature of our water supply operations, substantial changes are not necessary.

The Ministry of Health has an ongoing programme of improving standards for small and rural drinking water suppliers. Ongoing infrastructure investment is required to achieve compliance with these standards. This will raise affordability challenges for users of small supplies into the future. The Council has acknowledged, within the water supply asset management plan, assistance for rural water schemes to meet future drinking water standard compliance. How this provision will be spent is dependent on any changes to the Drinking Water Standards.

Natural Resources Plan

Greater Wellington Regional Council (GWRC) has released a Natural Resources Plan (to replace the Regional Plan) and will modify this plan further through the Whaitua Process. This sets targets and rules for all activities in the Wellington region that have the potential to affect the natural environment, biodiversity and landscape values.

Demand drivers

It is possible that factors in the future could change the demand on the Council's infrastructure assets. The asset management plans

provide an analysis of these drivers and possible impacts and are summarised in the table below,

Demand drivers		
Demand drivers	Future Impact	Future possible operational demands
Population	Low/Med	Minor impact on demand
Commercial Influences	Low/Med	Demand is expected to increase at the Waingawa Industrial area
Climate	Med/High	Demand likely to increase in hotter/ drier periods and more severe storm events
Tourism	No/Low	Unlikely to impact significantly on demand
Land Use	Low/Med	Demand may increase from large wood processing sites supplied by Kaituna and/or Tinui
Improvement in the level of service	Med	Although demand for quantity is not expected to change, demand for improvement in water quality is anticipated
Changes in customer expectations	Low/moderate	Outcomes from public consultation
Water standards	Moderate/High	More stringent standards applied to water production and to rural water schemes.
Wastewater Volume/ Mix	Low	Negligible
Solid waste Volume/Mix	Low/moderate	Minor impact on demand
Transport traffic volumes	Moderate	Increased maintenance and renewal program
Heavy Class Vehicles	Moderate	Lifting weight restriction from rural bridges

Demand drivers		
Demand drivers	Future Impact	Future possible operational demands
Pastoral Farming practices	Low	Minor impact on demand
Land use (Forestry)	Moderate/High	Construction of an eastern bypass for Masterton was investigated in 2011 and found not economically viable. The report is to be reviewed in 2019.
Footpath's (ageing population)	Moderate	Footpath surfaces and widths will increasingly need to be upgraded to accommodate growing numbers of mobility scooters
The usage of walkways and other passive parks facilities	Medium	Review of the trails network
Parks playing surfaces	Low/Medium	Review the requirements of each park facility

Risk and resilience for infrastructure

The Council carries material damage insurance cover on all its buildings and significant above-ground assets. We are also a member of the Local Authority Protection Programme fund (LAPP) which is a mutual fund scheme designed to cover our 40% contribution to meet the costs to restore underground infrastructure in the event of a disaster. The balance of 60% is expected to be met by central government's Disaster Recovery Fund. Damage to roads and bridge assets in the event of natural disaster events (including flooding) will be funded by way of our annual roading budget, reserve funds and the NZ Transport Agency (NZTA) share of the damage incurred.

The financial resilience of the Council in the face of unexpected costs is also supplemented by having cash reserves of based on having cash reserves of \$16 million. These funds are available to meet immediate

recovery costs and would be expected to be reimbursed once appropriate funding sources are confirmed.

Our asset management practices also need to include a stronger understanding of the resilience of our infrastructure networks, especially key pinch-points and the degree to which different parts of networks are critical to overall performance.

There is a need to increase the sophistication of how we think about resilience, shifting beyond a narrow focus on shock events or infrastructure failure and thinking more about interdependencies, levels of service and community preparedness.

A longer-term view needs to be taken with increased focus on adapting to slower changes over time, including climate change.

Importantly, increased resilience is not necessarily about making things stronger or investing more and is quite often achieved by operational changes. Some key elements of resilience attributes are:

- organisational performance;
- community preparedness;
- service delivery;
- adaptation;
- financial sustainability;
- interdependencies; and
- responsibility.

OPERATIONAL RISKS

The key identified operational risks that would affect the performance of our infrastructure assets are detailed below.

Water Supply Assets

- Contamination to Masterton district drinking supplies. Given recent drinking water contamination in supplies around the country, our focus is to ensure Masterton's drinking water quality remains at the highest possible level. The nature of Masterton water supply operations mean substantial changes are not envisioned and the Council has developed a Water Safety Plan to manage this risk.
- Future "water take" consents from the Waingawa River being reduced. Options for additional water storage and demand management with meters are included in this strategy.

Wastewater Assets

- Wastewater treatment plant capacity. Options to increase treatment capacity at Homebush are included in this strategy
- Pipe capacity and wastewater overflows. Blockages and stormwater inflows can cause overflow. We have an Inflow and Infiltration strategy to minimise these events.

Stormwater Assets

- Blockages to the stormwater network. Blockages can cause localised flooding. Maintaining the network and associated waterways and enforcing bylaws will help us keep the stormwater network performing.

Solid Waste Assets

- Recycling processing and solid waste transportation. Being able to recycle more and having to transport less waste will benefit our community.

Roading Assets

- Slips and flood damage. Work on rural roads and pavement drainage will aid in the prevention of slips and flood damage. This work will also assist out stormwater network.

Parks, Property and Community Facilities Assets

- Earthquakes and water supply to parks. Earthquake strengthening or alternative options for public and council owned buildings has started. The Council is aware that water supply to our parks will be a challenge in future years. Future work may include sewer mining, water harvesting and increased planting of drought-tolerant species.

OTHER RISKS

Climate change and stormwater protection

Climate change will increase the risks from natural hazard events that already occur within the district, particularly as a result of:

- sea level rise, exacerbating the effects of coastal erosion and inundation and of river flooding in low lying areas, especially during storm surge;
- increased frequency and intensity of storm events, adding to the risk from floods, landslides, severe wind, storm surge, coastal erosion and inundation; and
- increased frequency of drought, placing pressure on water resources and increasing the wildfire risk.

More frequent droughts may also affect the security of water supply. Currently we rely on adequate water flows from the Waingawa River and have no stored water for a prolonged drought.

We therefore reduce the causes and adapt to the effects of climate change. Our policies and responses will need to be robust to a range of possible futures, rather than relying on a single 'forecast'.

Climate change is projected to have the impacts shown in the table below on the Masterton district coast. These are expressed as a range, as there are several scenarios considered when making projections.

We have based our planning on the NIWA modelled regional climate change projections (known as the *Whaitua tables*). The scenarios are expressed as a range, from higher emissions to lower emissions for a number of climate related parameters.

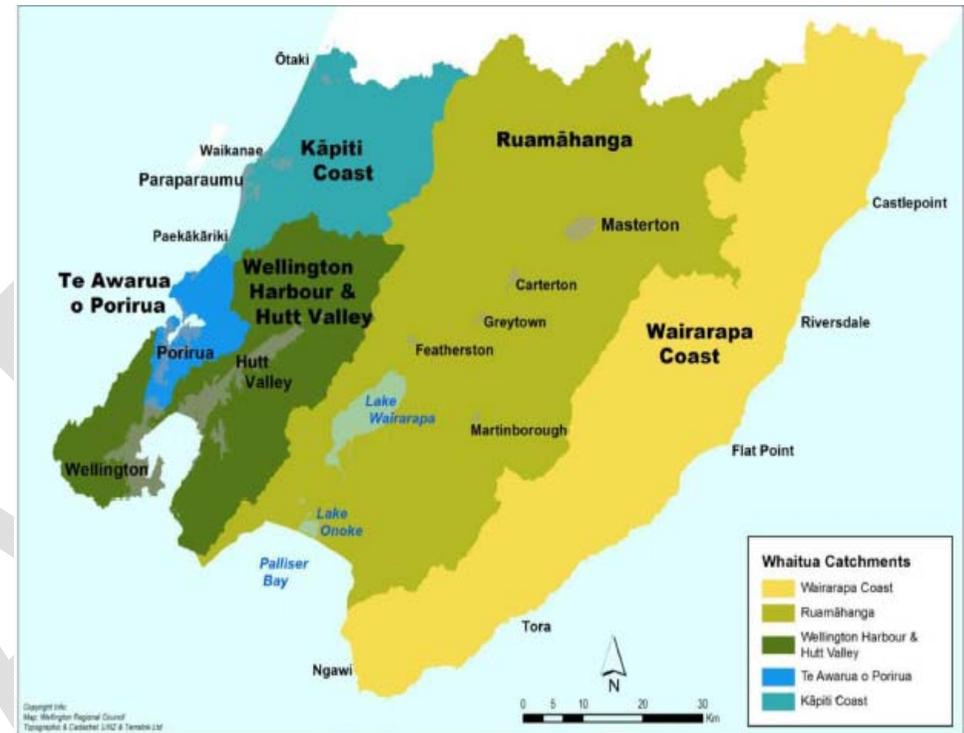
Council is preparing a Climate Change mitigation strategy during 2021/22. Projects from investigations as this strategy to being developed may change current and forecast project, work and maintenance programmes

Notes

<https://www.gw.govt.nz/assets/Uploads/WhaituaClimateChangeprojectionsMarch2020.pdf>

Rcp4.5 mid-range scenarios where greenhouse gas concentrations stabilise by 2100

Rcp8.5 is a high concentration scenario where the ghg emissions continuing very high. In the light of new technologies and improvements it remains a valid way to test the sensitivity of the climate variables.



DRAFT

Climate Change Wairarapa			
By 2040, seasonally the region could expect*:			Impacts
Ruamahanga	<ul style="list-style-type: none"> 0.7°C to 1°C temperature rise Up to 30 Increased hot days over 25°C 	<ul style="list-style-type: none"> Between 5 % less rain, to 5 % more rainfall 0.12 to 0.24 metres above present 	<ul style="list-style-type: none"> Increased human heat stress and mental health issues, rurally and in urban centres Increased temperatures in urban centres due to human activities, large areas of concrete, buildings and vehicles Increased risks of pests (such as wasps, rodents and fruit flies) and diseases (including risks to human health) and biodiversity losses Increased air pollution and seasonal allergies Higher demand for drinking water at times when water is likely to be scarcer Stress on ecosystems and associated impacts on health and economy Range and habitat of native plants and animals will change-extinction of some species Higher temperatures may allow for different crops to be grown. Timing of seasonal activities such as flowering, breeding and migration will change. Several fold increase in urban and rural wildfire risk – a particular concern for water supply
Wairarapa Coast	<ul style="list-style-type: none"> 0.5°C to 1°C temperature rise Up to 30 Increased hot days over 25°C 	<ul style="list-style-type: none"> Between 0 % less rain, to 5 % more rainfall 0.12 to 0.24 metres above present 	
By 2090, seasonally the region could expect*:			
Ruamahanga	<ul style="list-style-type: none"> 1.2°C to 3°C temperature rise Up to 80 Increased hot days over 25°C 	<ul style="list-style-type: none"> Between 0 % less rain, to 10 % more rainfall 0.68 to 1.75 metres above present 	
Wairarapa Coast	<ul style="list-style-type: none"> 1°C to 3°C temperature rise Up to 60 Increased hot days over 25°C 	<ul style="list-style-type: none"> Between 10 % less rain, to 5 % more rainfall 0.68 to 1.75 metres above present 	

– Source: MFE , GWRC and NIWA climate change summaries. Updated 2020*Projected changes are relative to 1995 levels. The numbers provided are mid-range estimates of what the change is projected to be and should not be taken as definitive values.

Increased flood risk

As well as the main township of Masterton, our district has other smaller communities such as Castlepoint, Taueru, Tinui, Mauriceville and Riversdale. Two of these communities are situated along the district's coastal edge. These urban developments are subject to flooding from the many streams and rivers which drop fast out of the ranges and then slow down and spread out on the plain on their way to the sea.

In high rainfall events, the volume and rate of flow of the water coming down the waterways rises quickly and residual ponding, once the waterway levels have dropped, can be significant.

The climate change projections suggest that very heavy rainfall events are likely to become more frequent, especially in the Tararua ranges during north-westerly storms and the Wairarapa during southerly storms. This will present very significant challenges in how we manage our assets.

Stormwater eventually finds its way to the sea. The level of the sea at the time the stormwater is flowing down the rivers influences how fast and how much of the stormwater can drain away. If the sea level is high enough, it can prevent the water flowing away out to sea causing it to back up and overflow inland. The rise in base sea level is caused in part by rising ocean temperatures – heated water expands.

In addition to this effect, rising ocean temperatures mean that storms generated at sea will contain more energy, for example be more intense. This in turn means that storm surges and wave heights will be higher. All these factors combine to significantly increase the risk of inland flooding on the district's coastal plains.

GWRC has recently collated data gathered from 20 years' research and new data using aerial photos, electronic flood mapping tools and

a range of analytical techniques to identify hundreds of Masterton properties as being at potential increased risk of flooding.

We are working with GWRC to confirm predictions for flood events. The overriding issue is to ensure timely protection measures are in place against a 1 in 100-year flood to preserve our community and our economy. Until levels are confirmed, and any mitigation required is in place, there may be implications for any proposed developments in the town centre, the library project and the town's overall economic development.

Earthquake resilience risks

Parts of Masterton are built on old flood plains that could be subject to liquefaction in a major earthquake. Part of the Council's bridge and reticulation renewals programme involves using different construction methods and materials to provide greater earthquake resilience in pipelines.

We do not consider that this risk is so great that the renewals programme should be brought forward. Instead, we will address resilience at the time pipes and bridges are replaced.

WHAT WORK IS PLANNED?

Significant Infrastructure

Significant Council infrastructure is identified in each Asset Management Plan. The expected asset lives are set out in detail in our statement of accounting policies. The asset management programme is focused on the most critical parts of the network servicing large numbers of properties, essential services and businesses.

Work programmes assumptions

The Asset Management Plans also detail the projected work programme associated with the management and renewal of assets. This work programme is based on the following assumptions:

There are no significant proposed changes to current levels of service.

Inflation is based on projections by BERL for the local government cost index.

The lifecycle of assets, demand forecast, resilience and regulatory compliance are based on the principles detailed in this strategy.

Resource consents will be obtained for all proposed major projects. Consent risks have been included in the option assessment and project selection.

The NZTA funding assistance rate remains at 56 - 57% and that NZTA will continue to provide funding to maintain the network at its existing condition.

The current state of engineering technology remains unchanged. The Council has already adopted developments that both lower the cost of replacing pipes, for example by using trenchless construction technologies, and allow pipes to be treated in ways that extend their lives for several decades such as by inserting new linings in existing pipes. Future technological developments have not been factored into this strategy.

No natural hazard events that impact on planned business as usual in a major way have been factored into the work programme. However the Council continues to improve asset resilience and to plan and prepare for hazard events

Treaty of Waitangi settlements will not significantly affect current governance arrangements of infrastructure assets.

Ensure the network renewal programme is adequate to, at a minimum, maintain the asset condition rating and to improve it over 30 years.

These assumptions have all been assessed with a low level of uncertainty based on information collected. Particular risks associated with individual projects are included in the option assessment.

SIGNIFICANT PROJECTS REQUIRED

Significant decisions about capital expenditure will be required over the life of this plan or LTP plan life. The table below provides a summary of these decisions.

Significant Projects						
Significant Infrastructure project	Approximate Date Required	Estimated Cost	Theme or Reason	Options 1 (Preferred)	Option 2	Option 3
Renewals of existing 3 water assets	From 2021	\$2,600,000 p/a (not operational costs) \$7,500,000 including operational costs	Growth/Renewal	Continue with proactive approach to renewal programme. Targeted older and under performing asset	Reduce renewal plan but this will increase the asset failure risk. Assets will continue to age and deteriorate	Increase renewal spend. Affordability issues for community versus potential asset condition gains
Roading Programme	From 2021	\$8,800,000 p/a (includes subsidised and non-subsidised expenditure Includes Colombo Road south bound bridge replacement (\$2.8m - year 1) Mataikona Road upgrade and resilience work.	LOS/Growth/Risk	Continue with proactive approach to renewal programme. Programme designed to bring Roothing asset up to prescribed LOS	Reduce renewal plan but this will increase the asset failure risk. Assets will continue to age and deteriorate	Increase renewal spend. Affordability issues for community versus potential asset condition gains

Significant Projects						
Significant Infrastructure project	Approximate Date Required	Estimated Cost	Theme or Reason	Options 1 (Preferred)	Option 2	Option 3
Network Upgrades	Identified areas requiring upgrade to meet demand for new subdivisions	\$3,000,000	Growth	Included within 3 water and roading programmes to enable growth around Masterton urban fringes and infill.	Do nothing and let developers cover all these cost.	
New Civic Facility	Years 1 - 5	\$30.3 million (+/- 30% variance due to the early nature of the budget figures)	LOS	Option includes co-location of library, performing arts flexi-form theatre, meeting rooms, kitchen facilities and information hub including front of house Council services. Acquisition of land assumed.	As part of the decision-making process several options and variations on the preferred option were considered. Options included larger flat-floor event space in addition to the flexi form theatre, large commercial kitchen and extension café space, library remaining separate and co-working space. Following various investigation activities and reports, including a demand analysis, these options were discounted.	
Masterton Revamp (CBD upgrade)	2021 - 2031	\$33.5 million	Growth/LOS	10-year programme: including all stages of the Town Centre Strategy adopted in 2018, including the	Scaled back programme: \$20 million including Queen Street stage 1-3, Charlies Lane,	Do nothing: this option would see no investment made in the Town Centre, Waipoua or town

Significant Projects						
Significant Infrastructure project	Approximate Date Required	Estimated Cost	Theme or Reason	Options 1 (Preferred)	Option 2	Option 3
				Waipoua river precinct; and all entry points into Masterton. The Town Centre work is staged to ensure that Council is in a position to capitalize on external NZTA funding opportunities.	the Waipoua river precinct and the North and South entrances only. This programme could be delivered over a short time frame.	entrances. This is deferring a decision on some of the infrastructure in the Town Centre that is end of life and in need of renewal shortly. Money has been spent to date on numerous design packages also.
Water Supply Resilience. Council raw water storage	2024-25	\$7,100,000	Risk/LOS	Increase Masterton urban raw water storage capacity to 40 days.	Partner with Wairarapa Water limited Dam project and use this facility to supply Masterton Urban potable water. Feb 2021 - This project is currently in early consent phase.	Restrict water use to the community to match our current and future water take consent and storage capability
Homebush Wastewater	Before 2034	\$10.58 million implementation		Homebush Wastewater treatment plant upgrade / consent review		

Significant Projects						
Significant Infrastructure project	Approximate Date Required	Estimated Cost	Theme or Reason	Options 1 (Preferred)	Option 2	Option 3
treatment plant upgrade / consent review		\$32 million for plant upgrade				
Animal Shelter	2021-2022	\$1.7m	Risk/LOS	This option includes the design and construction of a purpose-built facility to house dogs and livestock while in the care of the Council. The design accommodates growth forecasts for the next 10 years, with the option for modular expansion in the future.	Co-located and co-funded: this option explored the opportunity for both Carterton and South Wairarapa to have co-located services in a new shelter in Masterton. These requirements would be captured in the design and either upfront contribution or a fee arrangement to be agreed. This option was discounted, and Carterton are exploring alternative options.	Do nothing: this option would mean that we are at risk due to the current facilities lack of compliance with the necessary codes and standards.

Significant Projects						
Significant Infrastructure project	Approximate Date Required	Estimated Cost	Theme or Reason	Options 1 (Preferred)	Option 2	Option 3
Skate park	2020 - 2022	\$1.3, plus \$300k	LOS/Growth and Risk	This option includes a complete redevelopment of the skatepark complex to bring it up to a modern, national competition level standard. The extensive rejuvenation includes a remodel of the majority of the park, resurfacing of the concrete, and the addition of new skate features. \$1.3m from Central Government funding and \$300k from reserve funds.	The signed contract with the Provincial Development Unit outlines Council and Central Governments obligations to the project and funding sources, based on the application we put forward in 2020.	We are exploring options for additional extras including a pump track and permanent all weather shelter. These can be retrofit at a later stage if the decision is deferred.
Hood Aerodrome	2021- 2025	\$17,000,000	LOS/Growth * Risk	The signed contract with the Provincial Development Unit outlines Council and Central Governments obligations to the project and		

Significant Projects						
Significant Infrastructure project	Approximate Date Required	Estimated Cost	Theme or Reason	Options 1 (Preferred)	Option 2	Option 3
				funding sources, based on the application we put forward in 2020.		
Senior Housing	2021 - 22 & 2022 - 23	\$500,000 year 1 \$7,000,000 year 2	LOS	Draft - Our Proposal Council funds and builds 25 units (15 x 1-bedroom units and 10 x 2-bedroom units) on the vacant land at Panama Village and partners with a community housing provider to manage the housing so that tenants can access the government subsidised rent, making it affordable housing.		

More information on each of these projects including most likely scenarios, timings and options is provided below.

Renewals of existing 3 water assets

The proposed scenario for the renewal work programme for the three waters and roading networks has an estimated cost of \$2.6 million per year. These costs do not include any enhancements, maintenance or operational expenditure.

The principal alternative is to reduce or defer the renewal spends resulting in a reduction in asset condition and performance, risking a reduction in the levels of service provided by the three water networks.

Renewals and upgrades of existing roading assets

The proposed scenario for the renewal work programme for the roading network has an estimated cost of \$8.8 million per year rising. These costs do not include any enhancements, maintenance or operational expenditure.

The principal alternative is to reduce or defer the renewal spends resulting in a reduction in asset condition and performance, risking a reduction in the levels of service provided by the Roding networks. It would also have implications for rural roads and bridges with the forecast increased in the forest harvest and the increase in truck capacity currently being implemented by the central government's HMPV and 50 max programmes. The financial impact of deferring renewals is difficult to quantify for an entire network but inevitably

the disruption and renewal costs of a failed asset are greater than if the work was undertaken in a timely manner.

In year 1 work will also start on Colombo Road South bound bridge replacement. The cost of this work is included in the renewal programme but is a significant work item at \$2,800,000.

Network expansion and upgrades

To meet growing demand for more housing work is required to expand or upgrade areas on the urban fringes of Masterton. These upgrades mainly include Roading and 3 Water upgrades to meet the required demand.

Delivering a new Civic facility:

Since the closure of the Town Hall in 2016 there has been much time spent engaging with the community, investigating, and analysing options to help shape what a new Civic facility for Masterton looks like. This facility is one of the most important things we will deliver and will help us to achieve our plan to bring Masterton into the 21st century so it's a home that our tamariki and mokopuna can be proud of.

The decision was made to explore alternative locations within Masterton for the new facility because the current site isn't large enough for us to build what we need and it's isolated from the Town Centre. A new location will allow us to develop a facility of the size and scale that meets the future needs of our tamariki and mokopuna, will be better connected to the Waipoua and Queen Elizabeth Park, and allow us to develop an arts and cultural heart for Masterton. The new facility will include a flexi-form theatre with seating for 500 people, a new library and archives, information hub with council services and box office, an exhibition space, meeting rooms and kitchen facilities.

The LTP includes an allocation of \$30.3 million dollars spread over the next six years in order to deliver the project.

Masterton Revamp (Town Centre upgrade):

We want people to enjoying spending time in Masterton, and for visitors to want to come back, so we've had discussions with the community to understand the aspirations, desires and requirements to help Masterton thrive. Those discussions led to the development and adoption of a Town Centre Strategy in 2018 which helped shape the objectives for our Town Centre and the areas that we should start to invest in.

The Council has a number of different projects that will all work together to rejuvenate how Masterton looks and feels, and we'll get to work delivering those over the next 10 years to create a town that our tamariki and mokopuna can be proud of. The 10-year plan includes redeveloping some of the key streets in our Town Centre to create better linkages within the Town. We're keen to develop our connection to the Waipoua river and will be exploring options for how we improve the accessibility and usability of the river. We'll also address the entry points into Masterton, how they can better reflect the character of our community and local residents and encourage people into the Town Centre.

The LTP includes an allocation of \$30.49 million dollars over the 10-year period to deliver the project. This is the total project cost; however external funding will be explored to reduce the financial investment required.

Water supply resilience

Urban 40-day raw water reservoir

We need to be able to store more water in order to meet increased demand from a growing population, provide safeguards against any future changes to resource consent conditions and provide greater resilience in times of drought. To address this, we will investigate options for reservoirs for urban raw water. The LTP includes a provision of \$100,000 in 2021-22 for investigation, and a further \$7 million over 2023-25 to complete the work. The consequence of not undertaking projects to increase our water supply resilience is that Masterton will not have a secondary drinking water supply that is separate to our main supply. Causes of using a secondary supply could be a natural event e.g. earthquake, infrastructure failure, or water supply contamination.

Homebush wastewater treatment plant upgrade/consent review

The Natural Resources Plan requires the Council to further reduce treated wastewater discharged into the river. The most likely scenario and timing of this will be subject to further consultation with Iwi, GWRC and the community.

The Council's Wastewater Strategy is outlined with the following objectives:

Objective 1 – Project Plan: Establish an overall project plan with clear timelines.

Objective 2 – Engagement: Have the community understand the importance of, and actively manage, their water and wastewater solutions.

Objective 3 – Land Identification: Identification of land suitable for treated wastewater irrigation (and available for purchase, lease or collaboration with owners).

Objective 4 – Flow and Volume Characteristics: Gather comprehensive data and information on flow and volume characteristics of water to be available to farmers/owners.

Objective 5 – Develop Market: Develop means of on-selling available water.

Objective 6 – Develop Infrastructure: Develop plan and implement infrastructure.

Objective 7 – Reduce River Discharge: Over time reduce river discharges and ideally eliminate and direct river (piped) discharge, particularly during lower flows.

Objective 8 – High Flow Land Passage: Any (reduced) discharge to river is via land passage.

A budget provision of \$10.58 million is allowed for in the work programme for the implementation of the selected option, with a further \$32 million provision allowed for a plant upgrade to stop treated wastewater discharges to the river when the current consent expires in 2034. It is noted that until the Natural Resources Plan is fully implemented, the Homebush upgrade timetable and scope creates significant uncertainty. The impact of not implementing this strategy could potentially incur higher cost in the future.

Hood Aerodrome

Hood Aerodrome is a prized asset in the Wairarapa – home to the world-famous Wings over Wairarapa show and rare vintage aircraft – but it is not meeting current demands or realising its strategic potential as a critical contributor to building and developing the local

economy. To meet current demand for an efficient, connective transport system, and enable further economic growth through business investment, critical infrastructure improvements need to be made. This infrastructure upgrades will transform Hood Aerodrome into a modern, functional airport, with capacity for growth beyond its current usage. An airport with greater capacity, functionality, and enhanced safety will support a high-value economy, facilitate freight, trade, and further business development within New Zealand. Improving the accessibility to the Wairarapa through an air service option made possible by extended and upgraded infrastructure will increase social connectivity and enhance Hood Aerodrome's already strong local, national, and international reputation.

In July 2020 the Government announced it was contributing \$10 million to make the critical investments in our strategic asset. The LTP includes how the \$17.07 million will be spent over Y0 – Y5.

Building a new animal shelter:

The current animal shelter does not fully meet legislative requirements and upgrades are required for the welfare of the staff, the animals under their care, and visiting public. The existing facility is not suitable for renovation and needs to be demolished. A new purpose-built facility will be constructed on Ngaumutawa Road that will accommodate the current and future needs of Masterton in the delivery of a crucial service. The investment will include specialists' areas to care for and protect the animals in the Council's care and will also provide an improved service with the ability for the public to pay for the release of their dogs on site.

The LTP includes \$1.7 million for the purpose-built facility between 2021 and 2022.

Skatepark renewal

Masterton's skatepark is loved by all – teens, parents and grandparents who enjoy watching over young ones. But it was in dire need of an upgrade. The upgrade project received strong support from our community and in July 2020 the Government announced it was contributing \$1.3 million to make the community's vision become a reality. In order to deliver on everything, the community desires and provide Masterton with a venue suitable for holding national level events there is a shortfall of \$300,000 that is included in Y1 of the LTP. The renewed facility will include a pump track, more features for all abilities and an all-weather shelter.

Senior Housing

Draft – Our Proposal

Council funds and builds 25 units (15 x 1-bedroom units and 10 x 2-bedroom units) on the vacant land at Panama Village and partners with a community housing provider to manage the housing so that tenants can access the government subsidised rent, making it affordable housing.

The estimated cost for building the 25 units with the required infrastructure (includes water and wastewater pipes, roading and paving, stormwater, power, landscaping) is \$7.5 million. We have estimated an annual income of \$351,000 which accounts for market rent (the government subsidises the eligible tenants) less the cost for the services of the community housing provider to manage the units.

With a 25 year loan on the project cost there is a net cost to our ratepayers of \$143,000 per annum, which equates to \$11 for the average urban residential property from 2023.

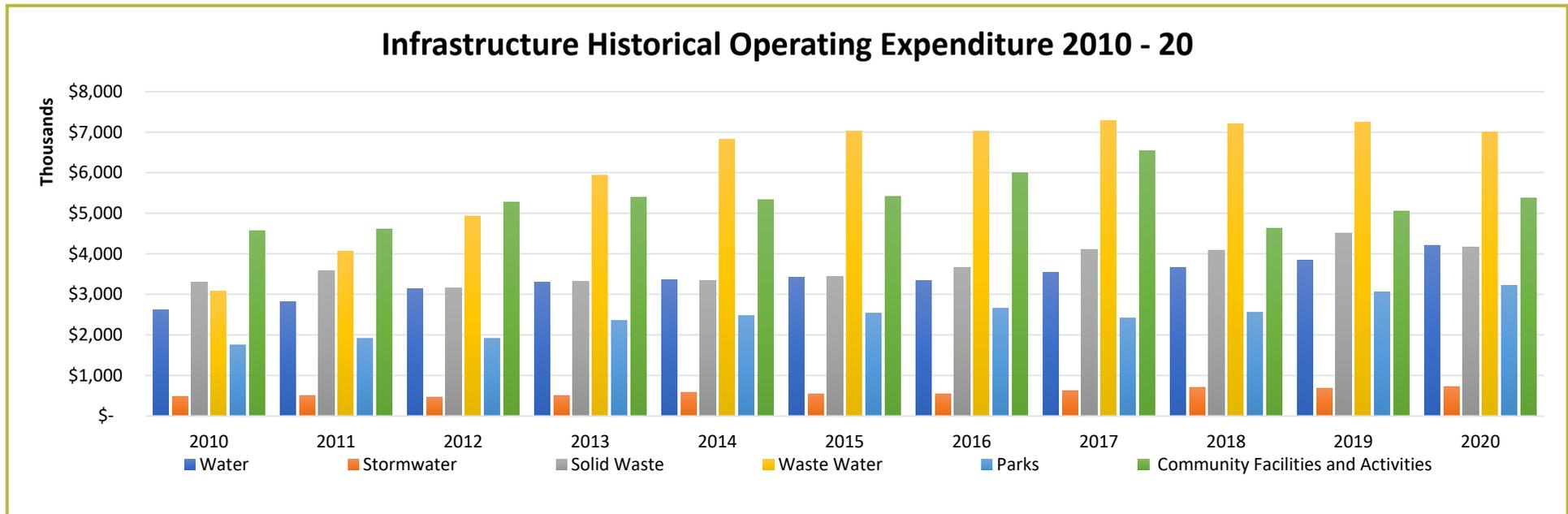
FUNDING OF OPERATING AND CAPITAL EXPENDITURE

The Council's policy with regard to the funding of capital expenditure is to:

- fund roading renewal expenditure from NZTA subsidies and annual rates.
- fund the replacement programme of other assets from depreciation reserve funds to the extent that those funds are available. Where depreciation reserves are insufficient, loan funding will be used.
- fund assets which increase levels of service with loan funding.
- fund assets needed because of growth, from developers, either by the developer providing the infrastructure or developers making financial contributions at the outset of the development. The early identification of the need for new assets driven by growth allows a long lead time for more developments to contribute and funds to accumulate prior to the upgrade being needed.

The operating expenditure for services can be funded by rates, user charges, subsidies or reserve funds. For the majority we are aiming at sustaining current service levels over the next 10 years however in a number of areas we are investing in improvements and additions to services that will increase operating costs and require additional rates funding.

These policies are further detailed in our financial strategy.



10 Year Infrastructure Expenditure Forecast

Renewal and maintenance programmes

The graphs below show the forecast asset condition for the Council's water, sewer, and stormwater networks, with the proposed network renewal spend over the next 30 years. The performance of the network typically deteriorates gradually over time. Therefore, it is not critical that any particular asset is replaced in the specific year shown.

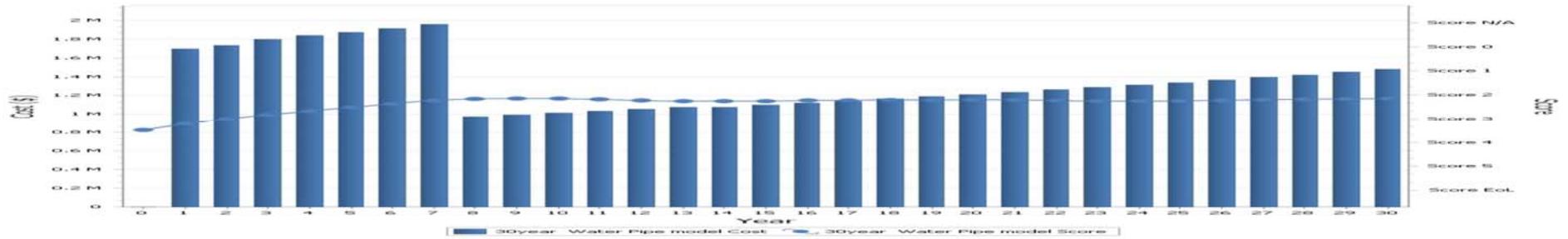
We will smooth the planned renewal programmes based on the optimised renewal decision process to achieve a balance between

optimal timing of maintenance and replacement, keeping funding demands on ratepayers even, and ensuring that work that affects street surfaces is integrated with our street resealing programme. There are no plans to differ or delay the renewals programme specified in the asset management plans for any infrastructure assets. (NB: All graphs include an assumed inflation rate source BERL mid scenario cost adjustors 2020).

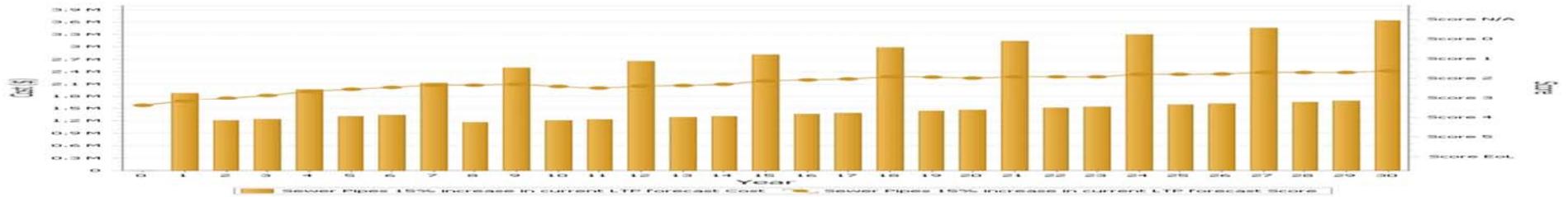
10 and 30-Year Infrastructure 3 Water infrastructure expenditure v condition Forecast

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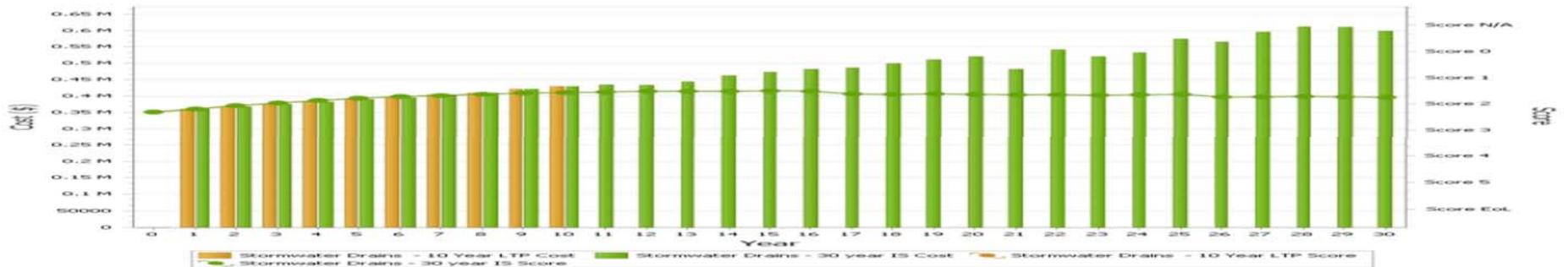
10 and 30-year scenario modelling for Water Supply reticulation pipes. Condition score and spend 2021 – 2031 & 2051



10 and 30-year scenario modelling for Wastewater reticulation pipes. Condition Score and Spend 2021 –2031 & 2051

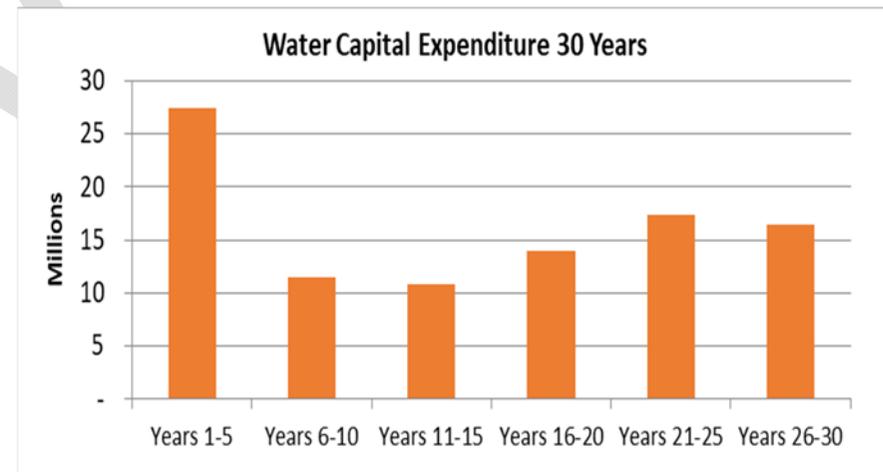
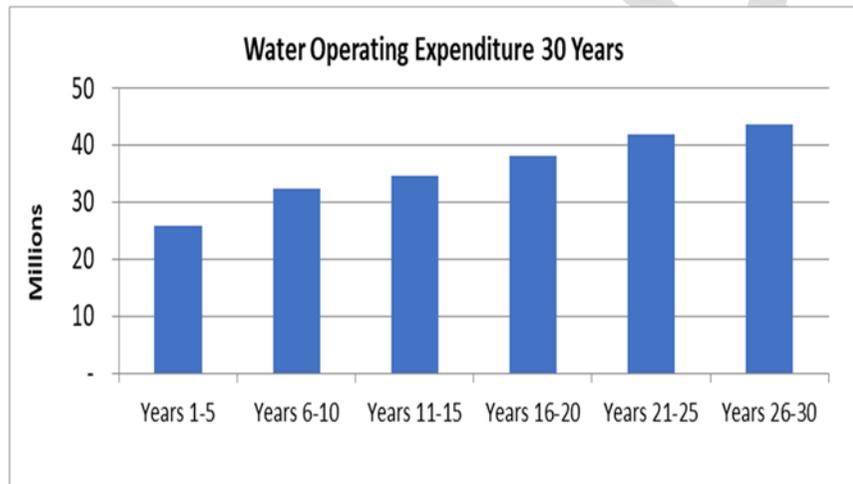
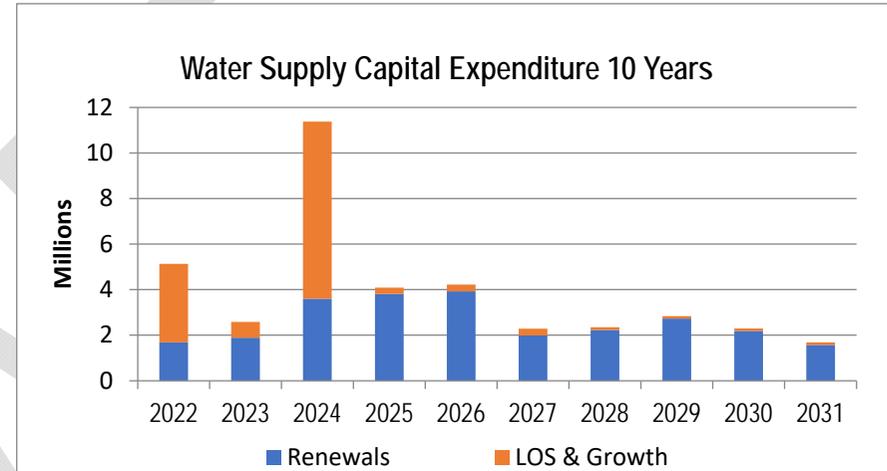
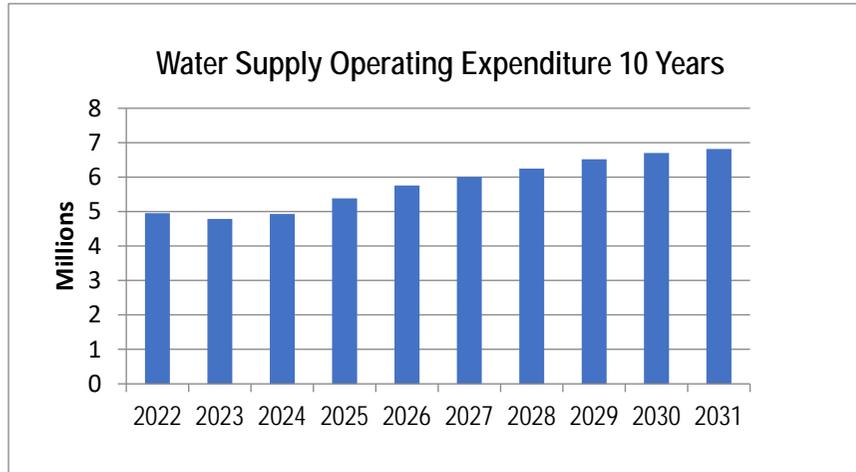


10 and 30-year scenario modelling for Stormwater reticulation pipes. Condition Score and Spend 2021 – 2031 & 2051



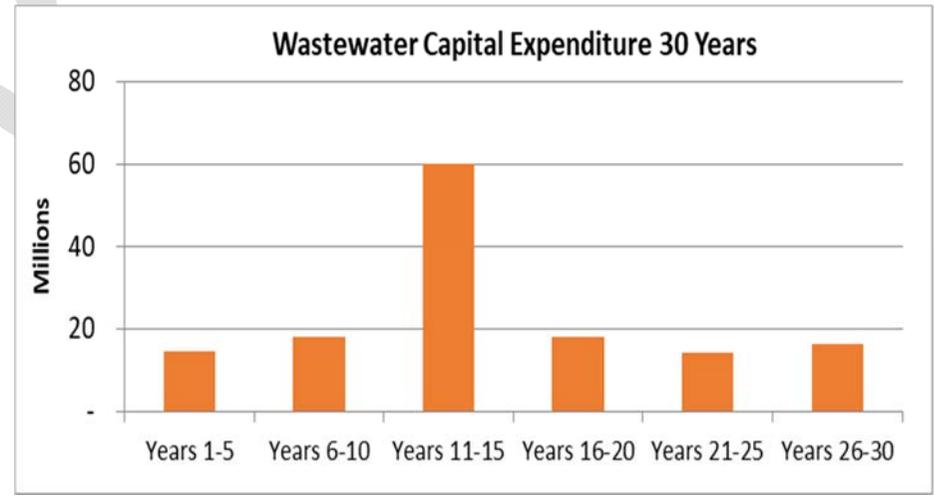
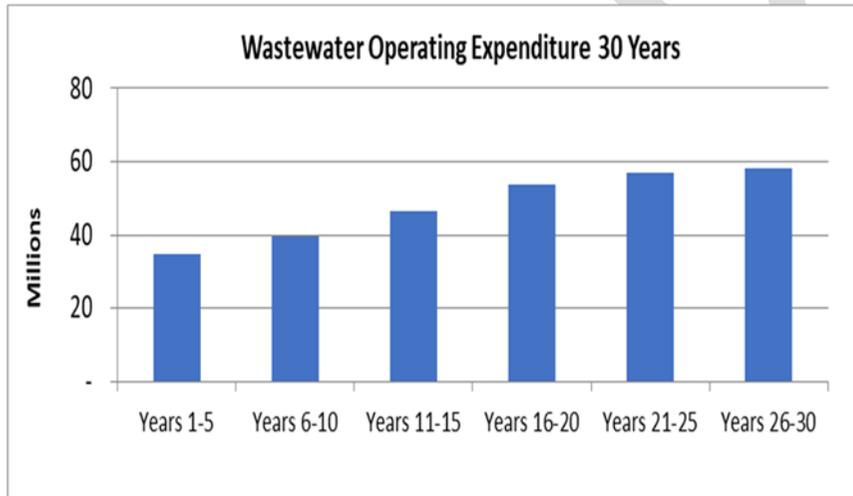
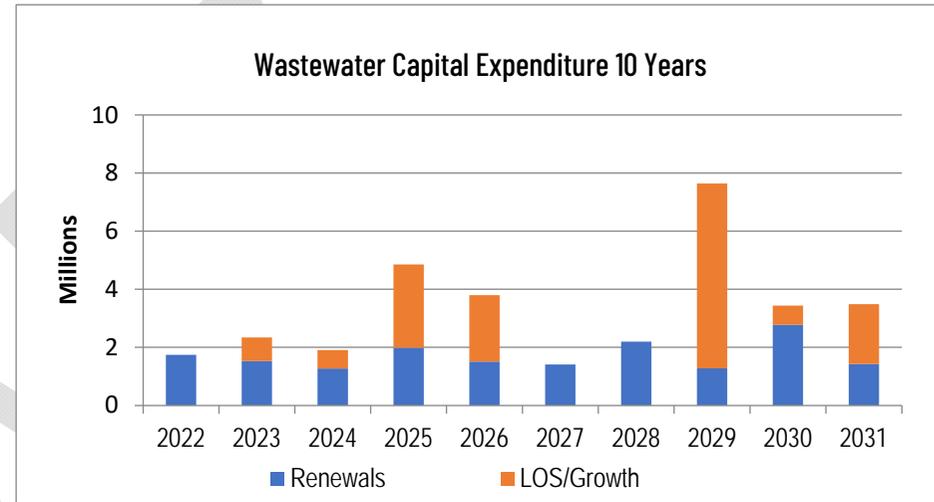
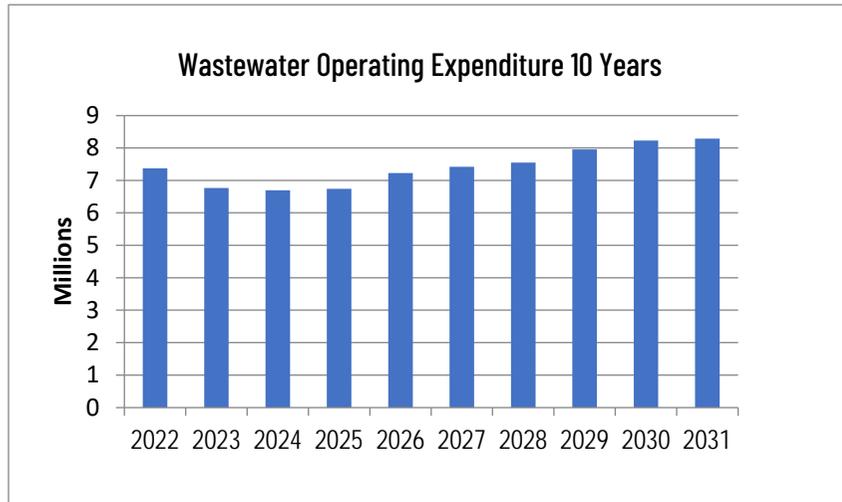
Planned expenditure – water assets

The graphs below show the projected expenditure on water assets over the next 10 to 30 years.



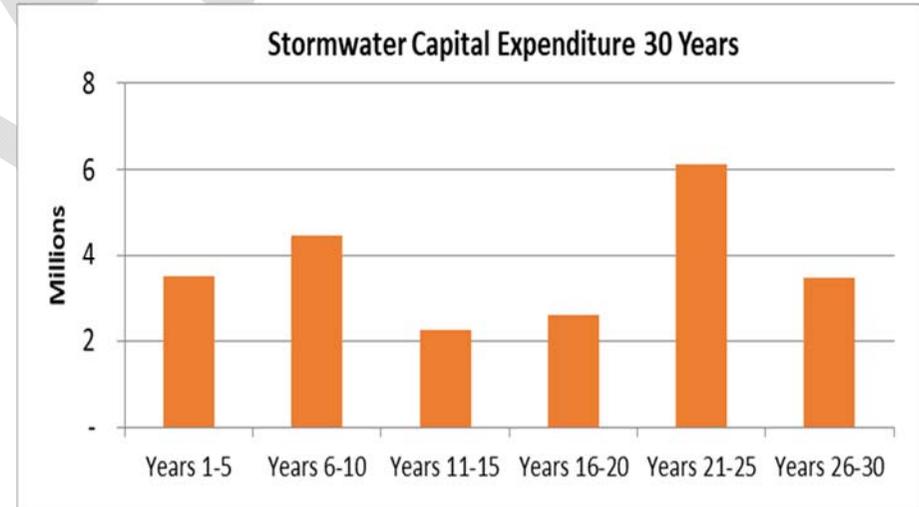
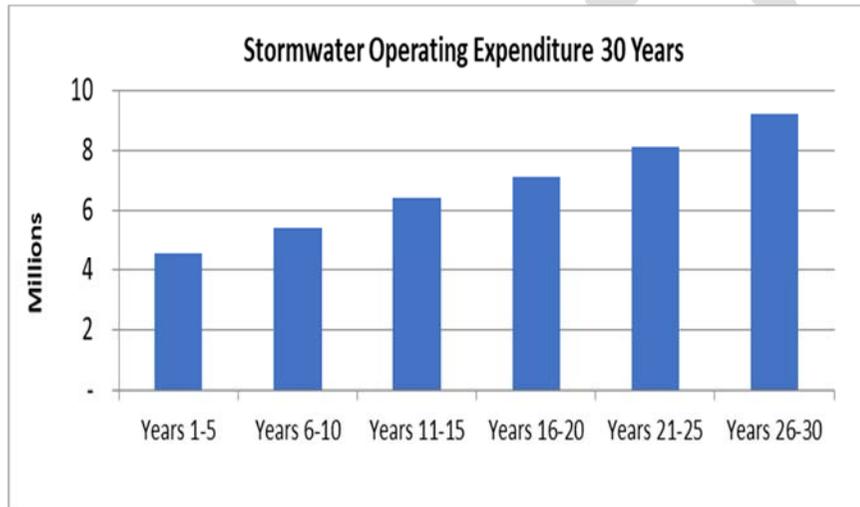
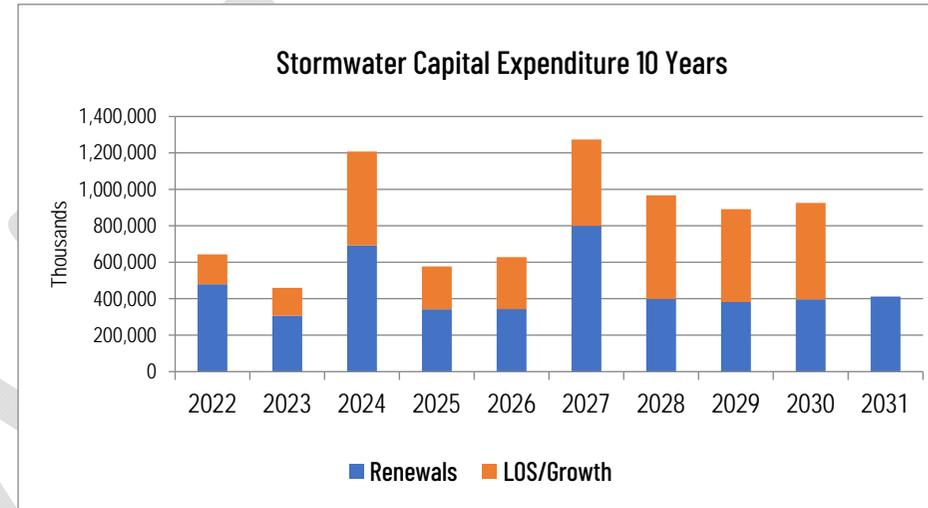
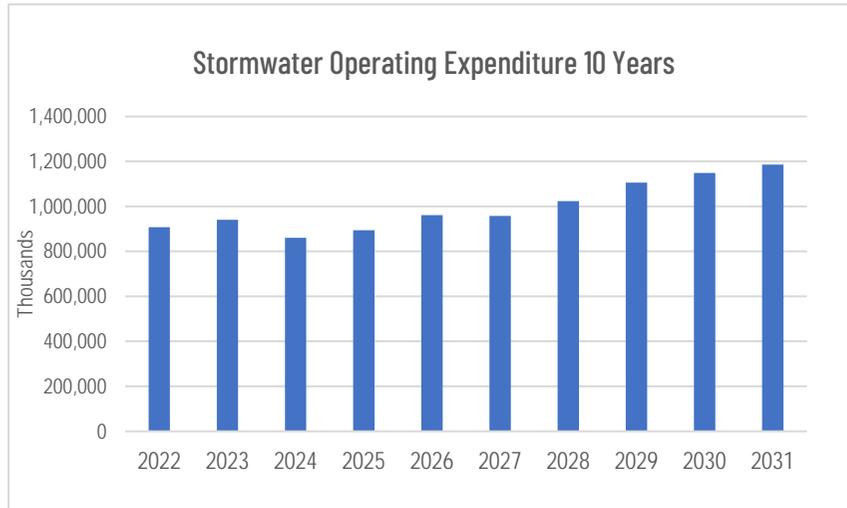
Planned expenditure – wastewater assets

The graphs below show the projected expenditure on wastewater assets over the next 10 to 30 years.



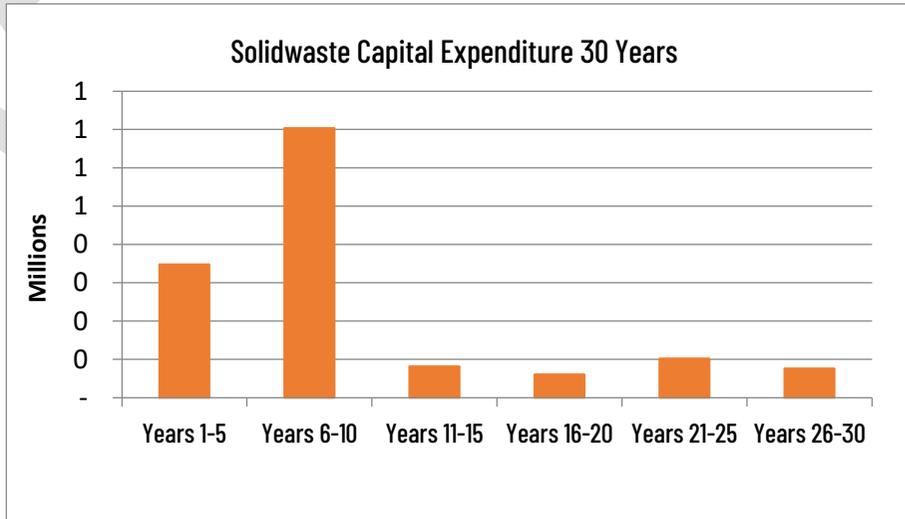
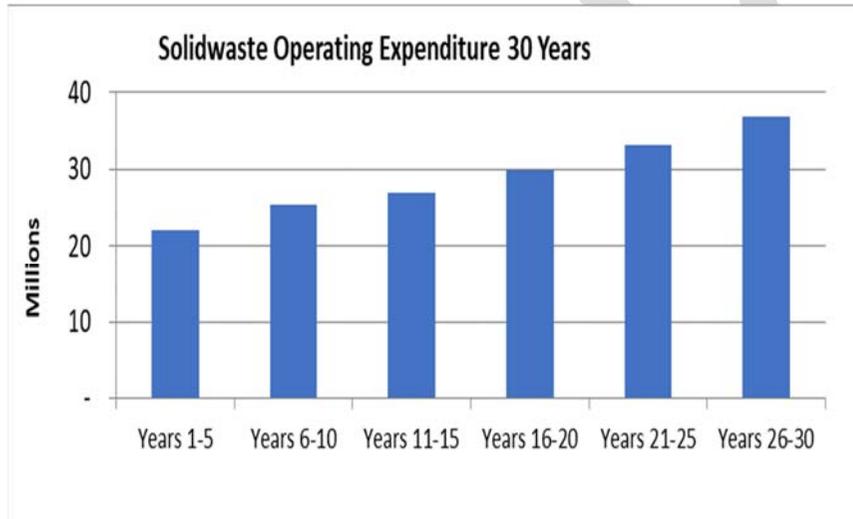
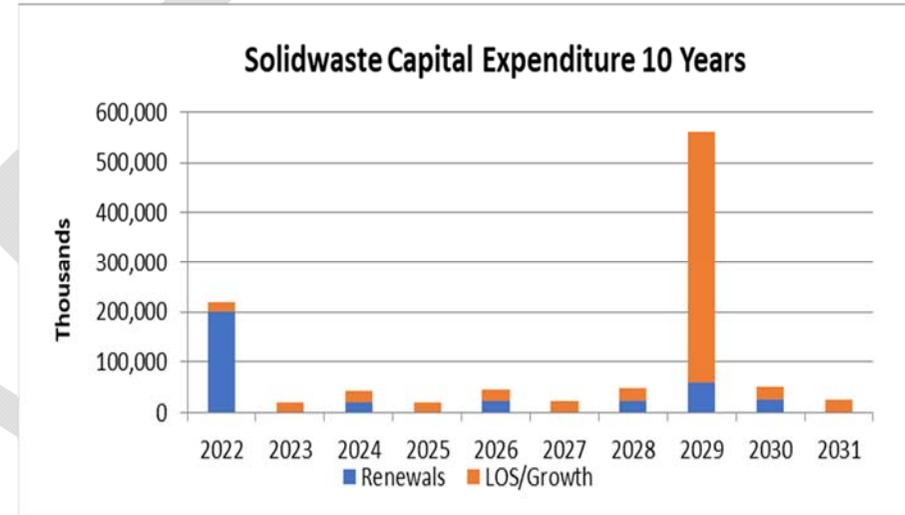
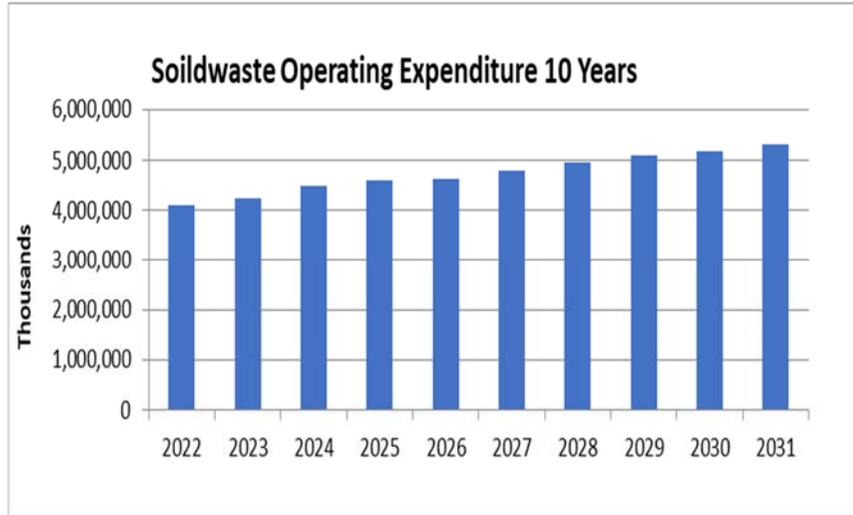
Planned expenditure – stormwater assets

The graphs below show the projected expenditure on stormwater assets over the next 10 to 30 years.



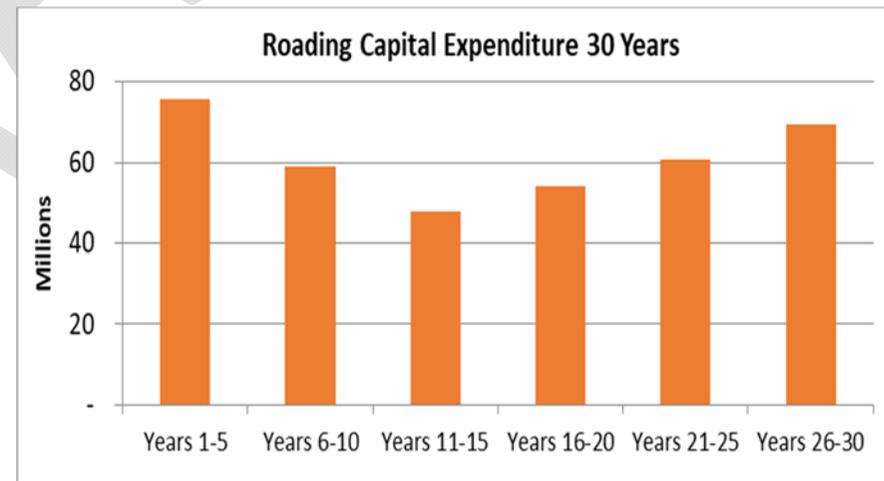
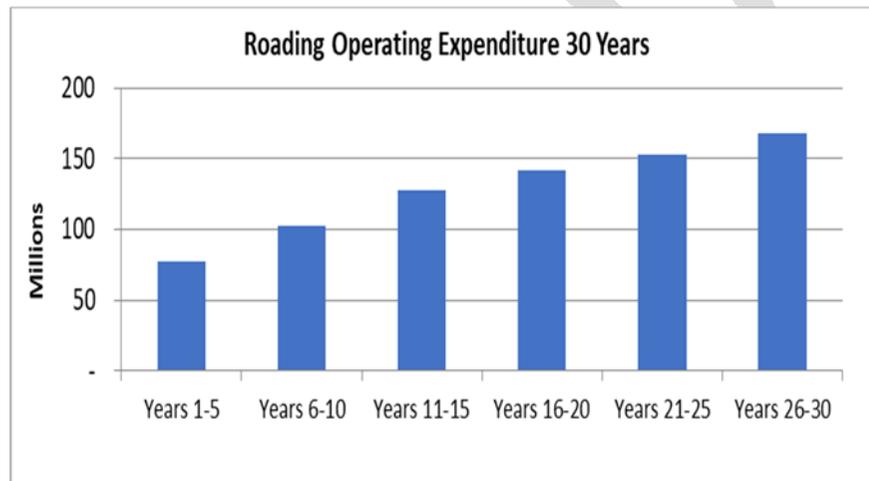
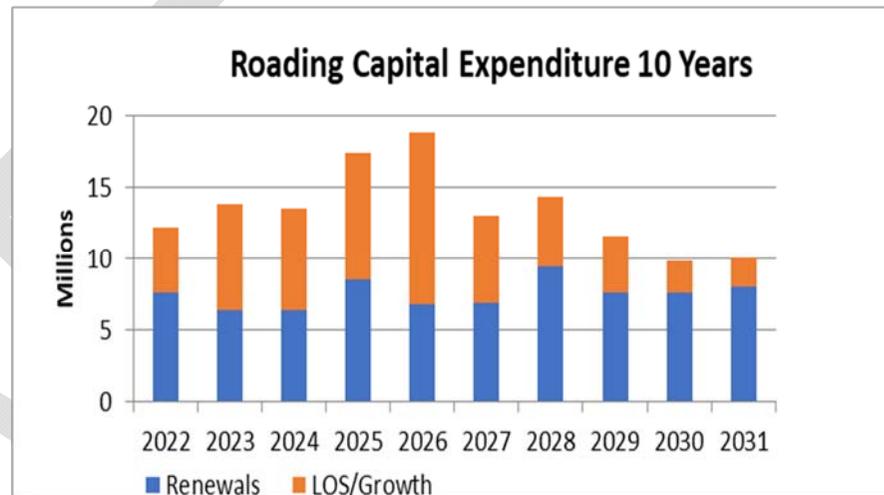
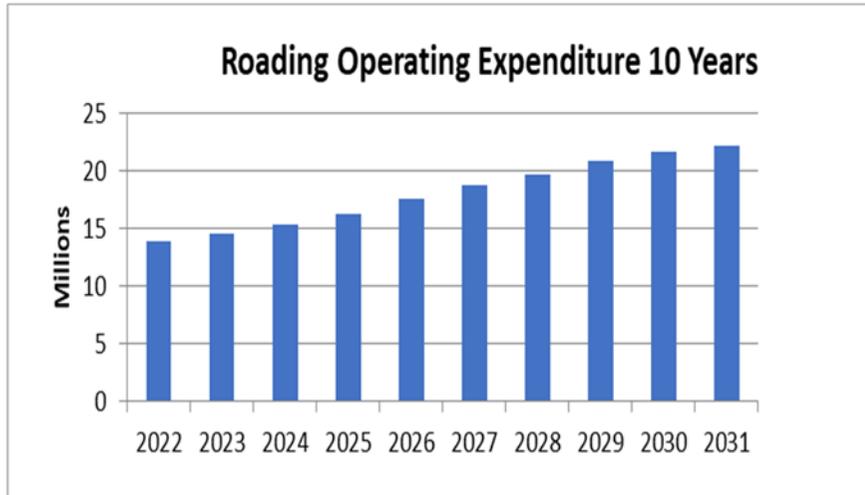
Planned expenditure – solid waste assets

The graphs below show the projected expenditure on solid waste assets over the next 10 to 30 years.



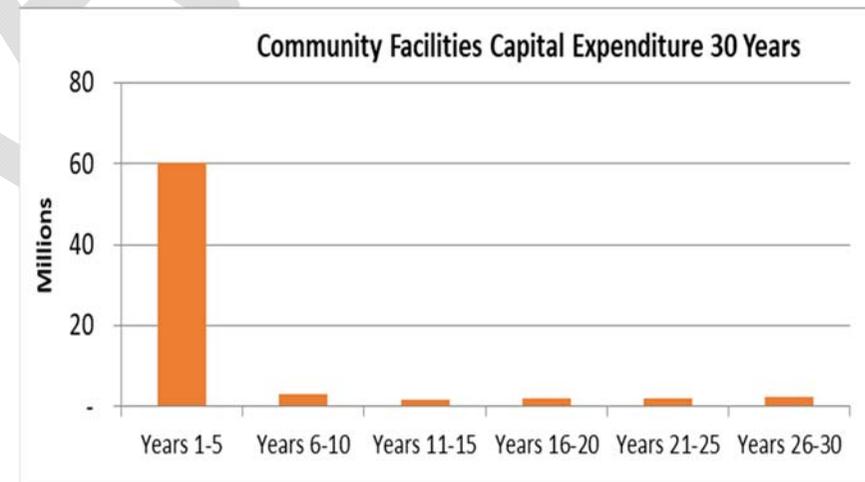
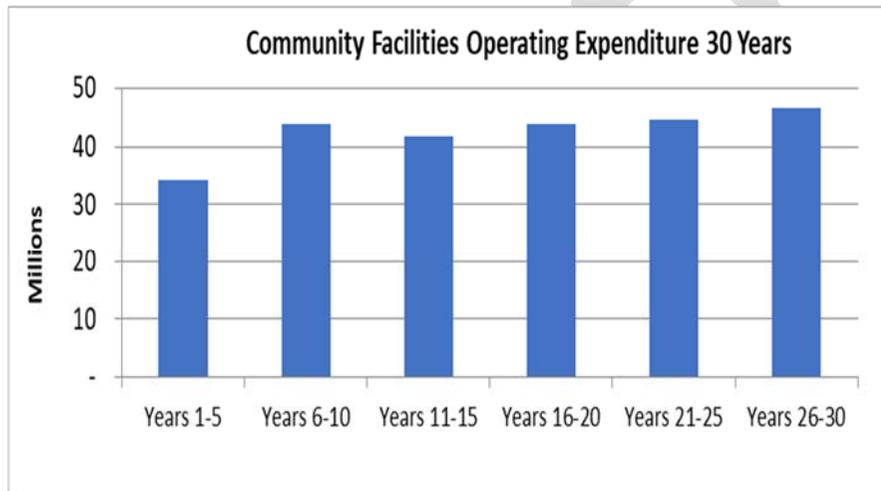
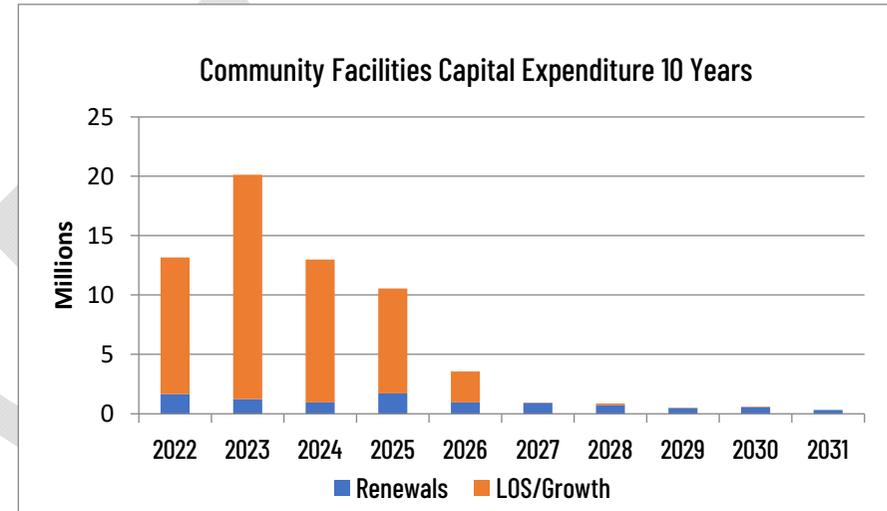
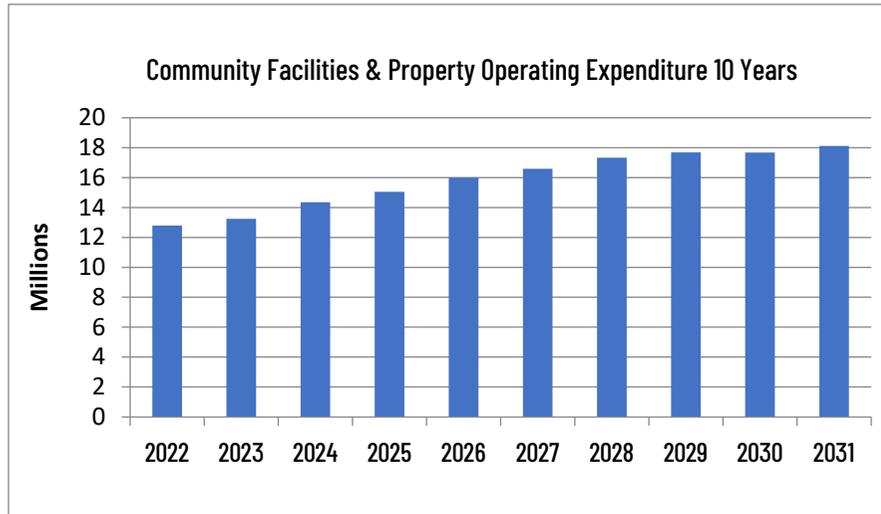
Planned expenditure – roading assets

The graphs below show the projected expenditure on roading assets over the next 10 to 30 years.



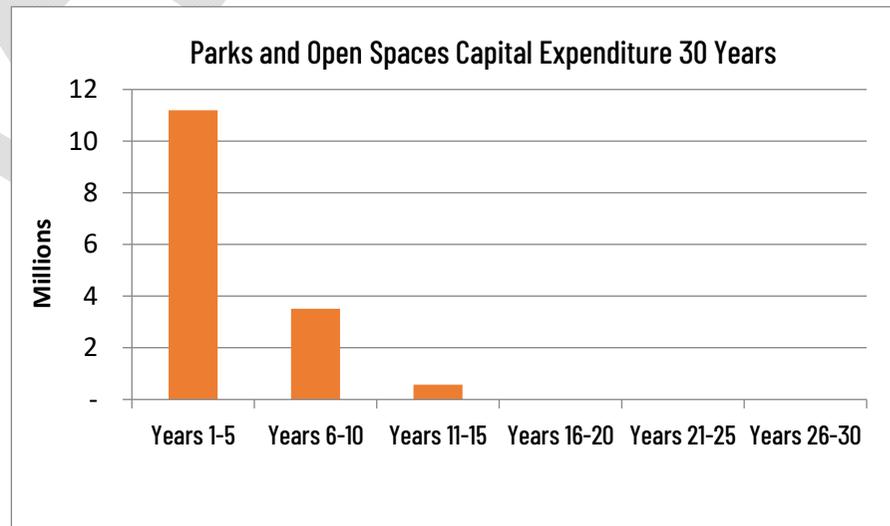
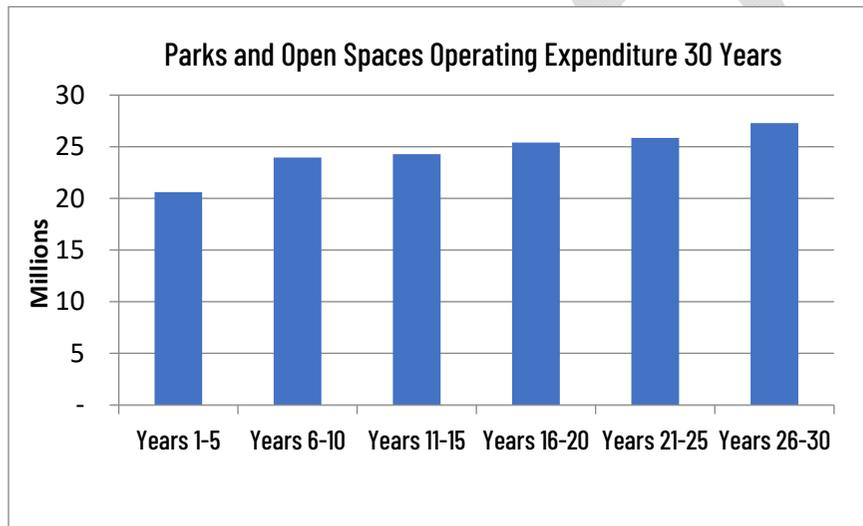
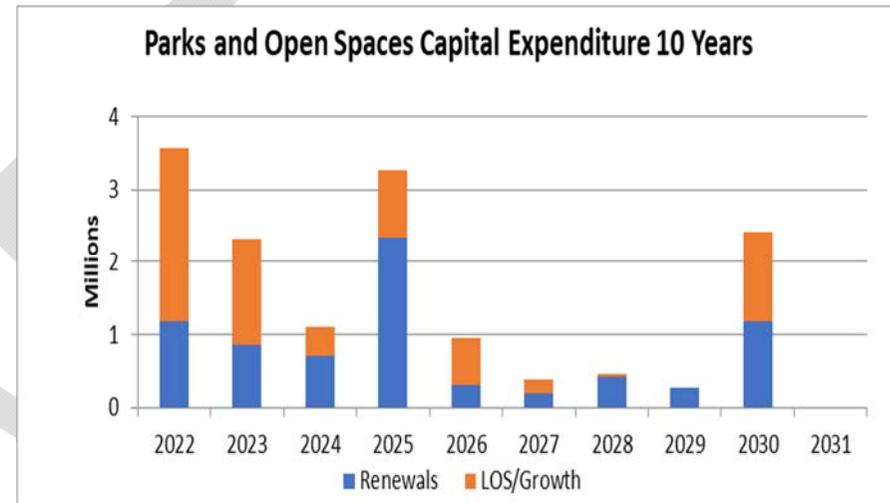
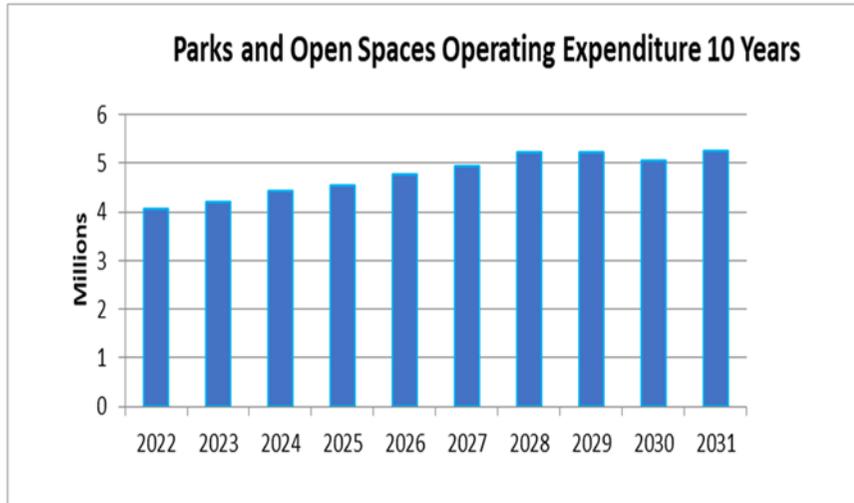
Planned expenditure – community facilities and property assets

The graphs below show the projected expenditure on community facilities and property assets over the next 10 to 30 years.



Planned expenditure – parks assets

The graphs below show the projected expenditure on parks assets over the next 10 to 30 years.



DRAFT FOR AUDIT REVIEW: 2021-31 LONG-TERM PLAN SIGNIFICANT ASSUMPTIONS

This document consists of three parts:

PART 1: Growth Assumptions

PART 2: Climate Change Assumptions

PART 3: Financial and Other Assumptions

PART 1 – DRAFT Growth and Demand Assumptions

1. POPULATION GROWTH

<p>Our Assumption - The Most Likely Scenario:</p>	<p style="text-align: center;">1% growth per annum</p> <p>Based on Infometrics forecasts for Masterton, past growth trends and current circumstances, including COVID-19 considerations, we expect to see average annual growth of between 0.5% and 1.5% per annum over the life of this LTP, with the most likely scenario being a point between. Given that, we have based our planning on the medium growth scenario, which projects average growth of 1.01% per annum. See supporting information.</p>
<p>Best Case Scenario:</p>	<p style="text-align: center;">1.5% growth per annum</p> <p>This aligns with Infometrics’s high growth projection for Masterton to 2031. It also aligns with the average growth per annum experienced over the past ten years (1.5%) but is less than the average growth experienced in the past five years (2.1%), which peaked in 2018.</p> <p>We don’t expect our population growth to be at the level it was in the five years pre COVID-19. However, factors such as Masterton’s proximity to Wellington, relative housing affordability and changes in the way we work (for example, remote working is now more acceptable), we believe Masterton is well positioned as a region to attract new residents.</p>
<p>Worst Case Scenario:</p>	<p style="text-align: center;">0.4% growth per annum</p> <p>This aligns with Infometrics’s low growth projection for Masterton to 2031. It is also closer to average annual growth in the five years prior to 2014 (0.7%). We are not anticipating COVID-19 to impact our population growth for the duration of this LTP, or beyond. Projections in June 2020 suggested growth would slow versus stagnate, and then pick up as the economy recovers.</p> <p>While COVID-19 border restrictions will have implications for growth, given other factors that make Masterton an attractive option, we do not anticipate zero growth, or population decline.</p>
<p>Level of Uncertainty</p>	<p style="text-align: center;">Moderate-High Uncertainty</p> <p>Forecasts are based on key assumptions around natural population growth, net migration, work availability and residential development. There is always uncertainty in forecasting future population, particularly the further into the future we look.</p>

	At the current time, COVID-19 adds to that uncertainty. We know COVID-19 will impact our population growth for at least the short to medium term, but at this point, we are uncertain of the extent or duration of that impact.
Risk	Given the level of uncertainty, there is a moderate to high risk that population growth across the district will occur at a rate that is higher or lower than we have assumed.
Financial Implications if we get it wrong:	<p><i>A higher growth scenario:</i></p> <p>Masterton has capacity for growth within its key infrastructure and services. Our Asset Management Plans indicate we could accommodate growth up to 1.8% per annum over the next ten years without significant impacts.</p> <p>If there was a significant and sustained rise in population beyond 1.8% per annum, that could have adverse effects on our ability to deliver some services to existing service levels – e.g. if demand was higher than the capacity of the service or asset. This could result in reduced levels of service or, worst case scenario, asset failures and/or a need to rapidly and heavily invest in assets to accommodate the growth. This in turn could result in much higher than planned debt or significant increases in rates (or both).</p> <p>If we were to experience higher growth than we have planned for, Council services that could be most affected are:</p> <ul style="list-style-type: none"> • Roading – greater congestion could be experienced on our roads, especially at peak times of the day. There could be a need to expand roads and/or introduce new traffic management controls. • Water Supply – given consent conditions, demand for water can exceed our capacity to supply over hot, dry summer periods. Rapid growth could add to this. To help mitigate water demand Council are introducing water meters. We also have provision for water storage reservoirs at Kaituna in Year 3 of the 2021-31 LTP. • Community Facilities e.g. the Library and Recreation Centre may not have the capacity to meet demand from an increased population. • Community Services e.g. our regulatory functions like Animal and Noise Control could see increased demand as ‘nuisance’ related requests for service tend to be concentrated in more densely populated areas. <p><i>A lower growth scenario:</i></p> <p>If there was significant and sustained decline in population, this would ultimately impact our rating base and may affect our ability to set rates at a level that is affordable for our community. This could result in higher than planned rates increases to maintain infrastructural assets (such as roads, water, and wastewater) and/or assets with greater capacity than required. It could also reduce demand for some services. This could increase the ‘cost per use’ for those services making them less affordable, whether that is due to increased fees and charges or increased rates to support the cost of service.</p> <p>However, in the short to medium term, lower growth than we have assumed or even declines in our population, would not necessarily result in a lower number of rating units given the rating base relies on the number of rateable properties versus people. As projections for households indicate fewer people</p>

	<p>per household, the number of rateable properties is likely to decline at a slower rate than the population.</p> <p>That noted, one of the drivers for more but smaller households is our aging population, and an aged population also means more people on fixed incomes. So while the rating base may not decline as rapidly, those paying the rates may have less capacity to absorb future rate increases.</p>
<p>What are we doing to reduce that risk? (Mitigation)</p>	<p>We need to balance the risk of over-investing to expand infrastructure and services if that is not going to be required against the alternative risk of not being adequately prepared for growth.</p> <p>Increases in population up to 1.8% per annum can be managed within existing infrastructure and levels of service. Where growth requires additional infrastructure (e.g. subdivisions), Council can currently require financial contributions for this work. Costs over this amount could result in additional Council expenditure, which would likely be loan funded.</p> <p>Council will continue to closely monitor population change in the District. By monitoring trends we can adjust and respond accordingly if we do need to revise our plans and approach.</p> <p>The financial implications for Council should be limited and able to be managed in the short to medium term but may need longer term responses if growth is substantially more or less than assumed.</p>

SUPPORTING INFORMATION:

Growth Projections

Infometrics Projections to 2051 (November 2020) for medium growth indicate Masterton district’s population will grow from 27,500 in 2020 to 30,549 (+11.1%) by 2031, and to 32,153 (+14.5%) by 2051. This equates to average annual growth of 1.01% to 2031; and an average of 0.55% per annum to 2051.

Masterton district’s population is projected to grow from 27,500 in 2020 to:

	2020-2031		2020-2051	
	Number	Ave. Growth p.a.	Number	Ave. Growth p.a.
High	32,035 (+4,535)	1.5%	37,849 (+10349)	1.21%
Medium	30,549 (+3,049)	1.01%	32,153 (+4,653)	0.55%
Low	28,673 (+1,173)	0.39%	27,112 (-388)	-0.05%

Infometrics initial forecast (June 2020) expected growth to slow in the short term due to COVID-19, picking up in 2023 as the economy recovered. Looking to 2051, steady growth was forecast until the mid-2030s. This was driven by a need for strong net migration flows to replace a large number of retiring workers born between the 1950s and 1970s. In the 2040s population growth was expected to flatten.

In November 2020 the Infometrics forecast was refreshed given the evolving situation with COVID-19. The refreshed forecasts incorporated:

- Infometrics' latest international net migration forecast, which incorporates revised historic data from Statistics NZ for 2019, new data for 2020 on the wave of returning Kiwi's pre-lockdown, and a better understanding of the post-COVID economic environment.
- Statistics NZ's revised population estimates for 2018 and 2019, and new estimate for 2020.

Infometrics advised that they had expected net migration to gradually fall and then gradually rise. However there was a burst of migration ahead of lockdown (hence 2020 population growth was stronger than expected), followed by a very sharp fall. Infometrics expect it will be flat for several years, influencing the profile of population growth over time

BERL (June 2020) undertook similar forecasting to 2030 for the whole Wairarapa rather than each District. The most optimistic forecast for the Wairarapa Region was growth of 4,271 people, from 45,400 to 49,671, between 2020 and 2030. This equates to an average annual growth rate of 0.94% per annum for that period. The least optimistic forecast still projected growth, but at an average annual rate of 0.77%; and the mid-range forecast average annual growth of 0.88%.

By comparison, based on the medium projection and combining Infometrics data for the three Councils (November 2020), the Wairarapa population is expected to grow from 48,860 to 53,786 between 2020 and 2031, an average per annum growth rate of 0.92% per annum.

Forecast growth rates are comparable, though the Infometrics forecast does take revised population estimates for 2020 into consideration.

We based our planning on the Infometrics medium growth scenario. While Masterton has experienced growth in recent years, we are not currently considered a 'high growth Council'. Past growth trends discussed below indicate that recent growth peaked in 2018, and 2020 growth was influenced by people returning to New Zealand from overseas which is expected to slow in the immediate future.

Past Growth Trends

In March 2018 ID forecasts projected growth from 24,100 in 2013 to 25,441 in 2018, which equates to average growth of 1.09%. Actual growth for this period saw the population increase from 24,100 to 26,300, equating to average growth of 1.8% (note, this does not account for any revised population estimates).

Masterton has experienced good growth over the past five years, with the population increasing from 24,900 in 2015 to 27,500 in 2020 (+10.4%, or an average of +2.1% per annum). Growth peaked in 2018 at 2.3%. Growth in the last two years (1.9% in 2019 and 2.2% in 2020) has exceeded the 2018-28 LTP growth forecast of 1% per annum. Growth in 2020 was very close to the 2018 peak at 2.2%, however that was influenced by people returning home from overseas given the COVID-19 situation (see migration comments below).

In the five years prior to 2014, growth was slower, increasing from 23,300 in 2008 to 24,100 in 2013 (+3.4%, or an average of 0.7% per annum). Pre 2008 the population was generally static for an extended period, the 1996 population, at 23,300, matching the 2008 population despite some minor fluctuations over this period.

Overall, the population of Masterton increased 18.0% between 1996 and 2020, from 23,300 to 27,500, with most of that growth in the last 10-12 years. Over the last ten years (2010 to 2020) the average annual growth equates to 1.5% per annum, with a range of 0% to 2.3%.

Annual Growth 2010-2020 (source: Infometrics)

Year	Population	Change
2010	23,700	0.90%
2011	24,000	1.30%
2012	24,100	0.40%
2013	24,100	0.00%
2014	24,500	1.70%
2015	24,900	1.60%
2016	25,400	2.00%
2017	25,800	1.60%
2018	26,400	2.30%
2019	26,900	1.90%
2020	27,500	2.20%

COVID-19 Implications:

The Infometrics projections for Masterton (June and November 2020) and BERL forecasts for the Wellington region (June 2020) factored in potential impacts of COVID-19 as they were understood at the time these forecasts were completed. However, COVID-19 is unprecedented and evolving. There is uncertainty regarding both the duration and longer-term effects of the pandemic, and associated restrictions both at the border and within our communities. The uncertainty associated with COVID-19, increases our uncertainty in projecting future population growth.

Migration:

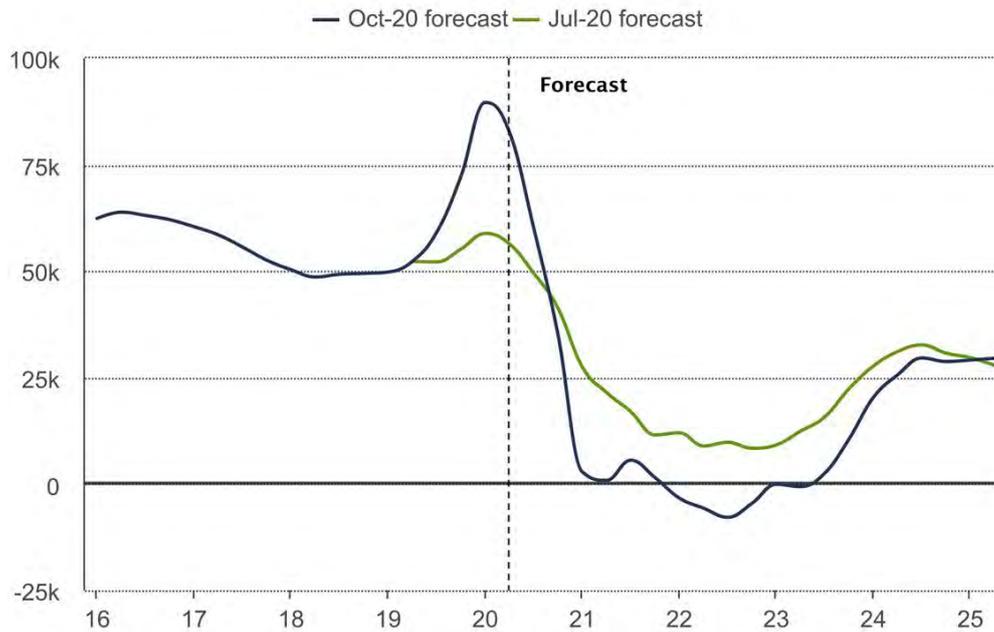
Since COVID-19, many New Zealanders who have been residing overseas have returned 'home', resulting in a burst of migration ahead of lockdown (hence 2020 population growth was stronger than expected), followed by a sharp fall.

In November 2020, Infometrics published analysis of 2020 population change by local area. For Masterton, 2020 population change was influenced by:

- 52% - net internal migration (people within New Zealand relocating)
- 44% - net international migration (people shifting to the area from outside the country)
- 3% - natural increase (births minus deaths)

The 44 % net increase in international migration that has contributed to growth in 2020 is likely to decline rapidly in the short to medium term until borders re-open again. While Infometrics expect migration trends to be flat for several years, we are not expecting migration to be affected for the duration of this LTP. At this stage, migration rates are expected to increase from approximately 2023/24.

Infometrics Forecast - Annual international net migration



Health Enrolments

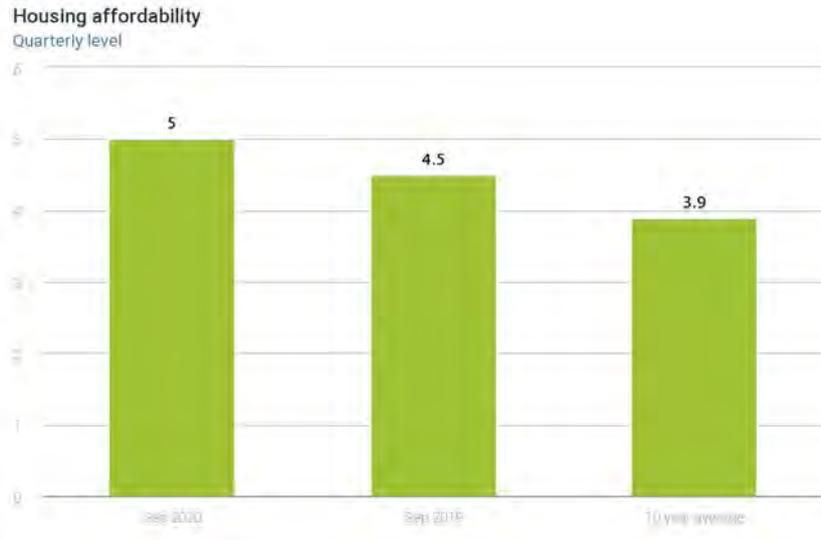
Health enrolments can reflect population growth. The number of people enrolled with a primary health organisation in Masterton District in the year to September 2020 increased by 1.9% compared to the previous year. At the end of September 2020, an average of 26,889 people were enrolled with primary healthcare providers in Masterton compared to an average of 25,159 since 2014. (Source, Infometrics Indicators, Sep 2020).

Health enrolments
Annual average % change

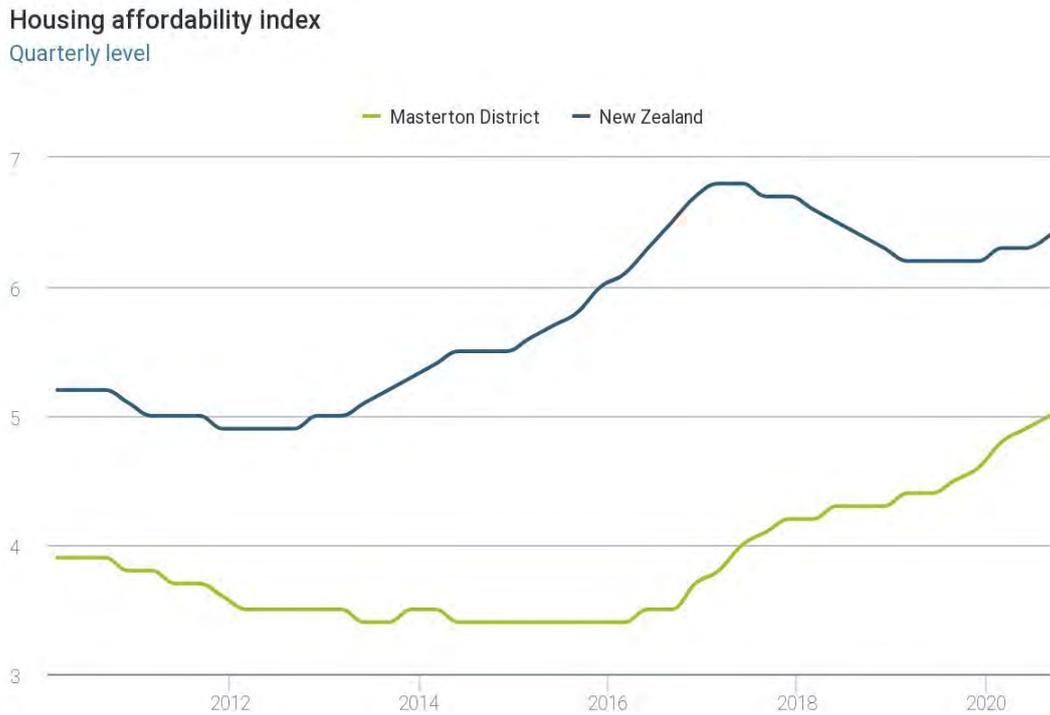


Housing Affordability

Drivers for those relocating within New Zealand include the ability to work remotely and affordable living, especially affordable housing. Housing affordability in Masterton has been declining:



However, Masterton is still an affordable option compared to many other parts of the country and compared to the New Zealand average:



House Sales

While some house sales are people relocating within the district, house sales can also reflect people moving into the area. In the year to September 2020, house sales in Masterton District decreased by 2.7% compared with the previous year and were lower than the New Zealand average (sales increased by 1.1%). However house sales are still at relatively high levels compared to 5 years ago. A total of 572 houses were sold in Masterton District in the 12 months ended September 2020. This compares with the ten year average of 475.



2. DEMOGRAPHIC CHANGE: POPULATION AGE STRUCTURE

<p>Our Assumption - The Most Likely Scenario:</p>	<p style="text-align: center;">Our population will continue to age faster than the NZ average.</p> <p>This is consistent with demographic trends and population projections for Masterton. See supporting information.</p>
<p>Best Case Scenario:</p>	<p style="text-align: center;">The population ages slower than we anticipate.</p> <p>Given Masterton's close proximity to Wellington, relative affordability and with changes as a result of COVID-19 that better support and enable remote working to achieve work life balance, more people of working age and young families could be attracted to or choose to stay in the District. This could slow the ageing of our population, grow our 'working age population' and balance affordability concerns by spreading the 'rates load'. This could also enable Council to more easily invest in projects and initiatives that could make Masterton more attractive in future.</p>
<p>Worst Case Scenario:</p>	<p style="text-align: center;">The population ages more quickly than we anticipate.</p> <p>If more people of working age, young families and youth than we anticipate are attracted to opportunities in other districts/locations and choose to leave the district, this could see our younger population decline, accelerating the aging of our population. This could contribute to affordability challenges as the rates impact would need to be shared by those who remained in the district. A higher proportion of people of retirement age would also mean a higher proportion of people on fixed incomes. Affordability concerns could restrict Council from being able to pursue projects/investment in our community and community infrastructure.</p>
<p>Level of Uncertainty</p>	<p style="text-align: center;">Low-Medium Uncertainty</p> <p>Globally (for western nations) and nationally it is widely accepted that the population is ageing. Masterton, like many other rural provincial towns in New Zealand, is ageing faster than the New Zealand average. Without intervention, this trend is unlikely to change. That noted, Masterton could become more attractive to younger people/families given its relative affordability, proximity to Wellington and as remote working becomes easier and more acceptable.</p>
<p>Risk</p>	<p>There is a low risk that our population will age differently to what we expect – this could be ageing faster or slower than anticipated.</p>

<p>Implications if we get it wrong:</p>	<p>A faster ageing scenario:</p> <p>If the population ages more quickly than we anticipate, this could result in a higher proportion of people on fixed incomes and increased affordability challenges for our community.</p> <p>A slower ageing scenario:</p> <p>If the population ages more slowly than we have assumed, this could assist in mitigating affordability concerns for the community.</p>
<p>What are we doing to reduce that risk? (Mitigation)</p>	<p>We will continue to closely monitor population change in the District to understand trends and ensure we respond appropriately.</p> <p>We are currently working to ensure we balance demand at both ends of the demographic pyramid, providing services and opportunities that engage and contribute to the wellbeing of both our younger and our more mature populations.</p> <p>The three Wairarapa Councils have a Wairarapa Positive Ageing Strategy and Wairarapa Rangatahi Development Strategy. These strategies aim to improve outcomes for, and the wellbeing of, these demographics. By implementing these strategies, we will be better placed to attract and maintain younger people/families, whilst also supporting active aging (whether that is through involvement in social and cultural activities, volunteering or physical activity).</p> <p>From a financial perspective, those aged 65+ are more likely to have fixed incomes and rate increases can 'hit harder' in these circumstances. With a larger proportion of people on fixed incomes in our community, rates affordability is a consideration for Council and could impact Council's ability to pursue some opportunities.</p> <p>To mitigate this, we have, and will continue to seek external funding for projects where opportunities exist. For example, through the Provincial Growth Fund and other central government funding opportunities such as the Waste Minimisation Fund. Council has also worked in partnership with - and will continue to explore future partnership opportunities with - local Iwi and funders like Trust House and Trust Lands Trust.</p>

SUPPORTING INFORMATION:

2018 Census Data

Compared to the New Zealand average (based on 2018 census data), Masterton has more people aged 65+ (21% compared to 15.2%); similar numbers of people aged under 15 (19.4% compared to 19.7%) and a smaller proportion of 'working age' (15-64 years - 59.6% compared to 65.1%).

Population Projections

Based on Infometrics forecasting (June 2020), the Masterton population aged 65+ is expected to grow by approximately 73% between 2019 and 2051, from 5,825 to 10,100 people.

Youth (under 15 years of age) and 'working age' groups are expected to remain at similar levels throughout this period.

The combined effect is that the proportion of people aged 65+ will increase and Masterton's population will age, projected to move from an average age of 42 in 2019 to 48 in 2051.

The number of people aged 65+ is expected to increase from 5,825 in 2019 (21.7% of the population) to 8,316 in 2030 (27.9% of the population) and 10,100 by 2051 (31.9% of the population). Over the same period, the proportion of under 15s is expected to decline from 19.3% in 2019 to 18.5% in 2030, and then to 15.8% by 2051; and Masterton's 'working age' population is projected to decline from 58.9% in 2019 to 53.6% in 2030, and then to 52.3% in 2051.

BERL (September 2020) also note New Zealand's aging population as a challenge noting that over the coming decade many of older working age will be retiring. BERL note areas and infrastructure for our aged population will be important.

Dependency Ratio

In 2019 Masterton's dependency ratio (the number of people aged under 15 and over 65 as a ratio of the rest of the population) was 69%, up from 61.4% in 2009. By comparison, the 2019 New Zealand dependency ratio is 54.1%, up from 50.8% in 2009. Based on projected population age changes, this ratio will continue to increase.

3. DEMOGRAPHIC CHANGE: POPULATION DIVERSITY

<p>Our Assumption - The Most Likely Scenario:</p>	<p style="text-align: center;">Our population will continue to become more diverse, and in particular our Māori population will continue to grow.</p> <p>This is consistent with demographic trends and population projections for Masterton. See supporting information.</p>
<p>A More Diverse Scenario:</p>	<p style="text-align: center;">The diversity of our population occurs more quickly than we anticipate.</p> <p>Our community could benefit from opportunities that greater diversity present, provided we do take action to grow a more equitable and inclusive community now.</p>
<p>A Less Diverse Scenario:</p>	<p style="text-align: center;">The diversity of our population occurs at a slower rate than we anticipate.</p> <p>Planning for greater diversity and for meeting the needs of a more diverse community will make Masterton a better and more inclusive place, even if change happens slower than we anticipate or not at all. The more responsive and inclusive we can be, the stronger our community will become.</p>
<p>Level of Uncertainty</p>	<p style="text-align: center;">Low Uncertainty</p> <p>Nationally it is accepted that the population is becoming more diverse. Our Māori population is younger and growing faster than other ethnicities. We have also seen more 'new' New Zealanders. Masterton is also a refugee resettlement location; and New Zealand may become even more attractive to migrants once COVID-19 is manageable (e.g. via vaccines) and our border controls relax.</p>
<p>Risk</p>	<p>Given the level of uncertainty, there is a low risk that our population will be less diverse than what we anticipate, however planning for a more diverse, welcoming and inclusive community, can only benefit Masterton and its existing residents. The greater risk is doing nothing, especially given we know there is inequality between different ethnicities within our community now.</p>
<p>Financial Implications if we get it wrong:</p>	<p>A less inclusive community is more likely to see a break down in the 'social fabric' and potential negative implications as a result, such as growing inequality which is linked to a range of negative outcomes from poor health and education outcomes, to increased crime and violence.</p> <p>While the implications may appear to be more social than financial, there are financial flow on effects. For example, lower levels of education and/or poor health may impact an individual's ability to find work. A community with higher numbers of people in low skill, low paying jobs will have greater affordability concerns, which could limit opportunities for the community as a whole. A</p>

	<p>community where everyone thrives, and diversity is celebrated, will be stronger and more resilient.</p> <p>It will also be a more attractive place to live. Attracting ‘new New Zealanders’ and New Zealanders returning from overseas and/or living in other parts of New Zealand now, could contribute to population growth, buffer the effect of our aging population, result in new businesses/ economic growth and ultimately help to spread the rates load.</p>
<p>What are we doing to reduce that risk? (Mitigation)</p>	<p>We will continue to closely monitor population change in the District to understand trends and respond appropriately.</p> <p>Aspirations for our district, identified as priorities in our Wellbeing Strategy, <i>He Hiringa Tangata He Hiringa Whenua</i>, include:</p> <ul style="list-style-type: none"> • Strengthening relationships with Iwi • Increasing opportunities for meaningful partnerships and collaboration with Iwi • Equitable access to opportunities • Being a community where people want to live • Having engaged communities that actively participate in our community <p>Implementing the Strategy will help to create a more inclusive community.</p> <p>For Māori as tangata whenua it is particularly important that we respect and celebrate diversity (both as an organisation and as a community) and work towards greater equity and inclusiveness.</p> <p>A standard item on every Council decision report is consideration of how the decision may impact Māori. We are currently developing a framework to support better engagement and consultation with Māori, which will assist in growing our capacity to better meet the needs of our Māori communities.</p> <p>We are also working to improve the cultural appropriateness of services (e.g. offering te reo Māori based programmes in our Library; bilingual signage; reflecting Māori culture and design in ‘our place’; and correcting past errors such as correcting the spelling of Makoura Road).</p> <p>We are also open to welcoming new residents. Masterton has been selected as a refugee resettlement location and has been part of the planning to support new families into our community. Refugees, originally from Syria, were scheduled to relocate to Masterton from June 2020. COVID-19 has deferred relocation for now.</p> <p>Masterton is also part of the “Welcoming Communities Programme”, an initiative to support improved social inclusion outcomes for recent migrants.</p>

SUPPORTING INFORMATION:***Census Data and Trends***

Between the 2006 and 2018 Censuses, the proportion of our population identifying as Māori increased from 16.5% to 21.3%; Pacific from 2.6% to 4%; and Asian from 1.6% to 3.9%.

In particular, we expect our Māori population to continue to grow. The median age for Māori in Masterton is 24.2 years compared to the median age for all of Masterton at 43.2 years (Census 2018). With a younger population, we expect a higher proportion of youth to identify as Māori, and for the Māori population to continue to grow.

More Masterton people identify as Māori (21.3% compared to 16.5%) compared to New Zealand as a whole, and while Masterton still has a lower proportion of Pacific and Asian people than New Zealand, this population has also been growing.

Actual numbers are small, but there are now almost three times as many people who identify as Asian compared to 2006 (366 in 2006 vs 996 in 2018); and almost twice as many people who identify as Pacific (597 in 2006 vs 1011 in 2018).

Migration***International Migration***

Migration into New Zealand has contributed to national population growth. And as New Zealand has become more diverse, this diversity is flowing out to our regions too. Masterton has seen growth in its Asian and Pacific populations; and the percentage of people living in Masterton who were born overseas has increased by 6% since 2013.

While Infometrics expect migration trends to be flat for several years, we are not expecting migration to be affected for the duration of this LTP.

Internal Migration

Regardless of whether we see more diversity in our population or not, a place that is inclusive and embraces diversity will be stronger and better positioned to address whatever future challenges we may face.

A more inclusive community is more likely to be attractive to potential new residents, and attracting new residents could help mitigate the effects of other challenges we are facing such as an aging population. As noted under population growth, 52% of population change in 2020 has resulted from net internal migration.

4. HOUSEHOLD GROWTH

<p>Our Assumption - The Most Likely Scenario:</p>	<p style="text-align: center;">1.25% growth per annum.</p> <p>Based on Infometrics forecasts for Masterton, past growth trends and current circumstances (including COVID-19 considerations) we expect to see average annual growth of between 0.61% and 1.75% per annum over the life of this LTP, with the most likely scenario being a point between. Given that, we have based our planning on the medium growth scenario, which projects average growth of 1.25% per annum. See supporting information.</p> <p>Household growth is higher than population growth as households are also projected to get smaller with fewer people living in each house.</p>
<p>High Growth Scenario:</p>	<p style="text-align: center;">1.75% growth per annum.</p> <p>This aligns with Infometrics’s high growth projection for Masterton to 2031. Looking beyond the life of this LTP, the high growth projection to 2051 forecasts average growth of 1.51% per annum.</p> <p>A key driver for the increase in households is the growth in our more mature population who are seeking smaller accommodation and smaller section sizes. Given this, and factors such as Masterton’s proximity to Wellington, relative housing affordability and changes in the way we, we believe Masterton is well positioned as a region to attract new residents who will also need housing.</p>
<p>Low Growth Scenario:</p>	<p style="text-align: center;">0.6% growth per annum.</p> <p>This aligns with Infometrics low growth projection for Masterton to 2031. Looking beyond the life of this LTP, the low growth projection to 2051 forecasts average growth of 0.13% per annum.</p> <p>Given the factors noted above (under our high growth scenario), combined with our ageing population seeking smaller housing/section options, even in a low growth scenario, we do not anticipate zero growth or a decline in household growth.</p>
<p>Level of Uncertainty</p>	<p style="text-align: center;">Moderate-High Uncertainty</p> <p>Housing growth forecasts include some reliance on population growth and economic forecasts. There is always some uncertainty, and at the current time, COVID-19 amplifies that.</p> <p>The situation with COVID-19 is evolving and there is potential for flow on effects of COVID-19 (e.g. the economy) to impact household growth, but at this point, we are uncertain of the likelihood, extent or duration of that impact.</p>

Risk	<p>Given the level of uncertainty, there is a moderate-high risk that household growth will be higher or lower than we have forecast.</p>
Implications of Risk:	<p><i>A higher growth scenario:</i> Masterton has capacity for growth within its key infrastructure and services. Our Asset Management Plans indicate we could accommodate housing growth up to 1.8% per annum over the next ten years without significant impacts.</p> <p>If there was a significant and sustained rise in population beyond 1.8% per annum, that could have adverse effects on our ability to deliver some services to existing service levels – e.g. if demand was higher than the capacity of the service or asset. This could result in reduced levels of service or, worst case scenario, asset failures and/or a need to rapidly and heavily invest in assets to accommodate the growth. This in turn could result in much higher than planned debt or significant increases in rates (or both).</p> <p>If we were to experience higher household growth than we have planned for, Council services that could be most affected are:</p> <ul style="list-style-type: none"> • Water Supply – given consent conditions, demand for water can exceed our capacity to supply over hot, dry summer periods. Rapid growth could add to this. To help mitigate water demand Council are introducing water meters. We also have provision for a water storage reservoir at Kaituna in Year 4 of the 2021-31 LTP. • Community Services e.g. our regulatory functions like Planning and Building Control could see increased demand for consent processing and inspections. <p><i>A lower growth scenario:</i> If there was significantly less growth than anticipated, this would ultimately impact our rating base and may affect our ability to set rates at a level that is affordable for our community. This could result in higher than planned rates increases to maintain infrastructural assets (such as roads, water, and wastewater) and/or assets with greater capacity than required.</p>
What are we doing to reduce that risk? (Mitigation)	<p>We need to balance the risk of over-investing to expand infrastructure for housing development if that is not going to be required against the alternative risk of not being adequately prepared for, and able to manage, growth.</p> <p>Where growth requires additional infrastructure (e.g. subdivisions), Council can currently require financial contributions for this work. Costs over this amount could result in additional Council expenditure, which would likely be loan funded.</p> <p>Council will continue to closely monitor population growth, economic conditions, and resource and building consents being processed in the District. By monitoring trends we can adjust and respond accordingly if we do need to revise our plans and approach.</p> <p>The financial implications for Council should be limited and able to be managed in the short to medium term but may need longer term responses if growth is substantially more or less than assumed.</p>

SUPPORTING INFORMATION:***Growth Projections***

Infometrics Projections to 2051 (November 2020) for medium growth indicate the number of households in Masterton district will grow from 11,182 in 2020 to 12,718 in 2031 (+13.7%) and 13,794 by 2051 (+23.4%). This equates to average annual growth of 1.25% to 2031; and an average of 0.78% per annum to 2051:

The number of household's in Masterton district are projected to grow from 11,182 in 2020 to:

	2020-2031		2020-2051	
	Number	Ave. Growth p.a.	Number	Ave. Growth p.a.
High	13,337 (+2,155)	1.75%	16,238 (+5,056)	1.51%
Medium	12,718 (+1,536)	1.25%	13,794 (+2,612)	0.78%
Low	11,938 (+755)	0.61%	11,632 (+450)	0.13%

Consistent with our ageing population, the fastest growth is expected to be households with one person or couples without children. The number of people per household is expected to drop from 2.4 to 2.2 between 2019 and 2051.

Infometrics (September 2020) reported that with house prices increasing, they would expect the number of new dwelling consents to also increase in future.

Past Growth Trends***Building Consents:***

Over 2016/17 (the financial year ending 30 June 2017) there was rapid growth in the number of new dwelling consents in Masterton district. Numbers doubled compared to the previous year, up from 59 to 118.

The number of new dwelling consents continued to increase in 2018 (192 consents) and peaked at 204 in 2019. Over the past 12 months there has been some decline, with 170 consents processed. Prior to COVID-19 this was believed to reflect the building industry being at full capacity.

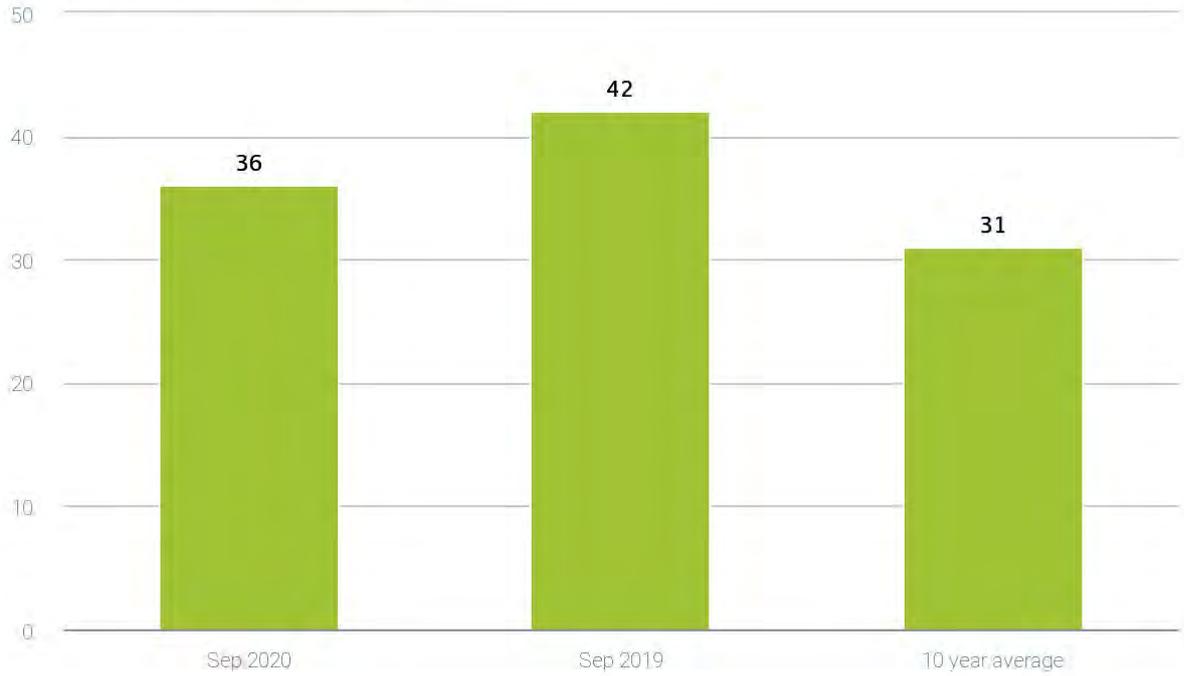
Since COVID-19, consenting teams have continued to be busy. Consents for the June 2020 quarter (44) were comparable with June 2019 (43). In the first 4 months of the 2020/21 financial Year (from 1 July to 2 November 2020), 67 new dwelling consents have been issued. There have also been 12 consents issued for relocated houses including new builds.

If this level of consenting continues for the remainder of the year, we could expect consent numbers to be similar to what they were in the three years pre COVID-19 (average of 188 consents per annum).

Infometrics (September 2020) report that on an annual basis the number of consents in Masterton District decreased by 15% compared with the same 12-month period a year ago, but are still at historically high levels; and as noted, that house prices could drive an increase in new dwelling consents increase in future.

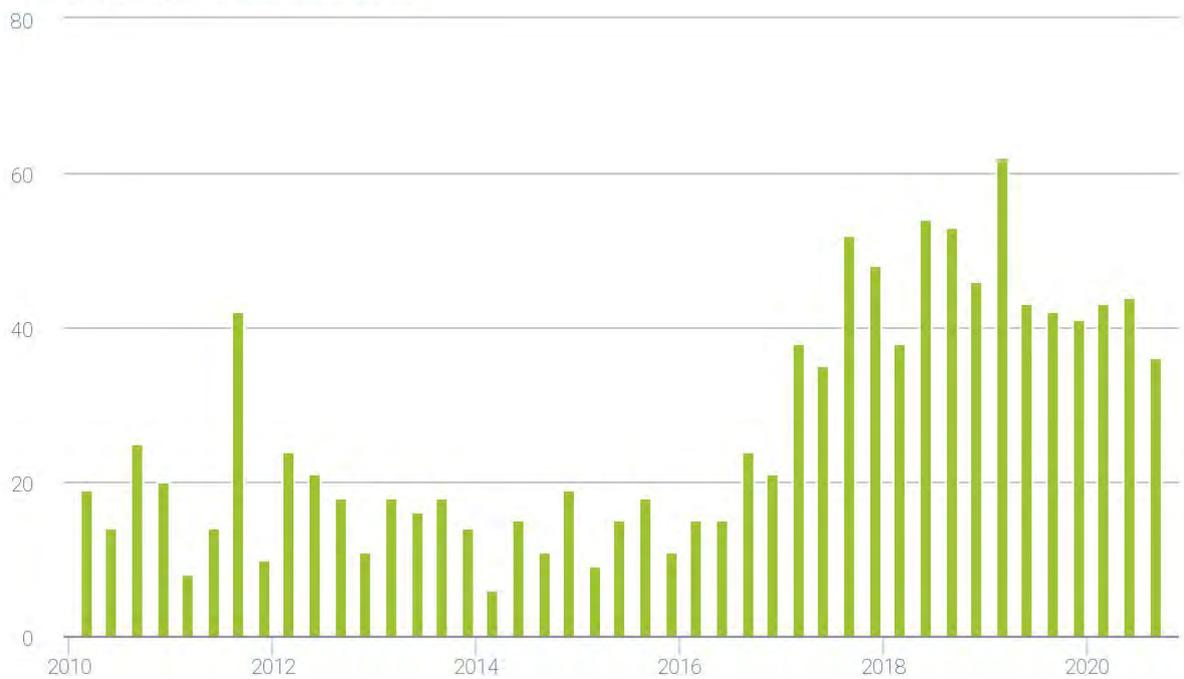
Number of new dwelling consents

Quarterly number, Masterton District



Residential consents

Quarterly number, Masterton District



Rating Base:

The number of rateable properties are included in the Annual Report each year. Between 30 June 2016 and 30 June 2020 the number of rateable properties increased from 12,220 to 12,702, an increase of 3.94%, which equates to average annual growth of 0.99%.

Numbers for the past 5 years are included below:

Year Ending:	Rateable Properties	Growth
30 June 2016	12,220	
30 June 2017	12,325	+105
30 June 2018	12,373	+48
30 June 2019	12,500	+127
30 June 2020	12,702 (from internal report)	+202

For the 2020/21 financial year we rated 8,249 urban residential properties. As at 18 November 2020, we are set to rate 8296 residential properties next year, which equates to an increase of 47 properties.

Growth Potential

Development in progress as at December 2020 includes provision for at least 687 units/houses/lots. The speed at which development progresses can be influenced by the type of housing. Houses or units of a similar design can be developed more quickly than bespoke (i.e. one off or tailored design) housing.

Location of Development:	Number of Units/ Houses/Lots:	Type of Housing:
Behind the Copthorne Hotel	71 units	Mostly 2 bedroom units.
Iorns Street	40 units	One or two bedroom units, some two storey.
The Barracks, Judds Road	65 lots	Mostly bespoke houses. Some town houses.
Tuatahi Avenue	43 lots	Mostly bespoke. Some lots already being subdivided again.
Carters Subdivision South Belt	22 lots	Bespoke housing.
Chamberlain Road	Approximately 197 houses with potential for more.	A mix of similar designs and bespoke housing.
Williams Block	191 houses	A mix of similar designs and bespoke housing.

Cashmere Downs	Current: 28 lots Remaining Subdivision: 100 lots	Bespoke housing.
Gordon Street, Joblin	30 lots	Bespoke housing.
TOTAL:	687 + 100 lots remaining in Cashmere Downs	

COVID-19 Implications

The Infometrics projections (November 2020) for Masterton household growth did factor in potential impacts of COVID-19 as understood at that time. However, given COVID-19 is unprecedented and evolving, there is uncertainty regarding both the duration and longer-term effects of the pandemic.

In August 2020, Infometrics believed the strong level of consenting would keep builders busy through until the end of 2020, but they expected consents to ease at the end of the 2020 year, impacting workloads in 2021. In September 2020, Infometrics identified the construction industry as a factor supporting our economic recovery, with commercial consent values in particular, exceeding the New Zealand average.

To date, our economic recovery has been positive, and we have not observed negative impacts on our consenting processes, however there is uncertainty regarding newer strains of the virus and the wider global situation. Changes in economic conditions for New Zealand as a result of the global economy, or if the COVID-19 situation in New Zealand did change, could slow down development.

5. THE ECONOMY

<p>Our Assumption - The Most Likely Scenario:</p>	<p style="text-align: center;">Our Economy Continues to Recover in line with Recent Trends</p> <p>The impact of COVID-19 on Masterton’s economy and/or the duration of impact to date has been less than expected when we first went into Alert Level 4 lockdown. Factors such as our economy being heavily influenced by the primary sector and less reliant on tourism has aided this. We have based our planning on the assumption that our recovery will continue on this trajectory.</p> <p>Masterton aligns with some criteria for BERL’s ‘faster rebuild scenario’, however we have also considered other factors (such as the potential impact of the global economy on NZ trade) and have opted to base our plan on BERL’s Medium scenario. See supporting information.</p> <p>Note: BERL’s assumptions include that New Zealand remains at Alert Level 1; stringent borders controls are in place until the end of 2021; and that the New Zealand economy and our trading partners begin to recover from 2020.</p>
<p>Best Case Scenario:</p>	<p style="text-align: center;">Our Economy Grows/Recovers Faster</p> <p>Factors such as changing work patterns (for example more people who were commuting to Wellington now working from home and spending locally), domestic tourism and low interest rates have contributed to greater spending locally. Masterton’s location near Wellington, and relative affordability of housing, has attracted new residents including those returning ‘home’ from overseas due to COVID-19 related concerns - and has the potential to continue to do so. These factors have the potential to positively impact our economy.</p>
<p>Worst Case Scenario:</p>	<p style="text-align: center;">Our Economy Contracts/Recovers Slower</p> <p>Overseas, COVID-19 and variant strains are heavily impacting parts of the world, and more recently have been identified in New Zealand too. Continuous and/or extended lockdowns in other countries has the potential to impact their economies, and could have economic flow on effects for New Zealand. Within New Zealand, as at 18 February 2021, concern regarding variant strains is growing, with very recent community transmission resulting in a three day Level 3 lockdown in Auckland, and Level 2 restrictions for the rest of New Zealand. There is potential for further Alert Level 4 lockdowns if community transmission is not identified early and well managed. There are also concerns regarding affordability of the housing market and whether increasing values can be sustained. These factors have the potential to negatively impact our economy. Other factors that could influence our economy are: 1) if people who have returned from overseas recently due to COVID-19 have used Masterton as a ‘landing point’ given family or other connections but decide not to stay in the district longer term; and 2) Labour shortages constraining recovery efforts.</p>

Level of Uncertainty	<p style="text-align: center;">High Uncertainty</p> <p>Economic trends are currently heavily influenced by COVID-19 and the flow on effects of this. Past trends are of less relevance in predicting the short to medium term economic future.</p>
Risk	<p>Given the level of uncertainty, there is a high risk that our economic situation will vary from what we have assumed.</p>
Implications of Risk:	<p><i>A growth scenario:</i> If our economy grows more than we have assumed, that would be a positive outcome reducing stress on our community and improving affordability. A growth economy could attract business and jobs creating more opportunities for our community.</p> <p><i>A contracting scenario:</i> If the economy contracts, this would increase stress on our community and amplify affordability considerations for Council. If our economy is impacted again in the short to medium term, by COVID-19 or something else, options such as reducing levels of service or deferring projects may need to be considered.</p>
What are we doing to reduce that risk? (Mitigation)	<p>We will continue to closely monitor economic change in the District to understand trends and respond appropriately.</p> <p>The three Wairarapa Councils have a joint Wairarapa Economic development Strategy (WEDS) and are developing a Wairarapa COVID-19 Recovery Plan. Together, implementing these plans will help to maintain and over time, strengthen, our economy.</p> <p>It is also important to note that the effects of COVID-19 have not been evenly distributed in our community. Some industries and individuals have been impacted more than others. Ensuring that those who have been affected most are also considered is an important part of our recovery planning.</p> <p>We are also working to balance affordability for our community now against investment in projects that could stimulate jobs and investment that is required for our future. If we don't invest now, we may not be adequately prepared for, and able to manage, future challenges such as climate change and water resilience.</p>

SUPPORTING INFORMATION:***Economic Projections******BERL***

BERL released their Local Government Cost Adjustor Forecasts in September 2020. The report notes that as a result of measures to contain COVID-19, New Zealand has experienced severe economic downturn with activity and employment declining, and income and spending uncertain.

There is overlap between BERL's criteria for Medium and Faster Recovery scenarios. Masterton aligns with some of the Faster Rebuild criteria (as outlined below), in particular given our agricultural base. However, taking emerging situations into consideration as discussed below, we have chosen to base our plan on the Medium-Scenario.

The Faster Rebuild forecast is applicable to councils in areas that:

a) Have an economy with lower reliance on industries hardest hit by the response to COVID-19 such as tourism and retail – *Masterton's economy is not heavily reliant on tourism. Infometrics data shows the industries that contributed the greatest proportion of GDP in 2019 were Health Care and Social Assistance (11.6% vs 5.8% for NZ); Agriculture, Forestry and Fishing (8.6% vs 5.2% for NZ) and Manufacturing (7.8% vs 9.7% for NZ).*

Tourism contributed 4.1% of GDP (below the NZ average of 5.4%); Retail contributed 6.6% (above the NZ average of 5.1% and ranked 5th for Masterton); and Accommodation and Food Services contributed 2.1% (similar to the NZ average of 2.2%).

Of the jobs filled in 2019, Accommodation and food services made up 6.8% and Retail made up 11.6%. (Infometrics)

b) Have relatively sound infrastructure but also expect to engage in significant infrastructure upgrades in the next decade – *Masterton has sound infrastructure which does not need significant investment but is planning a new Civic Centre and some upgrades e.g. the Hood Aerodrome development and water storage reservoirs.*

c) Have a growing, young population – *Masterton has an ageing population, but has seen growth in the population overall over the last ten years, with growth expected to continue.*

d) Have a high proportion of employment in local and central government – *The hospital, district and regional Councils are bigger employers in the district. WINZ and ACC are also represented. Masterton's close proximity to Wellington means we also have a reasonable commuter base of people working for local and central government in Wellington but residing in Masterton. With remote working becoming more acceptable, many of these people are now working more from home and spending locally.*

e) Have a high proportion of employment in agriculture – *Masterton has a strong agricultural base.*

Agriculture, forestry and fishing ranked second in the industries that created the most jobs between 2009-2019, and second in the proportion of jobs filled (12.9%) in 2019. Health care and social assistance ranked first for both jobs filled in 2019 (15.6%) and the number of jobs created between 2009-2019. (Infometrics)

f) Have a high proportion of employment in knowledge work generally, especially technology and science – *Masterton has some employment in technology related fields but not a high proportion (5.9% of jobs filled in 2019). This is a growing industry for Masterton, but not a high proportion of employment at this time*

The key difference between the faster growth and medium scenarios is the point relating to a higher proportion of employment in agriculture. While Masterton does have a strong agricultural base, the emerging situation with COVID-19 presents a risk to the wider global economy and could have implications for NZ's agricultural exports. For example, dairy, seafood, meat and wool exports are forecast to decrease for the year ending June 2021 due to prices receding from the near-record

levels in late 2019, mainly due to COVID-19-related uncertainty and food service closures (MPI, 2020). Given border closures, we are also experiencing challenges with labour shortages in this sector which could impact the sector.

BERL's assumptions include that New Zealand remains at Alert Level 1; that stringent borders controls are in place until the end of 2021 and that the New Zealand economy and our trading partners begin to recover from 2020.

Infometrics

An economic forecast considering the impact of COVID-19 on the Masterton district was completed by Infometrics in April 2020. Subsequent Quarterly Economic Monitor reports (the latest available at this time is September 2020) have shown Masterton recovering more quickly than was originally anticipated. Given that, we have focused more on the Infometrics Economic Monitor and economic indicators than the report completed in April 2020.

We have also looked at the Infometrics report Wellington City Council commissioned (January 2021) for their economic assumptions. That includes comment on the national economic situation. Key national level points included:

- That the national situation has continued to improve and Infometrics have been revising forecasts upwards, but still expect weaker times ahead for New Zealand.
- Given circumstances overseas, globally a long period of economic weakness is expected.
- An assumption that a trans-Tasman bubble will be established mid-2021 but borders won't fully open until 2022. International visitors are expected to be at 80% of pre- COVID levels by 2025, and 110% by 2030 with Australia leading our tourism recovery.
- Terms of trade 'hold up' (that is the relationship between import and export prices).
- International net migration to be close to zero for the next three years.
- Nationally, house prices are expected to rise, albeit at a slower rate, over the next four years.

Infometrics Economic Monitor

Infometrics Quarterly Economic Monitor (September 2020) reported that Masterton's economy is bouncing back after COVID-19 impacted earlier in 2020. Masterton benefitted from Wellington commuters working and spending in the district, and domestic tourism.

Infometrics noted that Masterton's construction sector has also contributed with the value of non-residential consents over the 12 months to September almost double the 10 year average. Residential consents dropped more recently but are still at a high level.

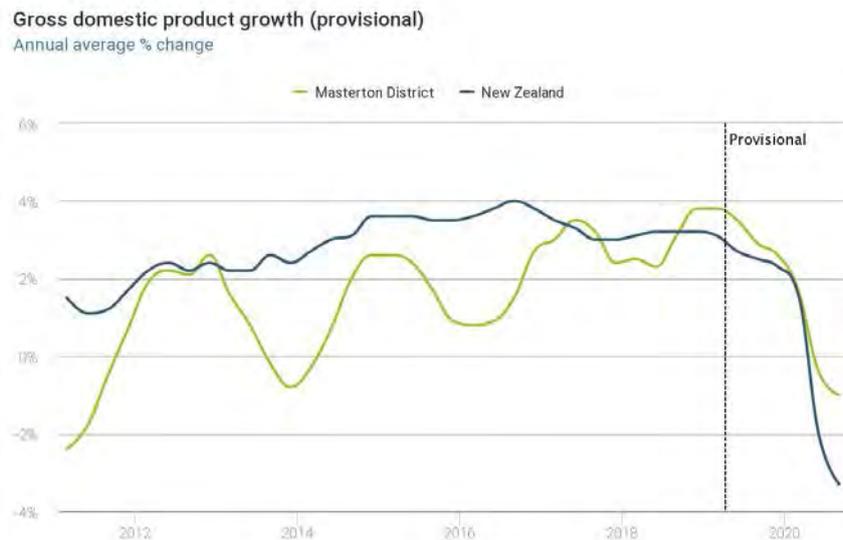
At a national level, for the September 2020 quarter, Infometrics reported that economic activity has rebounded strongly. This is attributed to post-lockdown spending levels and continued export activity enhancing confidence in the economy. Equally they caution that the pandemic is not over yet.

"The pandemic still looms large over regional economies, and the pathway ahead is uncertain. But after a hammer blow to the economy in the first half of 2020, the economic rebound in the September quarter has set New Zealand on a more optimistic course ahead".

Economic Indicators

Economic indicators for the September 2020 quarter showed:

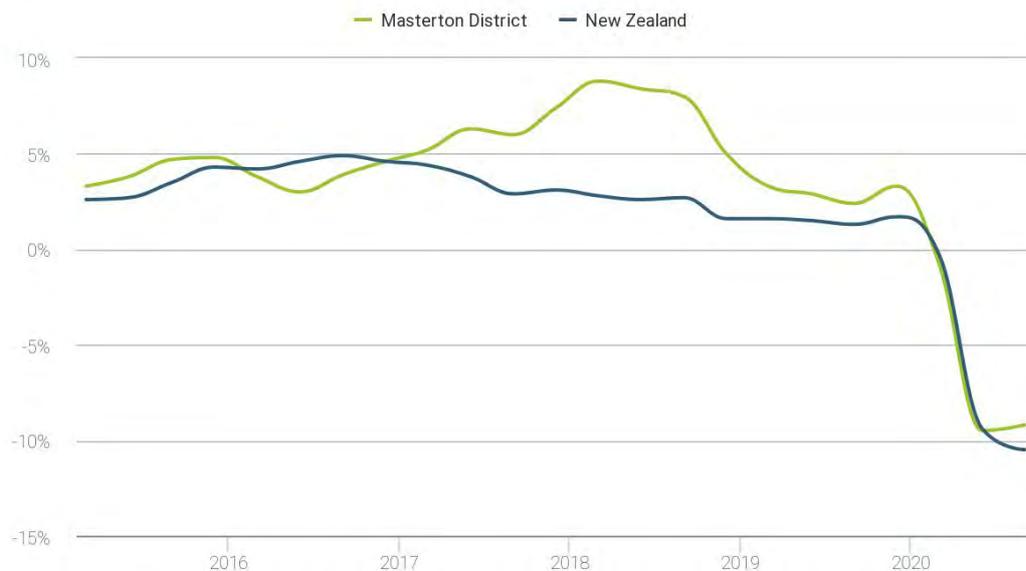
Masterton district GDP grew by 0.9%. Across other Councils, GDP growth ranged from 7.9% (Buller) to -9.3% (Queenstown-Lakes). Masterton was closest to Kapiti Coast District where growth was 1%. As a comparison, Horowhenua saw growth of 1.7%; Taranua 2.4%; South Wairarapa 3.2% and Carterton -0.8%.



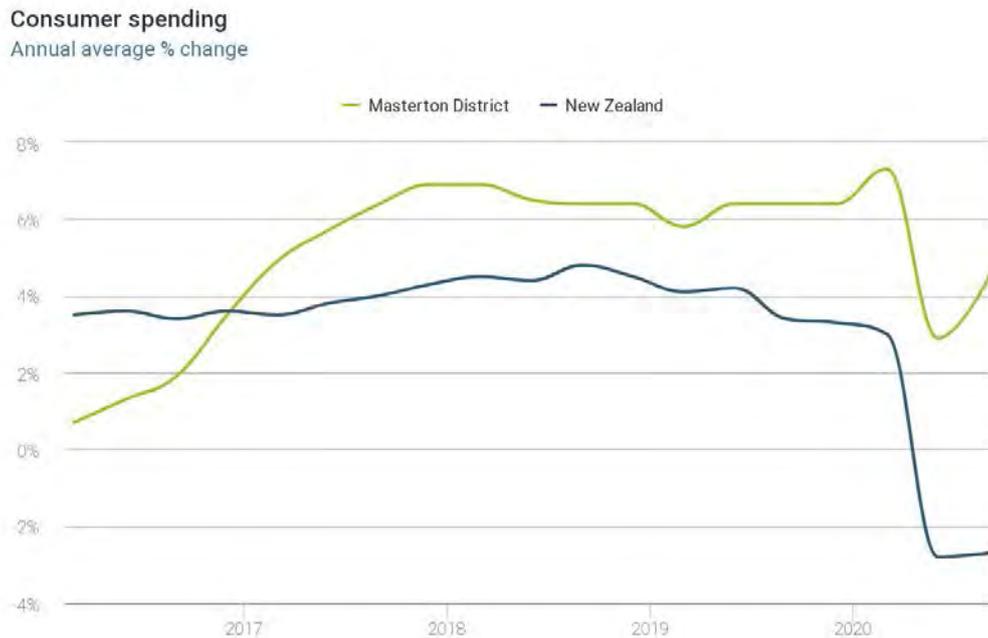
Masterton traffic flow increased by 4.1%. Across other Councils, traffic flow growth ranged from 19.9% (Hurunui) to -43.1% (Waikato District). As a comparison, Carterton saw growth of 4.7%; Taranua 6.8%; South Wairarapa 2.8%; Horowhenua 1.7%.

Traffic volume growth

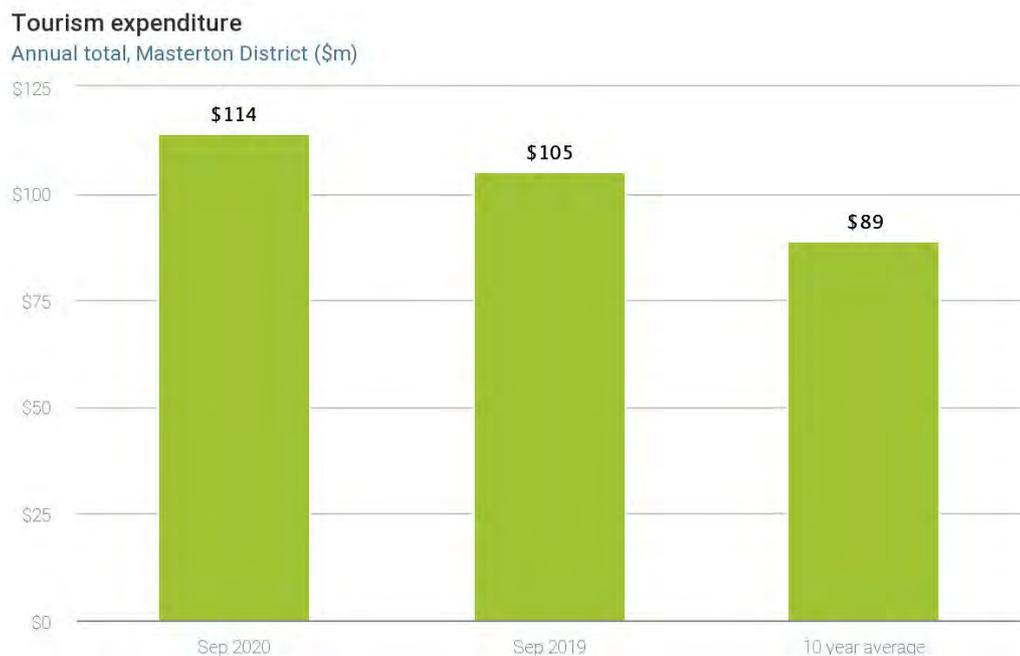
Annual average % change



Electronic card consumer spending in Masterton District as measured by Marketview, increased by 4.5% over the year to September 2020 compared to the previous year. This compares with a decrease of 2.7% in New Zealand.



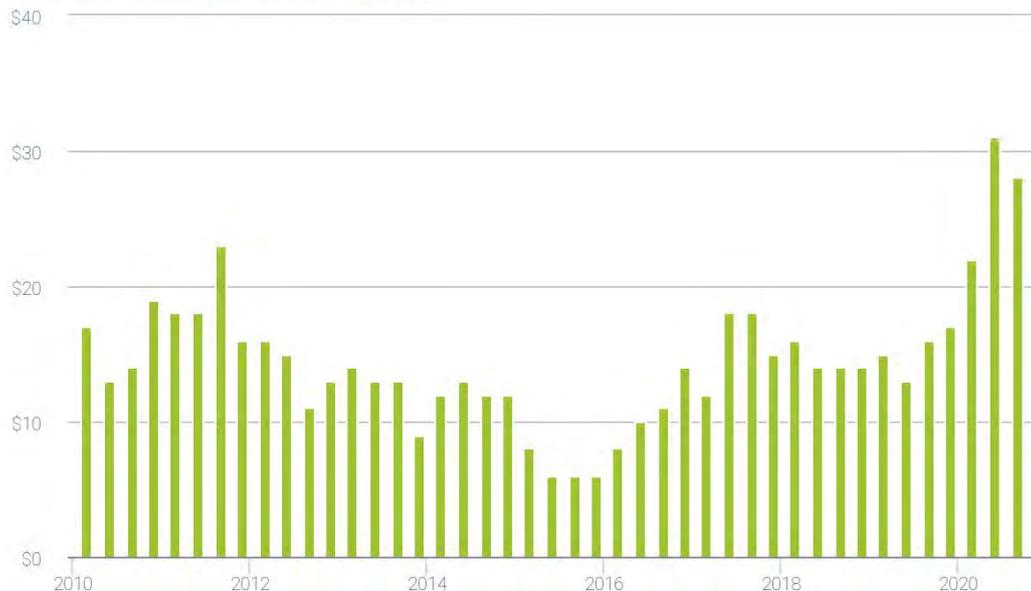
Total tourism expenditure in Masterton District increased by 8.9% in the year to September 2020. This compares with a decrease of 16.5% in New Zealand. Total tourism expenditure was approximately \$114 million in Masterton District during the year to September 2020, which was up from \$105 million a year ago.



Non-residential building consents to the value of \$28 million were issued in Masterton District during the year to September 2020. The value of consents increased by 77% over the year to September 2020. By comparison the value of consents decreased by 7.6% in New Zealand over the same period. Over the last 10 years, consents in Masterton District reached a peak of \$31 million in the year to June 2020. (See household growth for domestic consents).

Non-residential consents, Masterton District

\$m, annual running total, Masterton District

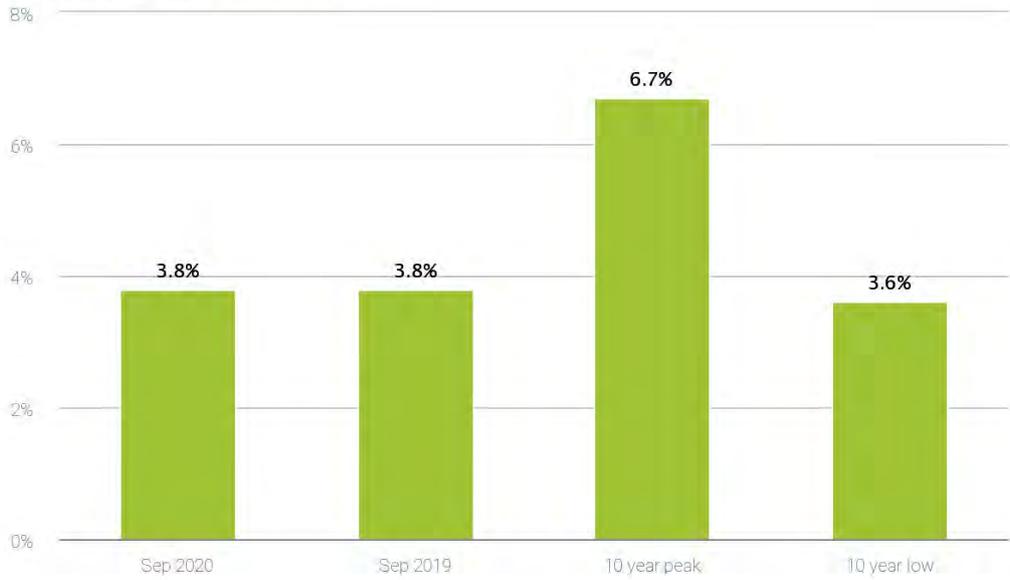


Jobseeker Support recipients in Masterton District in the year to September 2020 increased by 14.4% compared with previous year. Growth was lower relative to New Zealand (27.3%). An average of 932 people were receiving a Jobseeker Support benefit in Masterton District in the 12 months ended September 2020. This compares with an average of 829 since the start of the series in 2011.

The annual average unemployment rate in Masterton District was 3.8% in September 2020, the same as 12 months earlier. The unemployment rate in Masterton District was lower than in New Zealand (4.4%) in September 2020. Over the last ten years the unemployment rate in Masterton District reached a peak of 6.7% in June 2013.

Unemployment rate

Annual average, Masterton District



Masterton house prices had increased by 14.5% compared to the same period last year, bringing the average house price to \$467,147. This percentage growth was in the top twenty for Territorial Authorities in New Zealand.

House value growth

Annual % change



6. COVID-19

<p>Our Assumption:</p>	<p>COVID-19 will continue to present uncertainty for NZ for the immediate future. NZ as a whole will not move beyond Alert Level 1 for any extended period, and there will be no national Alert Level 4 lockdowns. COVID-19 will be successfully managed within the life of this LTP.</p> <p>As at 9.00am on 18 February 2021 there are six active cases in the community in New Zealand (as listed on the Ministry of health website). The country has spent 3 days, from midnight Sunday 14 February to midnight Wednesday 17 February at Alert Level 2 and is now at Alert Level 1. Auckland was at Alert Level 3 for this period and is currently at Alert Level 2.</p> <p>We have based our planning on the assumption that New Zealand will continue to effectively manage any community outbreaks and that the country, as a whole, will not move beyond Alert Level 1 for any extended period; and that the COVID-19 risk will reduce with the 'roll out' of vaccines.</p> <p>As at September 2020 BERL assumptions included: that New Zealand remains at Alert Level 1; that stringent borders controls are in place until the end of 2021; and that the New Zealand economy and our trading partners begin to recover from 2020.</p> <p>Our assumption is broadly similar but considers more recent community transmission and the way in which this has been managed to date.</p>
<p>Best Case Scenario:</p>	<p>COVID-19 is managed in NZ and globally sooner</p> <p>Vaccines are currently being 'rolled out' overseas. First vaccinations in New Zealand are expected to commence on 20 February 2021. Should vaccines prove effective in managing COVID-19 sooner, enabling borders to open and global recovery to commence sooner, this would be a positive outcome.</p>
<p>Worst Case Scenario:</p>	<p>NZ experiences further community transmission that results in a change in Alert Levels for an extended period and/or further Alert Level 4 lockdowns</p> <p>COVID-19 variant strains that have higher rates of transmission have been impacting many parts of the world, resulting in full or more restrictive lockdowns. The UK strain was identified in recent community transmission in New Zealand. Health professionals have warned of the need to return to Alert Level 4 restrictions if there was wider community transmission of this variant strain.</p>

<p>Level of Uncertainty</p>	<p style="text-align: center;">High Uncertainty</p> <p>COVID-19 is unprecedented and evolving. Factors the Reserve Bank have identified (referenced by BERL, September 2020) that could impact our economy include: a resurgence of COVID-19 in New Zealand, flow on effects from the global situation and a shortage of skilled labour constraining recovery efforts.</p>
<p>Risk</p>	<p>Given the level of uncertainty, there is a high risk that the COVID-19 situation will vary from what we have assumed.</p>
<p>Implications of Risk:</p>	<p><i>Best Case scenario – COVID-19 is managed sooner:</i> Eliminating or effectively managing the virus in NZ and beyond sooner would enable reconsideration of NZ border restrictions; and enable the world to look toward global recovery sooner. This could have positive implications for NZ where successful management of the pandemic to date has raised NZ's profile globally. This could make NZ more attractive as a potential trade partner, place to visit and/or live. This could have positive flow on effects for Masterton – e.g. potential population growth and business expansions improving affordability.</p> <p><i>Worst case scenario: Further restrictions/lock downs</i> Further national restrictions for an extended period and/or another Alert Level 4 lock down would impact our economy and could have a range of negative flow on effects for our community. Further economic impacts could accentuate affordability issues for Masterton ratepayers and Council.</p>
<p>What are we doing to reduce that risk? (Mitigation)</p>	<p>We will continue to closely monitor COVID-19 developments to better understand risks and trends; and will respond appropriately.</p> <p>The three Wairarapa Councils are developing a Wairarapa COVID-19 Recovery Plan. Implementing this plan will help to maintain and over time, strengthen, our community and our economy.</p> <p>The three Councils support the Emergency Operations Centre should there be an event. This includes communication regarding response and ways to minimise risk.</p> <p>Council staff are guided by health and safety policies and procedures that have been updated to reflect COVID-19.</p> <p>Council has a revised Pandemic Response Plan.</p>

SUPPORTING INFORMATION:

BERL COVID-19 Assumptions

BERL's Local Government Cost Adjustor Forecasts released in September 2020 include underlying assumptions about COVID-19. These are:

- New Zealand avoids a widespread outbreak of COVID-19 and is at Alert Level 1 through 2021
- Stringent border restrictions remain in place until the end of 2021

- From the September quarter 2020, New Zealand's economy gradually recovers. Demand from our trading-partner economies also recovers only gradually.

BERL note that these assumptions broadly align with assumptions made by the Reserve Bank. BERL also acknowledge that the Reserve Bank have identified risks including a resurgence of the virus, the impacts of the global economy/situation on New Zealand and labour shortages within New Zealand. BERL note that if any of these risks do eventuate, a stalled rebuild scenario would be more likely.

REFERENCES:**Population Growth:**

Population Projections 2019-2051 Wairarapa, Infometrics, June 2020 (refreshed in November 2020)

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Environmental Scan for Masterton District Council, Hurst, J. April 2020.

.id community. Wairarapa Region Population Forecast. Downloaded from .id website on 27/8/20:
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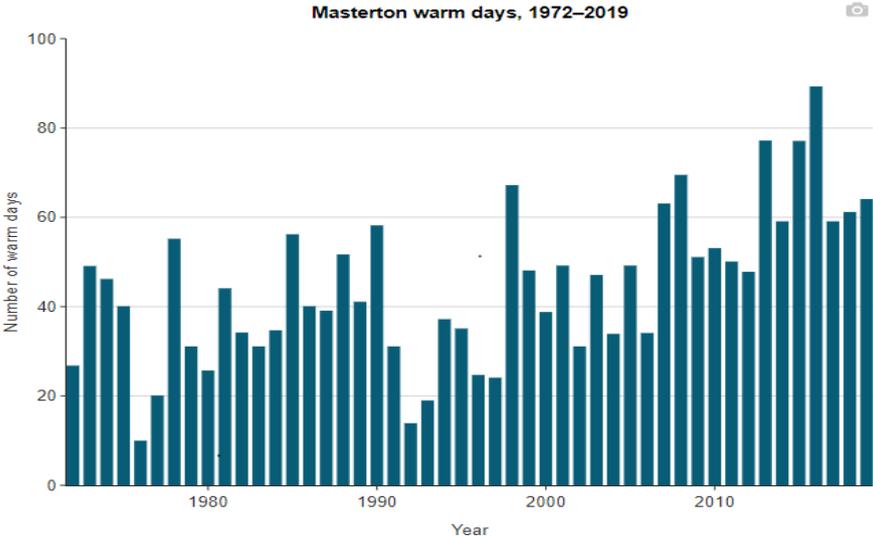
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PART 2 – Climate Change Assumptions for 2021-31

<p>Climate Change</p>	<p>The greenhouse gases we produce from most of our everyday activities are changing the climate and our environment.</p> <p>There is substantial scientific evidence that our climate has been and is continuing to change. https://www.mfe.govt.nz/climate-change/why-climate-change-matters/evidence-climate-change</p> <p>Winter 2020 was Aotearoa’s warmest winter on record. The nationwide average temperature was 9.6°C (1.1°C above the 1981-2010 average from NIWA’s seven station temperature series which begins in 1909). https://niwa.co.nz/climate/summaries/seasonal/winter-2020</p> <p>New temperature data from 30 sites around Aotearoa shows that Aotearoa’s temperature is warming (MfE, StatsNZ). Every site recorded increasing average temperatures in winter. The national average temperature has risen by 1.13 (±0.27) degrees Celsius from 1909 to 2019, at an average rate of 0.10 degrees per decade. That rate was 0.31 degrees Celsius per decade in the past 30 years. https://www.mfe.govt.nz/publications/environmental-reporting/our-atmosphere-and-climate-2020</p>
<p>Scenarios</p>	<p>The National Institute of Water and Atmospheric Research (NIWA) Climate Change Report is predicting that the Wairarapa Region is likely to warm significantly in the lifetime of the current generation. It is predicted that annual hot days (>25°C) may increase from 24 days currently to up to 80 days by 2090. For more see http://www.gw.govt.nz/assets/Climate-change-2/FINAL-WellNCC-projectionsimpacts.pdf</p> <p>We are using the NIWA modelled regional climate change projections (known as the Whaitua tables). The scenarios are expressed as a range, from lower emissions to higher emissions for a number of climate related parameters. https://www.gw.govt.nz/assets/Uploads/WhaituaClimateChangeprojectionsMarch2020.pdf</p> <p>All of the Wellington Region councils agreed to use these projections as the basis for the LTP 2021-31 climate change assumptions.</p> <p>NOTE: It is not possible to reduce the mid-century warming, due to the amount of carbon dioxide already accumulated in the atmosphere. The projections for mid-century are already ‘locked in’.</p>
<p>‘Scenarios at Glance’– expressed as a range lower to high emissions¹ (for detail see the Whaitua tables)</p>	
	<p>For average annual temperatures projected lower range 0.7 °C warmer above present by 2040 and 1.2 °C warmer by 2090; and for higher range 1.0 °C warmer by 2040 and 3.0 °C warmer by 2090 above present.</p>

¹ Low - RCP4.5 mid-range scenarios where greenhouse gas concentrations stabilise by 2100.

High - RCP8.5 is a high concentration scenario where the GHG emissions continuing very high. In the light of new technologies and improvements it still remains a valid way to test the sensitivity of the climate variables.

	<p>By 2040, up to 30 more hot days per year (>25°C) and by 2090 up to 80 more hot days for inland Wairarapa.</p> <p>About a third of the warming predicted for mid-century has already happened in our region.</p> <p>From <i>Our Atmosphere and Climate 2020</i> report https://www.mfe.govt.nz/sites/default/files/media/Environmental%20reporting/our-atmosphere-and-climate-2020-report.pdf</p>  <p>Data source: NIWA National Climate Database from 30 climate stations. https://www.stats.govt.nz/indicators/frost-and-warm-days</p>
	<p>Rainfall will vary locally within the Wairarapa region. The largest changes will be for particular seasons rather than annually. Heavy/extreme rainfall is likely to increase especially for the end of century.</p> <p>The increased temperatures will have greater impact on the evapotranspiration. The predicted changes in temperature will make a significant difference to the hydrological systems and water availability meaning that it will get a lot drier even if the average rainfall doesn't change significantly.</p>
	<p>Up to 15 fewer frost days (below 0°C) by 2040; and up to 40 fewer frost days in inland Wairarapa by 2090.</p>
	<p>Change in the intensity of the wind: up to 3% increase by 2040 and up to 4% by 2090. Change in annual number of windy days: up to 4 days by 2040, and up to 12 days by 2090.</p>
	<p>Sea level rise: projected lower to higher range is 0.12 to 0.24 metres above present by 2040 and 0.12 to 1.75 metres by 2090.</p>

<p>Level of uncertainty</p>	<p>The level of uncertainty is low especially for the projections for mid-century. About a third of the warming predicted for mid-century has already happened in our region.</p> <p>The biggest uncertainty is the rate of future global GHG emissions, which are influenced by the human factor e.g. social, economic and environmental policies and development.</p> <p>The big unknown is the scale and pace of human actions. How much and how fast we change our behavior will have an impact on the end of the century predictions, as well as whether policies, developments, and changing behavior stabilize the climatic changes that are already in motion.</p>
<p>Risks</p>	<p>The greatest risk relates more to our readiness and willingness to respond, and to respond at rate and to an extent that will reduce GHG emissions.</p> <p>Climate Change has the potential to increase the frequency and intensity of natural hazard events that already occur. Adaptation can help reduce our vulnerability and increase our resilience to natural hazards.</p> <p>Our efforts to mitigate the economic impacts of the COVID-19 pandemic provide us with an opportunity to base our recovery on a low carbon economy and to take consideration of intergenerational impacts.</p>
<p>Financial and other implications</p>	<p>If we continue BAU – i.e. no action or action to reduce GHG emissions is too late – the warming trends already observed will continue. This will have far-reaching impacts on fresh water, biodiversity, productivity, and our resilience against increasing climatic changes and weather extremes:</p> <ul style="list-style-type: none"> • Vulnerable infrastructure and lifelines • Coastal inundation • Saltwater intrusion • Increase in human heat stress and impact to wellbeing • Stress on terrestrial and aquatic ecosystems and associated impacts on health and economy • Risk to water supply catchments • Water shortages becoming a norm • Decrease in water quality impacts on biodiversity, recreation and drinking water • Reduced soil fertility • Changes to timing of seasonal activities eg. flowering, breeding • Increase in pests and diseases eg. wasps, fruit flies • High stress on native species, extinction of some species • Ocean acidification, decline in fish population • Impacts on insurance and financial system <p>By thinking how each decision we make increases or decreases GHG emissions and contributes to the overall GHG emissions, and by acting now we are playing our part in meeting Aotearoa’s carbon zero 2050 target. The following are the tools and methodologies that we are either progressing or considering:</p> <ul style="list-style-type: none"> • Reducing carbon emissions • Imbedding carbon emission considerations in our BAU

	<ul style="list-style-type: none"> • Energy efficiency and innovative approaches • Climate change adaptive planning framework • Water resilience • Work with other regional TAs and the regional council on getting the best and latest science and information • Engage with our community on adaptation <p><i>Financial Implications:</i> If climate change results in changes that are more significant, or which continue to occur sooner than currently predicted, then this could place strain on some of Council’s core infrastructure e.g. water supplies and our stormwater system. If infrastructure needs to be upgraded sooner than planned, then this may result in unbudgeted expenditure which could result in an increase in borrowing, the use of Council reserves or an increase in rates.</p> <p>Council is currently developing plans and strategies, such as our Climate Change Action Plans; the combined Wairarapa Water Resilience Strategy; and the Stormwater Strategy, that will require investment to implement. These plans will also help Council in prioritising actions to mitigate and/or adapt to climate change and balance affordability for our community and our need to respond. Once these strategies are adopted, we will have a clearer indication of specific investment needed, and when that will occur.</p> <p>The cost of doing nothing, or responding too late, will be greater, presenting risks for Council assets and service delivery, our economy and our community.</p>
<p>What are we doing to reduce that risk?</p>	<ul style="list-style-type: none"> • Our Asset Management Plans and Infrastructure Strategy have considered the impacts of these assumptions on our infrastructure over the next 30 years. They consider the scenarios and they projections as a range, as expressed in the Whaitua tables. • Participating in the Wellington Regional Climate Change Forum (WRCCF) • Co-ordinating and supporting the Wairarapa Climate Caucus to support participation in WRCCWG • Participating in the National Climate Change Network • Measuring our organisational carbon footprint • Focusing on energy efficiency • Increasing our EV fleet • Promoting waste minimisation • Developing a corporate carbon emissions reduction plan • Developing a district climate change action plan • Developing an air quality plan

PART 2A – Whaitua Tables

	Scenarios	Ruamāhanga Whaitua		Wairarapa Coast Whaitua		Impacts
		2040	2090	2040	2090	
Temperature and seasonality	Average annual temperature ² will rise above present	+0.7°C to 1°C above present	+1.2°C to +3°C above present	+0.5°C to 1°C above present	+1°C to +3°C above present	<ul style="list-style-type: none"> Increased human heat stress and mental health issues, rurally and in urban centres Increased temperatures in urban centres due to human activities, large areas of concrete, buildings and vehicles Increased risks of pests (such as wasps, rodents and fruit flies) and diseases (including risks to human health) and biodiversity losses Reduced workplace productivity Increased air pollution and seasonal allergies Higher demand for drinking water at times when water is likely to be scarcer Stress on ecosystems and associated impacts on health and economy Range and habitat of native plants and animals will change- extinction of some species Higher temperatures may allow for different crops to be grown. Timing of seasonal activities such as flowering, breeding and migration will change.
	More very hot days (above 25°C) per year	Between 0 and 30 days increase	Between 0 and 80 days increase	Between 5 and 30 days increase	Between 15 and 60 days increase	
	Fewer frost nights (below 0°C) per year	Between 0 and 15 days reduction	Between 0 and 40 days reduction	Between 0 and 5 days reduction	Between 0 and 15 days reduction	
	Seasonal change in temperature	Maximum warming in autumn and summer for both whaitua. Least in winter for Ruamāhanga and least in spring for Wairarapa coast.				
Wind	Change in the intensity of wind during windy days (>99th percentile of daily mean)	0% to 3% increase	1% to 4% increase	0% to 3% increase	1% to 4% increase	<ul style="list-style-type: none"> More frequent damage to trees, buildings and power lines Will increase fire risk during hot, dry periods
	Change in annual number of windy days Extreme wind events are likely to increase	0 to 4 days increase	0 to 12 days increase	0 to 6 days increase	0 to 10 days increase	
Rainfall patterns and intensity	Average annual rainfall	5% decrease to 5% increase	0% to 10% decrease	5% decrease to 5% increase	10% decrease to 5% increase	<ul style="list-style-type: none"> Increased prevalence of drought delivering urban and rural water shortages, and increased pressure on water infrastructure, including water storage Saltwater intrusion on groundwater

² Uncertainty range: lower range for significant emissions reduction (Paris agreement targets met), and upper range for high emissions.

	Amount of rain falling during heavy rainfall days (> 99th per- centile of daily rainfall)³	0% to 10% increase	0% to 20% increase	0% to 15% increase	0% to 30% increase	<ul style="list-style-type: none"> • Decreased water quality and increased levels of toxic algae which impacts biodiversity, recreation and drinking water sources • Increased flooding, slips and landslides affecting land, houses, roads and other assets, public transport and rural productivity • Flood protection infrastructure Levels of Service reduced overtime • Impacted rural community due to reduced agricultural production • Reduced soil fertility • Regional parks negatively affected by both drought and flooding • Higher stress on indigenous ecosystems, plants and animals, especially with drought • Several fold increase in urban and rural wildfire risk - a particular concern for water supply catchments which may be rendered unusable for up to a year following a major wildfire
	Extreme rainfall magnitude: 6-12 hour duration, 100 year Average Recurrence Interval (normally used as reference for flooding design, referring to very extreme, infrequent rainfall events) ⁴	8% to 12% increase	14% to 36% increase	6% to 12% increase	12% to 36% increase	
	Change in rivers mean annual flood discharge (MAF) Measures flood potential in the catchments	Between 20% de- crease and 40% increase depending on catchment	Between 20% de- crease and 60% in- crease de- pending on catchment	Between 20% de- crease and 20% in- crease de- pending on catchment	Between 20% de- crease and 60% in- crease de- pending on catchment	
	Change in rivers mean annual low flow discharge (MAL) Measures water shortage in the catchments	Decrease up to 60%	Decrease up to 80%	Decrease up to 60%	Decrease up to 80%	
	Change in annual growing degree days base 10 Measures potential for crop and pasture growth	Increase between 0 and 300 GDD units	Increase between 200 and 1000 GDD units	Increase between 0 and 300 GDD units	Increase between 200 and 900 GDD units	
	Change in annual potential evapotranspiration deficit (mm) Measures drought intensity	Increase between 20 and 120 mm	Increase between 0 and 180 mm	Increase between 40 and 120 mm	Increase between 40 and 160 mm	
	Changes in number of days of very high and extreme forest fire danger⁵	100% to 150% in- crease	100% to 150% in- crease	100% to 150% in- crease	100% to 150% in- crease	
Sea level rise and coastal hazards	Sea level rise⁶	0.12 to 0.24 metres above pre- sent	0.68 to 1.75 metres above pre- sent	0.12 to 0.24 metres above present	0.68 to 1.75 metres above pre- sent	<ul style="list-style-type: none"> • Increased coastal inundation with some areas to become permanently inundated • Saltwater incursion into freshwater habitats • Difficulty in obtaining insurance due to sea level rise and increasing frequency of flood events for community, business and central and local government
	More frequent storm surge (temporary raising of sea level during storms) more frequent and intense coastal flooding and coastal erosion					

³ There is a large uncertainty in the range of changes due to model differences and emission scenarios. Changes against emission scenarios are not necessarily linear. Greater likelihood of increases in autumn, winter and spring

⁴ Although the uncertainty in average rainfall range is high, extreme rainfall increases are more certain due to the increased amount of water vapour that the atmosphere can hold as it gets warmer (about 8% increase in saturation vapour per degree of warming).

⁵ These figures are given by IPCC model averages. Individual models can show much higher increases of up to 700%

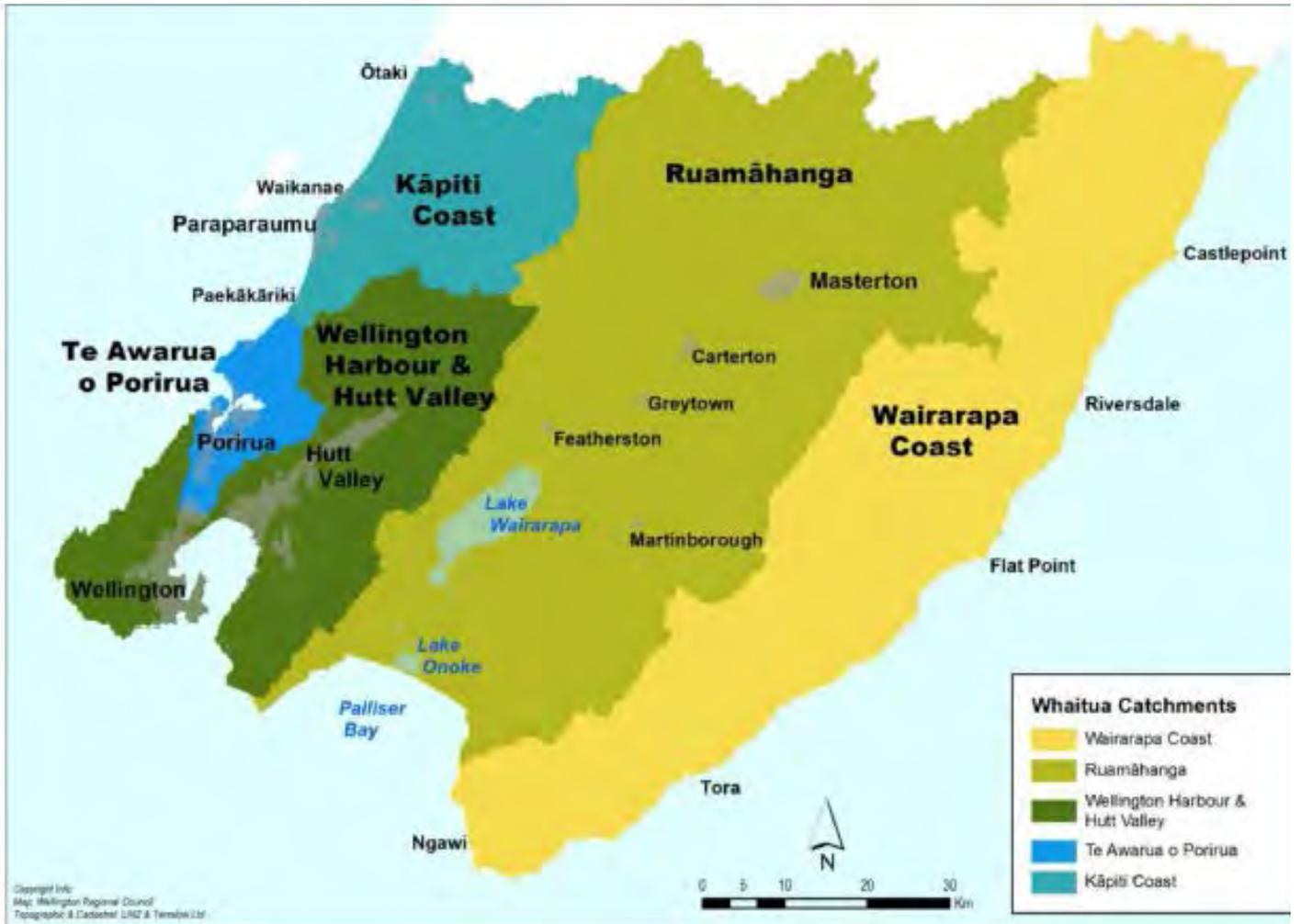
⁶ The projected sea level rise for 2090 is based on IPCC AR5 plus an estimated additional contribution from Antarctica, based on papers published in Nature in 2018. Note the difference between pre- sent and pre-industrial, as we have already had about 26cm of sea level rise so far.

More regular storm events in the fragile coastal environment may also mean faster and more significant coastal retreat. See the link below for climate change, sea level rise and storm surge maps for the Region:

<https://mapping1.gw.govt.nz/gw/ClimateChange/>

	Saltwater intrusion into coastal groundwater, and further upstream in rivers					
Oceanic changes	Acidification of the ocean General temperature rise of sea water. Marine heatwaves					<ul style="list-style-type: none"> • Altered marine ecosystems, particularly affecting hard shelled species • Extinction of some species • Changes to the range of species, location and abundance of fish and sea birds around NZ • Impacts on aquaculture and fishing industries • Reduced recreational benefits

Wellington Region Whaitua



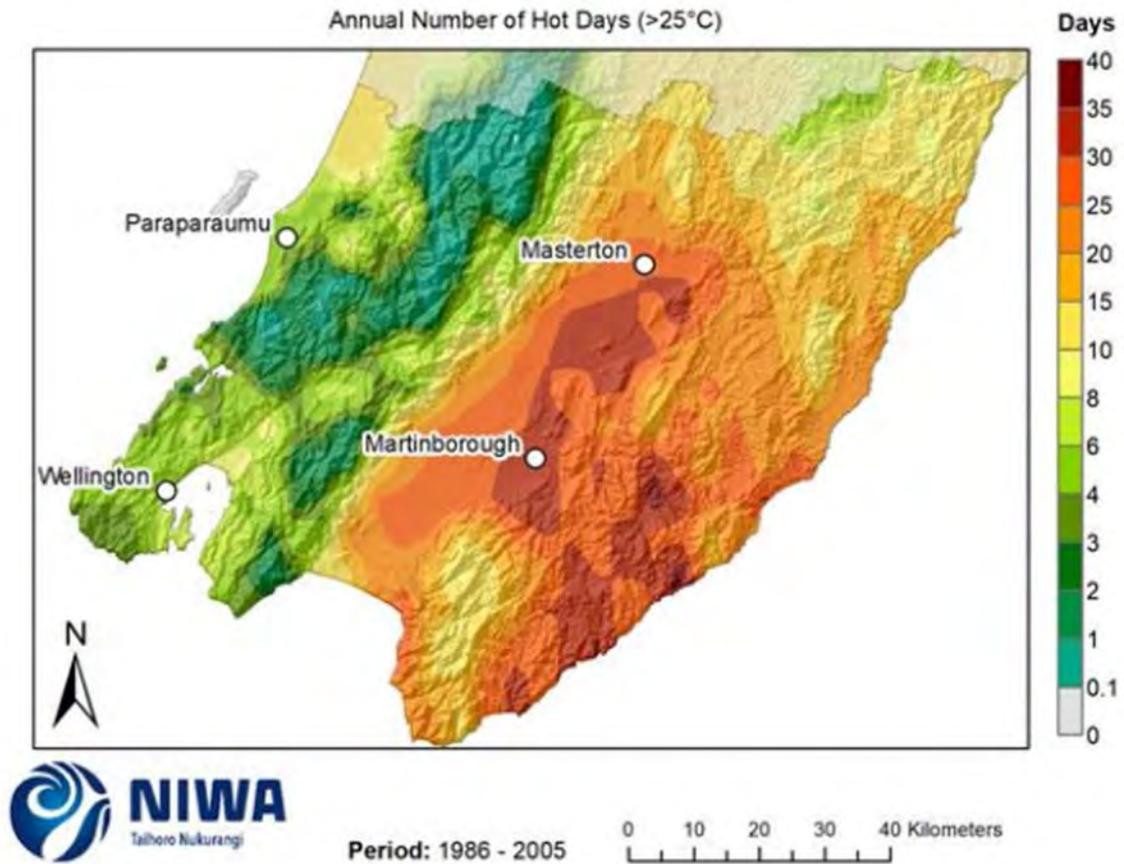


Figure 3-7: Modelled annual number of hot days (maximum temperature > 25°C), average over 1986-2005. Results are based on dynamical downscaled projections using NIWA's Regional Climate Model. Resolution of projection is 5km x 5km.

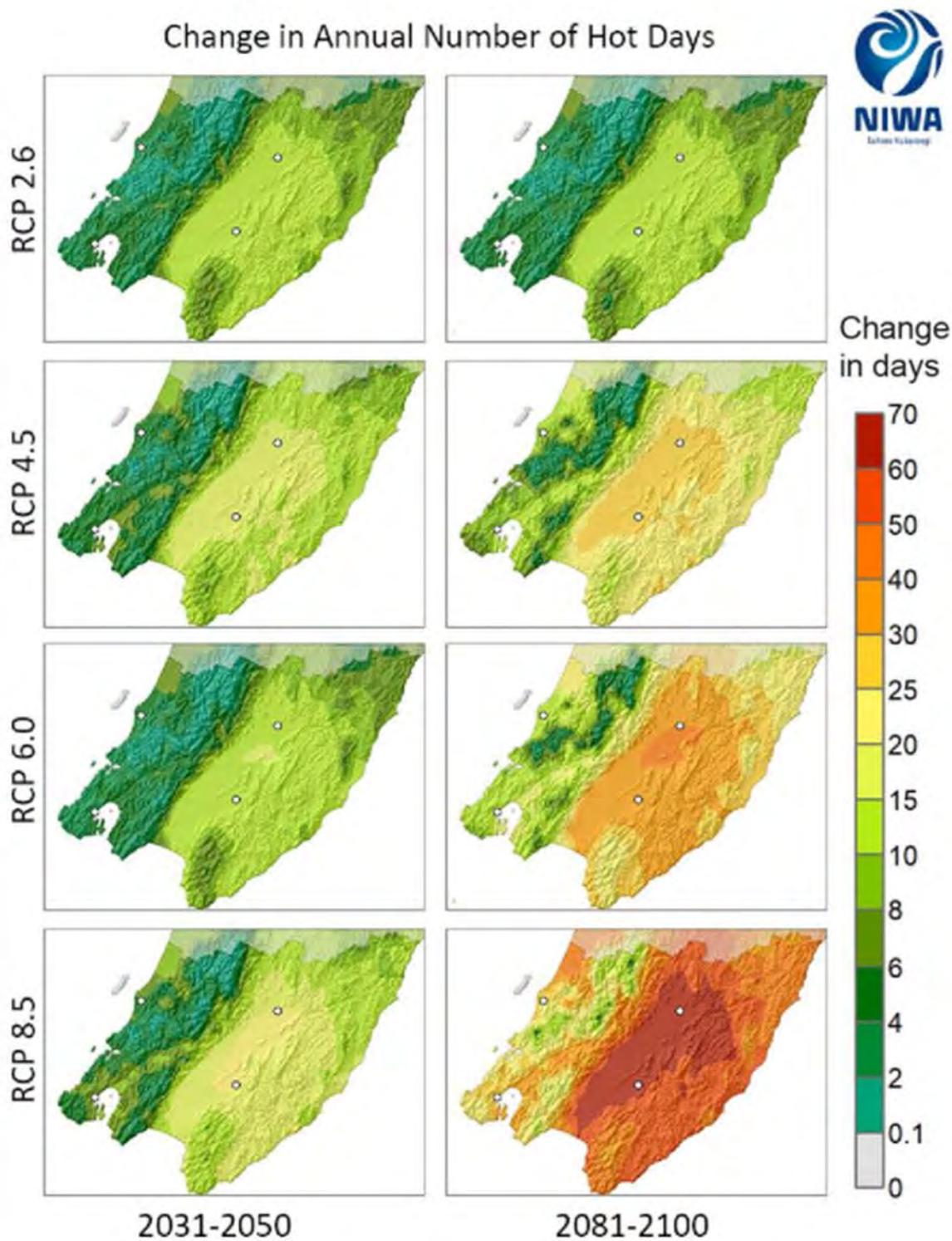


Figure 3-8: Projected annual hot day changes (max temperature > 25°C) at 2040 and 2090. Relative to 1986-2005 average, for four IPCC scenarios, based on the average of six global climate models. Results are based on dynamical downscaled projections using NIWA's Regional Climate Model. Resolution of projection is 5km x 5km.

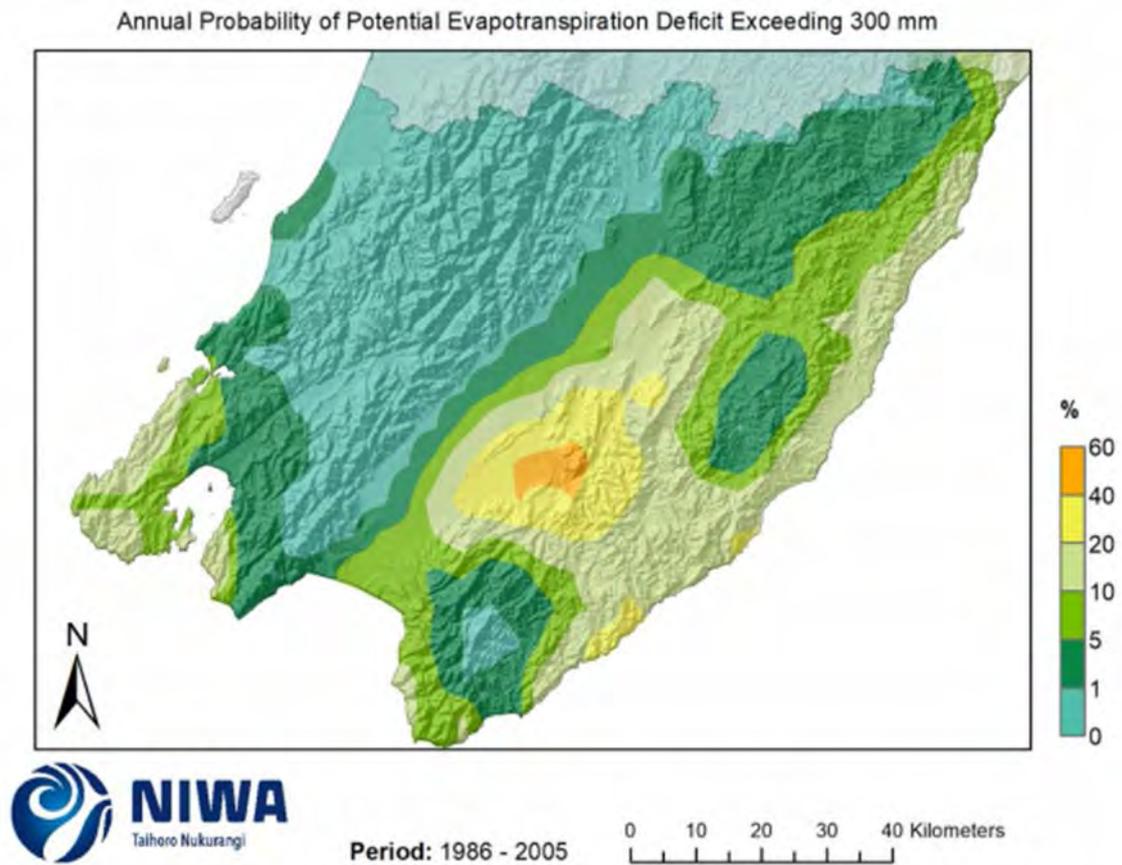


Figure 5-8: Modelled probability of Potential Evapotranspiration Deficit exceeding 300 mm in any year, average over 1986-2005. Results are based on dynamical downscaled projections using NIWA's Regional Climate Model. Resolution of projection is 5km x 5km.

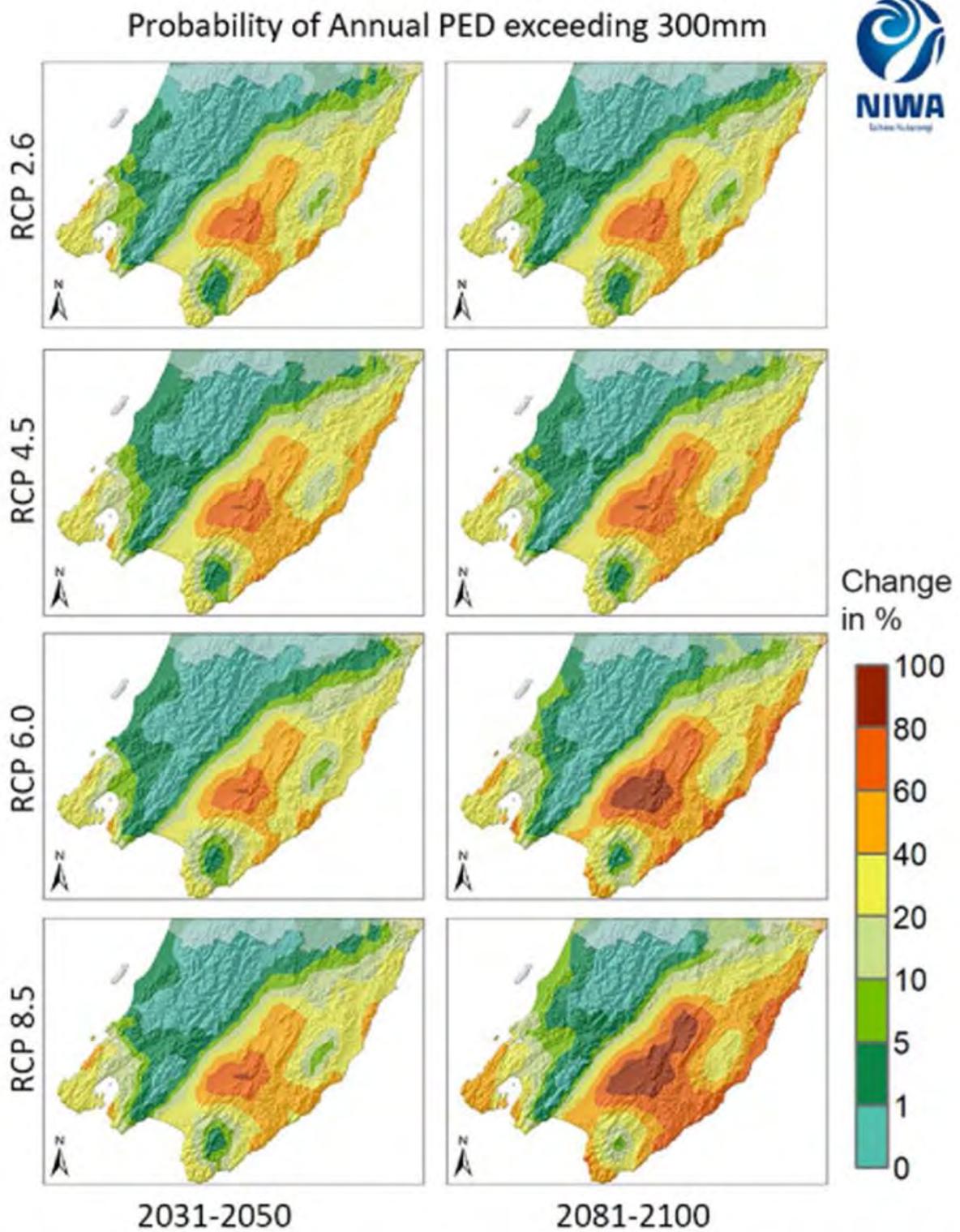


Figure 5-9: Projected probability of annual Potential Evapotranspiration Deficit exceeding 300 mm by 2040 and 2090. Relative to 1986-2005 average, for four IPCC scenarios, based on the average of six global climate models. Results are based on dynamical downscaled projections using NIWA's Regional Climate Model. Resolution of projection is 5km x 5km.

PART 3 – DRAFT: 2021-31 LTP Financial and Other Assumptions Summary

Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
FUNDING SOURCES					
Growth in Rating Base	<p>1.5% in year to June 2021, 1.2% in 2022, then 1% per annum from 2023</p> <p>The number of households and value of properties in the Masterton District will continue to grow. Dwellings and household sizes will be smaller. The growth in numbers and values will be largely in the Masterton urban area.</p>	<p>Medium-High</p> <p>COVID-19 increases uncertainty around factors that influence growth in the rating base, such as our economy; household and population growth.</p>	That growth in the rating base will be lower or higher than we have assumed.	<p>Higher Growth: Rates would be spread over a larger number of properties, increasing affordability for our community.</p> <p>Lower Growth: If growth is significantly less than we have forecast, Council's ability to increase rates as much as needed will be less. Rates would be spread over fewer properties, decreasing affordability for our community.</p>	<p>Infometrics (September 2020) are expecting the building industry to slow in 2021, which could slow growth in our rating base. At the same time, Masterton and the Wairarapa are better placed for recovery than many other areas. Our economy is driven more from primary production and has less reliance on international tourism; and post lockdown spending in the Wairarapa has been up relative to the wider Wellington region (likely linked to more commuters spending locally). Given Masterton's close proximity to Wellington, relative housing affordability and changes in the way people work post COVID-19 (i.e. remote working being more acceptable) the district is expected to grow and attract people from other areas.</p>
Interest Earned	<p>On Invested Funds:</p> <p>2021/22: 2.0% per annum</p>	<p>Medium</p> <p>COVID-19 increases</p>	That interest rates will be lower than we have assumed.	<p>Lower Interest Rates:</p> <p>Lower interest rates on investment funds would</p>	Economic conditions have reduced interest rates for Council funds that are invested.

	<p>From 2022/23: 1.5% per annum</p> <p>On Internal Investment Loans:</p> <p>2021/22: 2.5% per annum</p> <p>From 2022/23: 2.0% per annum</p>	<p>uncertainty related to interest rates given adjustments in interest rates in response to the pandemic and economic recovery.</p>		<p>result in reduced income for Council.</p> <p>In Year 1 of this Plan, an interest rate that is 1% less than we have assumed for invested funds would equate to \$185k less income.</p> <p>In Year 1 of this Plan, an interest rate that is 1% less than we have assumed for internal investments/loans would equate to \$90k less internal income.</p> <p>Higher Interest Rates:</p> <p>In current circumstances, the likelihood of higher interest rates is considered low. However, if this was the case, our income would increase.</p>	<p>As at September 2020, Infometrics projections are that the economy will start to recover from 2023.</p> <p>Given that, interest rates are not expected to rise in the short to medium term.</p> <p>This will mean less income than Council has received historically from interest, especially in Years 1-3 of the Long Term Plan.</p>
<p>User Fees & Charges</p>	<p>User charges defined in the Revenue and Financing Policy will be achievable and will increase at the rate of inflation over the 10 years of the LTP.</p>	<p>Medium-High</p> <p>COVID-19 increases uncertainty. Further impacts related to COVID-19 or the economy may</p>	<p>That we do not receive the level of income that we have planned for.</p> <p>That our income has not been set at a level that adequately takes account of all cost</p>	<p>If user fees and charges are less than we have assumed the result would be lower than forecast income.</p> <p>If fees revenue was 1% lower than we have assumed, this would equate to \$77k in reduced income.</p>	<p>Our fee projections have taken into consideration the potential impact of the COVID-19 related economic recession and our recovery from that.</p> <p>If the economy is further impacted, or the recession is greater or more prolonged than we have assumed,</p>

	<p>Fee income such as Building Consent fees and Transfer Station Charges are subject to market influences, but our income is assumed to be stable.</p>	<p>influence our community's ability to afford current fees and charges.</p>	<p>drivers other than inflation (e.g. increased costs of delivering the service) or other factors that could negatively impact fee income (e.g. economic recession).</p>	<p>If fees and charges are more than we have assumed, this would result in more income than we have forecast.</p> <p>If fees and charges do not increase at the rate of inflation, income would be less than we have assumed. Not inflating fees and charges would equate to approximately \$77k in Year 1.</p>	<p>this may negatively impact our fee projections.</p> <p>If the effects of the recession are less than we anticipate, or our recovery is faster, this could positively influence our fee projections.</p> <p>Economic recession as a result of COVID-19 or other factors could impact income from user charges across a number of activities.</p> <p>Changes in legislation could also impact our ability to collect fees. For example, if a change meant we were restricted on how we set fees for an activity (e.g. liquor licensing).</p> <p>Increasing fees and charges beyond the rate of inflation could occur if there were cost drivers other than inflation.</p> <p>Council will be reviewing the Revenue and Finance Policy, and undertaking a Rating Review, in Year 1 of the LTP to ensure that public private benefit, and the use of financial tools such as fees and charges, remain appropriate.</p>
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<p>Financial Contributions</p>	<p>Revenue generated from financial contributions will remain at levels achieved over the last 2 years.</p> <p>Changes to the Wairarapa Combined District Plan have not been decided, so no assumption about increased revenue being generated as a result of those changes, has been made.</p>	<p>Medium-High</p> <p>COVID-19 increases uncertainty around factors that influence financial contributions, such as our economy; household and population growth.</p>	<p>That financial contributions are less than we have assumed.</p>	<p>If financial contributions are less, Council may have to fund the difference, at least in the short term, for some development projects. This could increase the rates required.</p> <p>Revenue of \$1.5m is anticipated from financial contributions each year of the LTP. Some proportion of this is at risk if development is less than anticipated.</p> <p>If development activity exceeds our expectations, contributions could be more than we have assumed. This would increase Council reserves and Council's ability to invest in new assets.</p>	<p>Our projections have taken into consideration the potential impact of the COVID-19 related economic recession and our recovery from that.</p> <p>Economic recession could reduce revenue generated from development contributions if development slows or stalls.</p> <p>If the economy is further impacted, or the recession is greater or more prolonged than we have assumed, and development slows or stalls, this may negatively impact our financial contribution projections.</p> <p>If the effects of the recession are less than we anticipate, or our recovery is faster, and there is more development, this could positively influence financial contribution projections.</p>
<p>NZTA Rooding Subsidy and Rooding Subsidy Income Levels</p>	<p>1. NZTA will continue to provide a share of the funding for all defined maintenance, construction and minor safety work for roads and footpaths. Their share is known</p>	<p>Medium</p> <p>COVID-19 increases uncertainty of the current advised FAR commitment.</p>	<p>That NZTA's funding rate, beyond the current 3 year programme will be less than we anticipated.</p>	<p>If the NZTA subsidy is less than we have assumed the result would be lower than forecast income.</p> <p>Every 1% drop in NZTA funding equates to \$120k in reduced income.</p>	<p>The revenue generated is dependent on work progressed and/or carried forward.</p> <p>If we are unable to complete the work that we have programmed, the income from this subsidy will be less than projected.</p>

	<p>as the Funding Assistance Rate (FAR) and has been advised as follows: 58% 2021-22 57% 2022-23 56% 2023-24 and onwards.</p> <p>2. All business cases for work that have been put forward to NZTA will be accepted for funding subsidy, and we will receive NZTA funding at the level we have assumed.</p>	<p>Should the economy be further impacted or our recovery slower, NZTA may review its funding criteria and/or level of funding commitment.</p>	<p>That our business cases are not accepted.</p> <p>That NZTA funding criteria changes and the cases we have put forward and assumed funding for will no longer meet their criteria.</p> <p>That we will not be able to complete the full work programme (e.g. if there was another lock down period), which would reduce the level of funding we receive from NZTA.</p>	<p>This could mean we would need an additional rates contribution to complete the programmed work.</p>	<p>The subsidy rate is reviewed every three years. It was reviewed in 2019/20 and is next due for review in 2022/23.</p> <p>The programme will be kept under review with Council decisions sought on changes to the programme should the subsidy level change.</p>
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Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
BORROWING					
Interest Paid on Borrowing	Interest paid on existing and new debt will average 3.7% in 2021-22, 3.0% in 2022-23 2.7% in 2023-24 2.8% from 2024-25	Medium COVID-19 increases uncertainty related to interest rates given adjustments in interest rates in response to the pandemic and economic recovery.	That interest rates will be higher than we have assumed.	<p>Higher interest rates: Higher rates would result in increased borrowing costs for Council.</p> <p>In Year 1 of this Plan, an interest rate that is 1% more than we have assumed for borrowing would equate to increased cost of \$530k.</p> <p>Lower Interest Rates: In current circumstances, there is a possibility that interest rates will further decline. If this was the case, the cost of borrowing would also decrease.</p>	<p>Interest rate hedging is used to fix interest rates for varying terms to reduce the impact of interest rate movements on Council borrowing.</p> <p>Economic conditions have seen interest rates on borrowing decline. As at September 2020 Infometrics projection is that the economy will start to recover from 2023.</p> <p>Given that, we expect interest rates on new borrowing, or borrowing coming up for renewal, to remain low for at least the first three years of the 2021 LTP.</p> <p>This could make borrowing for projects more affordable and could offer potential to consider doing more capital works to assist in stimulating economic recovery.</p>

<p>Repayment Periods</p>	<p>We will pay off debt within a 20 year timeframe, with the following exceptions:</p> <p>The repayment period of external borrowing is 25 years on Homebush (wastewater debt) and 50 years on the Civic Centre project debt.</p>	<p>Low</p>	<p>Repayment periods are shorter or longer than assumed.</p> <p>Council decides to depart from the assumed debt level.</p> <p>Council allows more exceptions to the 20 year timeframe for repayment of debt.</p>	<p>Any of these scenarios would impact the rates requirement.</p> <p>If repayment periods were significantly shorter this could result in higher repayments, negatively impacting rates required. It would also mean debt would be repaid more quickly than anticipated. The current generation could pay more than their share for the loan funded asset, reducing the cost for future generations.</p> <p>A longer repayment period could mean debt would be spread over a longer period, reducing payments and positively influencing cashflow in the shorter term, but it would also take longer to repay debt. The current generation could pay less than their share for the loan funded asset, moving this cost to future generations.</p> <p>Changing the duration of repayment periods could</p>	<p>The Council's Financial Strategy sets a constraint the debt level and requires debt to be repaid and charged to the activity that has benefitted from the application of the debt funding.</p>
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				also potentially impact on Council debt ratios.	
NZ Local Government Funding Authority	MDC will continue to be a shareholder and borrower from New Zealand Local Government Funding Authority (LGFA) which will continue to provide debt funding at competitive interest rate margins.	Medium COVID-19 and current economic conditions increase the level of uncertainty compared to previous LTPs.	That MDC is called upon to be a guarantor - as an LGFA shareholder, MDC is obliged to be a guarantor in the event of default of one of the other shareholders. That NZLGA is impacted by the current economic climate and unable to offer loan funding, or at rates that are more competitive than the general market.	The proportion each guarantor Council is required to pay is relative to shareholding. In the very unlikely event that the guarantee was called on, for every \$100K that might be defaulted, MDC would be required to pay \$440. If the LGFA was no longer to participate in the debt markets, MDC would need to explore alternative borrowing options. Market interest rates are expected to remain low for at least the first three years of the LTP, but alternative lenders are unlikely to be able to offer comparable interest rates to the LGFA, resulting in increased costs.	In the current economic climate, the risk of the Council's guarantor status being called on might increase, however given the LGFA has numerous financial controls in place, this risk is considered low.

Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
INFLATION					
Inflation Rates	<p>Inflation will be applied in line with Business and Economic Research Limited (BERL) rates across the ten years of the Plan, except where we have alternative information that better informs decisions regarding inflation.</p> <p>TO INSERT: table in an attachment that includes BERL rates for Year 1-10.</p>	<p>Medium-High</p> <p>COVID-19 and current economic conditions increase the level of uncertainty compared to previous LTPs.</p>	<p>That inflation is significantly higher or lower than expected.</p>	<p>Higher inflation would result in increased costs.</p> <p>Lower inflation would result in reduced costs.</p> <p>Either could have a flow on effect for rates, fees and/or charges (i.e. increase or decrease) or for work programmes (e.g. if costs were higher, to maintain affordability, we may need to deliver less).</p>	<p>Given the current economic climate, BERL have provided three scenarios for inflation:</p> <ul style="list-style-type: none"> • Stalled Rebuild • BERL mid-scenario • Faster Rebuild <p>Masterton has adopted the mid-scenario for the 2021-31 LTP. See Growth Assumptions.</p> <p>We will continue to monitor the economy and respond accordingly.</p>

Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
CONTRACTS					
Operational Contracts	There will be no significant variations in terms of price (other than inflation) for operation and maintenance contracts.	Medium COVID-19 and current economic conditions increase the level of uncertainty compared to previous LTPs.	That there are significant variations in contract costs.	Increased costs would result in increased expenditure for Council. This could have a flow on effect for rates and/or fees and charges.	Economic recession could affect contractors. This could lead to requests for additional support and/or the need to secure new providers.
Capital Project Costs	Costs of major capital projects will not vary significantly from estimated costs that have been budgeted for.	Medium COVID-19 and current economic conditions increase the level of uncertainty compared to previous LTPs.	That the cost of major capital projects is more than we have budgeted for.	Increased costs would result in increased expenditure for Council. This could have a flow on effect for rates and/or fees and charges.	Economic recession or further lock downs could impact supply and demand. This could see some reductions if contractors are looking for work. This could also see some increases in the cost of materials if they become less available. Slippage in the delivery programme may increase costs, therefore regular reporting to Council and Committees will occur and risk management plans will be developed for major projects and programmes of work.

					<p>Adequate contingency will be built into projects and programmes of work.</p> <p>We will apply cost adjustors, including inflation adjustors, to projects and programmes in outer years of this plan.</p>
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Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
SIGNIFICANT ASSETS					
Asset Valuations	<p>Infrastructural assets are scheduled to be revalued 30 June 2023. Independent valuers are used to provide the valuations. The value escalations will reflect increases in the replacement and depreciated replacement costs of the Council's assets.</p> <p>Land and buildings assets will be revalued as at 30 June 2021 and every 3 years after that.</p>	<p>Medium-High</p> <p>COVID-19 and current economic conditions increase the level of uncertainty compared to previous LTPs.</p>	That actual asset revaluations are significantly different to what is forecast.	If valuations are more or less than has been allowed, depreciation costs in subsequent years will vary from the values that have been allowed in the LTP.	Economic recession could impact valuations.
Investment Properties	The value of investment properties will remain static given our small investment portfolio.	<p>Medium</p> <p>The timing of sales, and the value of our investment properties at time of sale, is uncertain.</p>	That the value of investment properties decreases or increases.	<p>A decrease in asset value could result in reduced income for Council when the property is sold.</p> <p>An increase in asset value could result in increased income for Council when the property is sold.</p>	<p>Economic recession could impact the valuation of investment properties.</p> <p>Revaluation changes have not been allowed for.</p>

		Results of our Property Stocktake and Strategy work are not known at this point.		Income from the sale of investment properties is not relied on for the Council's operational funding.	
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Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
LEGISLATIVE					
MDC as an Entity	Amalgamation will not happen during life of the Plan.	Medium	That reorganisation occurs and results in alternative operating structures, or amalgamation is reconsidered.	If amalgamation did occur within the life of this LTP there would a range of associated costs, for example transition costs. There is also the potential for efficiency gains and higher levels of service to be achieved. Boundary reviews and changes would also require a review of this LTP with associated community consultation.	<p>The Government is investigating delivery structures and options for the three waters. Further comment on the implications of three waters changes is included below.</p> <p>Shared services across the three Wairarapa Councils, for example the Wairarapa Combined District Plan, are likely to continue.</p> <p>Council activities that are shared services would be easier to transition into a bigger organisation if amalgamation did occur.</p> <p>Amalgamation could have economies of scale for the three Councils and could result in enhanced Levels of Service in some activity areas.</p> <p>Risk and mitigation plans will be kept under review.</p>
Resource Consents	There will be changes to existing resource consents that are due for renewal during the ten years of this LTP.	Low	That consent conditions will not change, or that change will be more or less	If change is less restrictive than we have assumed, some planned projects or changes may not be required, or not required as	We are planning for change to the Henley Lake water intake consent and our Water Supply consent during the life of this LTP.

				<p>water supplies that can't meet their regulatory obligations.</p> <p>Amalgamation of Councils remaining functions with other Wairarapa Councils could be considered.</p>	
<p>Resource Management Act Reform</p> <p>SUBJECT TO AGREEMENT WITH CDC/SWDC</p>	<p>Through the review of the Wairarapa Combined District Plan (WCDP), we will adapt the district plan to reflect RMA reforms.</p>	<p>Low</p>	<p>The RMA reforms being pursued by the government suspends or slows the District Plan review.</p>	<p>If the review is suspended or takes longer, then the issues causing frustrations within the planning environment will continue.</p> <p>We may need to suspend our contract for service for review support and there will be some savings; or we may need to extend this contract, adding to costs.</p> <p>The Council could change tack and undertake a Plan Change for urgent matters while the reforms are progressed through to enactment. If the plan change was pursued the costs of the plan change would be covered by the existing District Plan review budget.</p>	<p>RMA reforms are being considered by the government following receipt of the Randerson Report which was commissioned by the Minister for the Environment. The report recommends the replacement of the Resource Management Act 1991 with two separate pieces of legislation; a Natural and Built Environments Act and a Strategic Planning Act which would be complemented with another piece of legislation to address issues related to climate change adaptation and the managed retreat from areas threatened with inundation.</p> <p>The Wairarapa Combined District Plan budget allows for some flexibility to ensure that the Plan will be relevant in future.</p>

Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
LEVELS OF SERVICE					
Levels of Service	LOS will be maintained or improved in line with this LTP.	Medium-High COVID-19 and current economic conditions increase the level of uncertainty compared to previous LTPs.	That there will be a change to LOS during this LTP that is outside the scope of the Plan.	<p>An increase in level of service for any activity could require additional funding from our community.</p> <p>A reduced level of service could reduce costs for our community.</p> <p>Specific implications of any LOS change would depend on the service that changes.</p>	<p>Increases in LOS are planned for the Civic Centre, Library, Town Centre and Animal Shelter (to meet increased regulatory requirements).</p> <p>There may be pressure to reduce some LOS to reduce costs/ rates impacts.</p> <p>There could also be demand for other changes to LOS (e.g. increase operating hours of some facilities/ services or greater focus on/investment in economic development to support recovery).</p>

Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
HUMAN RESOURCES					
Human Resources	MDC will be able to attract and retain appropriately skilled staff to deliver the planned work programme.	Medium	That MDC will not be able to attract appropriately skilled staff to deliver the planned work programme.	<p>Planned work programmes and or service levels could be impacted, and/or external contractors would be needed to progress work.</p> <p>Contractor costs could impact the overall cost of programme delivery.</p>	<p>We have experienced challenges recruiting in some areas, building and planning in particular where there is a national shortage of experienced and suitably qualified staff.</p> <p>Covid-19 may impact on staff capacity to deliver the work programme if there was another lock down.</p> <p>At the same time, with many New Zealanders who have been residing overseas returning 'home' given COVID-19, and with recent growth in our population, there could be more skilled workers seeking roles.</p>

Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
NATURAL ENVIRONMENT					
Natural Disasters	No natural disaster will occur that causes widespread or significant damage to Masterton's infrastructure.	Medium-High	That a significant natural disaster will occur.	<p>This could disrupt the community with the level of disruption dependent on the event and consequences of that-</p> <p>Council could need to borrow substantially as a result of an event – e.g. if assets were lost.</p> <p>The flow on effects from a serious event could mean Council is not able to raise rates and may need to borrow more.</p>	<p>Council carries insurance with the intention of mitigating the financial impact of natural disasters.</p> <p>The Council has a Flood Damage Reserve to contribute towards our share of remedial work on roads and bridges in the event of storm or other damage from natural disasters.</p> <p>Work is currently underway as part of Upper Ruamahanga catchment work to improve flood protection, and there is funding allocated in this LTP to support that. (CHECK PHRASING).</p> <p>Council is also developing a Stormwater Strategy that will assist in prioritising work that will contribute to a reduction in flooding risk for our community.</p>

Item	Assumption	Level of Uncertainty	Risk	Implications of Risk	Considerations/Commentary
INFRASTRUCTURE					
Water Resilience	Council will invest in water storage, either through increasing the capacity of its own raw water reservoir or partnering with the proposed community water storage scheme in order to have guaranteed access to water at times of low river flow. That partnering initially includes the provision of loan funding of up to \$1m.	Low	That Council revokes its decision to invest in water storage.	Water conservation and availability will become a bigger challenge for our community.	<p>The budget includes provision of \$7 million in Year 4 for water storage reservoirs. Whether we proceed with this investment or consider alternative water storage options is to be determined.</p> <p>Council will support the development of Wairarapa Water Limited's community reservoir proposal through provision of a loan of up to \$1m in year 1 of the LTP.</p>

