Section A: Overview

This section describes:

- The purpose, development process and structure of this Long Term Plan.
- The key challenges and the guiding principles for this Plan.
- The key outcomes as a result of the consultation process.

Creating a better future with vibrant communities and thriving business.

Purpose of the 2012-22 Long Term Plan

All local councils in New Zealand are required to produce a 10 year plan, called the Long Term Plan, for their communities, as per the Local Government Act 2002 (LGA 2002). The Long Term Plan (LTP) is required to outline the activities the Council plans to undertake, the cost of these proposals and how these will be paid for. It needs to be reviewed and updated once every three years.

This Plan is Waitomo District Council's (Council) fourth LTP. It describes the Council's direction over the next 10 years and will guide the activities of the Council in the coming years. It outlines Council's vision for the future and contains plans aimed at achieving that vision over time.

It also highlights the challenges and constraints facing the Council, Council's strategy to meet these and the services that will be provided and the projects that are planned to be undertaken over the next 10 years in each activity area.

Development Process

This Plan is prepared by the Waitomo District Council and represents a concerted effort on the part of the elected members and Council staff over a period of 12 months to navigate and work through the various issues and challenges, as outlined further in this document. It also ties together the planning carried out in different activity areas and the various work streams to be carried out by Council for the enhanced well-being of the Waitomo District community.

Community Consultation

The preparation of this Plan has also closely drawn from feedback obtained from the District community through surveys and other interactions. Although results from the most recent satisfaction survey of June 2011 show that 80% of the respondents were either satisfied or very satisfied with the Council's performance, there was some dissatisfaction on different counts.

Council, in its planning, has considered the two most common reasons for dissatisfaction – rates affordability and the need for improvement in communication with the community. The feedback received on various activity areas has also been factored into Council's decisions regarding the allocation of resources to achieve appropriate levels of service.

Encouraging Maori contribution to decision making

Council is constantly working on its processes around community engagement and part of this is facilitating Maori participation in Council's decision making. Council recognises that Maori are a significant stakeholder group within the district and seeks to work closely with Iwi and gain their inputs.

The LGA 2002 and the Resource Management Act also place specific requirements on local authorities to take account of Maori values and provide opportunities for Maori to contribute to Council's decision-making processes.

As a process, Council seeks to identify any issues of particular interest to Maori, gather information on Maori perspectives of any significant work programmes and also perseveres to build on relationships already established through the work programmes.

Council looks forward to working closely with tangata whenua in the Waitomo region around co-management of the Waipa River. The Nga Wai o Maniapoto (Waipa River) Act was adopted in Parliament on 28 March 2012 and received Royal Assent on 5 April 2012. This Act gives effect to the deed that the Crown and Maniapoto entered into regarding the co-governance and co-management of the Waipa River. The Act requires Council and Maniapoto to enter into a joint management agreement (JMA) around the Waipa River. Any principles set out in the JMA could form the basis of future consultation protocols with Ngati Maniapoto. In the forthcoming years, Council will encourage any joint initiatives with mutually beneficial outcomes.

Council intends to continue with and, where required, improve upon the following to assist Maori contribution to Council's decision making processes:

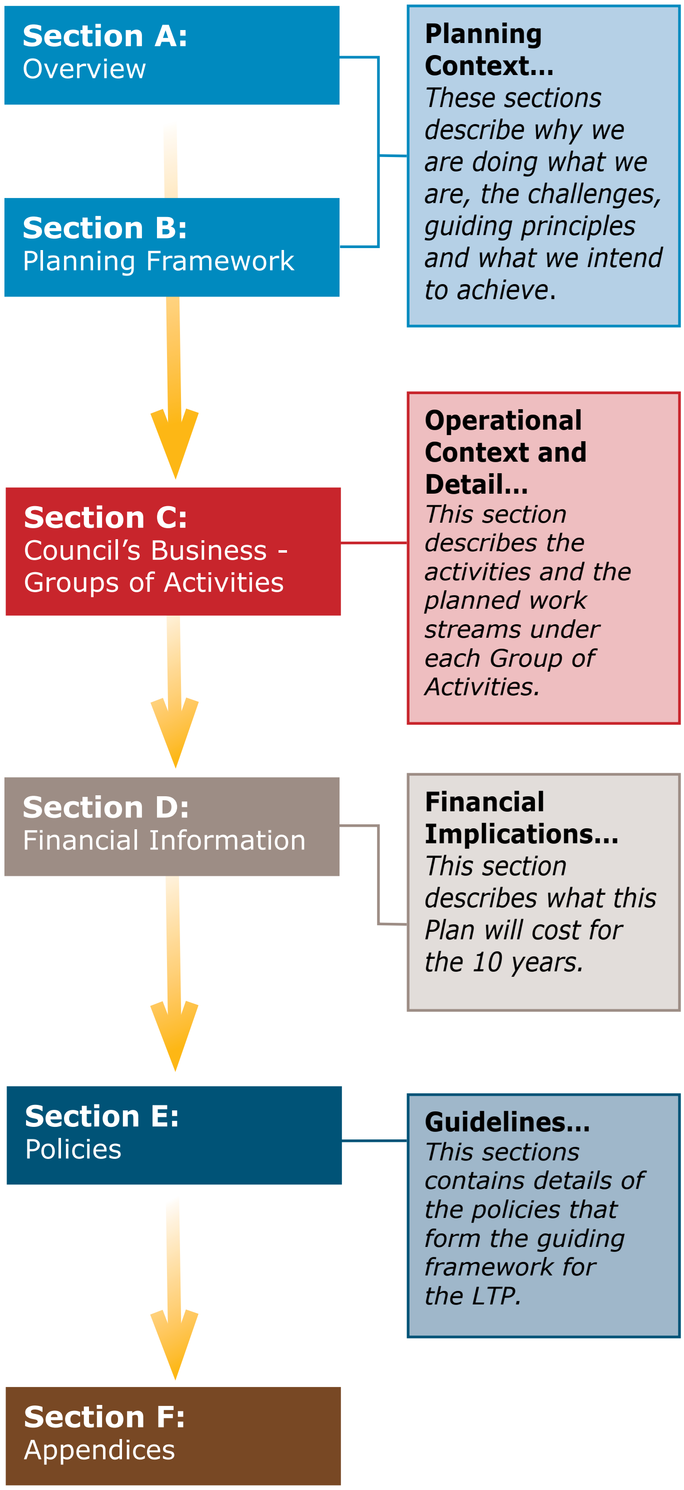
- Council is committed to interacting with the Maniapoto Maori Trust Board to discuss issues of mutual interest including future planning proposals.
- Council has set up the Youth Council which has Maori representation and provides opportunities to them to bring their issues and inputs to the Council for consideration.
- Internal processes will continue to take into account Maori views. Council officers will consult with Iwi and Hapu representatives on a case by case basis to discuss specific proposals which may involve a significant decision in relation to land or a body of water.
- Processes for consultation will be negotiated and agreed on a case by case basis.
- Adequate time will be allowed for consultation, recognising that Hapu do not meet frequently and enough time needs to be allowed to respond to Council's requests for input.

- Opportunities for oral submissions or discussion will be provided on Marae or at places most convenient to both parties.
- All discussions and consideration of feedback/ submissions will be carried out with an open mind.

Structure of the 2012-22 Long Term Plan

This Plan contains six sections and the structure is shown in figure 1.1 below:

Figure 1.1



Strategic Considerations

The strategic considerations are the drivers and challenges that have influenced the development of this Plan and the intentions contained within it. Understanding these is critical because they are the building blocks of this Plan.

Key Challenges

The key challenges that Council is facing and needing to address through this Plan are described below. Some of the challenges have continued on since 2007 though their impact is potentially altered now or might be in the future.

The Past

The District community has been made well aware that certain financial policies of the Waitomo District Council pre 2007 were imprudent and short sighted. However, it is important to reiterate these issues particularly because some of the financial decisions Council has had to make for this Plan, six years on, for a more sustainable financial future, have been heavily influenced by the past anomalies.

In brief, Council's 2006-16 Long Term Plan (its first full LTP) was considered financially unsustainable by the Office of the Auditor-General (OAG), which is the auditing body that ensures local authorities are exercising financial prudence in managing the assets and services for their communities. The OAG's opinion was primarily based on the fact that the Council's proposals in the 2006-16 LTP would lead to high debt levels over the 10 years of that Plan and servicing that level of debt was unsustainable for the Waitomo District community. The Council was expected to rectify the issues and move to a better financial position.

The Council supported by new management set out to identify the underlying issues and correct the course.

One of the key reasons identified for burgeoning debt was the practise of funding operational expenditure of the land transport activity by debt instead of rates. This was done to maintain an artificial ceiling on rates. Being operational expenditure there was no asset or income to offset this expenditure against, therefore leading to ever increasing debt.

Economic environment

World economies have not emerged from the global recession that hit us around 2008-09. In fact the economic troubles of Europe have been added to this conundrum. And like any other country in today's interconnected world, NZ is not immune to the external economic conditions.

Local economies have also been impacted as portrayed through an overall slide in business activity, lower employment rates and significant financial pressure on organisations including Councils. This has translated into lesser spending capacity amongst people and hence affordability is a key consideration.

Another significant driver on the overall state of the New Zealand economy has been the effect of the Christchurch earthquakes. The recovery effort required has had a substantial impact on various aspects like overall government spending and the cost of insurance which has flow on effects on Council's cost and revenue streams.

Return on Investment

Council's investment in Inframax Construction Limited (ICL) has not been providing the return that it had pre-2008. In the past, income generated from dividends paid by ICL was used to fund the operating expenditure for some activities. Lack of this source of income has had a material impact on the cash flow situation of Council and also on its ability to maintain service levels as before.

The cash flow impact has been further exacerbated by the need to pay interest on the debt incurred by Council in making a capital injection to keep ICL afloat in 2009 and then to purchase Parkside Subdivision from ICL in 2011 to provide a further cash injection into ICL.

PARKSIDE SUBDIVISION

In late 2011 Council approved a Recovery Plan proposed by the new Board of ICL. That plan included the investment of additional equity in ICL, significant restructuring of the company at all levels and in all areas of operations, and re-focussing ICL on its core objectives – roading maintenance and construction.

Council receives regular reports from the ICL Board and continues to closely monitor the company's progress. Financial forecasts indicate that ICL will be in a position to re-commence distribution of profits back to the Council in Year 5 (2016-17) of this Plan. Council has resolved that all such income received will be used solely to reduce debt and not to offset rates for general purposes.

Funding Roads and Footpaths Group

This Group was previously called Land Transport and has been renamed as per legislative requirements. Council is still in the process of making the transition from loan funding of Roads and Footpaths operational expenditure to fully funding it through rates.
As mentioned in the earlier sub section, this funding method was one of the key contributors to Council's burgeoning debt situation and the transition is imperative from the financial sustainability perspective.

In consideration of rates affordability Council decided to phase this transition over a few years. To ensure that ratepayers had complete transparency about the amount they were paying for the 'catch up' a special levy was introduced.

The 2011/12 financial year was the last year for the 'catch-up' levy. During Years 1 and 2 of the Plan, Council plans to utilise $485,000 of surplus depreciation reserves to 'smooth' the last stage of the transition to fully rate fund subsidised roading.

This has assisted in holding roading rates at affordable levels over these two financial years.

HARBOUR ROAD

Accumulated Debt

Since 2007-08, Council has been working towards capping its debt and improving its debt profile but the accumulated debt of the past still exists and requires interest to be paid on it as well as repayment of the debt over time. Added to this is the fact that debt is a valid source of financing capital projects in keeping with the principle of inter-generational equity, since the benefits of capital investments accrue over a long time. Therefore, Council intends to continue the use of debt as a financing method, albeit prudently. This will legitimately add to debt levels over time and therefore planning for retiring debt is essential.

Council recognises the need to actively reduce its levels of debt and plans to target debt reduction with the introduction of a specific Debt Reduction Strategy in Year 4 (2015-16) of this Plan. The full Financial Strategy is contained in Section D of this document.

Infrastructure Upgrades

For the past few years Council has been working on improving the condition of its 'core infrastructure assets' particularly in the Water Supply and Sewerage activity areas to ensure sustainability of its assets.

In its 2009-19 LTP Council stated its strategy would be to focus on upgrading its existing assets rather than expanding its Water Supply and Sewerage infrastructure into new areas. This was particularly to ensure that the Resource Consents and other legislative requirements were met and so that the infrastructure could support public health outcomes.

In keeping with this strategy Council also sought and has been successful in, obtaining Central Government subsidies for essential upgrades, the latest being the $3.65 million subsidy for Te Kuiti Wastewater Treatment Plant upgrade, as stated in the 2011-12 Annual Plan. Other government subsidies received or approved are:

- $722,000 Piopio Sewerage
- $726,000 Mokau Water
- $316,000 Piopio Water
- $780,000 Te Kuiti Water

These valuable subsidies will ensure the successful completion of the upgrades to essential services in the respective communities.

The LTP signals an intensive capital works programme spanning the next three financial years, particularly for water and sewerage upgrades. This intense capital works programme has come about due to historically programmed work being deferred for various reasons; including to enable applications to be made for Government subsidy and also due to legislation proceedings. This work is now critical and cannot be delayed any longer.

This capital works programme will have a substantial impact on the rating implications in the first three to four years of the LTP and Council has had to strike a very careful balance between sustainability and affordability considerations.

The capital programme to upgrade the TKWWTP will result in a significant increase in debt servicing costs, depreciation and operational expenditure.

TE KUITI WASTEWATER TREATMENT PLANT UPGRADE

Guiding principles

The challenges described in the earlier subsection are the 'headline' influencers of the signals in this Plan. Some of the issues are carry-overs from the previous 2009-19 LTP but they have morphed over time due to other contributing factors.

Council also considered the fact that consolidation and re-engineering of financial strategies is a long haul with no quick fixes and time needs to be allowed for the strategies to bed down with a view to longer term financial health.

Given these aspects, Council decided to continue with the three principles it adopted for the 2009-19 LTP to guide the development of this Plan being:

Financial Sustainability

- Developing and maintaining good financial health which can withstand cyclic ups and downs.

  The management of liquidity, interest rate exposure and structured debt reductions form an integral part of this Plan.

Community Well-being

- For the past few years and in the foreseeable future, Council's focus will be on the provision of core infrastructure particularly where it could have a high level of impact on public health.

  Services will be prioritised into areas of greatest need as per community and legislative requirements and in a manner that optimises return on investment.

Affordability

- In keeping with the principle of rates affordability, Council aims to make optimal use of sequencing and prioritising to provide essential services first, deferring where it's not detrimental to do so.

The endeavour is also to keep rates requirement steady to create predictability and to balance rates with affordable user charges where possible and giving consideration to the four well-beings.

It needs to be noted that, in developing this Plan using these guiding principles, Council has had to constantly balance sustainability against affordability aspects and make decisions in a manner that none of the principles are unduly compromised and the 'right balance' is struck wherever practically possible.

Some of these decisions are reflected in financial management and others in the funding strategies set out.

TE KUITI

It is also important to draw attention to the fact that though the 2012-22 LTP represents a continuation of the strategies and principles Council has been working on over the past five years, there has been a shift in emphasis especially to the community well-being area.

Council believes it can now commit to more community development activities and has therefore resolved to lay more emphasis on district development, its youth and people in general.

At a glance

This Plan contains different strategies regarding service levels, projects, financial management and funding of services. This section highlights the proposals that are considered important by Council in order to focus the attention of the reader.

The key strategies have been grouped under the three guiding principles depending upon the principle they primarily contribute to.

However, it is important to recognise that each strategy is only a part of the package and in the preparation of this Plan Council has given due diligence to consideration of overall impacts as well as individual ones.

Every effort has been made to carefully balance the often competing principles of sustainability and affordability whilst giving consideration to community well-being in the development of this Plan.

Financial Sustainability Principle

1. Adoption of the Financial Strategy

Council has consistently followed the guiding principle of the need to strike the right balance between financial sustainability, rates affordability and focusing on essential services since 2007 and to that end, has implemented a raft of financial changes.

Some examples are a deliberate attempt to arrest burgeoning debt, change in investment policy so that less reliance is placed on investment income as a revenue source and correcting the past method of funding operating expenditure from debt.

And since, in 2010 further amendments were made to the LGA 2002 requiring all local authorities to adopt a financial strategy for the period covered by the LTP. The purpose of the strategy as per section 101A of LGA 2002 is prudent financial management and transparency of overall effects of the direction contained within the Plan.

Council's Financial Strategy sets out its strategic approach to the management of its finances and represents a robust model of the financial requirements of the Council for the term of this Plan.

Some key aspects of the Financial Strategy are:

- It sets out Council's strategic approach to the management of its finances and represents a robust model of the financial requirements of the Council for the term of this Plan.
- Total rates revenue will be limited to an average of 75% of total operating expenditure over the life of this Plan. This assumes that Council's Council Controlled Organisation (CCO) will return to a profitable situation and contribute to the budgeted level of revenue by providing Council with an agreed level of return to accelerate repayment of debt.
- Total rate increases will be limited to a 'cap' of 7.7% during the life of this Plan.
- Total debt interest expense will not exceed 15% of total revenue. This equates to $4.5 million as per 2011-12 Annual Plan financials.
- Total borrowings will not exceed 25% of total equity. This equates to $62.7 million as per 2011-12 Annual Plan financials.
- Council seeks to achieve an acceptable rate of return on all its investments but recognises that low risk means lower returns. It also seeks to maintain diversity in its investment portfolio to spread and minimise risk.
- Introduction of a Debt Reduction Strategy which includes the use of surplus cash and the investment income from Council's subsidiary company Inframax Construction Ltd to repay debt starting in Year 4.
- Funding depreciation on some brand new assets only to the level required to meet annual loan repayments and not funding depreciation on some community halls and Housing for the Elderly.
- Initially deferring the funding of depreciation on newly built assets but recovering that unfunded depreciation over the latter part of the LTP.

The strategic objectives and policies within the Financial Strategy underpin the financial decisions made in this Plan.

2. *Debt Reduction Strategy*

The reduction of external debt is a key focus area for this Council and is important for good and sustainable financial health. To meet this purpose, Council has adopted a Debt Reduction Strategy as part of the Financial Strategy. The strategy is based on levying additional separate rates equal to 1% of the total rates requirement for each year commencing in 2015-16 (Year 4) of this LTP. **Those rates will be used solely for the repayment of debt.**

In addition to the introduction of that separate rate, Council will use any surplus cash together with income received from its investment in Inframax Construction Ltd to accelerate the reduction of debt.

The following table sets out the borrowing limits at 25% of equity and Council's debt forecast over the life of the Plan.

DEBT $M	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
LIMIT	62.7	63.1	63.7	69.6	70.5	71.7	81.3	82.8	84.4	95.4	97.2
FORECAST	44.6	48.1	49.9	52.2	51.5	49.9	47.6	44.4	41.6	39.1	34.3

Community Well-being Principle

1. *District Development*

In order to create a more strategic and business-focused approach to economic development within Waitomo District, Council plans to the establish a **District Economic Development Board (Board).** The primary focus of the Board will be economic development and the creation and delivery of initiatives that serve to stimulate development within the Waitomo District. The Board's role will be primarily strategic in nature and take a 'whole of district' approach.

This Plan has a phased approach to the establishment of the District Economic Development Board. In Year One the legal framework to underpin the Board, including the Terms of Reference and accountabilities will be established. The establishment of the Board will occur in Year Two of this Plan, with the initial focus on developing a strategic plan. Key milestones for the ongoing development of the Board will be identified as part of that strategic plan.

The Board will have a significant role in promoting economic development within the District so as to establish the District as an attractive place to visit, live and do business. It is envisioned that membership of the Board will reflect broader representation drawn from different sectors of the District's rural and urban communities and will create and establish high value connections with key stakeholders. The Board will involve the community in providing a coordinated approach to the planning of economic development within the District.

2. *Roads and Footpaths*

For the last four years Council has had to levy a 'catch up' rate for the Roads and Footpaths group of activities (which was previously called Land Transport and had to be renamed due to legislative requirements) to be used to substitute rates for debt funding. Council has been very mindful of the affordability burden this has imposed on the District community, albeit in the short term. To ease the transition, Council not only phased the 'catch up' but has also reduced the levels of service for the Land Transport activity since 2009. As a result there is a lower frequency of road renewals, and slower response to service requests and other similar reductions. This decision had a flow on effect in that the additional subsidy capacity had to be returned to New Zealand Transport Agency (NZTA), who subsidise the Roads and Footpath activity.

Such reduction measures are tolerable for the short term but can have a detrimental effect on the assets if pursued over a longer term and make renewals substantially costly in the future, as well as increasing risk, in the event of extreme natural events.

Therefore, in this Plan Council aims to phase in increases in maintenance levels of affected functions under the Roads and Footpaths group of activities, for example, drainage, reseals, traffic services, rehabilitation, footpath renewals and retaining walls, and reinstate them to pre 2009 level by 2015-16. However, in early 2012 NZTA indicated that in providing funding to the Road Controlling Authorities for the next three years (2012-15), its intention was to apply a National CPI increase of only 2.3% over the three year period. This would have severely hampered Council's ability to reinstate the required level of investment in the local roads network and would leave Council with two choices – to abandon the reinstatement of service levels or to increase the level of rate funding to carry out required maintenance works on an unsubsidised basis.

Council held discussions with NZTA, for funding consideration, setting out the road network condition evidence provided in the 2012 Roads and Footpaths Asset Management Plan. And in May 2012, the NZTA Board confirmed in writing that it had committed to provide WDC with $25.9 M of Roading subsidy for the three year period 2012 to 2015. That amounts to a 12% increase in the subsidy support provided in the 2009 to 2012 period.

This has enabled Council to proceed with its intention to return to previous service levels by 2015/16 without having to increase rating levels and also indicates support from NZTA of Council's decision to reinstate the service levels.

3. Sewerage and the Treatment and Disposal of Sewage

Substantial upgrades are being made to the Te Kuiti Waste Water Treatment Plant which started in 2011-12 when the Ministry of Health subsidy was obtained and will continue in 2012-13 and 2013-14 (year 1 and 2 of this Plan). These upgrades are critical from a public health perspective and in order to meet Council's Resource Consent obligations. The total cost of this upgrade is approximately $8.3 million.

4. Water Supply

Two key projects under this group of activities are:

1. Infrastructure upgrades to Te Kuiti Water Treatment Plant (TKWTP) starting 2013-14, costing approximately $3.4 million.

2. Mokau Water Storage Dam Upgrade in 2012-13 is a total cost of approximately $1 million.

5. Community Service

1. Council intends to dispose of two rural halls - Oparure Hall and Kopaki Hall. The intent is to discontinue funding an annual provision for depreciation and to investigate the potential disposal starting 2013-14. These halls are currently either unused or seldom used by the community or are solely used by school boards.

   In the case of Benneydale Hall and Mokauiti Hall, further consultation with the community is being/ will be undertaken to assess their needs and requirements and potential alternatives for hall maintenance.

2. Council intends to dispose of three Council owned rental houses. These houses are considered to be non-strategic assets and it presents better value to the community if they are disposed off rather than to incur costs on maintenance and renewals.

   They are located at:
   - 4 Moa Street, Piopio which currently forms part of the Piopio Depot site.
   - 6 Te Kumi Road which is currently rented as residential housing.
   - 4 Jennings Street which is a residential house and section, currently leased to the Te Kuiti Community House.

3. Historic Government Building – Queen Street, Te Kuiti: This building (exclusive of land) was gifted to the Waitomo District Council by the Government in 1987 and has been utilised to a limited extent in the subsequent years by the Te Kuiti and District Historical Society.

   The Society has now indicated a preference to vacate the site, leaving the Council with a building requiring extensive renewal works to be undertaken. Council intends to seek a release from the government of its obligations in relation to the ongoing operation, maintenance and renewal of this building.

   Clearly, the outcome of such talks cannot be predicted and in the meantime, if the NZ Historic Places Trust were to join together with volunteers from the Te Kuiti community to restore the building (as has been indicated) Council will support such an endeavour and is willing to reconsider its position on funding at that time.

6. Policy on Significance

This Policy can be found in **Section E** of this Plan. It describes thresholds, criteria and procedures by which issues, decisions and proposals will be deemed to be significant.

7. Revenue and Financing Policy

The funding percentage splits for many of the activities and functions have been amended and includes new funding strategies, for example the District Development Rate and the Piopio Wider Benefit Rating Area. A consolidated table that shows the funding percentages forms part of the policy in **Section E** of this Plan.

8. *Policy on Remission of Rates including Rates Remissions and Postponements of Rates on Maori Freehold Land*

This Policy does not appear in the LTP however a copy can be downloaded from Council's website: www.waitomo.govt.nz/publications/policy

The amendments made to the Policy are aimed at improving the efficiency thereof and include:

- The requirement for applicants to submit an Annual Statutory Declaration and the most recent audited accounts if they had been granted rate remissions in the previous year.
- A schedule of benefiting Organisations aligned to this Policy will be maintained and advised annually to Council.
- Both solid waste collection and solid waste management service charges are to be EXCLUDED from rate remissions.

Affordability Principle

1. *District Development Rate*

Council has resolved to introduce a single District Development activity to consolidate the existing functions of district and regional promotion, coordination of District events, i-Site management and economic development within one overarching focus.

The existing established rates funding capacity for these activities will be consolidated and take the form of a District Development Rate (DDR). This decision was made so that the investment and the funding burden on ratepayers that fund these activities is made more transparent. The current funding arrangements do not allow that assessment of rate burden and perceived benefit to be easily made.

The funding split for the DDR will be:
- 60% General Rate;
- 20% Commercial & industrial businesses; and
- 20% Rural businesses

The decision to shift the obligation by which these types of properties are rated to fund these functions and the funding split for this new rate will have the effect of placing greater emphasis on the beneficiaries of these activities.

These functions are currently rate funded on a different basis – spread across the General Rate and the Uniform General Charge (UAGC) on the basis of 50% of the funding being drawn from each type of rate. However, given Council's policy of capping the UAGC at a set amount, the practical effect of this funding split was that it shifted more of the burden onto the General Rate, therefore not targeting the beneficiaries fairly.

2. *Introduction of the Piopio Wider Benefit Rating Area for Sewerage*

Council has considered that there are a few communities outside of Piopio for whom Piopio township is the main 'community of interest' and because of this they receive an indirect benefit from the development and well-being of Piopio. A separate catchment of these properties has been identified called the "***Piopio Wider Benefit Rating Area (PWBRA)"*** and a targeted rate for Piopio Sewerage will be levied on these properties.

The amount paid by properties within the Piopio Wider Benefit Rating Area will be determined annually on the following basis:

- Piopio properties connected to the Piopio sewerage system will pay an annual targeted rate of $1,100 (incl GST) per annum.
- Any funding required over and above the amount raised by those properties within Piopio Township will then be allocated to the Piopio Wider Benefit Rating Area on a Targeted Uniform Annual Charge per rateable property basis.

3. *Introduction of the Te Kuiti Infrastructure Support Area*

In recent years, the periphery of the Te Kuiti Township has been growing. Residential and commercial development has been taking place close to the outer limits of the town boundary. Such development is not unusual due to better access to services that are congregated in an area. This enhances the liveability and attractiveness of an area thus fostering development. Taking account of this trend occurring in Te Kuiti, Council considered it fair and equitable to establish a catchment of rateable properties, outside of Te Kuiti, that receives an indirect benefit from their close proximity to the Te Kuiti Township called the ***"Te Kuiti Infrastructure Support Area (TKISA)"*** and had proposed to levy a targeted uniform charge for Water Supply and Sewerage services on the TKISA since in large measure the benefits arising to this area are from close proximity to a fully infrastructure serviced township.

However, in consideration of the concerns raised during consultation and having reviewed all aspects of the proposal, Council has resolved that it will not levy a targeted rate on the TKISA at the present time but will keep the concept of a TKISA under review to be considered for possible application in the next LTP (2015- 25). This is because Council believes that the concept of an Infrastructure Support Area that receives an indirect benefit from its proximity to a fully serviced township is sound.

4. Uniform Annual General Charge

Council has made an addition to the Revenue and Financing Policy with regard to the Basis of UAGC Set, being – "In setting the UAGC, based on the Revenue and Financing Policy for different activities, Council will consider two aspects as the last step:

- Adherence to the legislative cap (UAGC to be a maximum of 30% of total rates) and
- Cap the amount of UAGC such that it is as fair as possible to all ratepayers and in consideration of the principles of affordability and sustainability.

The second aspect is in keeping with section 101(3) of LGA 2002 which explicitly requires that the funding needs be met by sources considered appropriate by Councils', giving consideration to, among other things, the impact of the funding allocations on the economic, social, cultural and environmental well-beings of the community."

5. Assistance for Smaller Communities Subsidy

Council has increased the trigger level for when this subsidy will apply from the current $1,000 for Sewerage to $1,100. This is in recognition that the cost of service has increased and that the respective communities need to pay their fair share of the increase.

6. Changes to funding methods for some activities

Council has also agreed to make other changes to the funding splits for certain activities. Details of these and all the other changes highlighted above are contained within the Revenue and Financing Policy contained in **Section E** of this Plan.

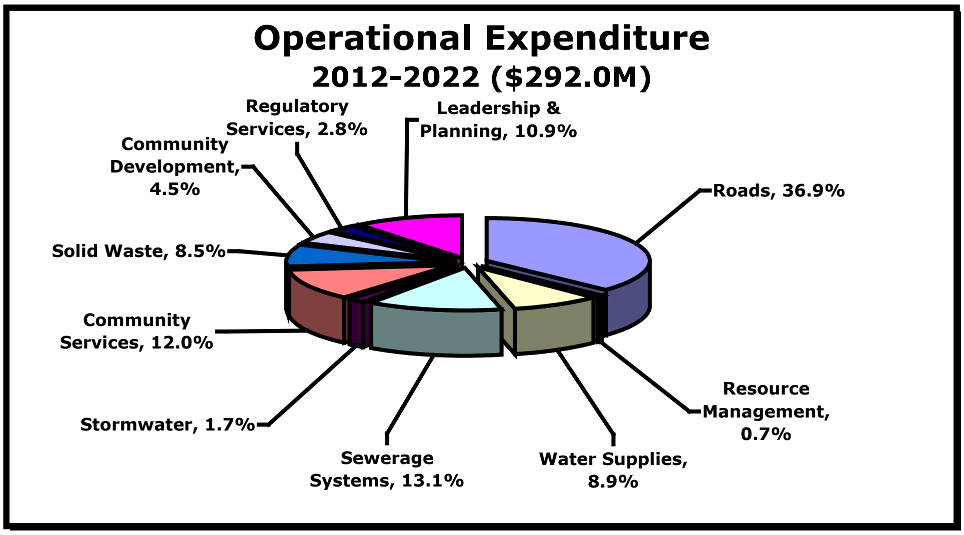
Financial Summary

In accordance with the three principles adopted for this Plan (i.e. financial sustainability, community well-being and affordability) Council resolved to 'smooth' movements in rates over the life of this 2012-2022 Plan with the prudent utilisation of reserve funds, by not fully funding depreciation on some newly created water and sewerage assets and by introducing a strategy to repay external debt and reinstate overdrawn (or deficit) reserve balances.

What will it cost?

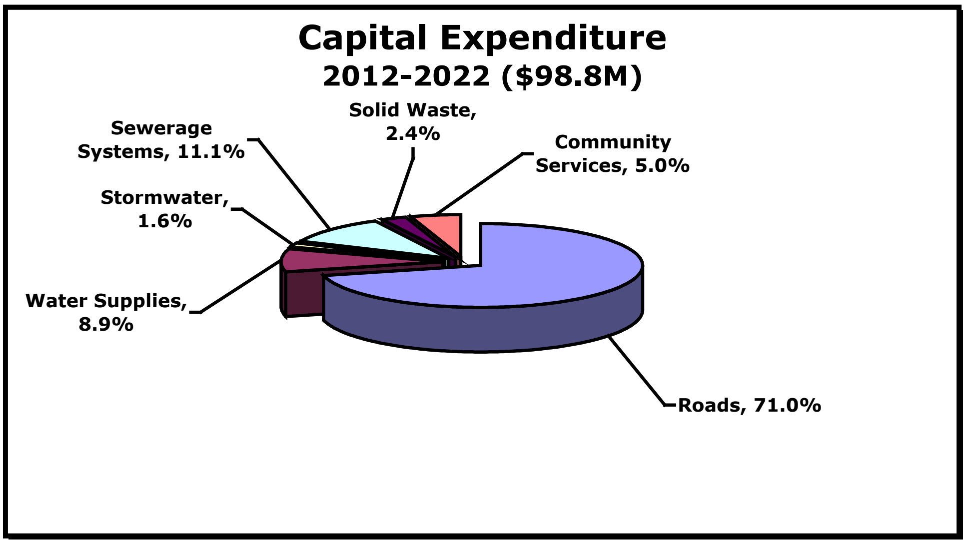
The total expenditure estimated over the life of this plan is:

2012-13	2013-14	2014-15	2015-22
$36.81 million	$34.92 million	$36.94 million	$282.08 million (average of $40.30 million a year)



Capital expenditure in the first three years (included in total expenditure above) is:

2012-13	2013-14	2014-15
$13.45 million	$9.31 million	$9.72 million



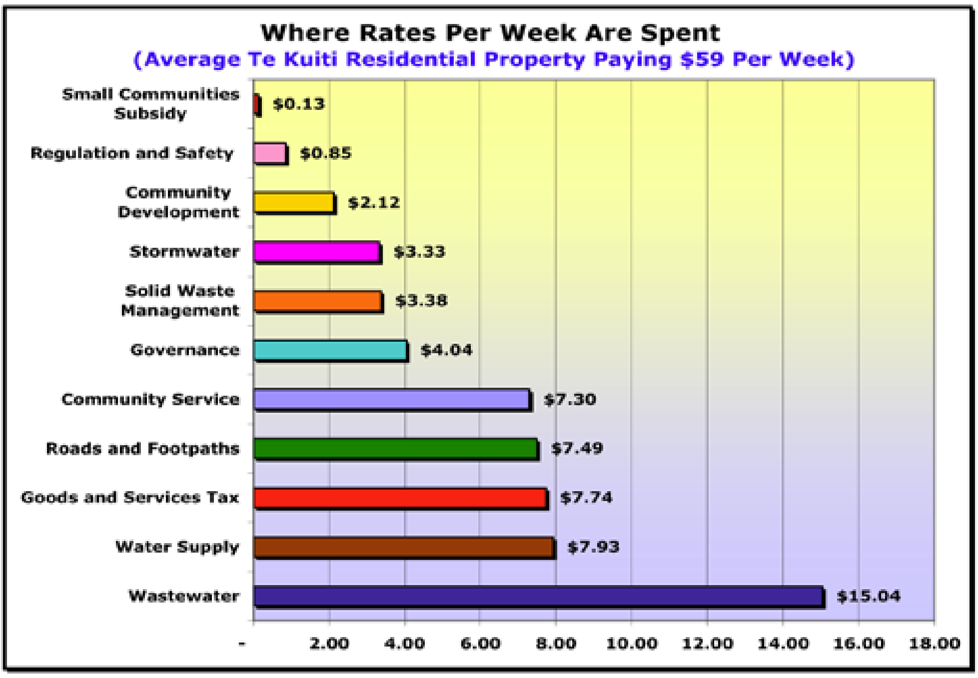
How will it be paid for?

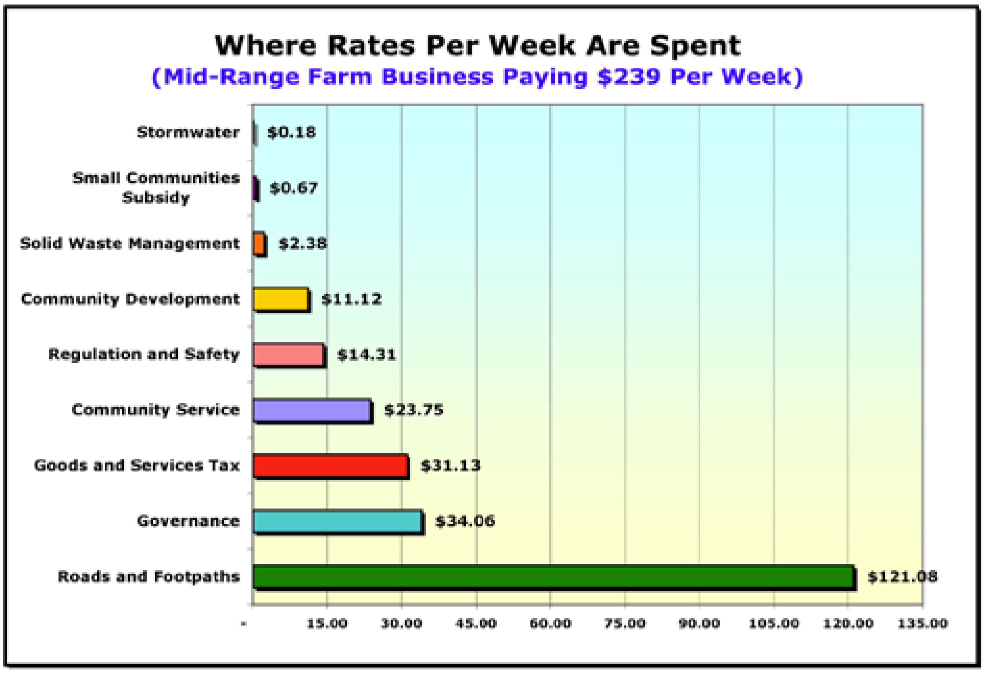
Our activities are funded through a mix of sources – rates, fees and charges, reserves and loans. Details on the different types of rates charged are contained in the Funding Impact Statement.

The total rate revenue required over the period of this Plan to fund the expenditure stated earlier is:

2012-13	2013-14	2014-15	2015-22
$16.32 million	$17.46 million	$18.77 million	$163 million *(average of $23.3 million a year)*

The first three years of this Plan project yearly rates increases of 5.4%, 7.0% and 7.6%.



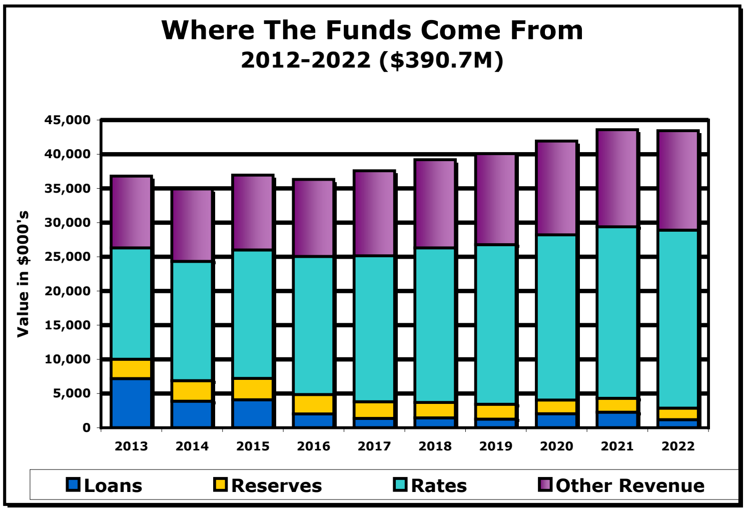


The main contributors to the increase in rates in the first three years of this Plan are:

1. Upgrades of Sewerage and Water Supply assets
2. Staged reinstatement of service levels for Roads and Footpaths.
3. Servicing the debt raised to support investment in Inframax Construction Limited.

Funding Sources

The financial requirements of Council are met through various funding sources and their use for different activities is described in the Revenue and Financing Policy. Details on the different types of rates charged are contained in the Funding Impact Statement (Section D). This graph shows the various funding sources over the life of the Plan.



Limit on Rate Increases

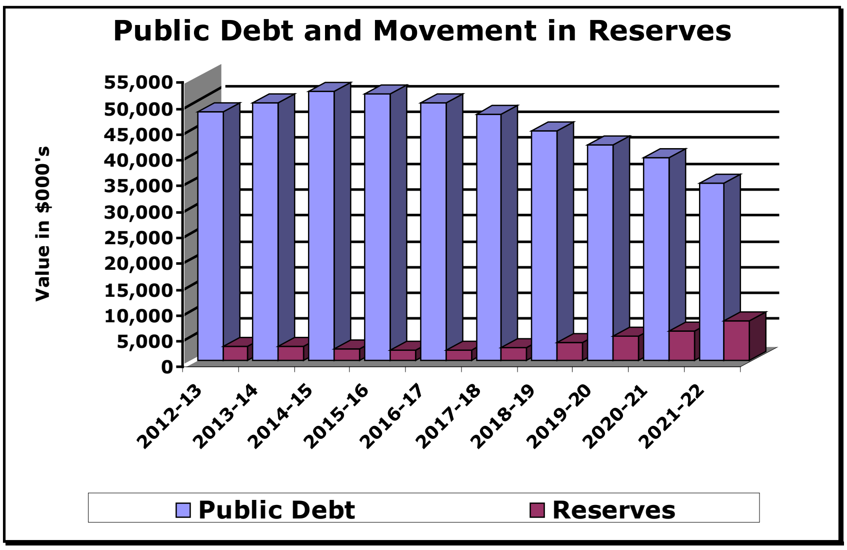
- During the life of this Plan total rates revenue will be limited to an average of **75%** of total operating expenditure.
- Total rate increases will be limited to a 'cap' of **7.7%** during the life of this LTP.
- Annual rate increases are limited to an average of **5.3%** over the life of this LTP.'

Projected Debt Levels

$98.76 million of capital works has been estimated over the life of this Plan most of which is essential work that has to be carried out. The associated debt is expected to increase from $48.1 million in 2012-13 to $52.1 million in 2014-15 after which it slowly starts to decline to $34.3 million in 2021-22, as a result of Council's Debt Reduction Strategy.

Projected Movement in Reserves

Council will utilise $630,288 of reserves over 5 years (2013 to 2017) to smooth the projected increases in rates over that period. From 2018 onwards Council will recover accumulated overdrawn (or deficit) reserves through rates to restore long-term financial sustainability for the District.



Changes to the Draft LTP 2012-22 as a result of the Consultation Process

Public Consultation

Council's Draft Long Term Plan 2012-22 (DLTP) was presented to the Community for consultation in April and May 2012. The consultation period ran from Thursday, 26 April 2012 to Monday 28 May 2012. Inputs from the community were sought during this time on the proposals made in the DLTP.

During the consultation period six Stakeholder Forums and one open day were held:

Venue	Date
Piopio Hall	Monday, 7 May 2012
Mokau Hall	Saturday, 12 May 2012
Maniapoto Trust Board (Council Chambers)	Wednesday, 16 May 2012
Benneydale Hall	Thursday, 17 May 2012
'Open Day', Te Kuiti	Saturday, 19 May 2012
Waitomo Caves Discovery Centre	Tuesday, 22 May 2012
Waitomo Cultural and Arts Centre, Te Kuiti	Wednesday, 23 May 2012

Information outlining the key issues under consultation in the DLTP was provided at these meetings by way of a range of posters, a presentation and an address by the Mayor or Deputy Mayor in person to increase community awareness and encourage participation.

The Summary of Information was sent out to each household in the Waitomo District. This document summarised the full draft LTP document and contained the key proposals from the draft LTP and identified the impacts in the coming years.

Council published a series of public notices and undertook a radio advertising campaign highlighting the public consultation period and availability of key publications, options for making a submission and meeting dates.

The Waitomo Way, Council's newsletter for the community was inserted into the Waitomo News on 17 May 2012, further highlighting some of the key messages contained in the Summary of Information.

Submissions

A total of 57 submissions covering 146 topics were received. This is approximately half of the 117 submissions received for the 2009-19 LTP.
21 submitters wished to be heard in support of their submissions. The convenience of the digital age was highlighted this year when a submission was heard by Council via a telephonic conference link. Council's online submission form also proved to be a popular option for making a submission.

Key matters raised in the submissions

1. Te Kuiti Wider Benefit Rating Area (TKWBRA) - 11 submissions were opposed to the proposal and 1 supported it. In particular, concern was expressed that no direct benefit was gained from being close to Te Kuiti and therefore the proposed TKWBRA contribution was not suitable. Others acknowledged the reasons driving the creation of the wider benefit rating area but considered the level of proposed contribution to be too high.

2. District Development Rate: 10 submissions opposed the proposal. Objectors cited rising costs of business and tight economic conditions, difficulties in attracting and retaining suitable staff as reasons why the introduction of the new rate on the basis of the proposed funding split is not sustainable. The point was also made that businesses already contributed directly through the existing investment in their own businesses and indirectly in their respective communities.

3. District Development Board: It became clear over time that the proposal as documented served to introduce confusion about the relationship between the proposed District Development Board and the proposed District Development Rate.

4. That the Rate Remission Policy be applied to the Royal NZ Plunket Society (Te Kuiti Branch).

Main changes resulting from the Consultation Process

As a result of the feedback received from the community during the consultation process and subsequent information submissions made, Council resolved to make the following changes to the draft LTP:

1. **District Development Rate** - Council has decided to change the funding split for this activity and the rate will now be levied on the basis of 60% General Rate, 20% Commercial and Industrial Businesses and 20% Rural Businesses.

   This acknowledges that the whole District benefits from the District Development activity but also targets (though albeit to a lesser level than originally proposed) the beneficiaries of these activities. Council considers this funding split to be fair and equitable.

2. **TKISA** - Having considered the concerns raised during consultation and all aspects of the proposal, Council has resolved to keep the concept of an infrastructure support area under review to be considered for possible application during the next LTP (2015-25), since Council believes that the concept of an Infrastructure Support Area that receives an indirect benefit from its proximity to a fully serviced township is sound. Council has also resolved it will not levy a targeted rate as proposed in the draft LTP on TKISA at the present time.

3. **Benneydale Rates** – Further investigations concurrent with the consultation on the dLTP have confirmed a measure of risk and uncertainty around its revenue projections for Water Supply in Benneydale. If, for a number of potential reasons the actual water by meter revenue should fall below the forecast levels then the funding shortfall would need to be recovered from the Benneydale community in the subsequent financial years. Council has therefore considered it prudent to mitigate the potential risk by reducing the forecast for water by meter revenue.

   The revised forecast has required the targeted rate for water supply in Benneydale to be increased from the projected $1,092 (in the dLTP) to $1,327.

4. **District Economic Development Board**- The name of the District Development Board has been amended to District Economic Development Board and the narrative around the Board has also been rewritten to ensure clarity around its intended role and function.

5. **Rates Remission Policy** – Council has agreed to remit rates for the Te Kuiti branch of the Royal NZ Plunket Society to be implemented in accordance with the Rates Remission policy.

6. **Queen Street, Historic Building** – Council has decided that, it will support any endeavour by the community to restore the building and is willing to reconsider its position on funding at that time.

7. **Mokauiti Hall** – Council has resolved that further consultation with the community will be undertaken to assess their needs and requirements and potential alternatives for Hall maintenance.