

# Waitomo District Council Exceptions Annual Plan

# 2013-2014



Creating a better future with vibrant communities and thriving business.

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**Waitomo**  
District Council

Document 309930  
File 037/013/2014AP

**ISSN: 1170-9278**

# Table of Contents

Message from the Mayor and Chief Executive	1	Prospective Balance Sheet as at 30 June	50
Audit Review Process	3	Prospective Income Statement	51
<b>Section A: Overview</b>	<b>4</b>	Prospective Statement of Recognised Income and Expenses	51
Introduction	5	Prospective Cashflow Statement	52
Strategic Considerations	5	Prospective Statement of Reserve Fund Movements	53
2013/14 EAP Consultation Process	7	Prospective Statement of Public Debt	53
Key Changes to the Long Term Plan 2012- 2022	8	Reconciliation of Summary Cost of Service Statement to Prospective Comprehensive Income Statement	53
Financial Summary	11	Prospective Statement of Capital Expenditure	54
<b>Section B: Groups of Activities</b>	<b>16</b>	Funding Impact Statement	55
Introduction	17	Rates Example 2012/13	61
Community and Cultural Sustainability	17	Rates Example 2013/14	62
Governance: Leadership and Investments	18	Funding Impact Statements (Local Government (Financial Reporting) Regulations 2011)	63
Community Service	21	Statement of Reserve Funds	74
Community Development	24	Accounting Policies	78
Regulation and Safety	27	<b>Section D: Appendices</b>	<b>89</b>
Environmental Sustainability Group	29	The Waitomo District Council	90
Solid Waste Management	30	Glossary	92
Stormwater Drainage	32		
Resource Management	34		
Sewerage and Treatment and Disposal of Sewage	36		
Economic Sustainability Group	38		
Water Supply	39		
Roads and Footpaths	42		
<b>Section C: Financial Information</b>	<b>45</b>		
Introduction	46		
Summary of Estimated Revenue and Expenses Statement for all Council Activities	46		
Summary of Estimated Revenue and Expenses Statement for Community and Cultural Sustainability	47		
Summary of Estimated Revenue and Expenses Statement for Environmental Sustainability	48		
Summary of Estimated Revenue and Expenses Statement for Economic Sustainability	49		



# Message from the Mayor and Chief Executive

We are pleased to present the Exceptions Annual Plan 2013/14 (Plan) which contains plans for the 2013/14 financial year.

This Plan mostly follows the direction set out through the Long Term Plan 2012-2022 (LTP) for the 2013/14 year. However, Council has decided upon some changes in certain activities as a result of external drivers. We consider it our responsibility to understand and respond to changes in circumstances appropriately, in the interest of our District and our communities.

Our journey continues as we work hard to ensure a healthy financial future for our district. The average rate increase in this Plan is 3.2% for all properties in the District, against the original LTP forecast of 7% for the 2013/14 financial year. However, this rates increase is an average and the actual increase will be different for different properties. The actual rates increase is also impacted by the change in individual property values in the recent 3 yearly revaluation round (held in September 2012).

▶ **The rate increase indicated through this Plan is the lowest since 2003 and has been made possible through a commitment to very sound and consistent financial management practices over the last 5-6 years.**

It is worth noting that all our capital investment in making upgrades to essential infrastructure has been delivered on or under budget.

The significant Te Kuiti Wastewater Treatment Plant upgrade (expected to be completed by 30 June 2013) is on target and is anticipated to be completed within budget. And an example of Council's commitment to prudent financial management is the saving of \$250,000 per annum in interest charges, by using a variety of debt funding tools and options, which means that the net cost of debt funding is below 5%.

We have an inspirational vision - "Creating a better future with vibrant communities and thriving business" - and our plan is to facilitate better economic and social outcomes for our District. Our goal is to make Waitomo district an attractive place that people will **choose** to come and live, visit or work in.

We work closely with all our key stakeholders to do this, including our local Police and other government agencies along with numerous community groups in Te Kuiti, Waitomo Village, Piopio and Benneydale to make our communities a better place to live in. We work closely with our youth and youth services, to give them a sense of pride and purpose and belonging to our district.



*Youth Council 2013*

Council has resolved to restore the Railway Buildings purchased from KiwiRail last year. It is our aspiration to develop this area as a central hub for the Te Kuiti township.



*Te Kuiti Railway Buildings*

As we all know, everything comes at a cost. The services Council provides are funded through a variety of sources. Council resolved that rates fund **46.7%** of the total required funding for the 2013/14 financial year. Council recognises and understands the concerns of the District's ratepayers' in respect of their



**Council aims to maintain existing service levels in all its activities, strive towards operational efficiency and carry out capital renewals in keeping with sound asset management practices.**

ability to pay for services and also that rates affordability is exacerbated in these unsettled economic times.

Consequently, as always, in developing this Plan Council has carefully considered rates affordability and at the same time focussed on its goal to achieve robust financial health and meet the wishes of our residents.

The average rate increase for 2013/14 of **3.2%** compares very favourably with the 5.1% increase adopted for 2012/13.

The recent amendment to the purpose of local government (Section 10(b) Local Government Act 2002) means that instead of considering all four - economic, social, environmental and cultural well-being of the community Council is now required to 'meet the current and future needs of communities for **good-quality** local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.'

Focussing on efficient delivery of core services is a path Waitomo District Council has been taking since 2007 and Council has always been mindful of balancing affordability with catering to the needs of the community. However, given the new legislative requirements we will be working through the full implications of the Amendment Act over the 2013/14 year and reviewing the alignment of our services with the new purpose.

We have been working closely with the Waikato Mayoral Forum on collaboration opportunities across the region in four key areas - economic development, governance and planning, roading, and the '3 waters' (water, wastewater and stormwater) to deliver economies of scale, and ultimately cost efficiencies for our communities. For example, when reviewing our budgets Council determined that it should defer commencing the review of the District Plan planned for 2013/14 until planning

at regional level has been addressed. Maintaining and replacing our infrastructure is one of our key responsibilities, and we continue to focus in this area. Waitomo District Council has improved considerably in terms of financial sustainability and affordability of rates and charges, moving from a position of 47th last year to 25th this year out of 67 NZ councils as per the 2013 Local Government League Table published by Mr. Larry Mitchell. In 2006, the same annual league table ranked Waitomo in last position. While care must be taken in the interpretation of league tables, since there can be numerous influencers to the positions, ratepayers of the District can take comfort from the fact that this was an independent assessment by a member of the public. It portrays the considerable work of the elected council and staff over the past 5 years to make WDC financially sustainable.

In summary, we are acutely aware that the economic conditions of the last 3-4 years have adversely affected many in our community - certainly the recent drought has not helped this situation.

We will continue our endeavour to provide services that are most needed by our communities in an optimal manner.



**Brian Hanna  
MAYOR**



**Chris Ryan  
CHIEF EXECUTIVE**

*Creating a better future with vibrant communities and thriving business.*

# Audit Review Process

This Exceptions Annual Plan 2013/14 was developed in accordance with the relevant sections of the Local Government Act 2002.

The Exceptions Annual Plan was made available for consultation from 9th April to 9th May 2013.

This Plan does not include any significant amendments to the 2012-2022 Long Term Plan therefore it is not required to contain a report from Council's Auditor on behalf of the Office of the Auditor General.

# Section A: Overview

This section describes:

- Strategic considerations for this Plan.
- The Consultation Process undertaken.
- Key changes to the Long Term Plan 2012-2022.
- Financial summary.

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# Introduction

The Local Government Act 2002 (LGA 2002) requires Councils to produce a Long Term Plan (LTP) with a 10 year planning horizon and review it every 3 years. And for each financial year in between the LTP, Council is required to prepare and adopt an Annual Plan.

This 2013/14 Exceptions Annual Plan (EAP) pertains to year 2 of the LTP 2012-22. It details the proposed annual budget and funding for the 2013/14 financial year. In the main, this EAP follows the direction established by the LTP 2012-22 and identifies any proposed 'exceptions' from the financial statements contained in the LTP for the corresponding year. It commences by providing context in the form of strategic considerations that have influenced the development of the proposals in this Plan.

## Structure of the Plan

This EAP contains three main sections. Section A provides the overview of the Plan, Section B provides proposed financial details for Council's Groups of Activities, the main focus in each activity area for the 2013/14 financial year and the reasons for any proposed exceptions. Section C contains the overall financial details of Council.

## Strategic Considerations

The activities Council undertakes, the services it provides and the regulatory functions it performs are intrinsically linked to the requirements from Councils under the LGA 2002 and various other Acts (like Resource Management Act, Buildings Act 2004, Sale and Supply of Alcohol Act 2012 etc); and also the needs and desires of the communities it serves.

The community's needs and the policy environment that Council operates in, is constantly changing and Council needs to consider these factors and respond to the changes appropriately, in the interest of our District. These are the Strategic Considerations that have a potential impact on Council's activities and service delivery, now or in the future. Some of the key considerations are detailed in this section.

## Local Government Act 2002 Amendment Act

The Government introduced an eight point reform agenda for local government in March 2012. Four parts of that proposal have been incorporated into legislation through the Local Government Act 2002 Amendment Act (the Amendment Act) which came into effect in December 2012.

The Amendment Act contains:

- Changes to the purpose of local government
- Changes to the process of local government reorganisation
- The intervention framework now provides more power to the Minister to intervene in matters considered to be a "problem".
- Introduction of fiscal benchmarks with the intention of providing more comparative information on local authorities across the country.

The changes to the purpose clause of the LGA 2002 now directs Councils to "meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses", instead of a broader role in meeting the social, economic, cultural and environmental well-beings of the communities.

In 2013/14, Council will be working through the implications of the amendments and reviewing the alignment of our activities and services with the new purpose.

Some procedural changes will need to be undertaken in decision-making processes and reporting templates etc as a result of the Amendment Act. Council will also need to be geared up in the near to medium term future to assess and implement outcomes of the benchmarking work being undertaken by the Department of Internal Affairs. Changes are imminent though they cannot be fully scoped out yet.

## Resource Management Act 1991 Reforms

The Resource Management Reform Bill has been introduced to Parliament in December 2012. The Bill proposes to make improvements to the consenting regime, provide further powers to make regulations, and make technical and operational changes. Some of these operational and technical changes involve more stringent information requirements from applicants, and tighter consenting time frames. There is also the introduction of the regulation making power regarding a duty to gather information, monitor and keep records and changes to evaluations for plan and policy making. The Government has made clear that further substantial reform of the RMA will continue during 2013. Although it is difficult to quantify the extent of the changes and their full implications at this stage, it is possibly that there might be a significant shift in the delivery of the resource management activity.

## Waikato Mayoral Forum

The Waikato Mayoral Forum (WMF) is a group involving the Mayors and Chief Executives of local authorities within the Waikato region, aimed at achieving a collaborative and co-operative approach to local governance in the Waikato region. The four work streams being considered by WMF are:

- Regional economic development strategies
- Roads
- Water, wastewater and stormwater
- Integrated plans (i.e. alignment of District Plans) and Governance Structures.

## Effect of General Revaluation

The three-yearly general revaluation of the District was carried out in September 2012. The values from the 2012 district revaluation will be used for rating purposes from 1 July 2013.

In this round of revaluation, the previous rateable C.V. of the District of \$3,085,125,250 has been reduced by \$231,171,312 (-7.49%) to \$2,853,953,938.

From a rating perspective, had the revaluation figures been used to calculate the 2012/13 rates based on property values (i.e. not including UAGCs and targeted rates):

- 2,233 properties (39.5%) would have had an increase in rates
- 3,210 properties (56.7%) would have had a decrease in rates
- 217 properties (3.8%) would have had no change (less than 50c change).

It is important to reiterate that what this means is that even if there was no increase in rates proposed in this Plan for the 2013/14 financial year, some properties would still have a rates rise due to the increased values of their properties driven by the revaluation. Letters were sent in December 2012 to property owners likely to receive a rates rise due to revaluation providing them with more details.

# 2013/14 EAP Consultation Process

Council's draft Exceptions Annual Plan 2013/14 (dEAP) was presented to the Community for consultation from Tuesday 9th April to Thursday 9th May 2013. Feedback from the community was sought during this time on the proposals made in the dEAP.

During the consultation period, three public meetings were held:

Venue	Date
Piopio Hall	Thursday 11 <sup>th</sup> April 2013
Waitomo Cultural and Arts Centre, Te Kuiti	Monday 15 <sup>th</sup> April 2013
Waitomo Caves Discovery Centre	Tuesday 16 <sup>th</sup> April 2013

Information outlining the key proposals under consultation, was provided at these meetings by way of poster displays and a presentation to increase community awareness and encourage participation. Councillors also attended ratepayers meetings to provide further information on the dEAP.

April's issue of the Waitomo Way (WDC's newsletter) featured a Summary of the Annual Plan. The newsletter was sent out to each household in the Waitomo District in April. It summarised the full dEAP, the key proposals, the impacts in the coming year and included details on how the public could have their say.

Council also published the Waitomo Way online and promoted this by publishing a series of advertisements, via facebook and Council's website. The online newsletter included a submission form and the option of subscribing to the newsletter.

## Submissions

A total of 13 submissions covering 40 topics were received and 4 submitters wished to be heard in support of their submissions. Overall, there was support for all the key proposals made by Council in the dEAP, through the submissions.

## Key Changes

As a result of the consultation process, council made the following key changes to the dEAP:

- Council has agreed to include a funding capacity of \$15,000 per annum for the Youth Support Program run by Otorohanga District Development Board (ODDB). The funding is to be provided to ODDB subject to an appropriate Service Level Agreement being put in place containing clear detail of the service deliverables and performance measures to be reported against.
- In terms of the funding policy for Urban Stormwater, Council resolved that, the Urban Stormwater activity would be funded through a combination of a Targeted Uniform Annual Charge on a per rating unit basis (which will fund the standing charges associated with the provision of the service and which may vary annually), with the residual funding requirement being met from a rate based on rateable capital property value. However, urban properties that hold current resource consents to discharge stormwater directly into the Mangaokewa Stream, and which are not utilising any part of the urban reticulated stormwater or drainage network, are exempt from the rate based on rateable property value. The Targeted Uniform Annual Charge (TUAC), which is associated with the overall provision of an urban stormwater service, however, will be levied on all liable properties.

Subsequent to the dEAP 2013/14 being made available for public consultation on 9 April 2013 the Remuneration Authority advised that the Elected Members' Remuneration for 2013/14 has been re-calculated and that an increase would apply from the October 2013 triennial elections. The provision for elected members' remuneration in the dEAP 2013/14 was based on the previous advice from the Remuneration Authority. \$18,458 has been added to the 2013/14 EAP budget to make provision for the indicated increase.

The consultation process also resulted in some requests for service and other actions that are not detailed in the EAP. These actions will be carried out through the existing work streams and tracked through Council's service request system.

# Key Changes to the Long Term Plan 2012- 2022

It has previously been mentioned that this EAP mostly follows the programmes and projects set out for 2013/14 in the LTP. However, situations and circumstances change and it is prudent for Council to adapt and respond to these changes.

This section sets out the key changes to what was contained in the LTP 2012-22 for the upcoming financial year (year 2 of the LTP). LGA 2002 requires Council to amend the LTP in case of any significant changes. It is important to note, because of the narrow scope and scale of these changes, in the context of overall budgets, Council does not consider any of the changes to be significant enough to warrant an amendment to the LTP. These changes only constitute some 'exceptions' to the plans in the LTP 2012-22.

## Water and Waste Water Services for Waitomo Village

In August 2012, Council received a deputation from Tourism Holdings Limited (THL) and members of the Waitomo Village community requesting Council takeover the service provision for Water and Wastewater in the Waitomo Village. Such a consideration has not been scheduled into the LTP. However, in the interest of community needs, Council has commenced investigations on this matter and will progress the development of estimates and negotiations with the current asset owner in the 2013/14 financial year. A fully developed proposal is intended to be consulted upon through next year's Annual Plan process.

## District Economic Development Board

Council had planned for the establishment of a District Economic Development Board (DEDDB) in the 2013/14 year, to assist with the provision of economic development within the district. Through this EAP, Council resolved to re-sequence the DEDB establishment to next financial year.

In the period since the LTP 2012-22 was adopted, the Waikato Mayoral Forum has been making steady progress on its various work streams and recently there has been agreement to develop an economic development strategy for the Waikato region. Council considers that in the interest of efficiency it would prudent to use the outcomes of this process to inform our own plans and therefore proposes to move out the DEDB establishment by a year. In the interim, Council will look at assessing the economic development needs and gaps within the District to inform what needs to be done and the delivery mechanism.

## District Plan Review

In the LTP 2012-22 Council had planned to commence a full review of the District Plan in the 2013/14 financial year. However, since then the Resource Management Reform Bill was introduced to Parliament and the Ministry for the Environment has launched a discussion document containing proposals for a revamp of the resource management system. The changes will be continuing through 2013 and beyond and could be substantial. Council will be keeping a watching brief on the developments. Concurrently, the Waikato Mayoral Forum is also working on an Integrated Planning Framework which aims to come up with options on collaborative resource management planning in the Waikato region for best utilisation of scarce resources.

A comprehensive District Plan review is an onerous and extremely resource intensive process. And given that a range of potential changes are imminent, Council considers it advisable to await the outcome of these processes before embarking on a full scale review and will postpone the project by a year.

In the 2013/14 year, a thorough scope and needs analysis will be undertaken for the District Plan Review, given the change in circumstances.

## Sport Waikato Services

In the interest of reducing cost of services within the District, Council is constantly looking at increasing the efficiency of service delivery. In keeping with this guiding principle, Council had sought an investigation of cross boundary shared services opportunities for the delivery of Sport Waikato services. The funding for this service included in the LTP 2012-22 was based on this premise. It was a provisional amount while a full scoping of the opportunity was carried out.

Through this investigation, it has been determined that a shared service arrangement is not possible at this time. Council therefore resolved to reinstate the 2012-2013 level of funding to the service for the 2013/14 financial year. A performance based contract will be negotiated with Sport Waikato for the 12 month period starting 1 July 2013.



# Te Kuiti Railway Buildings

Council recognised the value of the railway heritage of Te Kuiti and the importance of the Railway station buildings (centre of Rora Street Te Kuiti) to preserving this heritage and therefore secured these buildings, including a long-term lease of the land on which they are sited, from KiwiRail in 2012.

Because of their historical significance KiwiRail would only consider the transfer of ownership of the railway buildings to a local government organisation. Ownership has been transferred on the condition that any future development of the buildings is in the community's interest and their historic nature and significance is protected in the long term. Part of the \$1 purchase price agreement was to prepare a Conservation and Maintenance plan detailing the extent of this obligation.

## Restoration

The Railway buildings are currently vacant and were historically poorly maintained while tenanted. However now that they are WDC assets, Council has obligations of long term renewals, maintenance and general upkeep of these buildings, same as for all other Council assets.

The restoration or renewals of these buildings will be planned and carried out as per Council's regular asset management practices. Renewals for the Plaza which have been scheduled in the Asset Management Plan will be linked in with the renewals of buildings where appropriate to achieve cost efficiencies.

The renewals of the Railway buildings relate specifically to the outer shell of the buildings and bringing these buildings up to an acceptable heritage standard as required by the conservation plan.

The following renewal works are planned for 2013/14:

- Structural assessment of the three Railway Buildings.
- Preparation of detailed architectural and engineering plans.
- Commence exterior renewal works.
- Carry out some associated work on road space.

Since the close of the Draft EAP consultation period, Council has made an application to obtain grant funding for the renewal works on all three railway buildings, in keeping with the requirements of the external funder. Council has also had to shorten the time frame of renewals to 2 years from the original plan spanning renewals over 5 years. Consequently, the cost of renewals for the 2013/14 year is now budgeted at \$495,721 (\$427,000 in the Draft EAP).

However the renewals are contingent upon receiving the external grants and Council recognises the risk that the grants will not be received in time or be of the estimated amount, in which case alternative funding sources will be looked at or the works re-assessed, if required.

## Future Development

It is also Council's vision to revitalise the Railway buildings and surrounds over the next few years, to create a vibrant hub in the centre of Te Kuiti. This has been termed the Revitalisation Project.

Council considers that to achieve its aspiration for a 'town hub', there is a need to create a commercial space alongside the community space in these buildings. A commercial tenant is proposed for the use of building 1. This will provide a return on investment and assist with the funding of this project over the longer term.

Two distinct phases have been planned within the Revitalisation Project being:

- Community Space Revitalisation and
- Commercial Space Revitalisation

The Community Space Revitalisation Phase of the Revitalisation Project is about the utilisation of buildings 2 and 3 and the Commercial Space Revitalisation Phase is associated with the utilisation of building 1 by the commercial tenant.

The following works are being proposed within the Revitalisation Project in 2013/14:

- Undertake the 'Expressions of Interest' process for use of the buildings.
- Negotiations with approved commercial and community tenants (including funding discussions).
- Contract documentation for interior works in building 1 including additional works as per concept.
- Commence construction of interior works for building 1. These works are primarily associated with WDC's asset and include the building alteration proposed in the preliminary building concepts prepared by Council's architect.
- Undertake some minor works to the interior of building 2 which will allow immediate usage of this building for community use on a temporary basis.

The cost of these works for 2013/14 has been estimated at \$108,500. \$25,000 relates to roadworks and has been budgeted in the non-subsidised Rooding activity. \$83,500 of this will be funded through loans.

Creation of longer term community tenancies of buildings 2 and 3 are being planned for 2016/17 onwards. However, these works are also contingent on grant funding being received in time and to estimated value.

# Funding of Urban Stormwater

There have been public requests to reconsider the methodology used to fund the Te Kuiti Urban Stormwater activity. The issue raised was based around the charging of stormwater rates on the basis of a separately used or inhabited part (SUIP) of a rating unit.

After careful consideration of various options and the funding tools available and bearing in mind the principles of 'exacerbator pays' and 'fairness and equity' between all groups of ratepayers, Council resolved to change the funding mechanism for urban stormwater from SUIPs to a combination of a 'base' uniform charge on a 'per rating unit' basis (which will be 67% of the total cost of service) with the residual funding requirement being met from a rate based on property value (33% of the total cost).

The base charge is expected to cover the 'standing charges' associated with the provision of urban stormwater services and may vary annually. This allocation is considered 'fair and equitable' as all exacerbators receiving the benefit of the stormwater system will make an equal contribution to those costs. For the 2013/14 financial year the base charge is estimated at \$150.

The portion based on capital value will shift the rating incidence on higher value properties which is fair since they generally have larger improvements and site coverage (verifiable by roof areas, driveways, parking areas and other hard surfaces) which exacerbate higher levels of stormwater run-off into the urban stormwater system.

Urban properties that hold current resource consents to discharge stormwater directly into the Mangaokewa Stream, and which are not utilising any part of the urban reticulated stormwater or drainage network, are exempt from the rate based on rateable property value. However, since the Targeted Uniform Annual Charge (TUAC) is associated with the standing charges of providing this service, it is deemed to relate to the public good element of an urban stormwater service. Therefore, the TUAC will be levied on all liable properties.

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## Local Government Funding Agency

Council will participate as a 'borrower' in the New Zealand Local Government Funding Agency (LGFA), which is a council-controlled trading organisation (CCTO).

The purpose of the LGFA is to provide debt funding to local authorities in New Zealand at lower interest margins and for longer term than otherwise available under stand-alone bond issuance or bank debt.

The LGFA was established in December 2011 by a group of local authorities and the Government (who were an initial shareholder). Some back office administrative functions are provided by the Debt Management Office (Treasury) who also provides a \$500 million stand-by facility, which is intended to increase to \$1 billion when required.

The LGFA is now a permanent participant in the New Zealand wholesale debt market and has:

- ✓ a current credit rating from Standard and Poors of AA+
- ✓ 39 shareholders
- ✓ issued debt to local authorities in excess of \$1.5 billion.

Council therefore wishes to participate in the LGFA as a 'borrower' in order to capture the benefits of reduced interest costs, extend the duration of its borrowing and to provide a further option for sourcing debt finance.

All borrowers are required to subscribe to 'Borrowers Notes'. This requirement is currently set at a level of 1.6% of the amount borrowed. Borrower Notes are repaid by the LGFA when a local authority repays its debt, though they are subordinated, and may in some circumstances, be converted into equity (shares) in the LGFA rather than being repaid.

However, it should be noted that the investment in Borrower Notes will be funded by borrowing from the LGFA and the cost of this funding will be higher than the return paid by the LGFA on the investment in those Borrower Notes.

In order to enable Council to be able to borrow from the LGFA, it must amend its existing Debenture Trust Deed and meet certain financial covenants prescribed by the LGFA. As part of this process the LGFA will undertake an internal credit assessment to assess Council's creditworthiness.

Council's participation as a borrower and an investor will also require an amendment to its Liability Management Policy and Investment Management Policy, jointly comprising Council's Treasury Management Policy (TMP).

Although it is no longer a legislative requirement for Council to consult on changes to these policies, the amendments required are being mentioned here to clarify that those policies will reflect:

- that the Council may participate in the LGFA;
- that the Council may invest in shares and other financial instruments of the LGFA and may borrow to fund that investment; and
- that the Council may borrow from the LGFA and, in connection with that borrowing, may enter into related transactions to the extent it considers necessary or desirable.

# Financial Summary

The total rate revenue requirement for the 2013/14 financial year is \$16,849,000 (excl GST) and represents an average overall **3.2%** increase over the current year's total rate requirement compared to the 7.0% projected increase in the LTP 2012-22. The combined Cost of Service Statement (below) provides for a decrease of overall Rate Revenue of \$610,000 when compared to the LTP 2012-22 forecast for 2013/14.

The reduction has been a hard task to achieve while maintaining the current levels of service, however, this outcome reflects Council's continued commitment to prioritise what needs to be done and to do it in the most cost effective manner.

(N.B. The tables provided in this section utilise brackets (...) for a credit value and no brackets ... for a debit value).

LTP 2012/13 \$000's		LTP 2013/14 \$000's	EAP 2013/14 \$000's	VARIANCE TO LTP 2013/14
	<b>Cost of Service Statement for All Council</b>			
(10,480)	Total Operating Income	(10,574)	(11,441)	(867)
23,361	Total Operating Expenditure	25,610	24,543	(1,067)
<b>12,881</b>	<b>Net Operating Cost/ (Surplus)</b>	<b>15,036</b>	<b>13,102</b>	<b>(1,934)</b>
13,453	Total Capital Expenditure	9,304	11,571	2,267
<b>26,334</b>	<b>Total Net Expenditure</b>	<b>24,340</b>	<b>24,673</b>	<b>333</b>
	<b>Funded By</b>			
(7,175)	Internal Loans	(3,873)	(4,732)	(859)
(2,839)	Reserves	(3,008)	(3,092)	(84)
(16,320)	General Rates, UAGC and Service Charges	(17,459)	(16,849)	610
<b>(26,334)</b>	<b>Total Funding</b>	<b>(24,340)</b>	<b>(24,673)</b>	<b>(333)</b>

Overall trends show an increase in Operating Revenue and a decrease in Operating Cost resulting in an overall decrease in Net Operating Cost (compared to the 2013/14 year in the LTP 2012-22).

The overall increase in capital expenditure (compared to the 2013/14 year in the LTP 2012-22) is mainly due to the altered timing and level of investment in water supplies at Te Kuiti and Mokau, stormwater renewals in George and Duke Streets, Te Kuiti, and the restoration and revitalisation of the Railway Buildings in Te Kuiti.

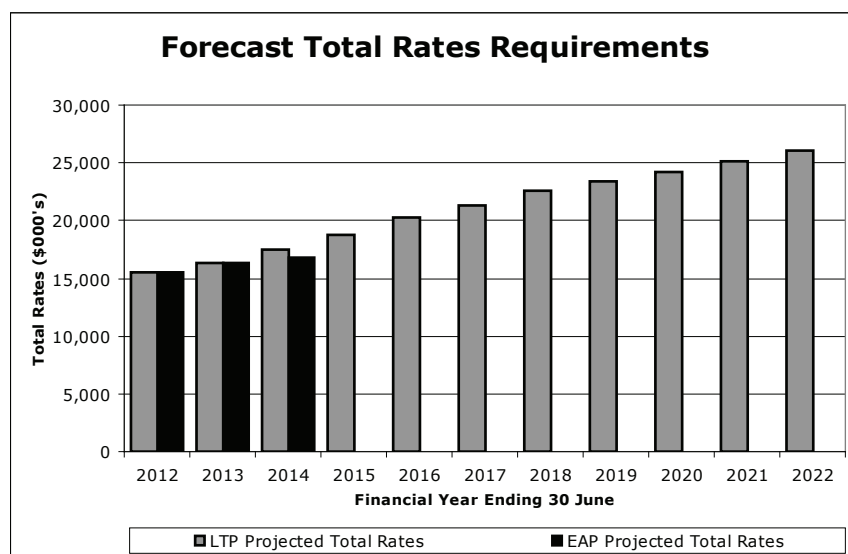
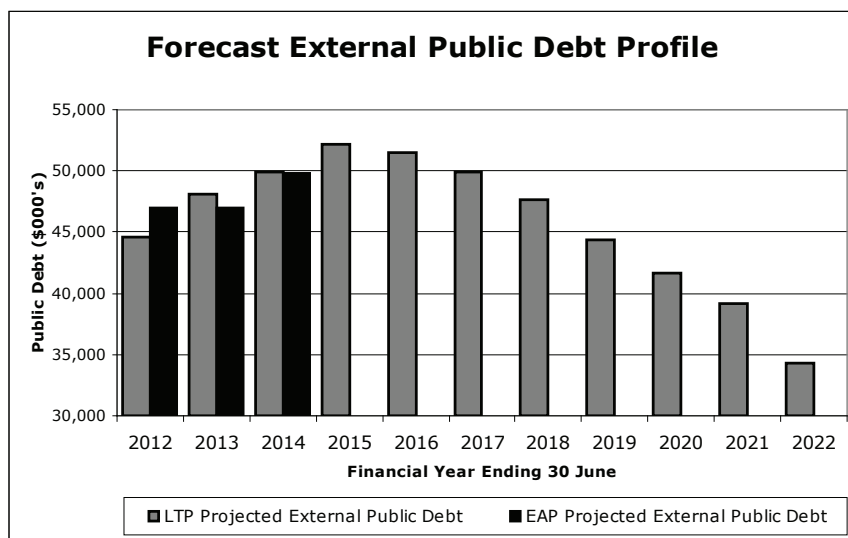
The increase in the internal loan funding (compared to the 2013/14 year in the LTP 2012-22) is largely driven by the change in the timing of the Capital Expenditure Programme. A further driver is the staged implementation of the restoration and revitalisation of the Te Kuiti Railway Buildings and the stormwater renewals in Te Kuiti. Neither of these latter projects were anticipated when the LTP 2012-22 was adopted.

It needs to be noted however that an increase in internal loans does not necessarily mean that external public debt will increase as well. This happens when Council has adequate reserves and can meet its internal debt obligations through its existing banking facilities.

In fact for the 2013/14 financial year the overall public debt profile remains below that provided for in year two (i.e. 2013/14) of the Long Term Plan 2012-22.

Further details on the 2013/14 capital expenditure programme and public debt are shown in Section C of this document.

The following graphs summarise the impact of the EAP 2013/14.



## What will it cost?

The overall increase in rates requirement for 2013/14 is \$528,099 (excl GST) which constitutes an average 3.2% increase over the current year. It is important to note that the rates changes for individual properties can be above or below this average increase.

During the preparation of the 2013/14 budgets Council identified savings in a number of activities e.g. favourable interest rates and insurance premiums and reduced compliance costs associated with the Emissions Trading Scheme (ETS) among others. Those savings also included delaying two key projects (the review of the District Plan and the introduction of a District Economic Development Board) until the 2014/15 financial year, pending the outcome of legislative changes and work being undertaken by the Waikato Mayoral Forum around economic and environmental planning on a regional basis.

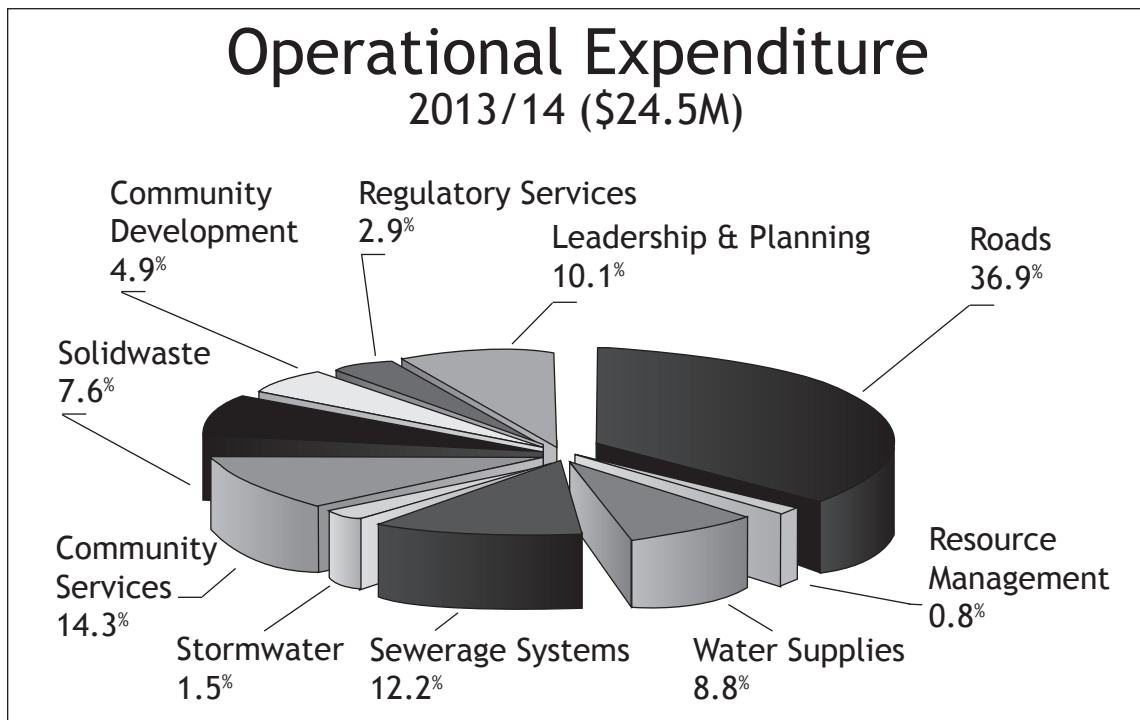
Despite these savings the key influencers to the 3.2% increase in rates requirement are:

- Increase in expenditure in the Roads and Footpaths Activity, which contributes to approximately 72% of the proposed rate increase (as planned for in the LTP 2012-22).
- Additional operating expenditure for the Te Kuiti Wastewater Treatment Plant.
- Additional operating expenditure for the Mokau Water Supply.
- Increase in funding for Civil Defence as a result of changes in regional Emergency Management requirements.
- Reinstate funding for Sport Waikato to maintain existing levels of service.

Commentary on material variances in the different activities between the 2013/14 budgets and year two (2013/14) of the LTP 2012-22 is provided in the relevant Cost of Service Statements in Section B of this Plan.

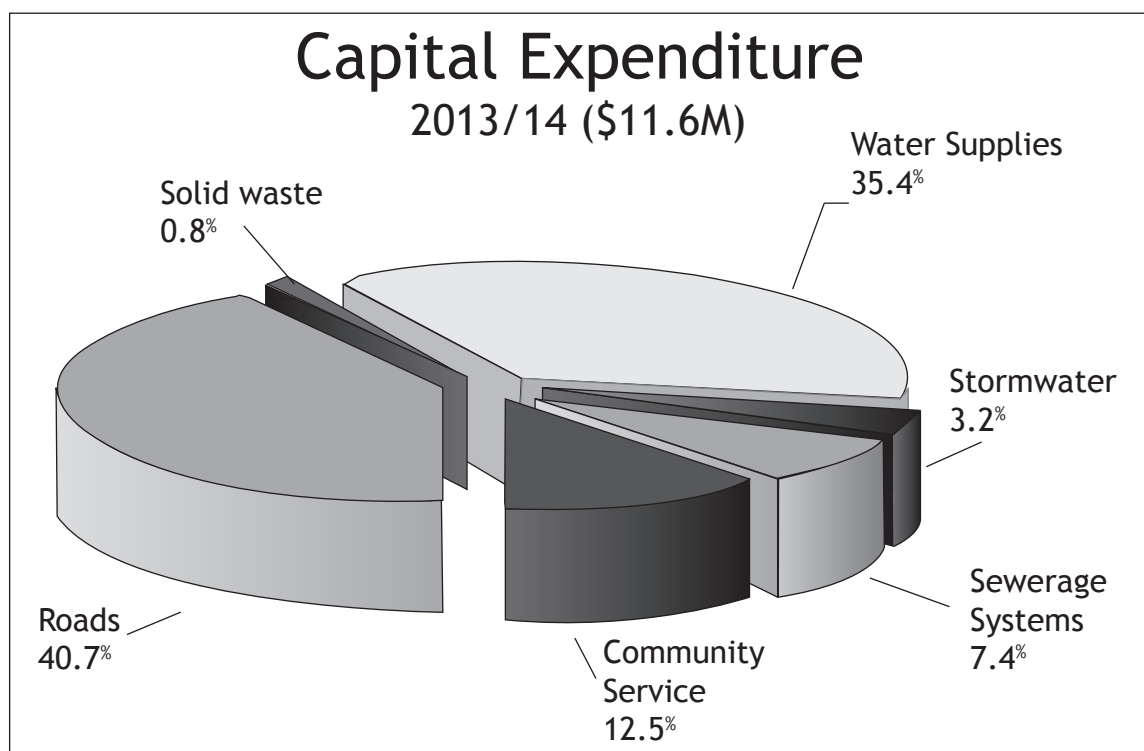


The total operational expenditure for 2013/14 of **\$24.5 million** will be spent in providing the following services and activities:



The total capital expenditure for 2013/14 is **\$11.6 million** of which 41% will be spent on maintaining and upgrading the 1,012 kms of roading network in the District.

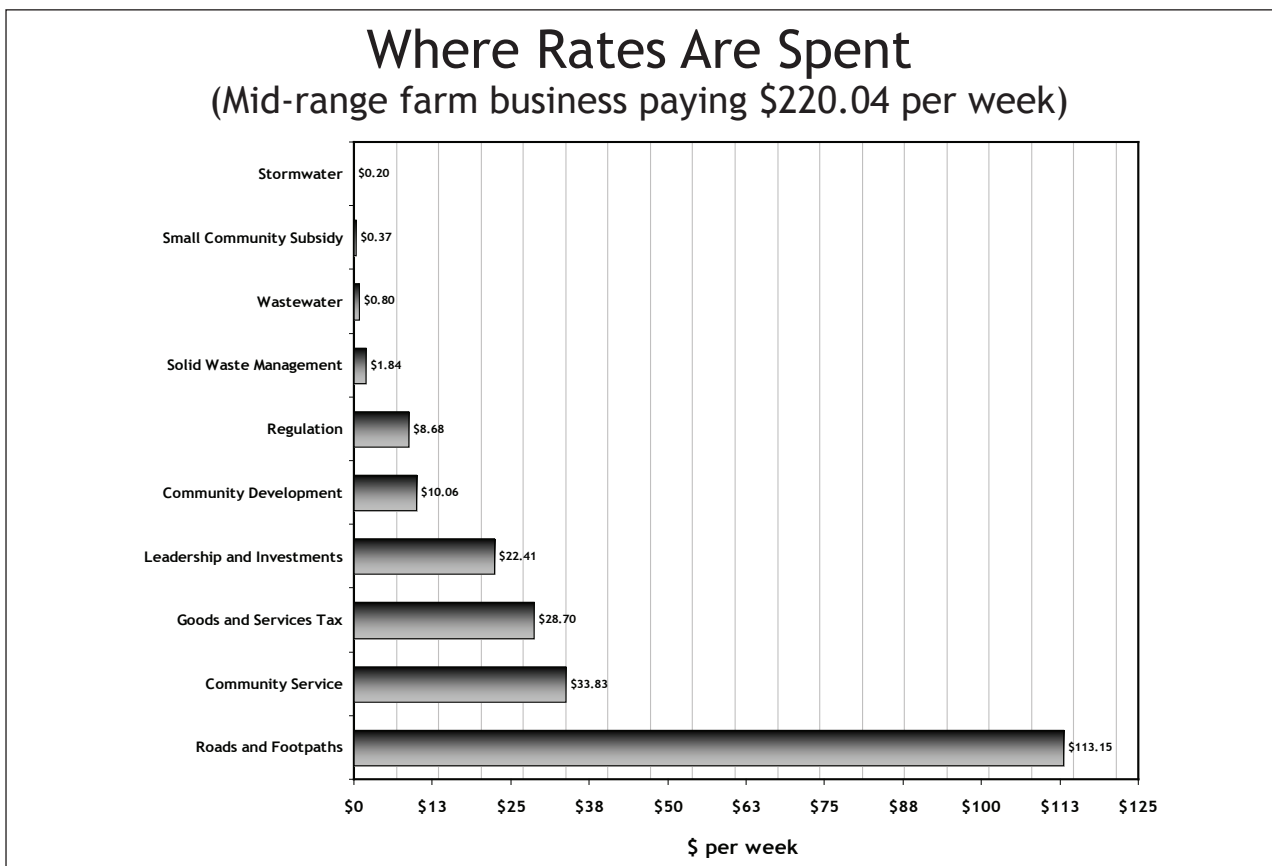
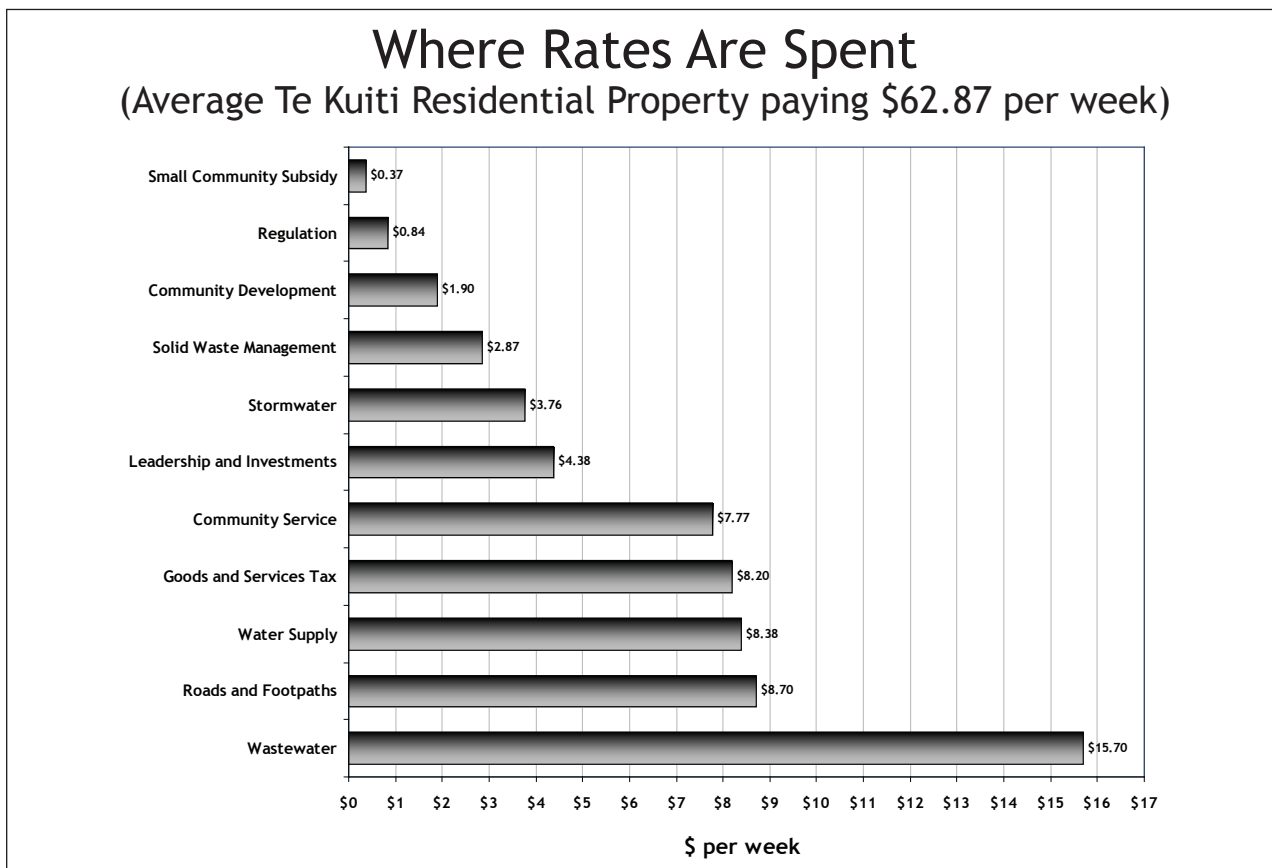
Upgrades of the water supply systems at Mokau and Te Kuiti and of the sewerage systems at Benneydale, Piopio and Te Kuiti comprise 43% of the capital programme.



# 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 type of rates charged are contained in the Funding Impact Statement in Section C of this document.

The following provides a summary of where rates are spent on a weekly basis using indicative residential and rural properties.



# Funding Sources

The financial requirements of Council are met through various funding sources and their use for different activities is described in Council's Revenue and Financing Policy which can be viewed online at [www.waitomo.govt.nz](http://www.waitomo.govt.nz)

Details on the different types of rates charged are contained in the Funding Impact Statement (Section C).

The following graph shows the various funding sources for 2013/14.

