



DIRECTION SETTING

Review the past to plan the future

The previous plan was prepared in the context of the emerging global financial crisis although, at the time, it was not predicted to be as significant for New Zealand, and therefore Rotorua, and was certainly not expected to endure for the period it has.

It is pleasing to note that even in the tough economic times of 2010 and 2011 Council achieved the majority of targets set. Much of the Corporate and Customer Services Group, Economic and Regulatory Services Group and Infrastructure Services Group outcomes were achieved. The three major areas not reached were:

- Lack of growth in revenue from Rotorua International Airport through lease payments and the Airport Development Levy. This was entirely due to the decline in passenger numbers and a lack of growth in frequency of trans-Tasman scheduled services. In addition, Council had assumed a third party investment in the airport would reduce the debt and the overall interest requirement on the remaining debt by approximately \$1 million per annum.
- Little to no uptake of the Grow Rotorua Development Fund. Likely reasons for the fund's lack of success included: not promoted to a wide enough audience of appropriate investors; Council's preference for equity and debt financing as opposed to a grant; the global financial crisis (GFC), and reduced ability of investors to find matched financing. As a result of this only one project has been funded.
- A range of capital projects rescheduled and delayed. Most significant of these has been delays in the lakefront development. funding had been included in the last Ten Year Plan to redevelop the pier.

DISTRICT VISION

Rotorua:
Living the dream - world class in every way

During 2010 a process was used to identify a vision for the district, championed by the Rotorua Business Leaders Group (an informal group of business leaders fully committed to doing what is required to grow and build a successful economy for Rotorua) and Council.

Defining the three key themes

During development of Council's 2009-2019 Ten Year Plan three key themes emerged, each with a set of issues that impacted on Council's overall planning for the future and existing service provision. The 2009 themes identified were:

- Economic Growth: stimulating the local economy
- Sustainability: sustainable development approach to activities and services
- Affordability: holding rate increases to an affordable level over the ten years.

These themes have been tested again and largely remain appropriate drivers for planning. The three key themes help to deliver the Long-term Plan and to manage costs and revenue. The impacts and projects associated with them will influence the direction of Council's delivery of services and costs. This means that some activities the community would like to see Council undertake are not able to be achieved in the next three years but may become more likely toward the latter part of the Long-term Plan.

The three revised 2012 key themes are:

- Theme 1: Economic prosperity: council investment focused on contributing to the district's economic growth.
- Theme 2: Environmental improvements: a sustainable and targeted contribution to improving the district's natural and built environment.
- Theme 3: Continuous business improvement: a council that is focused on customer services with continuous productivity improvement.

Theme 1: Economic prosperity: investment focused on the district's economic growth

In order to be effective in achieving improved district prosperity, there must be a strategic focus on what drives our economy upwards. The strategic direction and development of objectives has come together in the Sustainable Rotorua Economic Growth Strategy.

Much of what Council does beyond direct involvement in economic development also contributes to the district's economic growth and development. In fact everything Council does makes a contribution to the district's wellbeing and therefore to its economic growth and development. Examples are:

- Millions of dollars spent every year on roading and road safety to ensure the network's sustainability for people to go about their business and personal lives, and for the transport of goods.
- Having quality infrastructure for management of water, wastewater and stormwater is vital to business growth and development.
- Excellent community facilities are important for attracting and retaining a quality workforce.
- An enabling regulatory environment with a focus on quality outcomes rather than simply process compliance makes the district attractive to new investment.

Other reasons for an increased focus on economic growth are:

- Council's investment in the Rotorua International Airport has been substantially higher than originally budgeted for in 2004. From 2006 to 2009 New Zealand's construction costs increased dramatically requiring budgets to be increased. Final project costs, whilst in line with construction budgets, were far in excess of the expected costs back in 2004. Since then the 2008 global financial crisis has had a detrimental affect on profitability of the airport with passenger numbers around 100,000 below pre-2008 numbers. As a result of these higher capital costs and lower revenue, Council believes it is unlikely that the airport will be self-funding for the period of this Long-term Plan and requires rates funding support (\$4 million per annum over the ten years of this Long-term Plan). A focus on economic growth can now therefore contribute to the airport's future financial sustainability.

- There are a number of key partnerships that Council is developing with a range of organisations including iwi, Scion, Rotorua Business Leaders Group, Upper North Island Strategic Alliance, Auckland and Bay of Plenty local authorities, and regional tourism organisations. These relationships and partnerships will assist in the growth of the Rotorua economy.
- The approach to cost control adopted by Council is similar to the current central government direction to remove barriers to growing the economy and at the same time improve productivity and reduce cost. This requires a careful balance between ensuring levels of service are maintained and ensuring capacity to drive economic growth.

When Rotorua achieves the targets outlined in the Rotorua Sustainable Economic Growth Strategy (over a five year period), there should be:

- 557 new businesses
- 2,761 more jobs
- 3,887 extra people in the district

Delivering Theme 1

Rotorua Sustainable Economic Growth Strategy

In September 2011, Council adopted the Rotorua Sustainable Economic Growth Strategy (the strategy) and in November 2011 agreed to consider the establishment of a council controlled organisation (CCO) as the preferred structure to drive implementation of the strategy. The CCO has now been adopted by council and \$850,000 included in the Economic Projects budget to fund establishment and operation of this entity in 2012/13.

The strategy has a very clear aim of lifting the reputation of Rotorua as a leader in the forestry and wood processing, tourism, geothermal and agricultural sectors, and to be recognised as a preferred lifestyle destination, as an attractive and easy place to invest and do business in, and as a district with an enabling regulatory environment. This direction is designed to contribute to the realisation of the district vision of 'Rotorua: Living the dream – world class in every way.'

The Rotorua Sustainable Economic Growth Strategy has a number of strategy areas directly related to Council. A generic strategy area, 'A go ahead District Council with a business friendly and can do attitude' is evidenced as follows:

Generic strategy area	Instrument/activity	Targeted Outcomes
a) Development of district infrastructure to support growth	Development of infrastructure (e.g. roading and IT network) to support economic growth initiatives including wider regional infrastructure linkages.	Built infrastructure (e.g. roading, water, sewerage, information technology, and other utilities) to support growth.
b) A District Plan with a major focus on sustainable economic growth.	Use of District Plan and other regulatory and planning documents to achieve sustainable economic growth. Note that in terms of structure, hard infrastructure and regulatory and strategy documents should be aligned.	Sustainable district economic growth environment and resources available (e.g. land) to achieve sustainable growth.
c) Enabling regulatory functions including alignment of planning and policy documents to create investor certainty.	Plans and policies aligned and embedded into council operations.	Sustainable district economic growth as shown through clear performance measures.
d) Integration of this plan into Council's annual and long-term planning processes and structures.	Council's annual and long-term planning is aligned with the objectives and parameters of this document.	Council has a clear economic development strategic direction integrated into their planning and demonstrated through their actions and allocation of resources.
e) Effective, efficient and friendly services.	Council develops and maintains services to meet the needs of the Rotorua community and measures the delivery of services from a customer perspective.	Council is recognised as a customer-friendly organisation.

Rotorua International Airport

*Providing an airport comes at significant cost to ratepayers ...
but failure to provide an airport would come at an even greater cost to our
community and to our future potential*

Introduction

Over the last decade Council has developed Rotorua International Airport (RIA) to meet both domestic and international aircraft, safety, security, traffic and passenger requirements. Those development costs were initially 'ring-fenced' as self-funding council-owned airport infrastructure requiring no rates funding.

However, in the last annual plan (2011-12), Council acknowledged that the impact of a combination of challenges to the airport's business and planning environment over years meant some rates funding had become necessary. An amount of \$ 4million from general rates was therefore included in the airport infrastructure activity last year.

It is now clear that the only prudent approach for this Long-term Plan is the inclusion of rates-sourced funding for the ten year period the plan covers. An allocation of \$4 million per year for the next ten years is the result of the following challenges:

1. **The Global Financial Crisis (GFC):** This has significantly reduced domestic and international passenger numbers resulting in revenue from airport operations being significantly down on previous Ten Year Plan forecasts.
2. **Delays:** A number of unforeseen events delayed completion of airport infrastructure development meaning trans-Tasman services did not commence until December 2009. It is expected that, had the airport been trans-Tasman ready much earlier, and before the onset of the GFC, there would have been significantly higher passenger demand established and a wider range of trans-Tasman destinations and service frequency. In other words, the airport would have been a much bigger business and more easily able to ride out the GFC.

3. **Lack of external funding:** Previous plans anticipated external equity or grant funding from organisations such as Bay of Plenty Regional Council, iwi trusts, other airport businesses, infrastructure investment companies, philanthropic trusts, etc. However, given the reduced levels of revenue generated from airport operations as a result of the GFC, it has been necessary to take a more conservative approach and now assume that such external investment is unlikely in the meantime.

Trans-Tasman readiness delays

Over a number of years there was strong advocacy from the local tourism industry for a trans-Tasman service and the council was challenged to provide the necessary airport infrastructure upgrades to make this a reality, such as runway lengthening and strengthening, terminal upgrading etc. Comprehensive forecasting, economic demand analysis and modeling clearly supported this investment. At the time all indications showed that the investment would achieve a commercial return over a period of time.

When these investment decisions were made the New Zealand and international economies were performing well. However a number of critical delays seriously affected progress, including:

- Significant delays in securing necessary regulatory consents, District Plan changes and designations, followed by subsequent appeal processes, and the impact of appeal results;
- Construction delays increased actual costs over budgets as opportunities to take advantage of a period when construction costs were significantly lower, were lost;
- Unexpectedly Qantas withdrew all New Zealand domestic services in 2009 resulting in a loss of 50,000 passengers per year for Rotorua on the important Christchurch-Rotorua route. While Jet Star replaced Qantas in New Zealand in July 2009 Rotorua's runway extensions, able to accommodate the airline's larger A320 jet aircraft, were not completed until October 2009.
- Air New Zealand replaced its B737 jet service on the Christchurch-Rotorua route with an ATR Turbo Prop aircraft, reducing capacity even further;
- The global financial crisis in 2008 saw a severe decline in passenger numbers (by 28%). More than three years later, passenger numbers remain below 1998 levels, and passenger and revenue forecasts have had to be significantly reduced.

These delays have all impacted on the financial returns of RIA and its profitability. This necessitated major financial planning revisions in the 2011/12 Annual Plan to fund interest on the ring-fenced Rotorua Airport infrastructure debt.

Infrastructure investment

Council has made significant investment over the last ten years to ensure the airport is 'fit for purpose.' This includes accommodating the latest new generation jet aircraft for both domestic and trans-Tasman services. In 2012 that investment, including some capitalised interest, was \$59 million.

Contribution to the economy

The airport is a significant and strategic infrastructural asset contributing between \$50 million and \$100 million to the regional economy every year, according to an independent economic impact report published in 2011. The economic impact on the wider Bay of Plenty and Waikato regional economy is higher again.

Operating the airport

Council owns the airport infrastructure, including land, runway, car parks, terminal, secure lounge and other associated buildings. Council manages these infrastructure assets in much the same way as it manages other infrastructure assets in the district, such as roads, water supplies, waste water schemes, landfill, parks and reserves etc.

The infrastructure is leased to Rotorua Regional Airport Limited (RRAL), a company 100% owned by Rotorua District Council but operating as a stand alone business. RRAL is charged with operating the airport, and with achieving a number of agreed objectives and targets. These are set out in the RRAL Statement of Intent which is submitted to the council each year.

Previous Ten Year Plans

Council established a goal of investing in airport infrastructure development to ensure the airport was trans-Tasman capable and ready. This required changes to the District Plan, lengthening and strengthening of the runway, upgrading terminal and car parking facilities, and safety and security upgrades to ensure compliance with new global airport standards.

There has then been a long and transparent history signalling Council's intentions for the airport, with statements made in each of the last two Ten Year Plans, summarised as follows:

2006-16 Ten Year Plan

The 2006-16 Ten Year Plan provided for \$18.6 million of external equity and a \$53 million capital expenditure programme. The net cost of service showed a forecast deficit in 2006 and subsequent surpluses for the following three years. These forecasts were based on the assumption that there would be external funding.

2009-19 Ten Year Plan

The 2009-19 Ten Year Plan noted the capital expenditure was due for completion in July 2009, and work was well underway on developing branding for a wider-Bay of Plenty cooperative marketing initiative.

It was noted that the capital development should be self-funding with no general rates income required. This activity would be funded entirely from the Airport Development Levy, lease payments from RRAL and other external sources. Scenarios were developed using a mix of funding sources including:

- assistance from Bay of Plenty Regional Council's Regional Infrastructure Fund in the form of grant, loan or equity investment
- a loan, or equity, from Rotorua Trust (Rotorua Energy Charitable Trust) on commercial terms
- equity capital from a share issue to the Rotorua business sector, in particular the visitor industry which had lobbied for airport investment, and the wider community.

The airport was forecast to be a financially successful asset over a period of the next 10 to 15 years. In the immediate term, as trans-Tasman services built, net income would be used to fund interest costs and therefore any equity issues would produce little or no dividend for the initial 2 to 5 year period. Some sensitivity analysis was undertaken to demonstrate the importance of a range of funding sources over and above council borrowings.

Forecasting in the current environment

One of the most challenging planning elements in preparing the Long-term Plan for 2012-2022 has been forecasting net revenue from the lease of the council's airport infrastructure assets during these uncertain economic times. In previous periods the council has had reason to be optimistic about further growth potential of our trans-Tasman and domestic services. This Long-term Plan however uses more conservative assumptions.

The first and key assumption change from previous periods is that no external funding is anticipated, such as a grant or new shareholding. In the past such funding has been estimated at \$16 to \$18 million. However the council remains firm in its belief that the airport is a vital regional infrastructure asset and that there is a compelling case for regional council investment. If the regional council was to accept our point of view and agree to take a stake in the airport there would be some pressure taken off the current situation. However this plan does not account for such funding to eventuate.

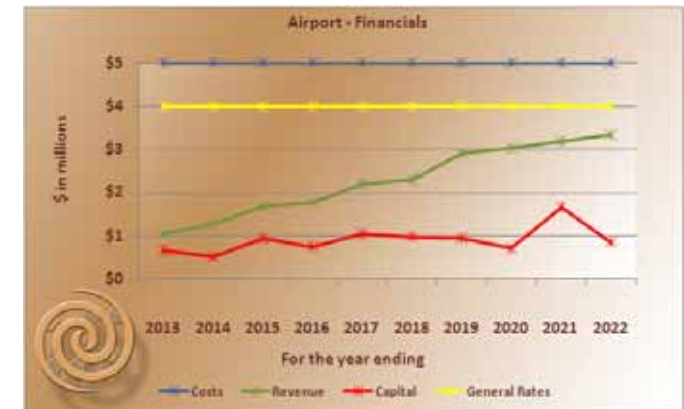
The second assumption where a more conservative approach has been taken relates to the growth of trans-Tasman services. Previous pre-GFC plans had forecast up to 10 direct trans-Tasman flights a week, servicing two Australian east coast cities. At present only two weekly services operate, between Sydney and Rotorua (with a third scheduled for the December/January peak). While such growth expectations were entirely realistic and reasonable at the time, the GFC has necessitated a much more limited view of growth for the meantime.

Ring-fenced costs

Throughout the RIA planning process, Council has signalled its intention for airport infrastructure investment to be ring-fenced and funded from user charges, such as airport development levies, lease payments from RRAL and other rental revenue. This view was based on robust financial planning, asset management plans, an airport master plan and economic demand models at the time. All planning clearly showed that airport infrastructure assets and operating activities would be self funding.

However the GFC, delays in establishing trans-Tasman capability and the non-realisation of external funding objectives have all impacted on RRAL's financial returns and hence, on its profitability. This has had a direct impact on revenue that the council earns from its leased airport assets. The financial situation reached the point where major funding changes were required in the 2011/12 Annual Plan where rates were required to assist with funding interest on the ring-fenced Rotorua airport infrastructure debt.

Effects on debt



Conclusion

Asset Development

Over the past ten years Council's leadership and investment have ensured that the airport is in good shape to meet both the demands of today's markets and the substantial potential capacity of the future. This investment has 'future proofed' the airport to accommodate foreseeable demand over the next 10 to 20 years, and positions Rotorua well to take advantage of the inevitable economic recovery in due course.

Uncertain Future

- The effects of the GFC were first experienced in 2008 and four years later there remain limited signs of recovery around the world. In fact the state of the economies of Europe and the USA indicate there is some distance to go before we see real signs of a permanent recovery of global economies.
- Additionally there are the uncertainties around travel and tourism because of lower disposable incomes, concerns about natural disasters (eg Japanese tsunami, Christchurch earthquakes) and ongoing terrorism risks.
- These, combined with the New Zealand government's decision to sell down part of Air New Zealand, rising aviation fuel costs and lower profitability of airlines in general, makes the future extremely uncertain for Rotorua's airport.

Conservative Forecasting

In the past the council has been optimistic about the demand for trans-Tasman services, the cost of construction and overall growth in domestic services. The airport is now caught in a situation common to airports around the world where they are experiencing rising costs and reducing revenue. The future of Rotorua International Airport is today significantly different to what was forecast in the past in a different economic climate. We now need to be far more conservative and therefore the council has no option but to take a comparatively more pessimistic view of the future, for the time being.

Economic considerations – regional benefits

RIA is important to the region. It contributes an estimated \$50 to \$100 million to the regional economy and \$70 to \$140 million to the wider Waikato and Bay of Plenty regions.

Community Asset

The airport needs to be considered the way other council infrastructural assets are considered. Like those assets it is community-owned, providing numerous benefits to residents and is of significant strategic importance to the district's economic future.

Council continues to network with all stakeholders and interested parties to ensure that our strategies, conservative as they may be, support the local economy and the wider regional economic potential. This ensures Rotorua's status as an iconic visitor destination is preserved.

Council will continue to report on progress with the airport's development through Annual Reports, and subsequent Annual Plans and Long-term Plans.

It is clear that the only prudent approach for this Long-term Plan is the inclusion of rates-sourced funding for the ten year period the plan covers.

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Theme 2: Environmental improvements: a sustainable and targeted contribution to improving the natural and built environment

The slight change in focus from the previous theme of 'sustainability' is designed to emphasise the importance of Council's role in partnering with the Bay of Plenty Regional Council, Te Arawa Lakes Trust and the Crown (through the Ministry for the Environment), for the monumental task of improving lakewater quality of Rotorua lakes. Although Council would have completed its tasks for building new lakeside community sewerage schemes to replace septic tanks within the next five years there will need to be continued emphasis on changes in land management and land use. All will require commitment by Council to work with the wider community, particularly rural property owners, to bring about these changes in a way that sees lakewater quality a priority, without destroying the wealth of landowners. This will be a partnering arrangement using the Bay of Plenty Regional Council's Regional Policy Statement and the Rotorua District Council's District Plan.

Delivering Theme 2

Lakewater Quality

The Rotorua district covers 2,600 square kilometres within both the Bay of Plenty and Waikato regions with 16 lakes, many of which are regarded as of national significance and of great importance to the people of Rotorua. Fifteen of the lakebeds are vested in the Te Arawa Lakes Trust. Strategically the lakes are managed by the Rotorua Te Arawa Lakes Strategy Group. The three partners are Rotorua District Council, Bay of Plenty Regional Council and Te Arawa Lakes Trust, with support from the Ministry for the Environment. The Crown, through a funding deed, is providing \$32 million to the Rotorua District Council by way of a partnership to help with restoration of Rotorua lakes water quality.

Council has made a significant contribution to improving lakewater quality through construction of lakeside community sewerage schemes that are more efficient than the septic tanks they replace. This will lead to a drop in nutrients entering the lakes and corresponding improvement in lakewater quality.

The Financial Strategy includes the necessary funding from Rotorua ratepayers and subsidies anticipated from the Bay of Plenty Regional Council.

Geothermal

Rotorua also has high levels of geothermal activity which create unique natural features such as geysers and mud pools, along with economic potential from geothermal energy generation. There are obvious risks associated with volcanic activity including the impact of generation on surface features such as geysers, mud pools and other important visitor attractions. Council, along with the Bay of Plenty Regional Council, will be required to take a balanced approach to ensuring economic opportunities are explored and developed but not to the detriment of the geothermal attractions that Rotorua is famous for.

District Plan

The District Plan review is a major project and will focus on the following prioritised areas to improve environmental outcomes. Key issues that the Draft District Plan is proposing to address are:

- Helping improve lakewater quality by enabling land use change
- Enabling sustainable economic growth
- Increasing the cohesion, vitality and economic prosperity of the CBD
- Facilitating development opportunities on Maori land
- Maintaining urban residential amenity values
- Encouraging good quality design in subdivision
- Recognising and projecting landscape features of the district that are an important resource for recreation and tourism



Theme 3: Continuous business improvement: a Council that is focused on customer services and continuous productivity improvement

The previous Ten Year Plan had a focus on affordability by holding rates increases to an affordable level over the ten years. This was to be achieved while maintaining levels of service, increasing user charges and attracting external funding sources for the airport. Since then Council has adopted the Lean Thinking productivity and continuous improvement concept. The implementation of this concept will allow Council to deliver on the affordability promise with added emphasis on quality customer service and continuous improvement.

Delivering Theme 3



Rotorua District Council is implementing a bold programme of increased efficiencies and continuous improvement based on the successful international business concept known as 'Lean Thinking.' Over a number of years the programme has been introduced, with significant success, to thousands of companies and public sector organisations throughout the world.

The council believes that full implementation of Lean Thinking across the council's operational and service delivery activities has the potential to produce savings of approximately \$10 million over the course of the Long-term Plan. These projected savings are accounted for in the budgets of this plan and have helped the council to be in a position to signal low level rates increases (no more than 3.5% for years 1-3) and well below the significant cost increases reflected in national local government cost indices.

Forecast efficiency gains from implementation of the Lean Thinking concept across activities of the council are covered in the following table.

RDC began integrating Lean Thinking into the organisation's operations in 2011. In the short time this has been in place teams and individuals across the organisation have already developed new skills, improved a number of systems and processes, and brought better performance to several council activities.

Under Lean Thinking, staff members are encouraged to bring more flexibility to their work, to be innovative, and to find creative solutions to problems, so the expectations of customers are better met. In simple terms it is about doing things better, faster, easier, and at less cost.

The core objective is to lift service standards for customers while minimising waste. Lean Thinking means the creation of more value for the council's customers while using fewer resources. As a Lean Thinking organisation we understand customer expectations and we focus on key processes that continuously increase value for those customers.

RDC's Lean Thinking programme includes the following concepts:

Value Stream Mapping (VSM)

Value stream mapping refers to the activity of developing a high level visual representation of a process flow that may be involved in delivering a product or service (ie a 'value stream') to customers. VSM typically takes three to four days and focuses on identifying and reducing sources of non-value added activity and prioritising future improvement action.

Kaizen

This concept was originally used in the Toyota company and means '*to change for the good of all*'. Kaizen activity is often focused on rapid process improvement events (ie Kaizen events) that bring together a cross-functional team for around three to five days to examine a specific process and to then immediately implement process changes that will improve service delivery.

5S

'5S' is the name of a workplace method that uses a list of five Japanese words which, when translated into English, all start with the letter 'S.' These are:

- Sort
- Set-in-order
- Shine
- Standardise and
- Sustain.

The following characteristics are integral to RDC's Lean Thinking approach:

- We take a customer service perspective by seeking to optimise value for the general public, the regulated community, and other community stakeholders;
- We involve employees and external stakeholders in ongoing improvement and problem-solving activities;
- We deploy a continuous improvement framework that emphasises rapid implementation rather than prolonged planning;
- We aim to reduce the complexity of processes and variation in process outputs;
- We use performance metrics and visual controls to provide rapid communication and feedback in order to improve real-time decision-making and problem-solving.

Efficiency gains from Lean Thinking implementation

For the year ending 30 June:	2013 (\$000)	2014 (\$000)	2015 (\$000)	2016 (\$000)	2017 (\$000)	2018 (\$000)	2019 (\$000)	2020 (\$000)	2021 (\$000)	2022 (\$000)	Ten Year Total (\$000)
Corporate and Customer Services Group	-	11	200	214	211	227	233	241	249	257	1,843
Economic and Regulatory Services Group	161	192	209	251	259	277	293	336	358	380	2,715
Infrastructure Services Group	61	211	351	388	488	548	596	712	730	852	4,938
Council	222	414	760	853	959	1,052	1,122	1,288	1,338	1,489	9,496

These savings have been incorporated into the preparation of the budgets for each of Council's services.

“We strive for excellence, continuous improvement and value for customers”

[Rotorua District Council vision, mission and values]

Monitoring and Corrective Action

Key Theme

This Long-term Plan has a particular emphasis on Council's investment in economic growth. However this comes at a cost. Focusing on economic growth for the first three years along with rates increases as low as 2.9% during that period means that debt repayment will be lower during those years. However from year 2016/17 onwards loan repayments will then increase.

Development Contributions

The Long-term Plan continues to rely on Development Contribution (DC) levies to fund growth infrastructure. DC revenue is significantly less than the corresponding capital expenditure during the period of the plan. Therefore Council will need to borrow to cover the shortfall in the interim. This will mean that the borrowing associated with DC funded projects will increase from \$34 million in 2013 to \$80 million in 2022.

Monitoring

Council monitors the progress of its financial and non-financial position and performance in detail, on a quarterly basis. Each year there will be a particular focus on reviewing the effectiveness of the Rotorua Sustainable Economic Growth Strategy and the associated growth targets. The performance of DC revenue collection will also be monitored very closely. Any change necessary to provide corrective action will be included in the subsequent annual plan. There will then be comprehensive reviews of both the overall Rotorua Sustainable Economic Growth Strategy and the Development Contributions Policy for the next Long-term Plan. This will ensure that any other systemic corrections required can be included in the subsequent Long-term Plan.

In addition, Council will report against each year of the Long-term Plan in audited Annual Reports. This will provide a further opportunity to assess how well Council is tracking against the plan and to address any changes and corrective actions that may be required.

Uncertain Futures

There is an age old expression "we don't know what we don't know". This Long-term Plan has a very clear strategic direction for the next three to five years. The following five years of this plan is less certain. Council is very clear about the infrastructure that is required to be managed and developed. Service levels will be managed within the levels set out in this Long-term Plan. However the effects of climate change, the emission trading scheme, changing population demographics, new technology, recovery from the global financial crisis, development of geothermal resources and preferences of our Generation X and Generation Y population will all create expectations of Council which are unknown at this time.

Recent announcements of Local Government Reform

Former Local Government Minister Nick Smith has very recently announced a package to reform local government. The Government has advised that the first stage of proposed reforms will be included in legislation by September 2012, and the balance in 2013. Any changes required to our Long-term Plan will be considered at an appropriate time, once the implications of any legislative change have been fully considered.