

Waitomo District Council

Exceptions Annual Plan 2010-2011

*Incorporating Amendments to the Waitomo District Council
2009-2019 Long Term Plan*



Waitomo
District Council

www.waitomo.govt.nz

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1. Introduction



Marokopa Falls, Waitomo

1.1 Message from the Mayor and Chief Executive

We are pleased to introduce the 2010/11 Exceptions Annual Plan (EAP) for your information.

This EAP reflects the work carried out by your Council to implement a strategy that recognises the need to strike the right balance between the needs for prudent and sustainable financial management, rates affordability and an overall contribution to community wellbeing through the delivery of services.

A key affordability project was undertaken as part of the development of this 2010/11 EAP. The project was a careful review of the Levels of Service provided through the roading network and funded by the Land Transport (Roading Activity). The aim of the project was to reduce the spend in the Land Transport (Roading Activity) without compromising Financial Sustainability while at the same time supporting the drive to achieve Rates Affordability. That work has now been completed and the revised financial forecasts have been included in this EAP.

The question of how to best achieve rates affordability has been top of mind for WDC's elected members and staff. As an organisation, WDC has continued to strive to put its 'we're working harder to do it better' focus into practical effect. Last year Council reviewed its rates information database (RID) to make sure that it was accurate and fairly reflected the rates liability for each of the properties in the Waitomo District. The goal was to ensure that the RID was as accurate as possible and as a result ensure that the rates liability was shared as fairly as possible.

That process has now been worked through and the associated rating policies applied for a full rating year (2009/10). Council has further evaluated that work and explored the impacts of the rating policies. The outcome is that some small changes have been made to the existing policy which results in a reduction in rates for most Te Kuiti commercial and industrial properties for the 2010/11 financial year. The change recognises that those types of Te Kuiti properties are not occupied or used on a 24/7 basis. The way waste water rates are applied to commercial and industrial properties has been modified to reflect that fact.

We have slowed the "catch up" of substituting rates funding for borrowing to fund the roads account. This year we intend to increase the catch up rate to \$1.2 million dollars, \$600,000 less than our LTP forecast. Despite this \$1.2 million we are increasing rates by only 4.4% compared to the 16.8% forecast in the LTP. This has been made possible by carrying out a careful review of our roads spending against the background of a contractual opportunity to vary the form of our roads maintenance contract. This variation, plus a recalculation of the amount rated for roads depreciation has enabled us to make a saving of \$800,000 in roads, our largest centre of expense.

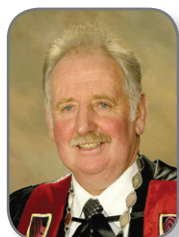
Refuse rates are reduced this year because of an increase in revenue from out of district refuse being processed through the Waitomo District Landfill. Recycling is well supported by residents in the Community; this is evident by the correct use of the new recycling containers provided to Households in 2009 through the Kerbside Refuse and Recycling Service.

Inframax is in rebuilding mode and is not expected to provide any dividend for Council this year and like all construction companies is operating on very low profit margins on all work it wins.

Progress on the major capital upgrade to the Te Kuiti wastewater disposal system is progressing at a slower rate than anticipated as we work through options with both of the trade waste providers and continue to seek financial assistance from Central Government to help meet the costs involved in the upgrade.

The Piopio waste water system upgrade is also delayed by an appeal against the granting of the resource consent to Council. This has placed the Council in the position of having to defend the community's position in the Environment Court. The delays in both towns have taken some pressure off the rates requirement.

The Exceptions Annual Plan represents a very simple proposition. The key message is that Council has done what it said it was going to do in the 2009-19 LTP and undertaken a Financial Sustainability and Rates Affordability review. The outcomes of that review are presented in the EAP with an overall increase in rate income of 4.4% in the 2010/11 financial year as opposed to the 16.8% forecast by the 2009/19 LTP.



MARK AMMON
MAYOR



CHRIS RYAN
CHIEF EXECUTIVE

1.2 At a glance

1.2.1 Introduction

The 2010/11 Exceptions Annual Plan represents the second instalment of Council's 2009-2019 Long Term Plan. The focus of the Exceptions Annual Plan (EAP) is on the programme and budgets forecast by the 2009-19 Long Term Plan for the 2010/11 financial year. By its very nature the EAP focuses on the detail of any variations and/or amendments to what was forecast in the Long Term Plan.

Section Two of this EAP provides a commentary on the key focus of each Significant Activity for the 2010/11 financial year and also outlines any variations to the 2009-19 Long Term Plan.

Section Three of this EAP outlines Council's forecast financial performance and position for the 2010/11 financial year. Section 3.11 provides the Funding Impact Statement for the 2010/11 financial year. The Funding Impact Statement provides a summary of Council's funding sources as well as the rate requirement for the 2010/11 financial year. It is important to note that the Funding Impact Statement for the 2010/11 financial year has been developed on a 'plus Goods and Services Tax (GST) at the prevailing rate basis.' The Funding Impact Statement has been developed on this basis to avoid any confusion created by the change in the rate of GST from 12.5% to 15% as at 1 October 2010. An explanation of the effect of Change in GST Rate on rates invoices for the 2010/11 financial year, can be found on page 68 of this EAP.

This section highlights the material variations to the 2009-19 Long Term Plan that are contained in this EAP.

1.2.2 Strategic Issues

Strategic Review – Financial Sustainability and Forecast Rates Affordability

Land Transport

Council, in the 2009-19 Long Term Plan set out its commitment to a core strategy based on the interconnected and interdependent components of; prudent financial management, affordability (ratepayers' ability to pay) and community wellbeing. Those components were identified and resolved by Council as fundamental to the development of the 2009-19 Long Term Plan in October 2008 as a result of dialogue with the community during the development of the 2007/08 and 2008/09 Annual Plan processes and relevant Customer Satisfaction Surveys. The various financial forecasts contained in Council's 2009-19 LTP are founded on that core strategy.

Further the 2009-19 LTP established a key project, scheduled for completion in advance of this 2010/11 EAP process, to undertake a review of the Levels of Service provided via the Land Transport (Roading Activity) with a view to decrease costs in support of Financial Sustainability and Forecast Rates Affordability.

That work was completed in November 2009 and the outcomes are included in this 2010/11 EAP. In short, the review work has resulted in reductions in Roading Expenditure of approximately \$800,000. The cost reductions are primarily in the area of renewal expenditure and are considered to be sustainable in the short to medium term without any significant impact on service levels.

The 2009-19 LTP proposed the full funding of local share of renewal capital expenditure out of depreciation reserves. However as explained above Council's renewal programme has been reduced in the medium term in the interests of Financial Sustainability and Rates Affordability. As a result if Council were to fully fund depreciation for the Subsidised Land Transport Activity it would be generating depreciation funds that it could not deploy in the same financial year. Therefore this EAP provides for an exception to the Balanced Budget Requirement of the Local Government Act 2002 in that Council has decided not to fully fund depreciation in the Land Transport Activity (subsidised roads) for the 2010/11 financial year. The amount of depreciation not to be funded is approximately \$368,000. To fully fund this depreciation would undermine the work undertaken by Council in the Financial Sustainability and Rates Affordability Review.

Further to the initiative to draw back on expenditure in the Roading Activity, Council have also decided through this EAP to recast its strategy of substituting rate funding for that of borrowing for Roading Operating Expenditure. The 2009-19 LTP forecasts provided for 2010/11 to be the final year of borrowing for operating expenditure in the Roading Activity. To achieve that end rate funding for the Roading Activity was forecast to increase by over \$1,000,000 in the 2010/11 financial year. Council has reconsidered this strategy in the light of affordability and has extended that strategy by one more year. This 2010/11 EAP provides that the increase in rate funding for the Roading Activity be reduced to just under \$600,000 for the 2010/11 financial year and that the full funding of the Roading Activity from operating revenue be deferred until the 2012/13 financial year.

Combined these initiatives (cost reduction and recast of roading 'catch-up funding') reduce the overall rate requirement by approximately \$1,400,000 (or 10%) when compared to the forecasts contained in the 2009-19 LTP for the coming financial year.

Te Kuiti Wastewater

The upgrade of the Te Kuiti Wastewater Treatment Plan continues to be strategically important to both the Council and the Community. Council has undertaken a review of the proposed level and timing of investment in the upgrade to the Te Kuiti Wastewater Treatment Plant (TKWWTP).

There are a range of factors frustrating progress with this very important initiative. There are a range of stakeholders (Ministry of Health, Environment Waikato, Industry, Iwi, the wider community) involved, all with their own process considerations. Unfortunately those process considerations will not and do not dovetail nicely with Council's 2010/11 EAP process.

A critical factor in determining the level of investment required is the nature of waste to be received by the TKWWTP in to the future. The volume and strength of Trade Waste is of particular relevance. To date Council has been basing its financial forecasts on the assumption that it will accept industrial strength Trade Waste and the forecast design, level of investment and Trade Waste Revenue from industrial users have all reflected that assumption.

This 2010/11 EAP provides for an alternative strategy based on minimising risk for Council and the wider community. It proposes that over time only waste treated to an agreed strength or standard (yet to be decided) will be accepted to the TKWWTP. This strategy ensures that enough resource is provided in the 2010/11 financial year to allow Council to continue to take an active and central role in working through the complex range of issues with the various stakeholders. Funds are also made available to undertake those elements of the upgrade that are required to enhance the treatment process irrespective of the level of Trade Waste Discharge. This minimizes risk in the short term for the Council and the wider Community in two key ways. Firstly the level of investment required in terms of the physical upgrade in the near term is much reduced. The forecast capital expenditure of \$8,400,000 in the 2009-19 Long Term Plan is now forecast to be approximately \$5,200,000 in this 2010/11 EAP. That has a positive flow on affect for the level of Public Debt required in both the short and medium term and the associated debt servicing cost. Secondly and most importantly this strategy is more resilient and risk averse in that there is much less reliance on Trade Waste Revenue from industrial users. The upgrade strategy contained in the 2009-19 Long Term Plan relies on an ongoing contribution to future operating costs from industrial users of Council's Wastewater Network. If for some reason that revenue stream was not available in the future the cost of the upgrade would fall to the wider community. Designing a treatment process to a standard that over time will only accept waste of an agreed standard not only reduces the level of investment required but also results in a sustainable and affordable solution in the absence of the demand or need for the ability to treat industrial waste. Importantly for Industry however is that this strategy results in a need for on-site solutions for the treatment of industrial trade waste.

The table below provides a summary of the forecast level of investment in the upgrade of the Te Kuiti Wastewater Treatment Plant over the next few years:

Te Kuiti Sewerage Capital Expenditure	EAP 2010/11 \$000's	EAP 2011/12 \$000's	LTP 2012/13 \$000's	Total Capital Expenditure \$000's
Forecast Capital Expenditure				
Pump stations, pipe work and related instrumentation and controls.	1,200			1,200
UV Disinfection filter and filtration units, pipe work and related instrumentation and controls.		2,400		2,400
Aeration system, pipe work and related instrumentation and controls.			1,300	1,300
Replacement of obsolete electricals.	300			300
Total Capital Expenditure	1,500	2,400	1,300	5,200

It is important to note that this variation to the Long Term Plan is not considered to be the end of the upgrade to the Te Kuiti Waste Water Treatment Plant. The proposal represents Council's best estimate of what can be achieved over the next few years. It in no way represents a total solution for the next 20 to 30 years. Environmental wellbeing is and will continue to be a key consideration at all levels of Government. It is envisaged that there will be continued upward pressure on environmental standards and such pressure will have implications for waste water treatment processes over time. The continued upward pressure on environmental standards combined with the fact that large industrial users of Council's waste water network will need time to consider and develop on-site treatment options means that further investment in the Te Kuiti Waste Water Treatment Plant will be required beyond 2010/11. This will be a matter for further consideration when the 2009-19 Long Term Plan is reviewed in 2011/12.

Also important is the fact that this 2010/11 EAP takes a very conservative view in regard to the funding of the upgrade to the Te Kuiti Waste Water Treatment Plant. The forecasts contained in this 2010/11 EAP do not provide for any subsidy funding from the Ministry of Health (MoH). This however is a worst case scenario. As above Council is working very closely with all stakeholders including the MoH. Application for funding assistance has been made to MoH and Council will continue to work through the eligibility process with a view to secure subsidy assistance and further minimise the financial impact for the Community.

Further to the above Council considers it important that risk is not only minimised but also shared between the wider Community and Industry in a fair and equitable manner. Council understand that simply turning its back on those industries (in particular the meat processing industry) that generate Trade Waste is not in itself a solution as those industries play an important part in the Community. The very nature of their presence means that they contribute to economic and social well-being. They do that by virtue of the fact that they employ a large number of local people and there are a range of positive downstream impacts for the Community as a result. There is an economic benefit in that the related employment results in economic activity with people living locally and investing in the local property market, sending their children to local schools and spending their earnings within the local economy. Social benefits also accrue with families becoming integrated within the local community, joining clubs and societies and reduced crime.

As a result Council has changed its Revenue and Financing Policy in support of its strategic goals for Community Development. The change is designed to recognise the Economic and Social gains that exist from having good Corporate Citizens operating within the local community and reflects that those Economic and Social benefits are public in nature and therefore enjoyed by all in the community. The change to the Revenue and Financing Policy is summarised below under 1.2.3 Policy Issues (Amendments to the 2009-19 LTP) and provided for in detail in the Revenue and Financing Policy in section four of this 2010/11 EAP.

The change in timing and reduced level of investment in the upgrade of the TKWWTP results in a reduction in the overall rate requirement of approximately \$471,000 (or 3.4%) when compared to the forecasts contained in the 2009-19 LTP for the 2010/11 financial year.

Piopio Wastewater

The construction of a Wastewater Treatment Plant for the Piopio Community continues to be a frustration for Council. This long standing project which is strategically important for both Community and environment wellbeing is being held up for reasons largely outside of Council's control, primarily the fact that the Resource Consent for Discharge has been appealed by local Iwi and now awaits Environment Court Hearing. However, in the interim costs have been and continue to be incurred which must be funded. The challenge however is to ensure that costs are minimised and that ratepayers within the catchment of the proposed Piopio Wastewater Network are only funding legitimate costs incurred to date and no more than necessary until the network and treatment plant are fully commissioned and operational.

At this stage Council has not been given notice as to when the Environment Court Hearing will be held. Conservatively Council does not expect a decision on the appeal until December 2010. In anticipation of a positive outcome from the Environment Court process this 2010/11 EAP provides for physical completion of the project during the 2010/11 financial year. Physical works remaining to be completed include:

- Construction of a Treatment Plant,
- Constructions of an outfall structure,
- Installation of separator tanks and physical connection to reticulation.

On that basis this 2010/11 EAP assumes that the Piopio Wastewater Network will not be commissioned and fully operational until the 2011/12 financial year. This represents an exception to the 2009-19 Long Term Plan as it assumed construction would be complete in the 2009/10 financial year and as a result provided for part operation in 2009/10 and full operation in 2010/11.

The result is a decrease in operating costs of \$61,000 for the 2010/11 financial year when compared to the forecasts contained in the 2009-19 LTP for the 2009/10 financial year.

Investment Activity

A further strategic issue is in relation to a revised forecast of the possible financial performance of Council's Investment Portfolio for the period to 30th June 2010 and the possible impact of those outcomes on the need for an equity investment in the near term given the current difficult economic environment. Preliminary consideration has been given to a range of issues thrown up by the revised forecast and guidance received. As a result Council are proposing to divest some of the current value held in the equity investment. This essentially represents an initiative to divest a share of Council's Investment Portfolio to a like minded strategic investor and is further discussed under 'Investment Activity' in section two of this document.

Council is of the view that the initiative to divest a share of its investment portfolio does not constitute an amendment to the 2009-19 LTP. Council does acknowledge that any firm proposal to divest a material share of its investment portfolio may trigger the need for an amendment to the 2009-19 LTP in the future. The Exceptions Annual Plan and the 2009-19 LTP provide for very moderate returns from the investment portfolio for the 2011 and 2012 fiscal years with investment returns, returning to historical levels in 2013. For that reason Council intend to re-visit this issue as part of the development of the 2012-22 LTP. Details of any divestment (in part or full) will be better understood by that time.

1.2.3 Policy Issues (Amendments to the 2009-19 LTP)

Revenue and Financing Policy

All local authorities are required to adopt a Revenue and Financing Policy. The Revenue and Financing Policy provides details of Council's policies in respect of funding operating and capital expenditure, including how the Policy was developed and the sources to be used to fund the different activities. Total funding comprises a funding mix of rates, fees and charges, debt, Central Government subsidies and other income.

Council adopted its first Revenue and Financing Policy in 2003 and completed a comprehensive review of the policy as part of the 2008/09 Annual Plan.

Further refinements to the policy were made through the 2009-19 Long Term Plan. These related to the method of funding the Solid Waste Management Activity, introduction of a roading special levy to separately identify the component of rates funding now being used to substitute the past use of loan funding of road operating and maintenance expenditure, introduction of trade waste charges on a full cost recovery basis over a 10-year transition period, and application of UAGC over separately used or inhabited parts (SUIPs).

Basis of Uniform Annual General Charge (UAGC) Set

This section of the amendment contained in this 2010/11 EAP is of an operational nature. It introduces a consistent application of all rate types assessed on the basis of a SUIP (UAGC, Targeted Services Rates, Stormwater Rate, and Solid Waste Management Rate). It takes the operational concern (being the application and interpretation of SUIP's as it relates to Council's Rating Information Database) out of the body of the Revenue and Financing Policy and attaches it as an appendix to the Policy.

Funding of Te Kuiti Wastewater

This amendment to the Revenue and Financing Policy recognises the fact that Commercial Properties connected or able to be connected to the Te Kuiti Wastewater Network generally generate less wastewater than a typical residential property due to the absence of use of washing machines, dish washing etc and due to the fact that most of these properties only operate within normal business hours. The previous Revenue and Financing Policy recognised that by applying a 'sliding scale' of charges based on the number of pans utilised over and above the first three. The first three pans however have historically been charged a base Targeted Uniform Annual Charge the same as one connected residential property. This was not considered fair and equitable due to the reasons explained above so the amendment ensures that the same sliding scale be applied to the base charge for the first three pans in any commercial property.

A further amendment to the Funding of Te Kuiti Wastewater recognises the Economic and Social good derived from having comparatively large meat processing companies (namely Te Kuiti Meats Limited and Universal Beef Packers) as users of the Te Kuiti Waste Water Network within the community. This policy amendment aligns the Revenue and Financing Policy with Council's Strategic Goals for Community Development by recognising the contribution these major employers make to Economic and Social Well-being whilst at the same time sharing the investment risk associated with the required upgrade to the Te Kuiti Waste Water Treatment Plant.

Historically the existing Revenue and Financing Policy called for a transition to a full Fees and Charges regime (under Council's Trade Waste Bylaw) for these large industrial users over a four year period, which started in the 2008/09 financial year. This amendment results in (in recognition of the Economic and Social benefits attached to such large employers operating in the community) the transition to Full Fees and Charges ending in the 2010/11 financial year (80% of full cost recovery) and the remaining 20% being funded by the wider community by way of Targeted Uniform Annual Charge (TUAC). The funding of the public good component by way of TUAC on every rateable property in the District will be implemented in the 2010/11 financial year. The policy to cap Trade Waste Charges at 80% of full cost recovery is dependant on Te Kuiti Meats Limited and Universal Beef Packers (by 30 June 2011) providing a demonstrable commitment to an agreed level of on-site treatment of their Trade Waste prior to releasing it to the Te Kuiti Waste Water Reticulation Network.

Policy on Remission of Rates including Rates Remissions and Postponements of Maori Land

The Local Government Act 2002 (LGA) requires councils to have a policy on the remission and postponement of rates on Maori freehold land. The LGA also enables Council to have a rates remission and/or rates postponement policy.

Council's 2009-19 Long Term Plan contains a Policy on Remission of Rates including Rates Remissions and Postponements of Maori land. The Policy outlines the objectives to be achieved by the remission/postponement of rates and the conditions and criteria to be met in order for rates to be remitted or postponed.

The 2010/11 EAP amends that policy by:

- introducing a new policy for ratepayer situations involving extreme financial hardship
- extending the criteria for remission of the Uniform Annual General Charge (UAGC) where two or more rating units are held in common ownership to other rating types levied on the same basis as the UAGC (Targeted Services Rates, Stormwater Rate, Solid Waste Management Rate, etc)
- clarifying the application date for remission of rates on qualifying Maori Freehold Land by removing the current requirement for application to be made "in the prior year".
- enabling staff to identify and give effect to rates remissions on undeveloped and unoccupied Maori Freehold Land on behalf of absentee owners.

1.2.4 Financial Forecasts

Provided below is the Summary Cost of Service Statement for all Significant Activities for the 2010/11 EAP. The Summary Cost of Service Statement provides for a decrease in Rate Revenue of \$1,715,000 when compared to the 2009-19 LTP. This is largely a result of the Financial Sustainability and Rates Affordability Review work undertaken by Council last year and a reflection of a drive to keep costs down across Council Activities in general. The proposed \$14,452,000 in total rates revenue for 2010/11 financial year represents a 4.4% increase over the current years total rate requirement.

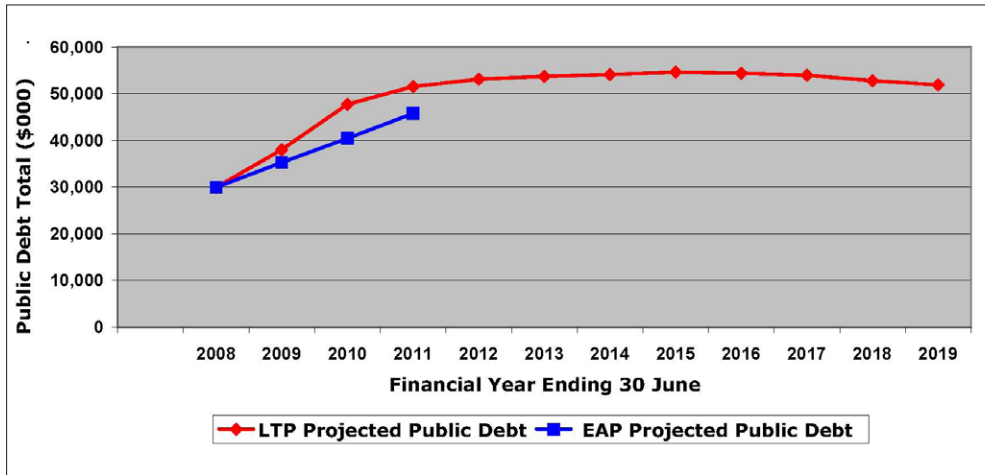
LTP 2009/10 \$000's	Cost of Service Statement for All Council	LTP 2010/11 \$000's	EAP 2010/11 \$000's	Variance to LTP
(10,982)	Total Operating Income	(11,218)	(12,516)	(1,298)
21,453	Total Operating Expenditure	23,426	22,807	(619)
10,471	Net Operating Cost/ (Surplus)	12,208	10,291	(1,917)
16,211	Total Capital Expenditure	11,511	13,199	1,688
26,682	Total Expenditure	23,719	23,490	(229)
	Funded By			
(10,574)	Loans	(4,820)	(6,387)	(1,567)
(2,267)	Reserves	(2,732)	(2,651)	81
(13,841)	General Rates/UAGC and service charges	(16,167)	(14,452)	1,715
(26,682)	Total Funding	(23,719)	(23,490)	229

- Overall trends include an increase in Total Operating Revenue and a decrease in Total Operating Cost resulting in a decrease in Net Operating Cost when compared to the 2010/11 forecast in the 2009-19 LTP.
- There is an increase in capital expenditure when compared to the 2010/11 forecast in the 2009-19 LTP. The main reason for this is the altered timing of and level of investment in the Te Kuiti Waste Water Treatment Plant.
- The forecast increase in loan funding when compared to the 2010/11 forecast in the 2009-19 LTP is largely driven by the change in Capital Expenditure Programme. Certain projects planned for construction in the 2009/10 financial year have been deferred until the 2010/11 financial year. The most significant issue being the change in timing of the investment in upgrading the TKWWTP. This has resulted in forecast borrowings in the 2009/10 financial year not being required as the construction works have not gone ahead. The

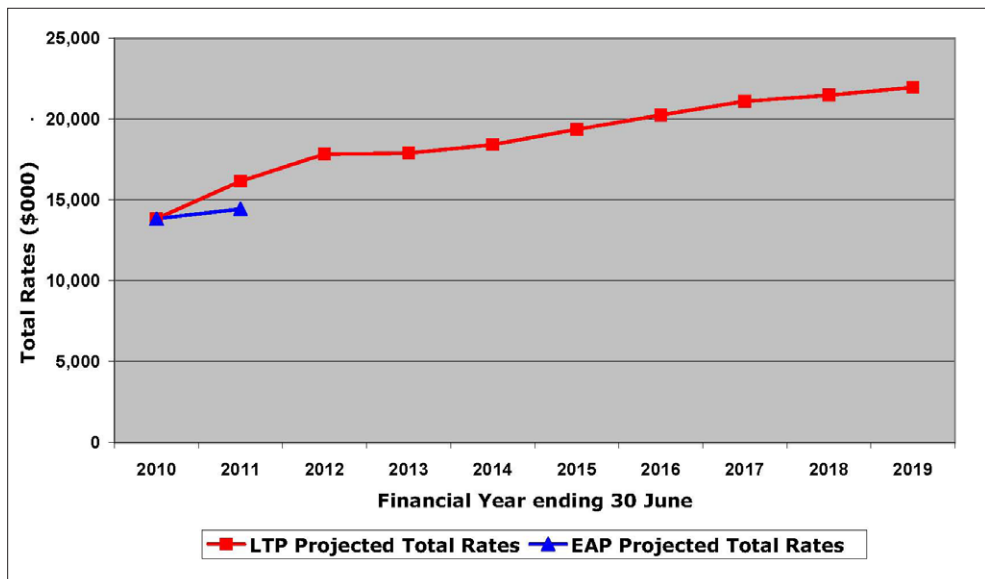
projects and therefore the loan funding is now forecast for the 2010/11 financial year. A further driver is the decision to extend the 'rates catch up funding' for the Land Transport Activity as provided for in the Financial Sustainability and Rates Affordability Review.

The following two graphs, summarise for Council the impact of the 2010/11 EAP (including the outcomes of the Financial Sustainability and Rates Affordability Review) in the context of two key indicators of Financial Sustainability and Affordability, those being public debt levels and rate revenue.

Forecast Public Debt Profile



Forecast Total Rates Requirement



The table below reconciles (in a rates funding sense) the key changes to the 2009-19 Long Term Plan for the 2010/11 financial year as a result of this 2010/11 EAP.

Reconciliation of Changes in Forecast Rates Revenue	Forecast Rates Increase \$000's	Percentage Increase
Forecast, Rates Increase for 2010/11: (as proposed in 2009-19 LTP)	2,324	16.8%
Less (exceptions in the 2010/11 EAP):		
• Sewerage (Cost reductions resulting from review of scale and timing of investment in Te Kuiti Waste Water Treatment Plant).	(471)	(3.4%)
• Land Transport (Cost Reduction as a result of Financial Sustainability and Rates Affordability Review).	(804)	(5.8%)
• Land Transport (Re-cast of Catch Funding as a result of Financial Sustainability and Rates Affordability Review).	(600)	(4.3%)
• Solid Waste Management (Increased Revenue and efficiencies as a result of implementation of Solid Waste Management Plan and direct Management of Waitomo District Landfill).	(201)	(1.5%)
• Others (Minor adjustments across other Significant Activities, mainly inflationary).	360	2.6%
Resulting Rates Increase EAP	609	4.4%

This information demonstrates the outcomes of the Financial Sustainability and Rates Affordability Review process are reflected in this 2010/11 EAP. As above, the savings in the Roding Activity, the recast rate funding 'catchup' combined with the recast investment in Te Kuiti Wastewater Treatment Plant have assisted in reducing the forecast rate revenue.

Further to the reduction in Rate Revenue a similar trend is evident with Public Debt. The new timing and level of investment in the upgrade of the Te Kuiti Wastewater Treatment Plant has allowed 'headroom' within Council's total borrowing to enable the ré-cast of the rates catch-up funding in the Land Transport Activity.

The deferral of the rates catch-up funding of operating expenditure in the Land Transport Activity results in an additional \$600,000 to be borrowed in 2010/11 for the funding of operating expenditure compared with the 2009-19 Long Term Plan. However this is partially offset by a reduction in the Land Transport Improvement Programme originally proposed to be funded from borrowings of \$150,000.

Overall the public debt profile remains below that provided for in the 2009-19 Long Term Plan. Further detailed commentary on the exceptions or variations to the 2009-19 Long Term Plan are provided in Section Two of this 2010/11 EAP.

1.3 Audit Review Process

This 2010/11 Exceptions Annual Plan including the proposed amendments to the 2009-19 Long Term Plan was developed in accordance with the relevant sections of Local Government 2002. The draft Exceptions Annual Plan contained the following proposed amendments to the 2009-19 Long Term Plan:

- Revenue and Financing Policy
- Policy on remission of Rates including Remission and Postponements of Rates on Maori Land.

As the draft Exceptions Annual Plan made available for consultation from 07 April to 07 May 2010 included proposed amendments to the 2009-19 Long Term Plan, it had to contain a report from Council's Auditor on behalf of the Office of the Auditor General. Provided below is an extract from that report:

"Overall Opinion

In our opinion, the information within the Statement of Proposal on pages 6 to 7 and 97 to 164, dated 30 March 2010 about the proposed amendment to the LTCCP and any consequential amendments to the LTCCP that will be required if it is amended in the manner proposed, is fairly presented and the District Council has complied with the applicable requirements of the Act in preparing the Statement of Proposal....

Opinion on Specific Matters Required by the Act

In terms of our obligation to report on the matters required by the Act, as it applies to the proposed amendment to the LTCCP, in our view:

- *The District Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment;*
- *The underlying information and assumptions used to prepare the Statement of Proposal provide a reasonable and supportable basis for the preparation of the forecast information;*
- *The extent to which the forecast information and proposed performance measures within the Statement of Proposal provide an appropriate framework for the meaningful assessment of the actual levels of service provision reflects good practice for a Council of its size and scale within the context of its environment."*

The final 2010/11 Exceptions Annual Plan has been subject to a further 'Health Check' by Council's auditors prior to adoption and publication. There is no need or requirement for a written report from Council's Auditors to be included in the final Exceptions Annual Plan.