Long-term Plan

2015-2025

ROTORUA
LAKES COUNCIL

Contents

Disclaimer: Rotorua Lakes Council is the operating name of Rotorua District Council

Introduction by Mayor Steve Chadwick

E nga iwi puta noa i to tatau rohe o Rotorua
Tena koutou katoa

Developing a master plan covering key council services, programmes and projects for the next ten years has been a lengthy and complex task. It has involved a substantial amount of work by councillors and council staff and, most importantly, really valuable input from Rotorua residents and other stakeholders.

The result of this collaboration is a Long-term Plan with shared ownership by Rotorua Lakes Council and our community. It is the council's commitment to Rotorua residents for the next decade, as we navigate our way to a more positive future for our district. It sets out where we're going, how we're going to get there, how we'll measure progress, what it's going to cost, and how we're going to fund it all.

This is the first Long-term Plan under my mayoralty, and I believe it is a particularly transparent, honest and responsible blueprint for the years ahead.

A reality check on our financial position meant some tough decisions had to be made. We inherited a legacy of unsustainable low rates increases from recent years, burgeoning debt levels and a lack of investment in our infrastructure. Reluctantly we have had to bite the bullet and play catch-up, meaning a larger than hoped for rates increase for the coming year to get our finances back into balance.

The pragmatic decision to increase total rates by seven per cent for the 2015/16 year is however a one-off measure and it means we should be able to maintain rates movements at around inflation levels for the nine year balance of the Long-term Plan. And we can start to stem the escalating debt levels of past years.

This is a plan for proactivity and progress for our community. It sets out how we will address five broad areas of challenge that face us. In summary these are:

- funding our services and building financial sustainability;
- developing effective and environmentally responsible wastewater services;
- preparing a comprehensive waste strategy to meet community needs and minimise waste levels;
- maintaining and future-proofing council and community infrastructure; and
- making progress on priorities set as part of our Rotorua 2030 shared vision and goals.

Since the local government election in late 2013 we have made a strong drive for change. Engaging with and listening to our community before we make the important decisions, has become a hallmark of the way we now do business. And this plan is no exception.

Through our Rotorua 2030 shared vision and other community conversations, we have a built a sound understanding of the needs and aspirations of our residents. The Long-term Plan - a partnership with our community – sets a direction to help us meet those needs and aspirations over the next ten years.

Ma te mah itahi, ma te noho tahi, ma te haere tahi
Ka tutuki nga whakakitenga ka puawai nga moemoea
Ka tutuki te korero
Tātau Tātau - we together

Hon Steve Chadwick JP
Rotorua Mayor

Our Council

Councillors

Back [L-R]: Mike McVicar, Rob Kent, Peter Bentley, Karen Hunt, Mark Gould, Charles Sturt, Tania Tapsell

Front [L-R]: Trevor Maxwell, Janet Wepa, Dave Donaldson (Deputy Mayor), Glenys Searancke, Steve Chadwick (Mayor), Geoff Williams (Chief Executive), Merepeka Raukawa-Tait

Rotorua Lakes Community Board

[L-R]: Phill Thomass, Peter Bentley, Geoff Palmer (Chairperson), Rob Kent, Leo Meharry, John Dyer

Maori participation in decision making

Introduction

Council has a long-standing history of working closely with Te Arawa and its hapū as the Confederated Iwi of Rotorua district. A number of mechanisms has been developed for consultation, engagement and communication purposes, and to involve Māori of the district in council decision-making processes. They will continue to be developed and reviewed to ensure their effectiveness.

These mechanisms provide a broad range of services on matters to do with Te Arawa, to ensure Te Arawa are able to participate in decision-making processes. The Local Government Act (LGA) has a number of references to Māori and the Treaty of Waitangi (Section 4 Part 1), Parts 2, 6 and schedule 10 clause 5 and Schedule 11.

The Resource Management Act (RMA) 1991 and the LGA 2002 are both specific as to how local authorities must consult and include Māori and tangata whenua in decision-making processes.

Te Arawa Partnerships Model

Following the 2013 elections, Council agreed that more active participation arrangements with Māori were needed as the existing arrangements were seen as no longer meeting the needs of both parties. Additionally, Council set a Rotorua 2030 vision commitment to effectively partner with Te Arawa.

Comprising former Te Arawa Standing Committee members, a Te Arawa working party presented a proposal to council on 18 December 2014 which introduced a new Te Arawa Partnership Model.

The council agreed in principle to the model and embarked on a seven week period of consultation, which included a series of public information events.

Approximately 1900 submissions were received on the proposal and over 200 submitters were heard over five days of hearings.

On 26 May 2015, Council agreed to adopt a modified Te Arawa Partnership Model. Key elements of the adopted model include:

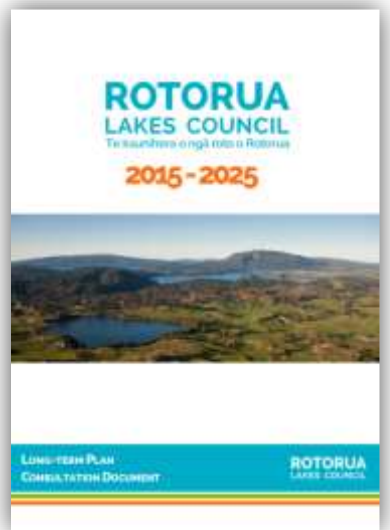
- The establishment by Te Arawa of an independent Board comprising 9 – 14 members representing Te Arawa iwi, young people, elders, land trusts and incorporations and entities.
- Up to two iwi representatives nominated by the board to the Strategy, Policy & Finance, and Operations & Monitoring, committees – with voting rights.
- Changed delegations for the Strategy, Policy & Finance, and Operations and Monitoring, committees to confine their power to only make recommendations to full Council, rather than making decisions on behalf of full Council.
- Maximum costs for council support for the Te Arawa Board and its activities to be $250,000 annually, except for when there will be Te Arawa elections every three years, when the maximum budget will be $290,000.

Councillors also resolved to consider options for greater Māori and Tangata Whenua input into Resource Management Act (RMA) hearing processes in a separate report to be presented to Council in August.

The Te Arawa working party will continue to work with Council and Te Arawa to develop arrangements, policies and agreements to establish the proposed Te Arawa Board, including election and appointment processes.

Consultation

Following new legislation, Council produced its first formal 'consultation document' and adopted it for public consultation on 29 April 2015. The consultation document set down the major issues the council will face during the next ten years and provided options on how these issues might be addressed.
During a month-long consultation period from 1 May to 2 June, Council sought community feedback on the issues within the consultation document.



The consultation document, a 42 page publication, set out its direction and the issues the district will face under five key challenges. In turn, each key challenge outlined the options considered and the impact of the preferred option on the cost of doing business.

When the consultation period ended a total of 496 submissions were received. Hearings were held on 8, 11, 12 and 15 June, with approximately 130 submitters being heard in support of their written submission.

Consideration of all submissions was undertaken on 15, 16, 17, and 25 June.

The final decision of the Council is summarised in the following pages.

The challenges we face

Challenge 1 – Funding council services

Challenge 2 – Wastewater

Challenge 3 – Waste Strategy

Challenge 4 – Maintaining community infrastructure

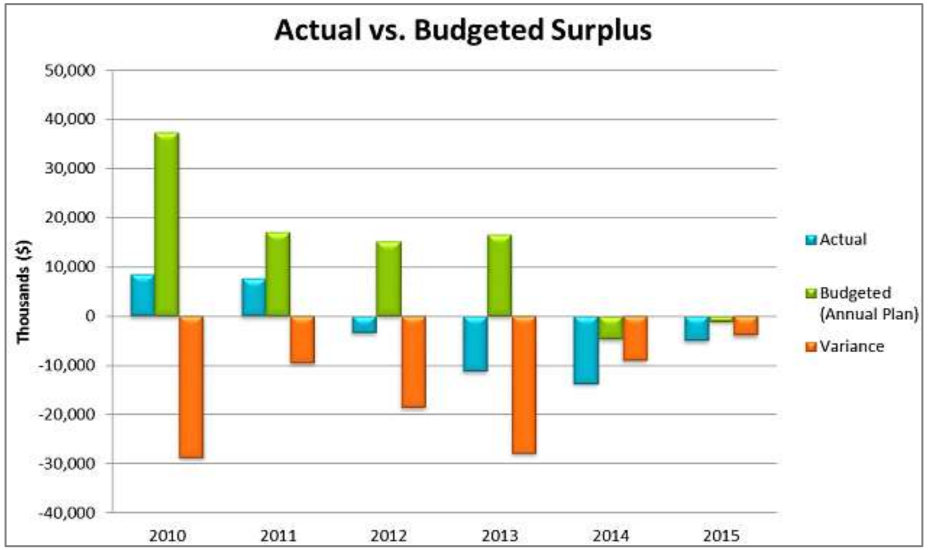
Challenge 5 – Keeping pace with 2016 priorities

Challenge 1
Funding council services

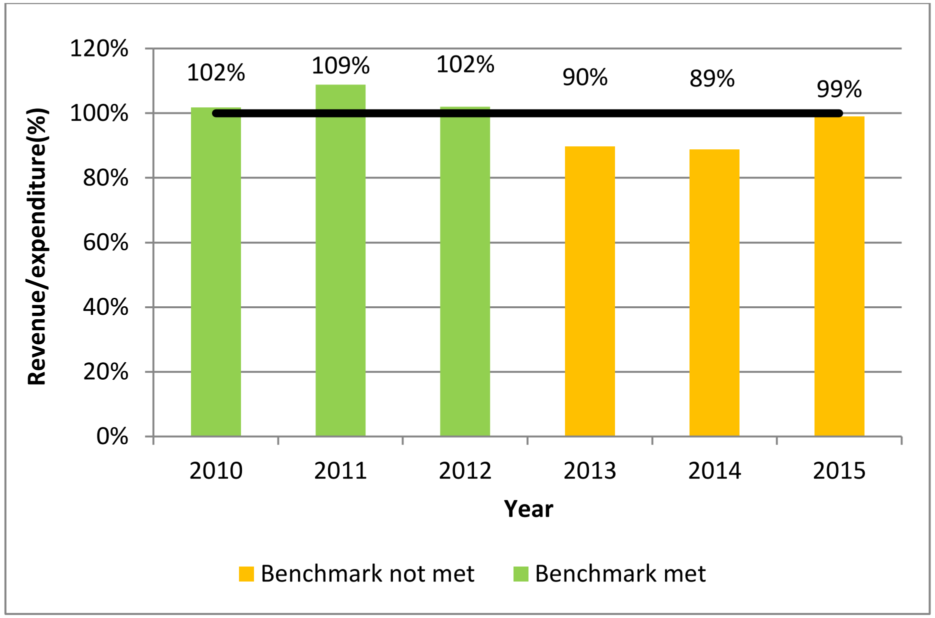
During the lead-in to the 2013 election there was a community view that debt levels were unsustainable and operations could be more efficient. A rapid course of action saw the financial position reviewed to gain a true picture. The review concluded that:

- there was an historical pattern of not achieving budget;
- some activities had been underfunded;
- non-rates revenue had been reducing during the last five years;
- rates rises had been kept low in comparison to levels of service; and
- debt had been steadily increasing (2010 in $100m to 2014 in $168m).

Council Net Surplus



The result is that Council has not had a balanced budget for the last three years.



Examples of past decisions that impacted on the financial position included:

- landfill revenue which had reduced by $4m;
- introduction of free parking in the CBD at a cost of $0.7m per year; and
- reliance on funding capital projects through development contributions despite lack of growth.

Council's response to commence addressing these issues included development of a sustainable financial framework. This was introduced in 2013 and set parameters to:

- Increase rates at 3% per year
- Decrease the business differential
- Cap capital spending at $22m
- Use targeted rates to fully fund activities
- Sell surplus property
- Hold or reduce debt

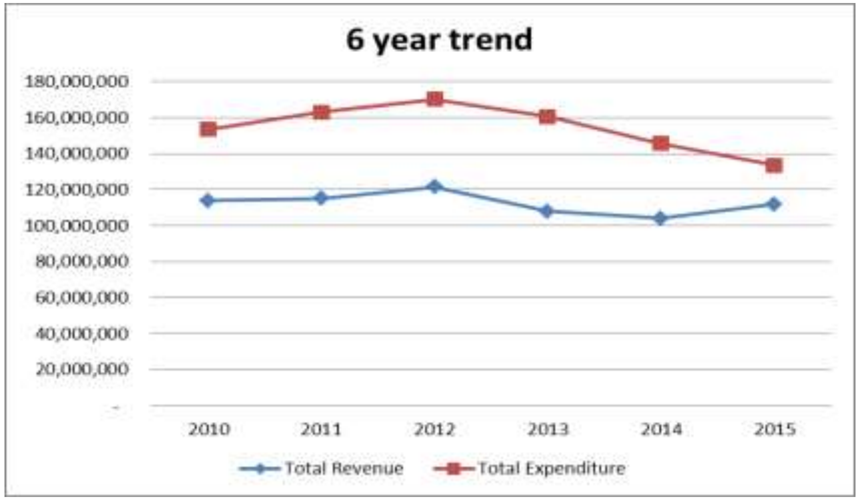
Council also removed $8.3m in operating costs within the organisation during an 18 month period (December 2013 to June 2015), through efficiency gains. The focus was on balancing cash flows to ensure funds going out did not exceed funds coming in.

That financial framework was temporary and not suitable for the future. It:

1. Constrained capital expenditure; and
2. The budget did not balance until the mid-2030s

A new Financial Strategy has been developed that takes issues into consideration and presents action to correct mistakes of the past.

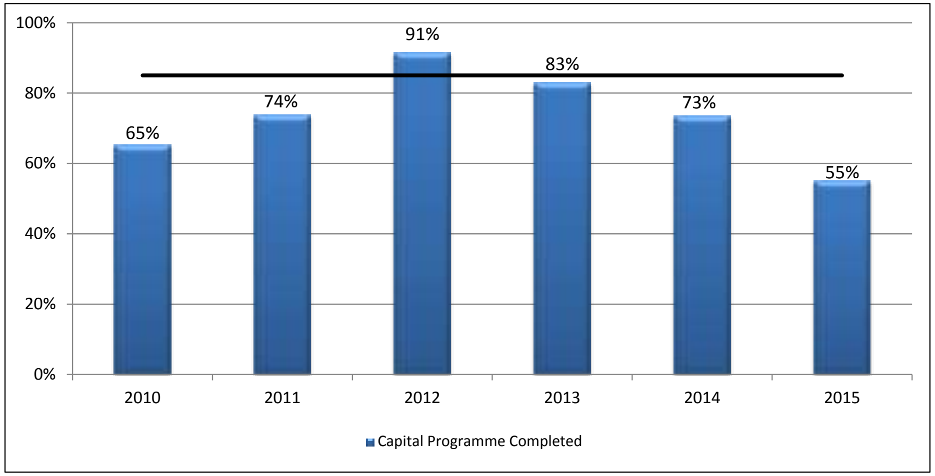
Financial Trends



During the course of deliberations, Council had the opportunity to reflect on and review its capital works programme. This programme is driven largely by asset management plans and the Infrastructure Strategy.

Asset management plans spend is based on information held in our asset management systems which groups assets, holds condition assessments, and applies assumptions and averages, which in turn determines estimated useful lives, and expected replacement dates and values.

Over the last six years the council has spent on average 74% of its annual budgeted capital expenditure, and therefore has prompted the decision to set a funding envelope that funds only 85% of the capital programme.



To operate within this parameter means increased emphasis on the completion of projects and renewal of assets at the time the assets need to be renewed, not just because they are on the capital programme.

What the 85% envelope means:

1. Council approves a total funding envelope for all capital projects of 85% of total budget;
2. This reduces projected borrowing in the plan by $64m;
3. Staff deliver the expected programme and manage the budget dynamically; and

4. This means **$18.5m less group debt** at end of 10 year period (made up of an $8.5m reduction in council debt, and $10m reduction in airport debt).

Long-term solutions

- **Fees and Charges (non-rates funding)**
  Council will retain its funding proportions relative to increases in the cost of services. For example, a 5% increase in the cost of providing building consents will result in a 5% increase in user fees.

- **Levels of Service**
  Council will retain the existing level of service and will remove a further $1.0m from its operating expenditure. This will be achieved through continuing efficiency gains across council.

- **Rating**
  In response to the historic underfunding of services (i.e. water, wastewater, refuse) the targeted rate for these services will be increased to fund these services correctly.

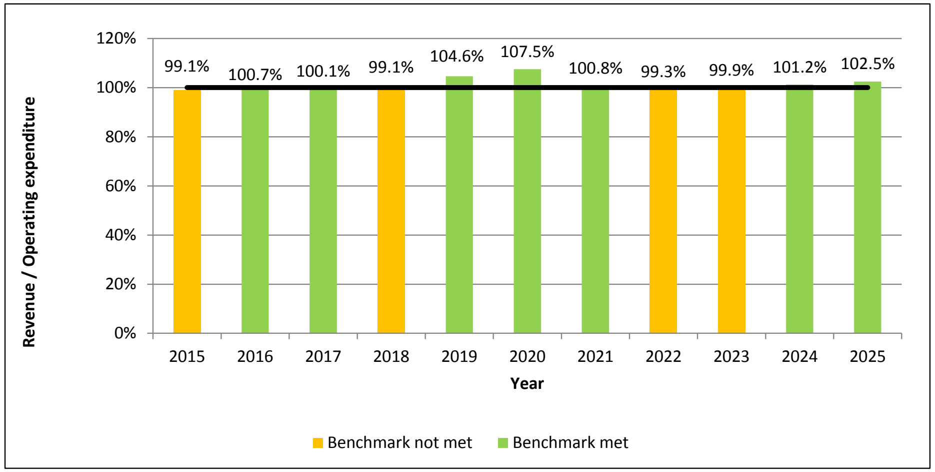
% increase in targeted rates

Water	Wastewater	Refuse
10%	15%	79%

In response to a change to the way council will rate its own utilities, the targeted economic development rate will be removed from utilities and rated from those ratepayers who benefit from that rate. This will mean an average increase of $428.00 to the business ratepayer.

The increases considered for wastewater, water and refuse targeted rates equate to an overall 5.7% increase in rates revenue. This corrects the funding for these activities but still leaves Council short of achieving an overall balanced budget. Council has increased other rates to provide an overall 7% one-off rates increase. This allows future rates increases to remain at levels more in line with inflation.

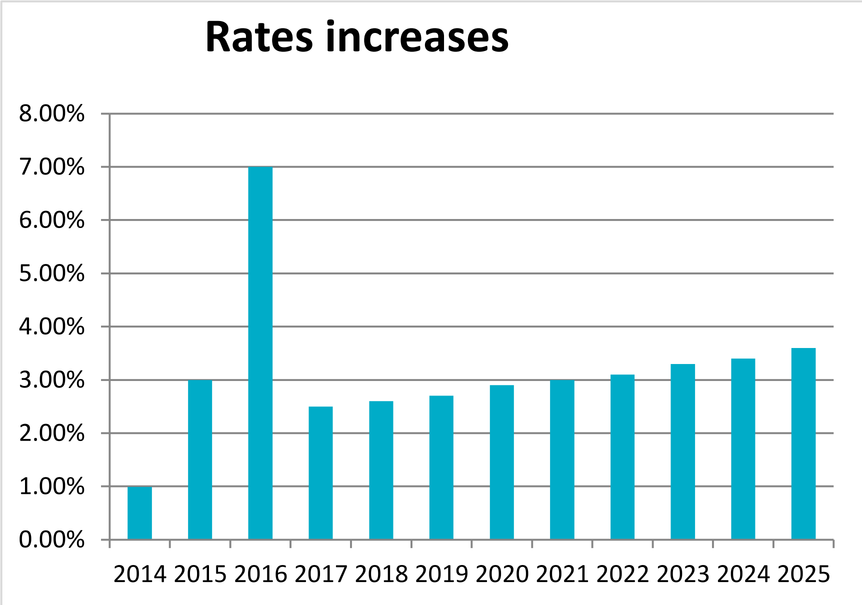
Changes to rates, fees and charges, and levels of service will provide a balanced budget in seven of the ten years covered by the Long-term Plan (LTP). In 2018, 2022, and 2023 the budget will not be balanced as Council will not fund all its depreciation expenses in the respective year. Council will deliver a $19.5m surplus over the period of the Long-term Plan and is confident this provides a high degree of financial sustainability.



- **Uniform Annual General Charge (UAGC)**
  Council has decided to set the Uniform Annual General Charge at $500.00. This is down from $540.00 in the 2014/15 year, but is an increase from the $410.00 that was proposed in the consultation document. Setting the UAGC at $500.00 is to relieve some of the burden being experienced within the rural sector, which was being affected by a greater proportion of the general rate being charged on capital value, and substantial capital value increases, in particular to the dairying sector.

- **Differentials**
  Council has decided to continue its programme of progressively returning all rating differentials to one. Currently, differentials are 1.9 for business and 0.85 for rural residential. The business differential will

reduce by 0.1% annually for the next three years and the rural residential rate will increase by 0.05%.

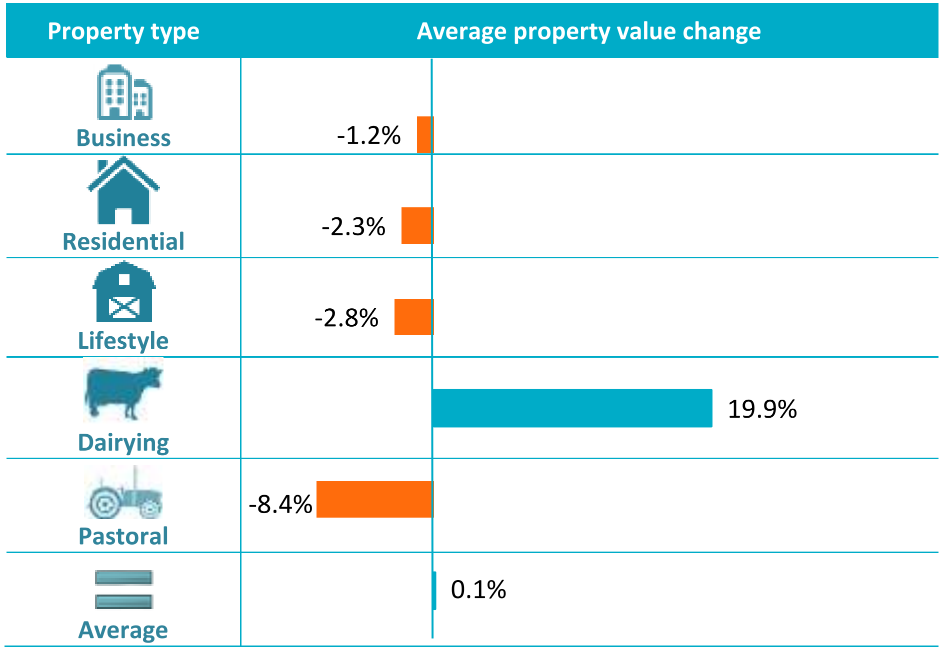


Farming Remission

Rates for individual properties vary, depending on a range of factors including property revaluation, targeted rates, and whether the property is used for business, residential, or farming purposes. Taking targeted rates out of the equation (effectively they are a proxy for a user fee), the general rate (a combination of the UACG and the capital value component) is a tax on the property.

The latest revaluation, undertaken in 2014, has seen average capital values increase in the dairying sector by 19.9%. Other property categories in the district have had average property value decreases, as shown in the table below.

Overview of revaluation 2014



While it was proposed in the consultation document that the overall average rates increase would be 7%, the overall average increase for different categories of properties was markedly different, as shown in the following table.

Average proposed % increase by property category

Average rates impact	Business	Residential	Farm	Residential Rural	Average total
2015/16	11%	6%	19%	8%	7%

During consultation a strong voice from the dairy sector said that the proposed rates increases were not sustainable, and in many cases well above the one-off 7% average that other rating categories were likely to be subject to.

In considering feedback, Council has agreed to a remission policy to mitigate the impact of changes to the UAGC and differentials. The remission will be available to the farming sector for any property not currently receiving a remission, where the rates increase is above both 10% and $1,000. Under these circumstances, the rates increase applied will be capped to the percentage of capital value increase of the revaluation completed in 2014. This means that the average rate increase for each rating category is now as shown in the following table.

Sector	Consultation	Final
Business	11%	8%
Farming	19%	11%
Residential	6%	8%
Rural Residential	8%	8%

Challenge 2
Wastewater

Wastewater is an important issue for Rotorua due to the water quality of lakes in the district that has been impacted on by sewage treatment and disposal methods.

'Out-of-the-forest by 2019' Project

In 2013 the Environment Court directed Council to begin investigating alternative disposal methods for its treated urban wastewater. As a result Council and CNI Iwi Holdings (forest owner) signed an agreement which will see an end to the spraying of treated wastewater in Whakarewarewa Forest by the end of 2019. The forest land disposal system is now considered unsustainable as it is less effective than when first implemented. Concerned stakeholders, including iwi, are now working together to find a suitable alternative.

The current Rotorua Wastewater Treatment and Disposal System is among the best in the world for the removal of nutrients from wastewater. While the system removes phosphorous as it was designed to do, its nitrogen stripping efficiency is not as effective as originally expected.

Reasons for the project

- Inefficiencies with nitrogen-stripping in the existing Land Disposal System (LDS) since 1995;
- Areas in some low-lying areas of the forest becoming saturated causing impaired tree growth; and
- The deed of understanding (May 2014) between the Council and CNI Iwi Holdings Ltd requires an alternative location for treated water discharge.

A new method of discharging treated wastewater to the environment would

- be life-sustaining and restore the 'mauri' of the water;
- satisfy regulatory requirements and secure resource consents in partnership with tangata whenua and the wider community ;
- achieve a high level of public health and environmental protection; and
- be the best practicable option for Rotorua's future wastewater management.

Decision-making

Five options (listed below) have been identified for consideration. A final preferred option is expected to be identified by the end of 2015. Meanwhile a review of new options and technologies is continuing. A key factor in the various options and costs imposed is the level of nitrogen, measured in parts per million (PPM). A linkage between nitrogen and phosphorus and algal bloom risk is widely acknowledged, but the absolute quantification of the impacts are not certain. During its decision-making, Council confirmed a funding envelope of $18.6m towards this challenge.

OPTION 1	OPTION 2	OPTION 3	OPTION 4	OPTION 5
Base Upgrade	Base Upgrade	Base Upgrade	Dual Discharge	New Land Treatment System
Removes dissolved P + UV disinfection	+ Particulate Filtration	+ Denitrifying Filtration		
N approx. 6ppm	N approx. 5ppm	N approx. 4ppm	*ppm=parts per million*	
Approx. $14M	Approx. $20m	Approx. $24M	Greater than $30m	Greater than $30m
Discharge to Water	Discharge to Water	Discharge to Water	New Land Treatment	New Land Treatment

New sewerage schemes
East Rotoiti/ Rotoma, Tarawera, Mamaku, Rotoehu

These schemes are a response to the communities' wishes to improve water quality of the lakes, and provide an opportunity for communities to collaborate on community schemes rather than individually meet the costs of on-site effluent treatment.

So far, subsidy funding for the community wastewater scheme at East Rotoiti/Rotoma has come from Ministry for the Environment, Ministry of Health, Bay of Plenty Regional Council and Rotorua Lakes Council.

Tarawera, Rotoehu and Mamaku communities do not yet have approved subsidy funding.

Scheme Area	Number of properties to be serviced	Total estimated scheme costs	Cost/property (subsidised or without subsidy)	Reasons for the scheme
East Rotoiti/ Rotoma	Approx. 710	$32m	$12,000 (Subsidised)	To improve lake water quality and remove public health issues associated with septic tanks
Tarawera	Approx. 440	$13.5m	$30,700 (without subsidy)	To improve lake water quality and remove public health issues associated with septic tanks
Rotoehu	Approx. 75	$3.5m	$46,700 (without subsidy)	To improve lake water quality and remove public health issues associated with septic tanks
Mamaku	Approx. 360	$11.0m	$30,600 (without subsidy)	To improve lake water quality and remove public health issues associated with septic tanks
NOTE: If wastewater schemes are not provided in these areas, the Bay of Plenty Regional Council On-site Effluent Treatment Plan will require private property owners to install complying on-site nutrient removal treatment plants on each property or obtain Resource Consent.				

Decision-making

Council has confirmed within its funding envelope a project budget of $29.3m for East Rotoiti and Rotoma.

Tarawera, Rotoehu and Mamaku are not included in the proposed capital programme for the next 10 years. However, a sum has been put aside in order to undertake necessary engagement with the communities of Tarawera, Rotoehu and Mamaku in order to understand the communities' requirements and be in a position to propose options in the 2018-2028 Long-term Plan.

Challenge 3
➡ Waste Strategy

Every six years Council is required to review its Waste Management and Minimisation Plan (WMMP). The review of the existing WMMP is driven by the results and outcomes of a 'waste assessment'. This steers the Council towards where it needs to concentrate its efforts, or improvements to its plan. The development of the WMMP will:

- Maximise the recovery of resources (materials, nutrients, energy) from our waste;
- Minimise the impact of waste and the amount of waste we dispose of; and
- Protect public health and aims to meet community expectations.

Combining the WMMP and the waste assessment has provided the opportunity for Council to create the 'Draft Waste Strategy 2015'. Issues the strategy seeks to develop solutions for include:

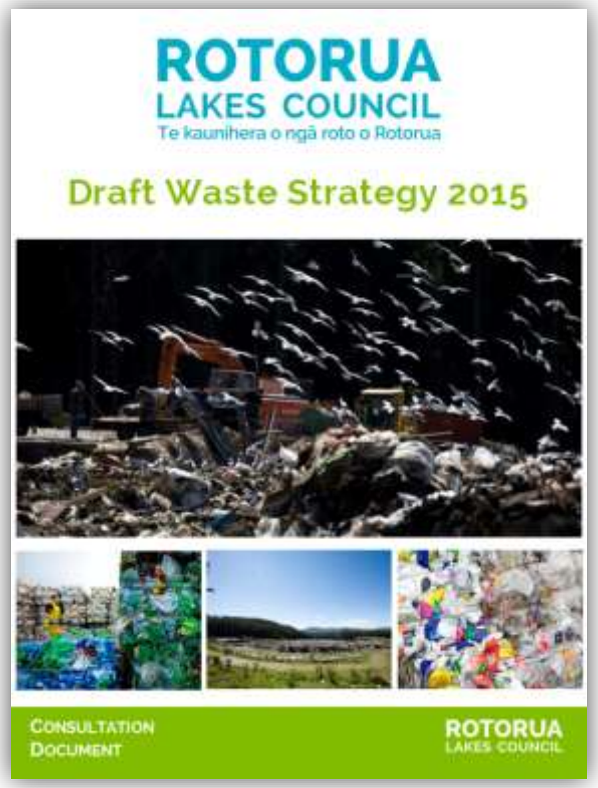
- The ongoing reduction of external revenue to the council's landfill;
- The demand for transfer stations and the high costs to fund these;
- Limitations and district coverage of the kerbside collection (10% of the district does not have a kerbside collection);
- The high demand for kerbside recycling; matched with
- High demand for recycling centre facilities, in particular for large inorganic items (microwaves, TVs, computers etc).

The draft strategy aims to develop a future waste management service that will cover collection, transfer, recycling, minimisation and disposal methods.

Decision-making

Feedback during the submission period has prompted Council to undertake further engagement. This is based on feedback that the service needs are different dependent on some geographical locations. Council will continue to develop a service proposal which will be presented to Council in September 2015. Following that, plans will be made to introduce the new service/s in July 2016.

In the meantime, rates have been modelled to fund a service equivalent to $196 per serviceable property.



Challenge 4

Maintaining community infrastructure

Funding constraints during recent years have seen some infrastructure not replaced when it should have been. In some cases this meant Council deferred maintenance and only undertook essential repairs, and asset replacements were delayed to prioritise funding for other projects.

Council now faces a backlog of repairs and renewals required to maintain the assets to the level the community expects. Council is planning to spend up to $320 million during the next 10 years on maintaining and improving assets.

Council is looking to address maintenance and earthquake prone issues, and may explore new partnerships to enable the provision of services such as a community/social services hub, the Aquatic Centre, and Kuirau Park.

Community House

Community House is a three-storey 1963 office building at 1115 Haupapa Street (between the i-SITE and library). It was purchased by Council in 1993 to help accommodate local volunteer organisations providing a range of community services.

Over the last decade building repairs and renewals have been delayed and are now overdue. Complaints regarding the state of the building are frequently made by tenants and visitors.

Repairs required now include:

- Roof replacement to repair leaks and water damage;
- Cladding on façade to repair damage from leaking roof;
- Plumbing services;
- Replacement lift; and
- Corrective work to address asbestos content.

Community House currently provides office accommodation for social service and community groups. The building is usually fully tenanted, and there is a long waiting list. However, favourable lease agreements and subsidised rentals means there is little turnover in occupancy.

Tenants provide invaluable services to the Rotorua community and this is recognised by Council. The building's community value is in being able to provide complementary services from a single location that reduces barriers to access. The issue is however about the state of the building itself.

Decision-making

Council has decided to proceed with the demolition of Community House. With this option, Council recognises the value social service organisations play in the wellbeing and support of the community. Council will therefore work with existing tenants to explore opportunities for co-locating services to other premises. Council will also offer the equivalent rent subsidy as a contribution towards new rent/lease obligations for up to three years.

This option will:

- Provide opportunities for better visitor flow between the i-SITE & Visitor Centre, and the Library
- Provide opportunities for exploring, in collaboration with tenants, more clustering of social services
- Provide opportunities for creating more vibrancy in Jean Batten Square
- Visually connect Haupapa Street and Arawa Street

The demolition will be undertaken in June 2016 at a cost of $298,000.

Bringing the Aquatic Centre into the 21st Century

The Aquatic Centre is highly valued by the community. It is the only aquatic facility of its type in the district, offering a range of activities and the only all-year outdoor 50m pool in the region.

It attracts approximately 330,000 visits per year. It is increasingly utilised by swimming clubs and the learn-to-swim programme, which is being brought back into a more community-led programme next year.

Facts about the Aquatic Centre:

- Rotorua Aquatic Centre's heated outdoor 50m pool was built in 1975 from community-based funding, and the indoor pools and main building were completed in 1988.
- A million dollar upgrade was completed in 2003 to add indoor and outdoor spas, a splash pad and lazy river complex.
- The Aquatic Centre has had regular maintenance carried out on the plant and equipment but is starting to show its age. The 40 year old outdoor pool requires substantial work to correct continuing ground subsidence related problems and to maintain the necessary level of service for swimming programmes.

A number of development plans for the Aquatic Centre have been considered over the last decade. The most recent (2013, SGL Feasibility Study) recommends a $13.7m upgrade to modernise all facilities, provide more learn-to-swim space, and integrate the Aquatic Centre more with Kuirau Park. Further work has been done on better integrating the park and the centre.

Refurbishment of the Aquatic Centre will update the facility and increase the level of service, provide capacity for increased use, and deliver a more comprehensive learn-to-swim programme. Having the capacity to expand the swimming programme into other aquatic activities, such as water polo and underwater hockey, with an upgraded 50m pool will make a significant contribution for making Rotorua an outstanding place to play, and deliver on a number of other goals within the council's Rotorua 2030 vision.

Decision-making

A refurbishment of the Aquatic Centre that would do the above work and add in a dedicated learn-to- swim pool and an upgrade to the outdoor pool to bring it up to a national competition standard, plus add in a café and potentially a gym to provide for a wider recreation experience would cost approximately $14.1m.

Council has agreed that significant investment is required for the future development of the Aquatic Centre. For this project to proceed, approximately 50% will need to be raised by way of private partnerships and community fundraising. That would mean Council will need to borrow the difference.

Earthquake prone buildings

The Christchurch earthquakes raised questions throughout New Zealand around the condition of buildings and their ability to withstand a significant earthquake.

Many of the services provided by Council are provided through ownership and maintenance of these buildings. Many of the buildings are iconic; they are landmarks that Rotorua is known for. Council considers that undertaking the work required to bring the buildings up to the specified level is essential.

At this point the issues and costs are not yet fully assessed. The following sites are currently being addressed or will need addressing in the short term:

Building		Location description	Timeline	Cost
i-SITE / Visitor Centre		Cnr Haupapa and Fenton Streets	2016-17	$2.07m
Museum		Government Gardens	2016-21	$5.4m
Sir Howard Morrison Performing Arts Centre		Cnr Fenton and Arawa Streets	2017-21	$9.7m

Decision-making

Council has agreed that these sites are valuable community assets.

Based on information known at this time, Council has agreed to a funding envelope that sees earthquake strengthening at the i-SITE ($2.07m), Museum ($5.4m), and Sir Howard Morrison Performing Arts Centre ($9.7m).

Challenge 5
➡ Keeping pace with 2016 priorities

Inner City Revitalisation

Council has confirmed its commitment through adoption of the Inner City Revitalisation Strategy. To progress the projects outlined in the strategy, a commitment of $1.1m per annum for the first three years of the plan and $800k per annum for subsequent years has been agreed to.

A proposal in the final draft Inner City Revitalisation Strategy was put forward during consultation was to consider the removal of City Focus. This proposal received feedback in support of retaining the City Focus citing:

- The need to have a central meeting/outdoor entertainment space
- The need to have a focal point where tourists and the community can get information easily.

Other options could be investigated which may retain the integrity and purpose of the City Focus. These alternatives may also benefit CBD retailers who currently see City Focus as a barrier to the economic growth of the CBD, and address sightlines and traffic flow. These alternatives will be referred to the Inner City Revitalisation Steering Group to further investigate.

A final decision on the future of City Focus will be considered by the Council by December 2015.

Rotorua Child Health and Library Hub

A joint project between Council and the Lakes District Health Board. The concept is to combine the library service with services promoting the wellness of young people within our community.

For library services, this is an opportunity to continue reviewing how the service can move into the future and meet the needs of modern library users, including children, young people, and their families.

For the DHB this is an opportunity to provide services to children, young people, and their families in an environment that is stress-free, inviting, attractive, and removed from traditional hospital services.

This will not be a venue where sick people are treated; the services are based around presentation, education, and wellness. Combining the two services means that the library service can be extended, engaging young people with reading and facing issues that confront them in life.

A holistic approach to this project is being undertaken. The decision to demolish Community House and relocate community services means that the back of the Visitor Centre, Jean Batten Square, Library building, and Haupapa Street can be transformed into a vibrant new focal point within the CBD by:

- Co-locating child/youth health and related services with community library services, within the existing library building on Haupapa Street;
- Upgrading and re-fitting the building, integrating health and library services with costs to be shared between the council, the district health board and other potential funding partners;
- Developing the area around the building to incorporate children’s play areas and a public plaza;

- Ensuring accessibility and safety through traffic-slowing measures, changes to the inner city bus route, provision of dedicated parking and installing a bus stop at the hub.

Services could include paediatric outpatients, child development, public health, child protection, mental health, parenting, oral health, library and related educational services.

Decision-making

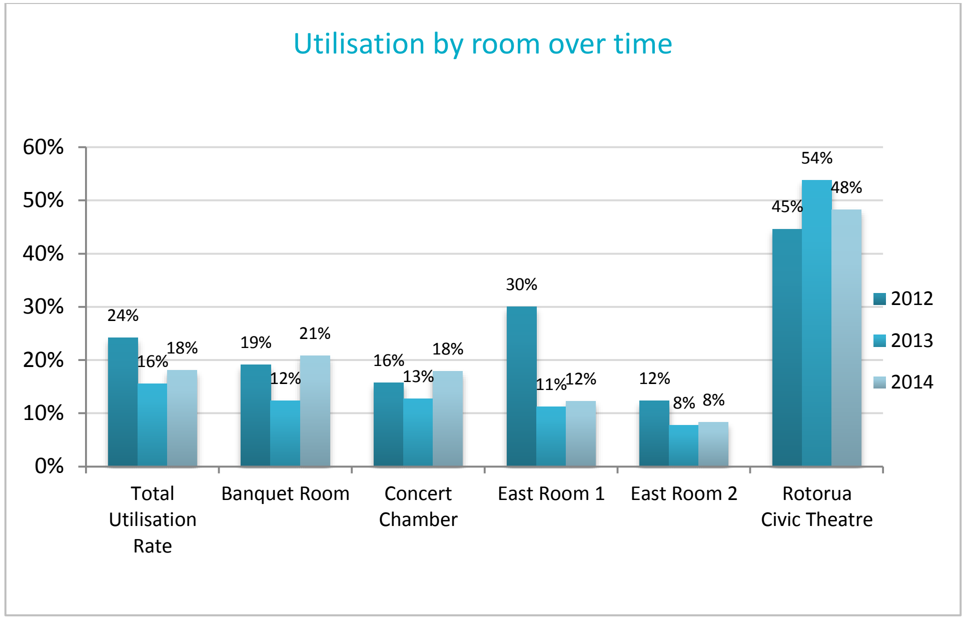
Council has agreed to support this project and have provided $4.3m towards library services alterations and renewals. The fit-out for health services is at the cost of the DHB. It is expected that concept design work will be completed by August 2015, with construction planned to commence in the 2016/17 financial year (year 2 of this Plan).

Sir Howard Morrison Performing Arts Centre

Over the last three years, utilisation of the Sir Howard Morrison Performing Arts Centre (previously Rotorua Convention Centre) has been 18%. Feedback from the community shows the current pricing structure, existing configuration of spaces, and the support and technical services available as being barriers to community groups using the centre.

The objective is to become the performing arts hub for the Rotorua community, to be more accessible for community and performing arts groups to showcase their arts, and to bring vibrancy and use back to the centre.

The proposed concept would involve modifications to the Concert Chamber to allow use of the spaces by community and local performing arts groups in and around commercial productions and major public ticketed events.



A project has been scoped that would:

- Modify backstage areas, dressing rooms, kitchen, and storage areas
- Redesign storage area for chairs etc.
- Create a sprung floor (stage 8m depth x 11m width)
- Create fully retractable seating allowing 220 seats
- Allow an additional 40 free-standing chairs
- Develop theatre services infrastructure

Decision-making

At the time Council made its decisions around the funding of projects, it was determined that further work was required on the business case for the centre's use as a performing arts centre.

Council has agreed to set aside $2.1m for the renewal and redevelopment of the concert chamber. This expenditure is dependent on a final assessment by Council of the business case, plus successful external funding of approximately 1.3m.

Creation of a new Council Controlled Organisation (CCO) – Rotorua Contracting

Councils can establish or become shareholders in a council controlled organisation (CCO). Setting up a CCO provides more commercial discipline and specialist expertise through board appointments. With specialist skills, board members are able to add value and help CCOs to achieve their objectives and the council's long-term goals.

Council has agreed to a new council controlled organisation (CCO) to drive greater efficiencies and commercial discipline, and to increase opportunities for delivering future collaborative services across the region.

This decision is the result of a review of the delivery of services currently provided by Castlecorp, the nursery, and the landfill. Those services include:

- Castlecorp - servicing and maintenance arm for council infrastructure assets. This includes water, wastewater, storm water, litter, refuse, parks, public gardens, janitorial, sports fields, the stadium and cemeteries.
- Rotorua Nursery - the nursery grows all the plants and shrubs required for the district's street plantings and amenity planting
- Fleet Management - maintains vehicle fleet and machinery for Council and Castlecorp.

Proposed Structure

- The new CCO will be 100% owned by Rotorua Lakes Council and would operate as a Council Controlled Organisation (CCO).
- The new CCO would have an independent skills-based board of four to six members plus a chairperson, and employ its own CEO and staff.
- The new CCO would operate under a Statement of Intent agreed to by its directors and Rotorua Lakes Council.
- The new CCO would be primarily funded by Rotorua Lakes Council.

It is projected that in the first three to five years there will be no impact to ratepayers. It currently costs approximately $16m to provide these services. Setting up a CCO would see that amount of funding provided to the CCO to undertake its operations and fund its board and CEO.

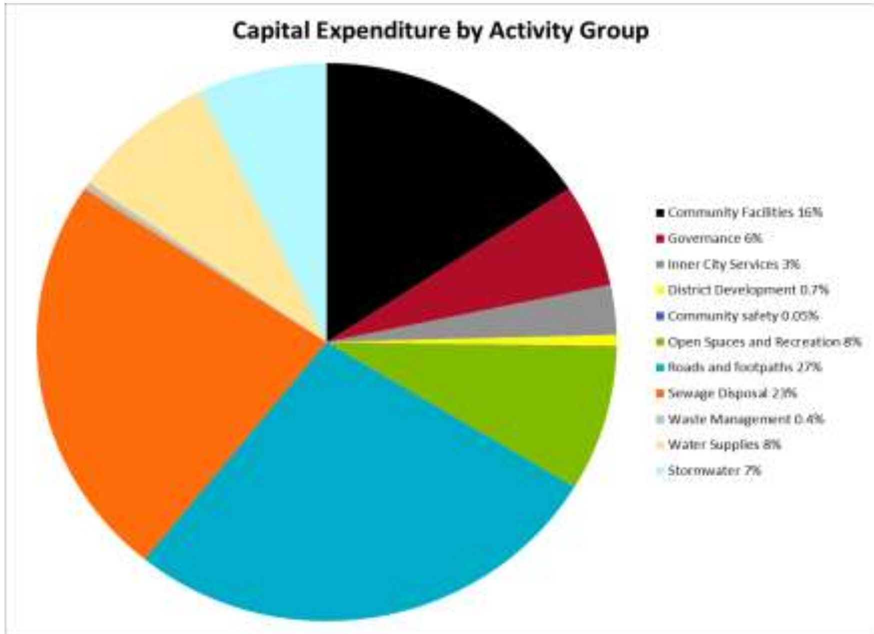
The future goal would be for new business opportunities to be created which would see the level of funding from Council reduced as new sources of revenue come online.

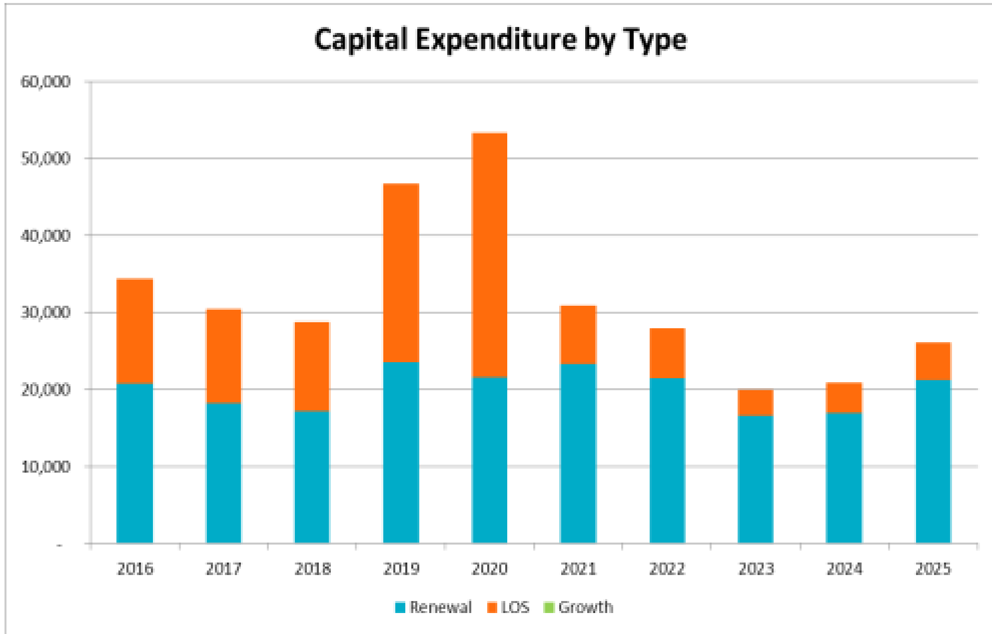
Key Performance Indicators

There will be a defined set of key performance indicators (KPIs) measuring the contribution towards achievement of the objectives outlined. The KPIs will be developed following formalisation of the CCO entity, its board and the chief executive of the CCO. It is planned that the CCO will be in place by 1 September 2015.

KPIs will be negotiated on an annual basis as part of the Statement of Intent process. The new CCO would report annually to the council and other stakeholders on the KPIs.

What we will spend





Rotorua 2030 and community outcomes

Following the October 2013 local government elections, the new mayor and councillors started drafting a bold Rotorua 2030 vision for the future of our district.
This included developing seven draft 2030 long term goals, along with four draft medium term priorities for the council and community to achieve together by 2016.

Through feedback on these goals and priorities the community has given our council a very clear indication of the direction they want Rotorua district to take in the coming years. So Rotorua 2030 is now our blueprint for a bold and positive future – something we are focussed on achieving in partnership with residents and other key stakeholders. In short the Rotorua 2030 goals are the community outcomes.

We know we have challenges ahead that need to be addressed, this Long-term Plan addresses them. What must be kept in mind is our commitment to 'staying the course' of Rotorua 2030 within the constraints of our key challenges.

We will measure our progress through regular progress reports and against key indicators as shown in the following table.

Rotorua 2030 and community outcomes

A RESILIENT COMMUNITY He hāpori pūmanawa …inclusive, liveable and safe neighbourhoods give us a sense of place; and confidence to be involved and connected	
2016 n/a	
Primary indicator: Sense of belonging – how connected are people to their neighbourhood and community. *Perception survey - qtly*	Supporting indicator: Sense of safety – how safe do people feel on the streets? *Perception survey - qtly*
HOMES THAT MATCH NEEDS Kāinga noho kainga haumaru…quality, affordable homes are safe, warm, and available	
2016: Support reinvigorated neighbourhoods and the creation of healthy homes	
Primary indicator: Homes are insulated and affordable to heat *Energy Efficiency and Conservation Authority (EECA) retrofit data – qtly*	Supporting indicator: New housing starts and renewals RLC consent data Supporting indicator: Ability to afford home heating *Perception survey – qtly*
OUTSTANDING PLACES TO PLAY Papa whakatipu…recreation opportunities are part of our lifestyle; connecting us, transporting us and surrounding us	
2016 n/a	
Primary indicator: Lifestyle - % of population satisfied with options available and whether this perception improves or deteriorates over time. *Perception survey - qtly*	Supporting indicator: Connectivity – level of participation and utilisation of recreational facilities. *Perception survey – qtly* *People count key locations – qtly*
VIBRANT CITY HEART Waahi pūmanawa…our inviting and thriving inner city reflects our unique heritage and lakeside location	
2016: Develop a vibrant city heart that attracts people and activity	
Primary indicator: People on the street – measure of overall vibrancy in our city centre *People count*	Supporting indicator: n/a

BUSINESS INNOVATION AND PROSPERITY Whakawhanake pākihi …we boast a diverse and sustainable economy energised by our natural resources and innovative people	
2016: Develop our economic base by growing existing and attracting new businesses to our region	
Primary indicator: Gross domestic product – a measure of business prosperity in Rotorua Economic monitor report - qtly	Supporting indicators: New business to Rotorua Infometrics Business diversification - as measured by the Herfindahl Hirschman Index Infometrics – yearly
EMPLOYMENT CHOICES He huarahi hōu…we are a prosperous connected community; growing our education, training and employment opportunities	
2016 n/a	
Primary indicator: Personal income – as a measure of individual prosperity in Rotorua *Economic monitor report - qtly* *Roost Mortgage Report - mthly*	Supporting indicator: Employment opportunities – measured by jobs advertisements & unemployment statistics *Seek & Trademe job statistics - qtly*
ENHANCED ENVIRONMENT Tiakina to taiao…we are known globally for our clean, natural environment, air quality and healthy lakes	
2016 n/a	
Primary indicator: Healthy lakes – weighted trophic level score across Rotorua lakes *BoPRC stats - qtly*	Supporting indicator: Environmental scan – measure of people's perception of overall cleanliness i.e. rubbish, graffiti, broken / damaged public facilities. *Visitor survey – qtly* *Perception survey – qtly*
N/A	
2016: Sustainable infrastructure and affordable, effective council services	
Primary indicator: Confidence- level of confidence in the management of council services ("No surprises") *Perception survey – qtly*	Supporting indicator: n/a

To show the commitment we have to Rotorua 2030, all our groups of activities are aligned to contribute towards them. The following section 'Delivering our Services' shows what Rotorua 2030 each group of activities contributes to.

Community Infrastructure

Why we do it

We're involved in arts and culture to enrich communities, treasure and display our unique cultural history, encourage exploration of new ideals and new worlds, and promote creative vibrancy within the district.

What we do

District Library

The District Library takes care of and connects our people to information, to encourage personal development and community participation.

This includes: collections/lending services, website, a mobile library and housebound service, and programme/displays and exhibitions.

Rotorua Museum

The Rotorua Museum keeps the really important stories of our place and its people alive in an up-to-date and relevant way. This is done through the delivery of permanent exhibitions. The delivery of a dynamic and active programme of public lectures, films, tours, and children's activities provides the ability to explore art and cultures of Rotorua and other countries.

Events and Venues

A range of uses within the venues that includes:

- Local amateur performance
- Cultural activity performance
- Sports and recreation
- Conference and incentive activities
- Social functions
- Touring and local professional performing groups

The venues include:

- International stadium
- Energy Events Centre
- Soundshell and Te Runanga Tearooms
- Sir Howard Morrison Performing Arts Centre

Rotorua 2030 Goals

Pensioner Housing

We provide 165 units throughout the district to people 55 and over, and with limited assets and income.

Community House

Community House provides a central location for community/social services, e.g. Citizens Advice Bureau and budget advice.

Community Halls

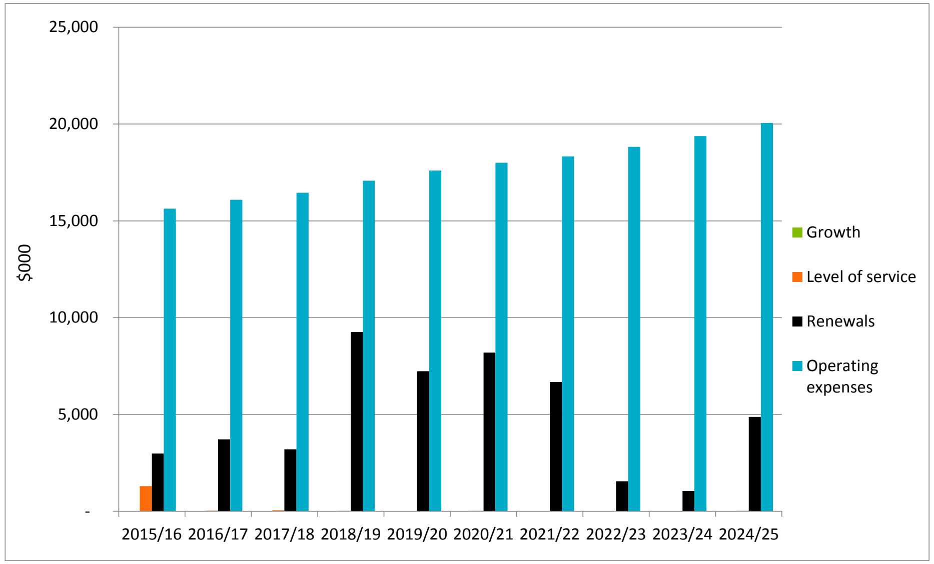
Nine halls contribute community meeting places, mainly within the rural community.

Aquatic Centre

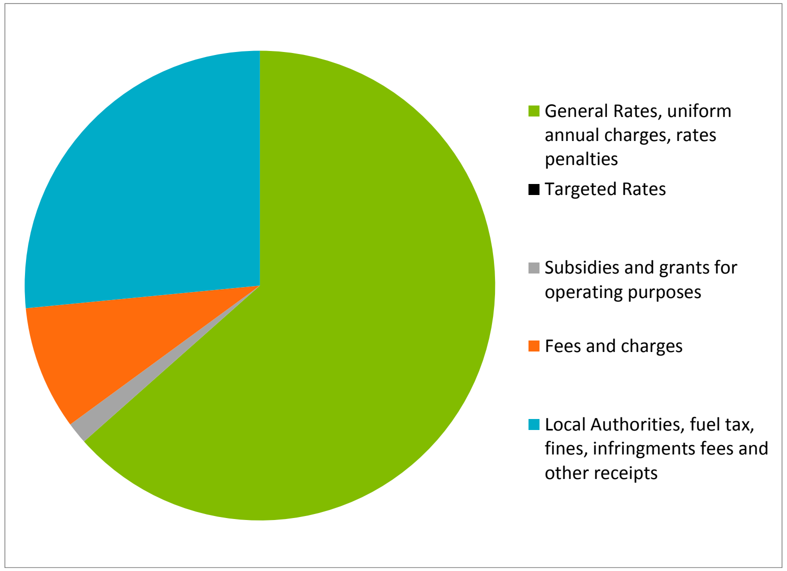
The Aquatic Centre caters for local, regional and national aquatic sports, and provides recreational, health, fitness and leisure programmes and services. Sporting and physical activity opportunities include recreational programmes such as aqua jogging and aerobic classes, Aqua Mums, Green Team holiday programme and Flippa Ball (mini water polo). Other activities include swimming, water polo, canoe polo, outrigging (waka ama), underwater hockey, 'learn to swim' programmes, playground and inflatable fun, volleyball and onsite cardio studio.

The centre also offers swim programmes targeting all age groups, Unison Lake Safety Programme (major sponsor Unison Networks Limited), Rangatahi Lifeguard Award, Go4it Schools Swimming Initiative in conjunction with Water Safety New Zealand, Outrigging (Waka Ama), Central North Island Lifeguard Competition, Boat Safety in conjunction with Rotorua Coastguard, Swim for Life Campaign, pre-entry Police swim testing, training and assessment.

Community Infrastructure costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets						
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
District Library							
Library readily accessible to residents and visitors for the purpose of information gathering, education and recreation.	Total number of people making use of the physical library facilities both permanent and mobile.	340,435	Door count	≥340,000	≥305,000	≥305,000	≥370,000
	Percentage of residents very/fairly satisfied with the overall services offered by the library.	81%	Community Survey	≥80%	≥75%	≥75%	≥85%
Provide a range of programmes that contribute to the education of those attending.	Number of attendees completing reading or computer literacy modules per annum.	New measure*	Learning database	≥340	≥380	≥380	≥420
	Satisfaction with quality and relevance of programmes run by the library.	New measure*	Customer feedback survey	≥85%	≥85%	≥85%	≥85%
Rotorua Museum							
Position the Museum as a "must see" attraction to visitors to the district, both international and domestic.	Total number of visitors per year.	98,996	Ticket count	≥100,000	≥102,000	≥104,000	≥106,000
	80% of local residents very/ fairly satisfied with the museum and its services.	80%	Community Survey	≥80%	≥80%	≥80%	≥80%
Provide events and programmes that are relevant to the community.	Percentage of exhibitions that have relevance to the Rotorua community.	New measure*	Exhibition programme	≥80%	≥80%	≥80%	≥80%
	Participate satisfaction with events and programmes run by the museum.	New measure*	Participant survey	≥80%	≥80%	≥80%	≥80%
Events and Venues							
Encourage and promote a wide range of events and conferences with high levels of participation.	Number of visitor nights resulting from visitors attending major events and multi-day business events.	New measure*	Booking System and Promoter Information	≥106,000	≥110,600	≥115,300	≥120,000
	Visitor expenditure resulting from visitors attending E&V supported Major Events.	New measure*	Booking System and Tourism NZ	≥$39.2m	≥$40.8m	≥$42.6m	≥$44.5m
Venues are provided and well used to support commercial and community based events.	Community hire days of venues.	New measure*	Booking System	≥330	≥330	≥330	≥330
	% of available capacity utilised of all event venues.	New measure*	Booking System	≥45%	≥45%	≥45%	≥45%

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Aquatic Centre							
Provide a variety of fun accessible activities.	Percentage of users very/fairly satisfied with the level of service.	69%	Internally run survey	≥65%	≥65%	≥70%	≥75%
	Number of visitors to the aquatic centre per year.	364,105	Counter intelligence system	≥350,000	≥350,000	≥350,000	≥400,000
Provide opportunities for children to become safe around water.	Number of lessons in Learn to Swim School programmes per term.	11,057	Enrolment Database	≥10,500	≥10,500	≥11,000	≥11,000
	Percentage of customers that repeat their enrolment each term.	New measure*	Enrolment database	≥70%	≥75%	≥80%	≥80%
Pensioner Housing							
Respond to the need to provide affordable/sustainable housing to the Rotorua's older people on low incomes that is maintained to a Habitable state.	The percentage utilisation of all Pensioner houses throughout the year.	New measure*	Tenancy database	≥95%	≥95%	≥95%	≥95%
	100% of inspections are carried out on a 6-monthly basis.	New measure*	Inspections database	Achieved	Achieved	Achieved	Achieved

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	Broadlands Hall renewals	-	-	-	25
	Building renewals	-	122	148	623
	Dawson Drive renewals	-	14	-	68
	Domain Avenue renewals	-	-	-	19
	EQ strengthening - Sir Howard Morrison Performing Arts Centre	680	-	-	8,968
	International Stadium renewals	68	117	8	476
	Kaharoa Hall renewals	-	-	-	59
	Lake Okareka Hall renewals	8	-	-	10
	Library asset renewals	140	144	147	1,150
	Lucas Place renewals	-	14	-	51
	Mamaku Hall renewals	-	-	-	41
	Museum – EQ strengthening – Museum foundations	-	-	-	5,388
	Ngakuru Hall renewals	-	-	-	33
	Ngongotaha Hall renewals	-	8	49	13
	Pipe renewals	-	415	-	-
	Plant & equipment renewals	65	64	147	412
	Rawhiti unit renewals	26	-	-	2,322
	Reporoa Hall renewals	-	-	-	8
	Rerewhakaaitu Hall renewals	-	-	-	19
	Rotorua Energy Events Centre renewals	255	113	42	2,297
	Sir Howard Morrison Performing Arts Centre renewals	830	13	25	650
	Upgrade of the aquatic centre	288	-	-	13,844
	Waikite Hall renewals	-	10	-	-
	Youth health precinct joint DHB project	-	2,135	2,189	-
	Community House demolition	298	-	-	-
	Rotorua museum building & renewals	359	252	337	2,360
	Renewal of "Rotorua Stories"	-	290	-	-
	Renewal of "Taking the Cure"	-	-	83	-
	Museum storage renewals	5	10	30	-
▪ Level of service	Collection development	8	8	8	63
	District library asset renewals	13	25	43	39
	Performing Arts Hub – Sir Howard Morrison Performing Arts Centre	1,275	-	-	-
	Grand Total	**4,283**	**3,753**	**3,257**	**38,939**

Significant negative effects

Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Inability to meet customer demand and changing expectations.	Introduction of new programmes and technology to ensure that the service stays ahead of expectations or can readily adjust services to provide for changing demands.
Reduced community access to venues resulting from high revenue events and conferences securing bookings.	Council policy requires a minimum of 40% of venue usage to be by community groups.
Increased traffic congestion arising from major events at venues.	All major events are subject to event specific traffic management plans.
Perceived increase in crime – vehicle, theft and assault resulting from increased numbers of people in and around venues during events.	Mitigated by adequate levels of security staffing, full involvement of Police in planning, and specific event initiatives where clear risks are identified and quantified.
Asset failure due to aged facilities, and backlog of renewals which were not undertaken.	A proposed development plan that seeks community support investment is being prepared. This needs to be matched with ongoing good maintenance and replacement schedules. Existing assets are regularly monitored.
Public/private partnerships to fund future developments at the Aquatic Centre are not secured.	▪ Develop sound business plan and project proposal. ▪ Actively approach/interact with potential partners.





Community Infrastructure – Funding Impact Statement

Community Infrastructure	Annual Plan 2014/15 ($000)	Long-term Plan 2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	12,800	10,696	11,817	11,788	14,592	13,654	14,483	15,771	12,663	12,307	16,504
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	130	276	276	276	276	276	276	276	276	276	276
Fees and charges	104	1,535	1,589	1,646	1,696	1,751	1,809	1,871	1,939	2,011	2,090
Internal charges and overheads recovered	10	93	96	98	101	104	107	110	114	118	122
Local Authorities, fuel tax, fines, infringments fees and other receipts	5,853	4,776	4,943	5,121	5,276	5,446	5,628	5,821	6,032	6,257	6,503
Total operating funding (A)	**18,897**	**17,376**	**18,721**	**18,929**	**21,941**	**21,231**	**22,303**	**23,849**	**21,024**	**20,969**	**25,495**
Applications of operating funding											
Payments to staff and suppliers	11,252	12,251	12,590	12,806	13,197	13,489	13,806	14,222	14,587	15,046	15,498
Finance Cost	919	999	1,049	1,117	1,271	1,418	1,413	1,232	1,254	1,244	1,342
Internal charges and overheads applied	3,314	2,381	2,449	2,524	2,601	2,688	2,781	2,874	2,978	3,090	3,212
Other operating funding applications	-										
Total applications of operating funding (B)	**15,485**	**15,631**	**16,088**	**16,447**	**17,069**	**17,595**	**18,000**	**18,328**	**18,819**	**19,380**	**20,052**
Suplus (deficit) of operating funding (A-B)	**3,412**	**1,745**	**2,633**	**2,482**	**4,872**	**3,636**	**4,303**	**5,521**	**2,205**	**1,589**	**5,443**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	1,403	-	-	1,998	2,125	2,125	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**-**	**1,403**	**-**	**-**	**1,998**	**2,125**	**2,125**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	355	1,295	33	51	25	8	22	9	9	9	18
- to replace exisiting assets	1,816	2,988	3,720	3,206	9,258	7,231	8,200	6,674	1,548	1,053	4,873
Increase (decrease) in reserves	-	(1,135)	(1,120)	(775)	(2,413)	(1,478)	(1,794)	(1,162)	648	527	552
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**2,171**	**3,148**	**2,633**	**2,482**	**6,870**	**5,761**	**6,428**	**5,521**	**2,205**	**1,589**	**5,443**
Surplus (deficit) of capital funding (C-D)	**(2,171)**	**(1,745)**	**(2,633)**	**(2,482)**	**(4,872)**	**(3,636)**	**(4,303)**	**(5,521)**	**(2,205)**	**(1,589)**	**(5,443)**
Funding balance ((A-B)+(C-D))	1,241	-	-	-	-	-	-	-	-	-	-

Community Safety

Why we do it
We're involved in community safety to contribute towards building 'resilient communities' by minimising the risks to public health, security, personal safety and by working together to keep our district safe.

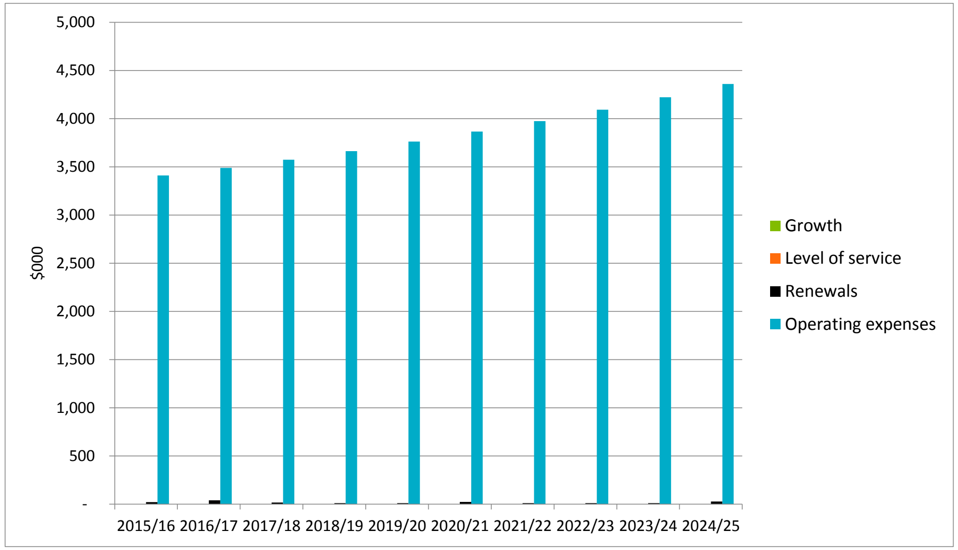
Rotorua 2030 Goals

What we do

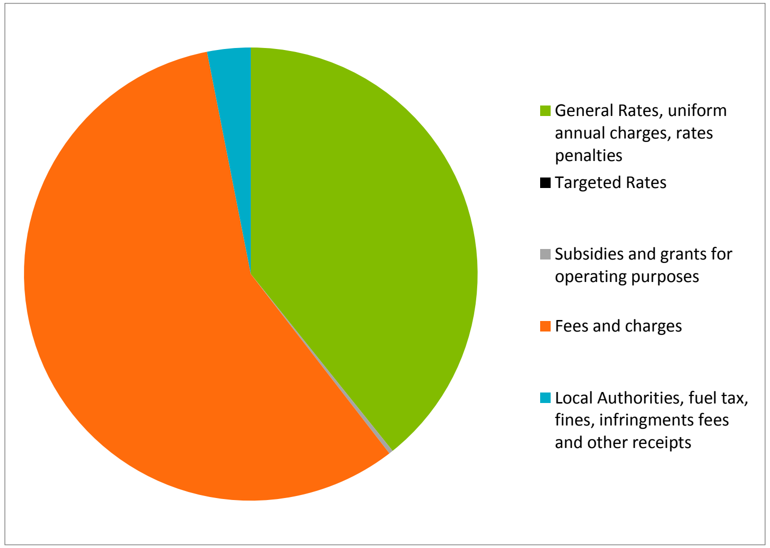
Emergency Management
We provide leadership, advice, planning and resources to enable the community to respond to and recover from any significant disaster that could affect the city.

Regulatory services
This is a combination of services for animal control and inspection; both of which look after public safety, health and wellbeing.

Community Safety costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Emergency Management							
Council is ready to respond to a Civil Defence Emergency and is able to function for as long as required during an emergency.	**Internal** Emergency Coordination Centre staff capability is developed as measured through the professional capability matrix.	New measure*	Professional Capability Matrix	≥68%	≥68%	≥68%	≥68%
Protection of people, property and the environment from the hazards of fire by prevention, suppression and control in rural areas.	Percentage of rural fire forces trained and equipped.	Achieved	Training Database	≥95%	≥95%	≥95%	≥95%
Regulatory services							
Ensure district is provided with clean, safe and hygienic food premises, licensed liquor outlets, hairdressers and camping grounds.	100% of all licensed premises in the very high or high risk category are inspected under the Liquor Licencing Act are monitored twice annually.	78%	Ozone premises inspection database	100%	100%	100%	100%
	The percentage of known very high or high risk food premises (or relevant requirements under new food act) and other business covered under the health act, are monitored twice annually.	100%	Ozone premises inspection database	100%	100%	100%	100%
	The maximum percentage of residents dissatisfied with noise control service.	4%	Community Survey	5%	5%	5%	5%
Provide safe public places free from uncontrolled dogs and wandering stock.	100% of known dogs registered or served with a notice to register by 30 June annually.	104%	Dog registration database	100%	100%	100%	100%
	100% of complaints about wandering stock responded to immediately.	100%	Complaints database	100%	100%	100%	100%

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
Renewals and replacements	Animal control asset renewals	12	30	6	29
	Rural fire equipment renewals	9	9	9	70
	Grand Total	**20**	**39**	**15**	**98**

Significant negative effects
Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Failure of dog owners to exercise responsible dog control has the potential for dog attacks and acts of aggression. This affects the social wellbeing and safety of some members of the public.	To continue with a proactive patrolling regime and to increase the presence of staff in those areas which the public identify as having “too many wandering dogs”.
Increasing costs resulting from the transfer of central government responsibilities to local authority.	To seek appropriate funding from Central Government to meet costs of additional responsibilities.
Potential for a reduction in levels of self-reliance if emergency management is viewed as purely a local or central government responsibility.	Improve public awareness of personal responsibility for emergency procedures including ability to access information via the internet and dedicated website.





Community Safety - Funding Impact Statement

Community safety	Annual Plan					Long-term Plan					
	2014/15 ($000)	2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	523	1,364	1,369	1,379	1,401	1,428	1,455	1,481	1,510	1,542	1,575
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	-	10	10	10	10	10	10	10	10	10	10
Fees and charges	1,189	1,933	2,001	2,073	2,136	2,205	2,278	2,356	2,442	2,533	2,632
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Local Authorities, fuel tax, fines, infringments fees and other receipts	74	104	108	112	115	119	123	127	131	136	142
Total operating funding (A)	**1,786**	**3,411**	**3,488**	**3,574**	**3,662**	**3,762**	**3,866**	**3,974**	**4,093**	**4,221**	**4,359**
Applications of operating funding											
Payments to staff and suppliers	1,830	2,393	2,441	2,494	2,549	2,610	2,674	2,742	2,816	2,895	2,980
Finance Cost	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	540	1,018	1,047	1,080	1,113	1,152	1,192	1,232	1,277	1,326	1,379
Other operating funding applications	-										
Total applications of operating funding (B)	**2,370**	**3,411**	**3,488**	**3,574**	**3,662**	**3,762**	**3,866**	**3,974**	**4,093**	**4,221**	**4,359**
Suplus (deficit) of operating funding (A-B)	**(584)**	-	-	-	-	-	-	-	-	-	-
Sources of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	-	-	-	-	-	-	-	-	-	-	-
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace exisiting assets	44	20	39	15	9	9	22	10	10	10	27
Increase (decrease) in reserves	-	(20)	(39)	(15)	(9)	(9)	(22)	(10)	(10)	(10)	(27)
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**24**	-	-	-	-	-	-	-	-	-	-
Surplus (deficit) of capital funding (C-D)	**(24)**	-	-	-	-	-	-	-	-	-	-
Funding balance ((A-B)+(C-D))	(608)	-	-	-	-	-	-	-	-	-	-

District Development

Why we do it

To develop and improve the local economy so that we all can enjoy a comfortable lifestyle with positive opportunities; to position Rotorua as a great place to visit, live, work, invest and do business.

What we do

Economic development

We work with external agencies to develop and improve the local economy. This includes the work Council contracts to our council controlled organisation Grow Rotorua Ltd and initiatives being developed through the Economic Growth Portfolio.

Destination Marketing

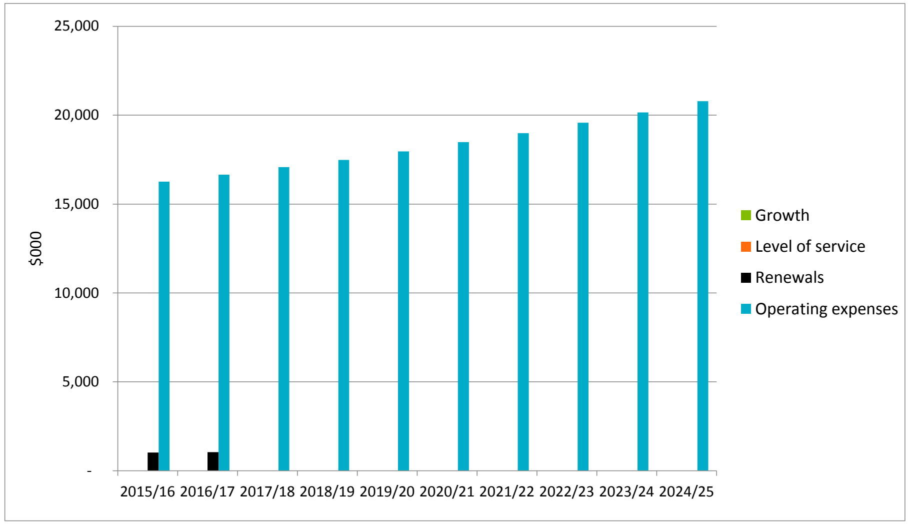
We work to bring visitors to Rotorua by strengthening local market brand positioning and targeting growth markets. This is done in partnership with Rotorua tourist operators, wider regional connections and Tourism NZ.

City planning and development

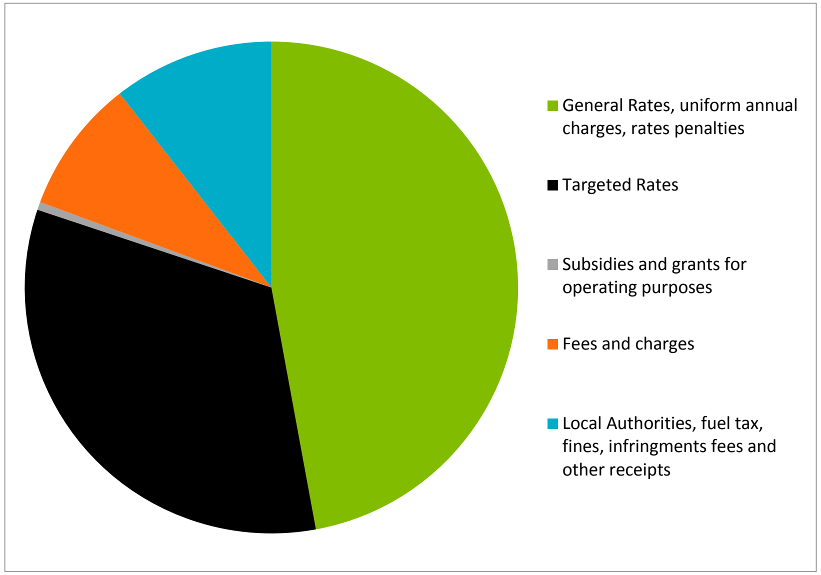
We're in the city planning business to protect Rotorua's unique environment and our citizens' quality of life, as we try to grow and develop the district. We do this through the District Plan and resource consenting process.

Rotorua 2030 Goals

District Development costs



How operating expenses are paid for



ROTORUA LAKES COUNCIL

What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Facilitate the growth and development of the Rotorua district.	% of the business plan KPIs for the Destination Rotorua Marketing business unit are achieved.	New measure*	Business Plan Report	≥80%	≥80%	≥80%	≥80%
	% of the business plan KPIs for the airport are achieved.	New measure*	Business Plan Report	≥80%	≥80%	≥80%	≥80%
	% of the business plan KPIs for Grow Rotorua are achieved.	New measure*	Business Plan Report	≥80%	≥80%	≥80%	≥80%
	Rotorua's GDP growth is above the average GDP growth of New Zealand.	New measure*	Rotorua 2030 report	Achieved	Achieved	Achieved	Achieved
	The business confidence within the Rotorua district is above the average business confidence across New Zealand.	New measure*	Rotorua 2030 report	Achieved	Achieved	Achieved	Achieved
	Percentage increase in CBD foot traffic from the previous financial year.	New measure*	Property Institute of NZ Survey	≥5%	≥5%	≥5%	≥5%
Timely and consistent processing of consenting applications.	Percentage of consents processed within 15 working days.	Land use – 47% Subdivision – 15% Building consents – 88%	Ozone job tracking/ reports	Land use ≥60% Subdivision ≥25% Building consents ≥60%	Land use ≥60% Subdivision ≥25% Building consents ≥60%	Land use ≥60% Subdivision ≥25% Building consents ≥60%	Land use ≥60% Subdivision ≥25% Building consents ≥60%
	Percentage of customers very/fairly satisfied with the consenting process.	New measure*	Customer survey	≥80%	≥80%	≥80%	≥80%
	The number of complaints with the consenting service is reduced.	New measure*	Ozone job tracking/ reports	≤30	≤25	≤20	≤20

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
Renewals and replacements	EQ strengthening of tourism i-SITE	1,020	1,046	-	-
	Grand Total	**1,020**	**1,046**	**-**	**-**

Significant negative effects
Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Ongoing wave of global and or national economic downturn.	Focus on productivity improvement in business, workforce up-skill and skill gap fulfilment.
Marketing campaigns do not engage intended markets.	Keep abreast of changes, demands, and impacts in order that marketing plans are focused on the most appropriate places and that Council continues to be adaptable to change.
Expenditure towards the development of a council controlled organisation is seen by ratepayers to be better invested elsewhere.	Good communication plan around the intent and objectives for creation of a council controlled organisation to deliver economic development.
Increased visitor numbers resulting from tourism can cause traffic congestion, especially in peak visitor periods.	Good communication and education around parking options and other modes of transport in and around the CBD.
Changes in legislation that will have resultant effects on levels of planning services provided.	Ensure opportunities are taken to influence regional and national policy making through submission phases, and where necessary appeal provisions.






District Development – Funding Impact Statement

District Development	Annual Plan	Long-term Plan									
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	6,364	7,957	8,188	7,593	7,714	7,882	8,071	8,215	8,410	8,577	8,751
Targeted Rates	5,522	5,580	5,738	5,906	6,085	6,282	6,491	6,713	6,957	7,217	7,500
Subsidies and grants for operating purposes	-	90	91	92	94	95	97	98	100	102	104
Fees and charges	1,607	1,480	1,532	1,587	1,635	1,688	1,744	1,804	1,869	1,939	2,015
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Local Authorities, fuel tax, fines, infringments fees and other receipts	2,548	1,770	1,832	1,898	1,956	2,019	2,086	2,158	2,236	2,320	2,411
Total operating funding (A)	**16,041**	**16,877**	**17,381**	**17,076**	**17,484**	**17,966**	**18,489**	**18,988**	**19,572**	**20,155**	**20,781**
Applications of operating funding											
Payments to staff and suppliers	10,996	13,408	13,709	14,034	14,379	14,757	15,157	15,584	16,050	16,547	17,085
Finance Cost	3,973	1,160	1,198	1,247	1,254	1,294	1,349	1,355	1,397	1,402	1,401
Internal charges and overheads applied	1,617	1,691	1,740	1,795	1,851	1,915	1,983	2,049	2,125	2,206	2,295
Other operating funding applications	-										
Total applications of operating funding (B)	**16,586**	**16,259**	**16,647**	**17,076**	**17,484**	**17,966**	**18,489**	**18,988**	**19,572**	**20,155**	**20,781**
Suplus (deficit) of operating funding (A-B)	**(545)**	**618**	**734**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace exisiting assets	153	1,020	1,046	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	(402)	(312)	-	-	-	-	-	-	-	-
Increase (decrease) of investments	-										
Total applications of capital funding (D)	**153**	**618**	**734**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Surplus (deficit) of capital funding (C-D)	**(153)**	**(618)**	**(734)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Funding balance ((A-B)+(C-D))	(698)	-	-	-	-	-	-	-	-	-	-

Governance and Community Engagement

Why we do it

To support the council's role in setting the future direction and priorities for our district, enabling informed and inclusive decision-making, supporting opportunities for Maori to contribute to decision-making and supporting strong and efficient leadership.

What we do

Governance and democracy

This activity covers a range of specific functions and is also the home of corporate leadership, planning, and the technical and administrative support for Council's many services. Supports the decision-making process of the mayor, elected members, and committees.

Governance and democracy are the cornerstone of local government and we will continue to provide the means needed to conduct fair and open governance.

It also supports engagement between Council and Maori communities, marae, runanga, iwi, hapu and whanau, facilitating Maori input into council decision-making. It provides community information and engagement support to ensure we talk with our community and hear their needs.

Strategy and policy development

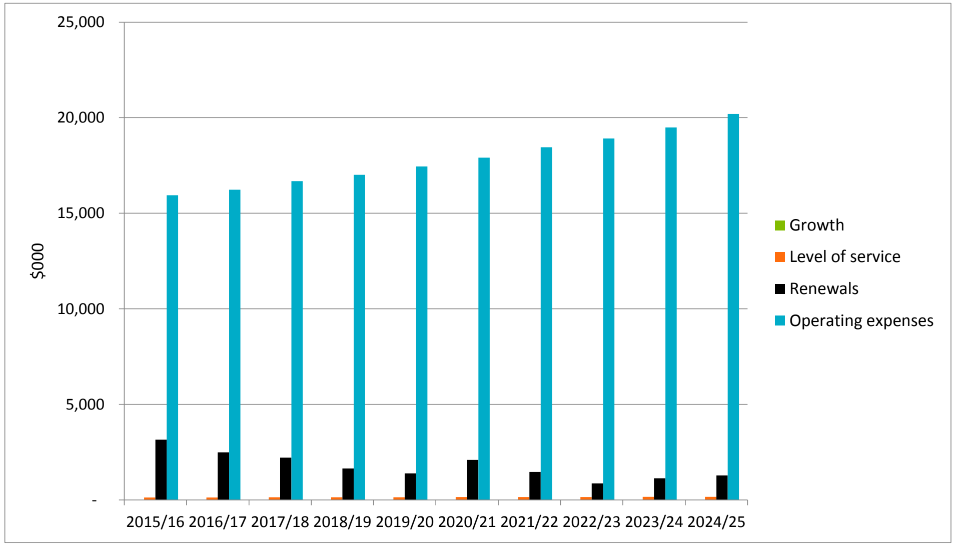
Deliver plans that set change for delivering the Rotorua 2030 goals. Develops and aligns policy and bylaws to focus delivery of services towards achievement of the Rotorua 2030 vision.

Strategic property investment

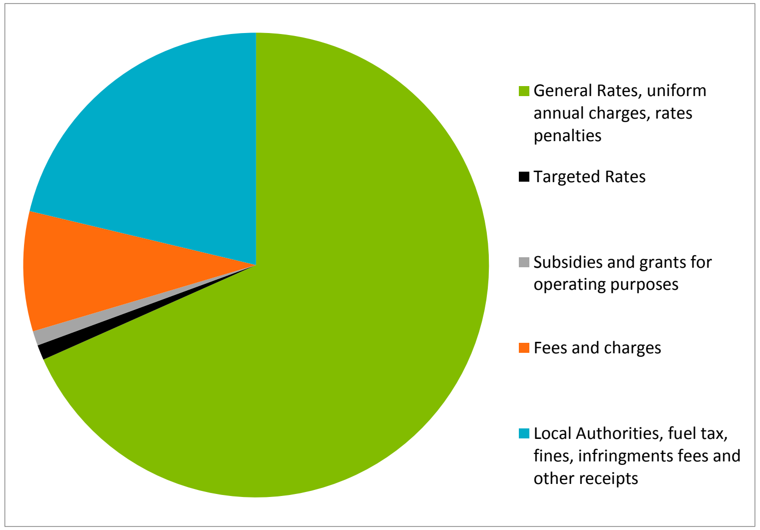
Manage the council's property portfolio, ensuring that the investments that have been made provide a gross return that is sustainable and meets the needs of our community.

Rotorua 2030 Goals

Governance and Community Engagement costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Governance							
Provide sound analysis and advice to better engage with communities on Council decisions related to the strategic direction of Rotorua.	Percentage of residents that are very/fairly satisfied with how rates are spent on services and facilities provided by Council.	72%	Community Survey	≥70%	≥70%	≥70%	≥70%
	Percentage of residents that strongly approve/approve of the decisions and or actions Council makes.	70%	Community Survey	≥60%	≥60%	≥60%	≥60%
	Percentage of residents that are very/fairly satisfied with the quality of information Council provides.	New measure*	Community Survey	≥60%	≥60%	≥60%	≥60%
	Percentage of residents who feel they can participate in decision-making.	New measure*	Community Survey	≥50%	≥55%	≥60%	≥65%
Strategy and policy							
Develop and implement community led strategies and projects that deliver on our Rotorua 2030 goals.	Percentage of residents who feel we are delivering and moving towards the 2030 goals (Resilient community, Homes that match needs, Outstanding places to play, Vibrant city heart, Business innovation and prosperity and Employment choices.	New measure*	Community Survey	≥60%	≥65%	≥70%	≥75%
	The percentage of 2030 measures that is moving in a favourable direction.	New measure*	Rotorua 2030 report	≥65%	≥70%	≥75%	≥80%
Develop policy, bylaws and plans that support the achievement of Rotorua 2030.	All statutory plans, policies and bylaws are delivered within their statutory timeframes.	New measure*	Bylaw/policy register	Achieved	Achieved	Achieved	Achieved

** New measure – denotes focus on alignment of the service with progress towards 2030.*





Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	Basement ventilation	-	44	-	-
	Civic Centre	216	317	599	1,608
	Civic centre refurbishment	553	566	581	2,481
	Civic RSA geothermal heating project	26	55	-	110
	Core hardware replacements	314	309	730	3,806
	Core software replacements	213	218	223	1,742
	Ductile columns for EQ strengthening & strengthening of chambers	-	139	-	-
	Geothermal building heating	298	-	-	-
	New Enterprise Resource Planning system	1,445	697	-	-
	Vaughan Road Depot	83	143	76	109
▪ Level of service	New core hardware	128	131	134	1,045
	Grand Total	**3,274**	**2,619**	**2,342**	**10,900**

Significant negative effects
Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Interest groups may dominate the decision-making process.	Wider consultation with under-represented groups, including going to source and targeted surveys.
The pace of change for delivering Rotorua 2030 goals is seen as too fast or is seen as lagging behind.	Maintain high levels of community engagement to ensure Rotorua 2030 is being delivered to meet the community's expectations. Ensure a level of flexibility is built into all strategy development in order to adapt to the changing needs and/or expectations of the community.

Governance and Community Engagement - Funding Impact Statement

Governance and Community Engagement	Annual Plan 2014/15 ($000)	2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	Long-term Plan 2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	2,396	3,864	3,579	3,553	3,022	2,892	3,409	3,130	2,757	2,917	3,177
Targeted Rates	-	53	55	56	58	60	62	64	66	69	71
Subsidies and grants for operating purposes	24	53	53	53	53	53	53	53	53	53	53
Fees and charges	129	422	437	453	466	481	497	514	533	553	575
Internal charges and overheads recovered	15,259	11,848	12,112	12,401	12,699	13,040	13,403	13,755	14,158	14,590	15,062
Local Authorities, fuel tax, fines, infringments fees and other receipts	1,082	1,078	1,114	1,152	1,185	1,222	1,261	1,302	1,348	1,396	1,449
Total operating funding (A)	**18,890**	**17,318**	**17,350**	**17,668**	**17,483**	**17,748**	**18,685**	**18,818**	**18,915**	**19,578**	**20,387**
Applications of operating funding											
Payments to staff and suppliers	16,028	14,792	15,048	15,454	15,754	16,151	16,570	17,088	17,505	18,025	18,662
Finance Cost	59	367	380	401	404	416	426	418	430	449	473
Internal charges and overheads applied		781	804	829	854	884	916	945	980	1,017	1,059
Other operating funding applications	-										
Total applications of operating funding (B)	**16,087**	**15,940**	**16,232**	**16,684**	**17,012**	**17,451**	**17,912**	**18,451**	**18,915**	**19,491**	**20,194**
Suplus (deficit) of operating funding (A-B)	**2,803**	**1,378**	**1,118**	**984**	**471**	**297**	**773**	**367**	**-**	**87**	**193**
Sources of capital funding											
Subsidies and grants for capital expenditure	1,000	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	7,000	3,000	2,000	12,000	14,000	(1,500)	(3,000)	(13,500)	(15,000)	(13,500)
Gross proceeds from sale of assets	-	1,000	1,025	1,051	1,078	1,107	1,137	1,167	1,200	1,234	1,270
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**1,000**	**8,000**	**4,025**	**3,051**	**13,078**	**15,107**	**(363)**	**(1,833)**	**(12,300)**	**(13,766)**	**(12,230)**
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	563	128	131	134	137	141	145	149	153	157	162
- to replace exisiting assets	1,220	3,146	2,488	2,208	1,645	1,384	2,088	1,462	859	1,135	1,281
Increase (decrease) in reserves	-	6,104	2,524	1,693	11,767	13,879	(1,823)	(3,077)	(13,312)	(14,971)	(13,480)
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**1,783**	**9,378**	**5,143**	**4,035**	**13,549**	**15,404**	**410**	**(1,466)**	**(12,300)**	**(13,679)**	**(12,037)**
Surplus (deficit) of capital funding (C-D)	**(783)**	**(1,378)**	**(1,118)**	**(984)**	**(471)**	**(297)**	**(773)**	**(367)**	**-**	**(87)**	**(193)**
Funding balance ((A-B)+(C-D))	2,020	-	-	-	-	-	-	-	-	-	-

Inner City Services

Why we do it

Create a 'destination within a destination' to which our people and visitors are drawn by its vibrancy, to shop, explore, be entertained and live.

What we do

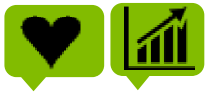
City Services

Services include keeping streets clean, servicing public toilets, graffiti removal, parking management, maintenance of a crime prevention camera network, and management of City Safe Guardians.

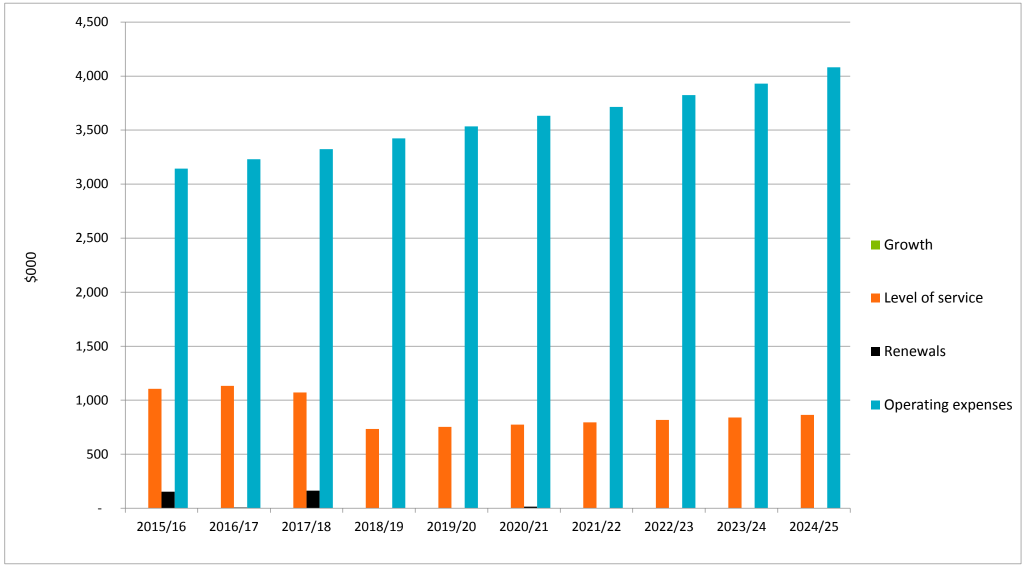
Public safety

We provide City Safe Guardians, people who are visible and active within the CBD and immediate surrounds. They work with the police, retailers, tourists and our citizens to ensure people feel safe on our streets. They can move freely from place to place, are able to get quick directional information, and report issues and risks that need addressing.

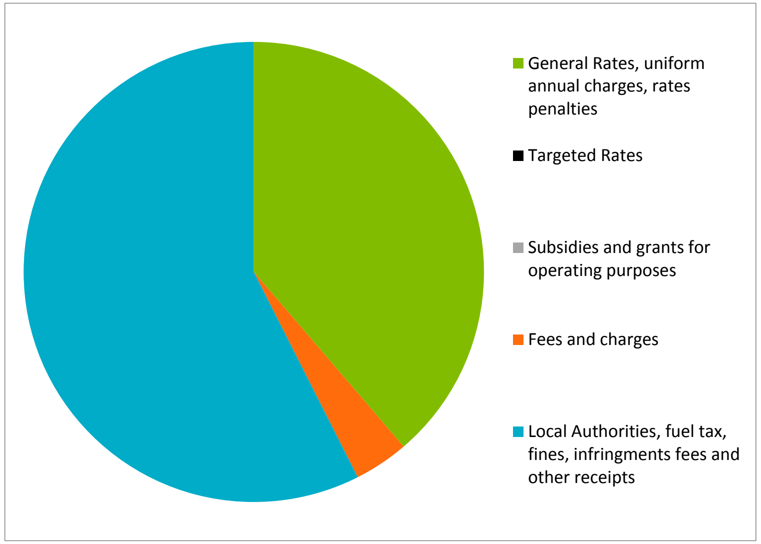
Rotorua 2030 Goals



Inner City Costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Public toilets are clean, hygienic, and are accessible	Percentage of public toilets are cleaned according to policy	New measure*	Sample of toilet survey	≥95%	≥95%	≥95%	≥95%
	Percentage of inner city public toilets that meet the standard of a tier 2 or better toilet classification as defined by the public toilet policy	New measure*	Condition survey	≥40%	≥50%	≥60%	≥80%
Enhance the aesthetic look of Rotorua	Percentage of graffiti that is removed within 24 hours to deter and Keep Rotorua Beautiful	New measure*	Request for service database	≥95%	≥95%	≥95%	≥95%

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	City Toilets	153	6	162	14
▪ Level of service	CBD Projects	1,105	1,133	1,072	5,574
	Grand Total	**1,258**	**1,139**	**1,234**	**5,587**

Significant negative effects

Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
The Inner City Revitalisation Strategy does not deliver the initiatives and projects set out in the strategy.	Ensure that engagement with stakeholders is kept open and transparent so that everyone continues to be committed to the objectives of the strategy.

Inner City Services - Funding Impact Statement

Inner City Services	Annual Plan 2014/15 ($000)	2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	Long-term Plan 2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	2,094	1,520	1,560	1,704	1,278	1,349	1,376	1,462	1,967	2,061	1,794
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	51	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	148	154	159	164	169	175	181	187	194	202
Internal charges and overheads recovered	-	1	1	1	1	1	1	1	1	1	1
Local Authorities, fuel tax, fines, infringments fees and other receipts	2,951	2,237	2,315	2,399	2,471	2,551	2,636	2,727	2,826	2,931	3,046
Total operating funding (A)	**5,096**	**3,906**	**4,030**	**4,263**	**3,914**	**4,070**	**4,188**	**4,371**	**4,981**	**5,187**	**5,043**
Applications of operating funding											
Payments to staff and suppliers	1,731	1,508	1,542	1,578	1,617	1,659	1,704	1,751	1,803	1,859	1,919
Finance Cost	126	86	99	112	128	147	145	124	119	104	121
Internal charges and overheads applied	1,694	1,550	1,590	1,633	1,679	1,729	1,784	1,840	1,902	1,968	2,041
Other operating funding applications	-										
Total applications of operating funding (B)	**3,551**	**3,144**	**3,231**	**3,323**	**3,424**	**3,535**	**3,633**	**3,715**	**3,824**	**3,931**	**4,081**
Suplus (deficit) of operating funding (A-B)	**1,545**	**762**	**799**	**940**	**490**	**535**	**555**	**656**	**1,157**	**1,256**	**962**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	1,105	1,133	1,072	733	753	773	794	817	840	864
- to replace exisiting assets	-	153	6	162	-	-	14	-	-	-	-
Increase (decrease) in reserves	-	(496)	(340)	(294)	(243)	(218)	(232)	(138)	340	416	98
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**-**	**762**	**799**	**940**	**490**	**535**	**555**	**656**	**1,157**	**1,256**	**962**
Surplus (deficit) of capital funding (C-D)	**-**	**(762)**	**(799)**	**(940)**	**(490)**	**(535)**	**(555)**	**(656)**	**(1,157)**	**(1,256)**	**(962)**
Funding balance ((A-B)+(C-D))	1,545	-	-	-	-	-	-	-	-	-	-

Open Spaces and Recreation

Why we do it
We're involved in providing a wide array of open spaces and recreational opportunities. These contribute towards our people being actively involved in organised and passive health and fitness activities and beautification of our CBD and surrounds and preserving our green network, all of which lead to increased inner wellbeing and pride in how our district looks.

What we do

Open space

The council provides and manages 800 hectares of reserve land (excluding the Tokorangi Forest), 45 kilometres of walkways, 72 playgrounds with 227 individual pieces of play equipment, and 50 hectares of sportsfield land. These open spaces provide for recreation and organised sport, garden environments and green corridors that contribute to the district's natural form, character and amenity values.

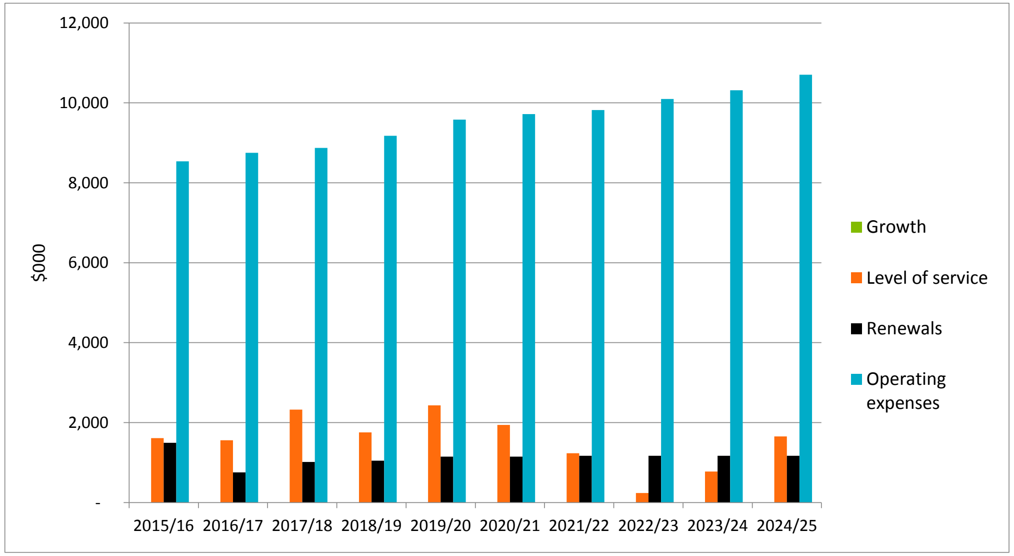
Tokorangi/Whakarewarewa forest parks

The council is responsible for maintenance of walking and mountain bike trails in the Tokorangi Forest, famous for the magnificent stands of towering Californian Coastal Redwoods. The tracks in the adjacent Whakarewarewa Forest are maintained by volunteer track sponsors.

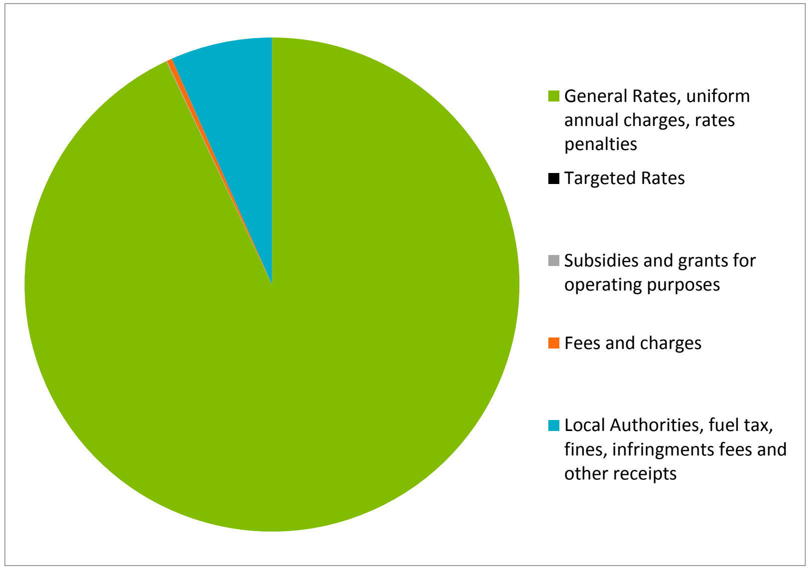
The council is charged with maintaining and enhancing the landscape, recreational potential and aesthetic value of the forest as a significant backdrop to Rotorua.

Rotorua 2030 Goals

Open spaces and recreation costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Open spaces							
Provide safe well maintained and attractive open spaces that will encourage use and play	Percentage of residents very/fairly satisfied with the level of service for parks, reserves and playgrounds	88%	Community Survey	≥90%	≥90%	≥90%	≥90%
	Percentage of residents have visited parks, reserves and playgrounds in the last year	90%	Community Survey	≥85%	≥85%	≥85%	≥85%
Encourage and facilitate public use of open spaces	The number of open spaces, reserve and sportsground bookings	1487	Bookings system	≥1,575	≥1,650	≥1,700	≥1,700





Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	Soundshell area redevelopment	94	-	-	-
	Parks and reserves renewal programme	1,400	755	1,016	8,039
▪ Level of service	Beppu Kitchen in Kuirau Park	-	-	-	930
	Cemetery development	43	479	313	102
	Cemetery improvements	85	87	45	61
	Centennial park development	-	-	-	85
	Eastside sportsfield development	-	-	-	38
	Eastside youth space development	128	87	-	-
	General Reserves Development	43	44	45	348
	Hamurana reserve development	-	-	112	115
	Kuirau park development	213	218	-	511
	Lakefront development	55	-	893	5,024
	Parks land purchases	-	261	-	590
	Playground development	34	-	36	121
	Puaranga park power infrastructure	-	-	-	41
	Redwoods development	-	-	89	283
	Reinvigoration of neighbourhoods	213	218	223	229
	Road / carpark upgrades	-	-	134	183
	Streamside improvements	17	17	36	199
	Waipa mountain bike track carpark upgrade	531	131	246	266
	Walkway development	-	20	-	286
	Westbrook field development.	255	-	156	633
	Grand Total	**3,109**	**2,317**	**3,343**	**18,085**

Significant negative effects

Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect. Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
▪ The cost of establishing and maintaining facilities versus the number of the participants in each code. ▪ Increased light spill from sports fields equipment with flood lights. ▪ Increased traffic congestion around peak activity periods. ▪ Increased noise pollution around sporting/recreation events.	▪ Undertake a 5-yearly review assessing sportsfields and sports facilities with user numbers for each sport and forecasted trends in user numbers. This will provide up to date, relevant information enabling informed decisions to be made. ▪ Ensure appropriate measures to mitigate the effects of light spill, traffic congestion and noise are taken and monitored through the required planning and/or resource consent processes.

Open Spaces and Recreation - Funding Impact Statement

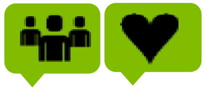
Open Spaces and Recreation	Annual Plan 2014/15 ($000)	Long-term Plan 2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	7,959	9,581	9,484	10,491	10,128	11,165	10,912	10,761	10,865	11,948	12,627
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	-	5	5	5	5	5	5	5	5	5	5
Fees and charges	-	35	36	37	38	39	41	42	44	45	47
Internal charges and overheads recovered	422	-	-	-	-	-	-	-	-	-	-
Local Authorities, fuel tax, fines, infringments fees and other receipts	2,240	654	677	701	722	746	771	797	826	857	890
Total operating funding (A)	**10,621**	**10,275**	**10,202**	**11,234**	**10,893**	**11,955**	**11,729**	**11,605**	**11,740**	**12,855**	**13,569**
Applications of operating funding											
Payments to staff and suppliers	1,647	1,721	1,766	1,691	1,789	1,923	1,872	1,846	1,899	1,934	2,044
Finance Cost	938	851	886	945	1,003	1,105	1,121	1,066	1,087	1,062	1,113
Internal charges and overheads applied	6,132	5,967	6,097	6,238	6,387	6,552	6,727	6,911	7,110	7,321	7,548
Other operating funding applications	-										
Total applications of operating funding (B)	**8,717**	**8,539**	**8,749**	**8,874**	**9,179**	**9,580**	**9,720**	**9,823**	**10,096**	**10,317**	**10,705**
Suplus (deficit) of operating funding (A-B)	**1,904**	**1,736**	**1,453**	**2,360**	**1,714**	**2,375**	**2,009**	**1,782**	**1,644**	**2,538**	**2,864**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	30	31	32	32	33	34	35	37	38	39
Development and financial contributions	158	214	214	214	214	214	214	214	214	214	214
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**158**	**244**	**245**	**246**	**246**	**247**	**248**	**249**	**251**	**252**	**253**
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	650	1,615	1,562	2,327	1,759	2,435	1,945	1,236	240	777	1,653
- to replace exisiting assets	1,185	1,494	755	1,016	1,050	1,152	1,150	1,170	1,172	1,172	1,173
Increase (decrease) in reserves	-	(1,129)	(619)	(737)	(849)	(965)	(838)	(375)	483	841	291
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**1,835**	**1,980**	**1,698**	**2,606**	**1,960**	**2,622**	**2,257**	**2,031**	**1,895**	**2,790**	**3,117**
Surplus (deficit) of capital funding (C-D)	**(1,677)**	**(1,736)**	**(1,453)**	**(2,360)**	**(1,714)**	**(2,375)**	**(2,009)**	**(1,782)**	**(1,644)**	**(2,538)**	**(2,864)**
Funding balance ((A-B)+(C-D))	227	-	-	-	-	-	-	-	-	-	-

Roads and Footpaths

Why we do it

To provide a safe and efficient transport network that supports the district's economy, provides access for utilities; supports facilitation of events and other activities; promotes road safety; and encourages the use of other sustainable forms of travel.

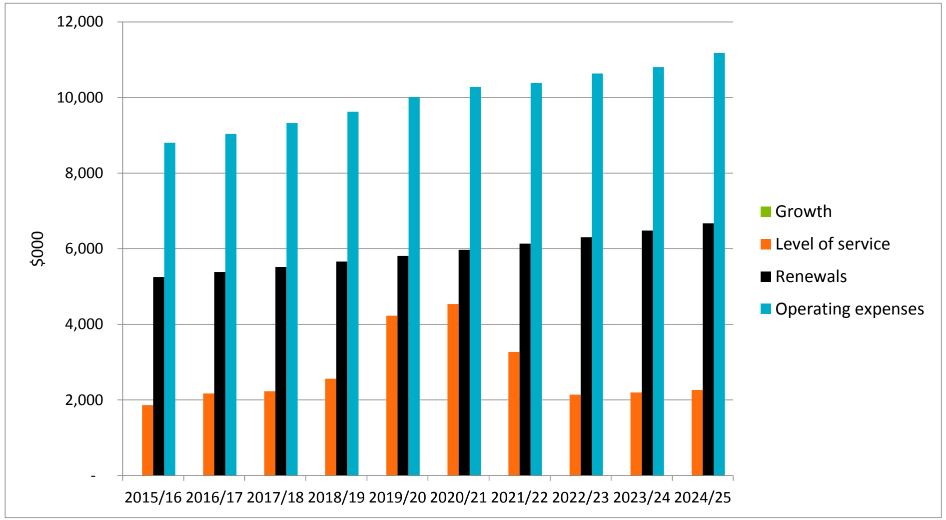
Rotorua 2030 Goals



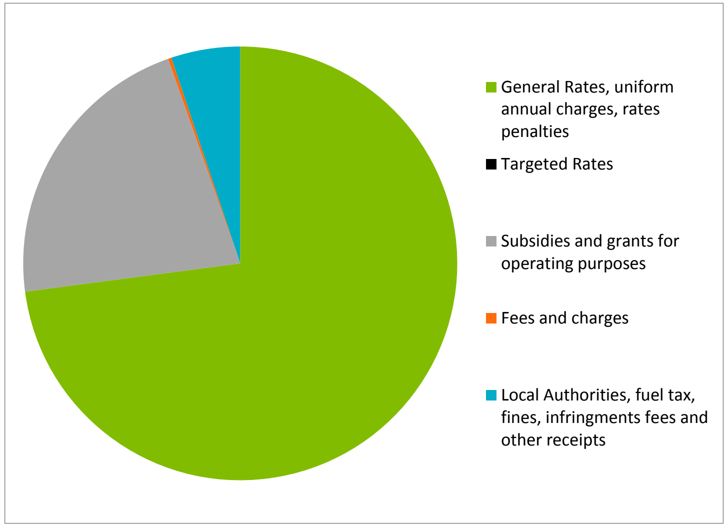
What we do

This activity includes development and management of the roading network, including public transport infrastructure, safety programmes, alternative transport modes and long term planning. Roading networks are critical to supporting and developing the economy, particularly in Rotorua district where three major economic drivers of forestry, agriculture and tourism are so reliant on efficient transport systems.

Roads and Footpaths costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Road safety	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	New measure*	Accident Database	≤ -1	≤ -1	≤ -1	≤ -1
Road condition	The average quality of ride on a sealed local road network, measured by smooth travel exposure.	New measure*	RAM management system	≥75%	≥75%	≥75%	≥75%
Road maintenance	The percentage of the sealed local road network that is resurfaced.	New measure*	RAM management system	≥8%	≥8%	≥8%	≥8%
Footpaths	The percentage of footpaths that are condition four (4) or better.	New measure*	RAM management system	≥98%	≥98%	≥98%	≥98%
Response to service requests	The percentage of customer service requests relating to roads and footpaths which are responded to within five (5) working days.	New measure*	RAM Management system & Request For Service database	≥90%	≥90%	≥90%	≥90%

** New measure – denotes focus on alignment of the service with progress towards 2030.*





Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	Transport unsubsidised renewal programme	651	667	684	5,337
	Transport subsidised renewal programme	4,599	4,713	4,833	37,694
▪ Level of service	Amenity lighting	38	39	40	314
	Arawa / Ranolf intersection upgrade	-	-	-	3,890
	Malfroy / Old Taupo Road intersection upgrade	-	-	-	2,157
	Minor safety projects	468	479	491	3,832
	Passenger transport infrastructure	85	87	89	697
	Rails and guard rails	43	44	45	348
	Rural seal extensions	595	610	625	4,877
	Rural villages	255	261	268	2,090
	Urban cycleways	170	436	447	1,254
	Urban street upgrades	213	218	223	1,742
	Grand Total	**7,115**	**7,555**	**7,746**	**64,232**

Significant negative effects

Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Air quality	Minimise congestion and maximise efficiency – plus traffic demand management measures.
Lake water quality	Treatment of road runoff – targeting risk with level of treatment.
Noise	Manage through the District Plan.
Vibration	Optimise commercial traffic on key routes and minimise on local roads.
Effects during construction – energy use, noise, vibration, nuisance, sediments, pollutants, disruptions, the use of non-renewable resources, public and site staff safety issues and production of waste.	Design projects around economies of scale, control of construction site issues, safe traffic management, use of recycled resource materials, integration and responsible waste disposal.
Delays in major projects because of funding.	Lobby government for funding for key projects that currently are affecting economic growth.
NZTA subsidised renewals and maintenance.	Review to ensure no decreased levels of service across the network.

Roads and Footpaths - Funding Impact Statement

Roads and footpaths	Annual Plan 2014/15 ($000)	Long-term Plan 2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	9,125	8,231	8,921	9,495	9,479	10,712	11,093	11,479	14,540	15,363	13,651
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	3,244	2,588	2,653	2,722	2,795	2,876	2,962	3,054	3,155	3,262	3,380
Fees and charges	42	30	31	32	33	34	35	36	37	39	40
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Local Authorities, fuel tax, fines, infringments fees and other receipts	-	608	629	652	672	693	716	741	768	797	828
Total operating funding (A)	**12,411**	**11,457**	**12,234**	**12,901**	**12,979**	**14,315**	**14,806**	**15,310**	**18,500**	**19,461**	**17,899**
Applications of operating funding											
Payments to staff and suppliers	6,232	6,276	6,427	6,589	6,761	6,951	7,152	7,367	7,602	7,853	8,126
Finance Cost	873	1,870	1,933	2,042	2,143	2,323	2,361	2,226	2,216	2,102	2,174
Internal charges and overheads applied	2,718	657	675	695	716	739	764	789	817	847	880
Other operating funding applications	-										
Total applications of operating funding (B)	**9,823**	**8,803**	**9,035**	**9,326**	**9,620**	**10,013**	**10,277**	**10,382**	**10,635**	**10,802**	**11,180**
Suplus (deficit) of operating funding (A-B)	**2,588**	**2,654**	**3,199**	**3,575**	**3,359**	**4,302**	**4,529**	**4,928**	**7,865**	**8,659**	**6,719**
Sources of capital funding											
Subsidies and grants for capital expenditure	4,145	2,735	2,995	3,055	3,197	3,991	4,088	3,438	2,890	2,893	2,898
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**4,145**	**2,735**	**2,995**	**3,055**	**3,197**	**3,991**	**4,088**	**3,438**	**2,890**	**2,893**	**2,898**
Application of capital funding											
Capital expenditure											
- to meet additional demand	560	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	1,866	2,174	2,229	2,561	4,230	4,537	3,271	2,139	2,199	2,263
- to replace exisiting assets	4,994	5,250	5,381	5,517	5,659	5,811	5,969	6,132	6,305	6,483	6,672
Increase (decrease) in reserves		(1,727)	(1,361)	(1,116)	(1,664)	(1,748)	(1,889)	(1,037)	2,311	2,870	682
Increase (decrease) of investments											
Total applications of capital funding (D)	**5,554**	**5,389**	**6,194**	**6,630**	**6,556**	**8,293**	**8,617**	**8,366**	**10,755**	**11,552**	**9,617**
Surplus (deficit) of capital funding (C-D)	**(1,409)**	**(2,654)**	**(3,199)**	**(3,575)**	**(3,359)**	**(4,302)**	**(4,529)**	**(4,928)**	**(7,865)**	**(8,659)**	**(6,719)**
Funding balance ((A-B)+(C-D))	1,179	-	-	-	-	-	-	-	-	-	-

Sewerage and Sewage

Why we do it

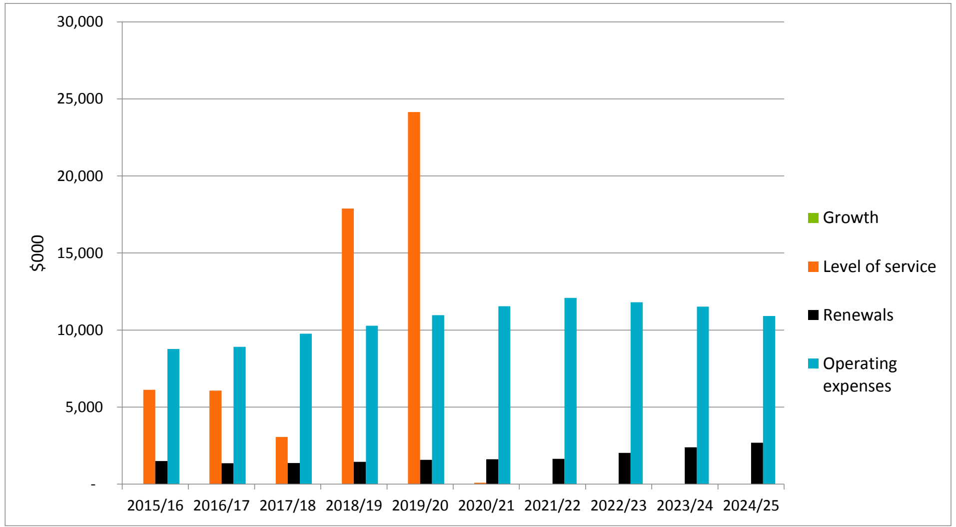
To provide for the removal of sewage and liquid trade wastes from communities, to promote public health and minimise the impact of communities on the environment.

Rotorua 2030 Goals

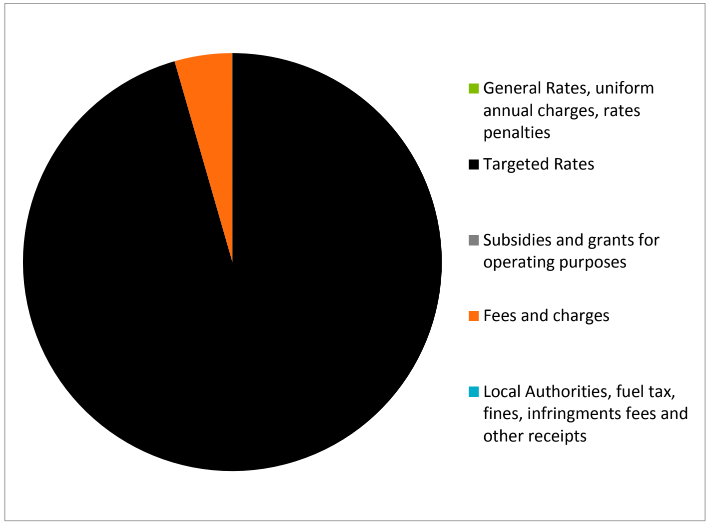
What we do

This activity comprises the collection, treatment and disposal of sewage from toilets and drains, from the three urban areas of Rotorua (Ngongotaha, city and eastern suburbs) as well as identified rural lakeside communities.

Sewerage and Sewage costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets						
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
System and adequacy	The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	New measure*	SQL reports from Hansen and Ozone data	≤ 5 / 1000 connections	≤ 5 / 1000 connections	≤ 5 / 1000 connections	≤ 5 / 1000 connections
Discharge compliance	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents.	New measure*	Resource consent database	0	0	0	0
Fault response times	Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median **attendance time** from the time that the territorial authority receives notification to the time that service personnel reach the site.	New measure*	SQL reports from Hansen	≤60 minutes	≤60 minutes	≤60 minutes	≤60 minutes
	Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median **resolution time** from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.	New measure*	SQL reports from Hansen	≤ 240 minutes	≤ 210 minutes	≤ 180 minutes	≤ 180 minutes
Customer satisfaction	The total number of complaints received by the territorial authority about any of the following: ▪ sewage odour ▪ sewerage system faults ▪ sewerage system blockages, and ▪ the territorial authority's response to issues with its sewerage system, ▪ expressed per 1000 connections to the territorial authority's sewerage system	New measure*	Request for Service database	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	Sewage renewal programme	1,504	1,357	1,371	13,398
▪ Level of service	Connecting properties to date unconnected to available system	-	-	45	282
	Generator(s) to provide electricity for pump stations	332	-	-	-
	MBR Cover	-	170	-	-
	Rotoiti/Rotoma sewage system	872	871	1,989	25,592
	TERAX thermal deconstruction plant	4,250	4,356	-	-
	Wastewater treatment and disposal upgrade	663	671	1,027	16,251
	Grand Total	**7,621**	**7,426**	**4,433**	**55,523**

Significant negative effects

Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Greater quantities of sewage and sludge due to increasing population and business activity.	Ongoing asset and activity management planning to ensure infrastructure has the required capacity.
Environmental impact of sewage on lake water quality.	Ongoing management and capital works to ensure that Resource Consent conditions are met.
Sewage overflows during wet weather.	Planned replacement and/or upgrades of pipework and infrastructure.
Odour from wastewater treatment plant sludge.	Ensure that parameters within odour management plan are complied with.

Sewerage and Sewage - Funding Impact Statement

Sewerage and Sewage	Annual Plan 2014/15 ($000)	Long-term Plan 2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	-										
Targeted Rates	12,664	14,299	14,687	15,100	15,540	16,023	16,537	17,085	17,684	18,321	19,019
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	516	661	684	709	730	754	779	805	835	866	900
Internal charges and overheads recovered	-	501	514	527	542	557	574	592	611	632	655
Local Authorities, fuel tax, fines, infringments fees and other receipts	-	1	1	1	1	1	1	1	1	1	1
Total operating funding (A)	**13,180**	**15,462**	**15,886**	**16,337**	**16,813**	**17,335**	**17,891**	**18,483**	**19,131**	**19,820**	**20,575**
Applications of operating funding											
Payments to staff and suppliers	6,089	4,921	5,035	5,880	6,050	6,214	6,598	6,783	6,984	7,197	7,428
Finance Cost	460	735	729	710	1,019	1,496	1,654	1,981	1,454	901	23
Internal charges and overheads applied	3,803	3,117	3,146	3,178	3,211	3,249	3,288	3,328	3,370	3,415	3,462
Other operating funding applications	-										
Total applications of operating funding (B)	**10,352**	**8,773**	**8,910**	**9,768**	**10,280**	**10,959**	**11,540**	**12,092**	**11,808**	**11,513**	**10,913**
Suplus (deficit) of operating funding (A-B)	**2,828**	**6,689**	**6,976**	**6,569**	**6,533**	**6,376**	**6,351**	**6,391**	**7,323**	**8,307**	**9,662**
Sources of capital funding											
Subsidies and grants for capital expenditure	4,185	2,145	2,130	1,406	6,072	9,461	176	176	177	177	177
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**4,185**	**2,145**	**2,130**	**1,406**	**6,072**	**9,461**	**176**	**176**	**177**	**177**	**177**
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	12,030	6,117	6,068	3,062	17,888	24,140	97	-	-	-	-
- to replace exisiting assets	1,754	1,504	1,357	1,371	1,448	1,576	1,619	1,638	2,031	2,392	2,694
Increase (decrease) in reserves	-	1,213	1,681	3,542	(6,731)	(9,879)	4,811	4,929	5,469	6,092	7,145
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**13,784**	**8,834**	**9,106**	**7,975**	**12,605**	**15,837**	**6,527**	**6,567**	**7,500**	**8,484**	**9,839**
Surplus (deficit) of capital funding (C-D)	**(9,599)**	**(6,689)**	**(6,976)**	**(6,569)**	**(6,533)**	**(6,376)**	**(6,351)**	**(6,391)**	**(7,323)**	**(8,307)**	**(9,662)**
Funding balance ((A-B)+(C-D))	(6,771)	-	-	-	-	-	-	-	-	-	-

Stormwater and Land Drainage

Why we do it

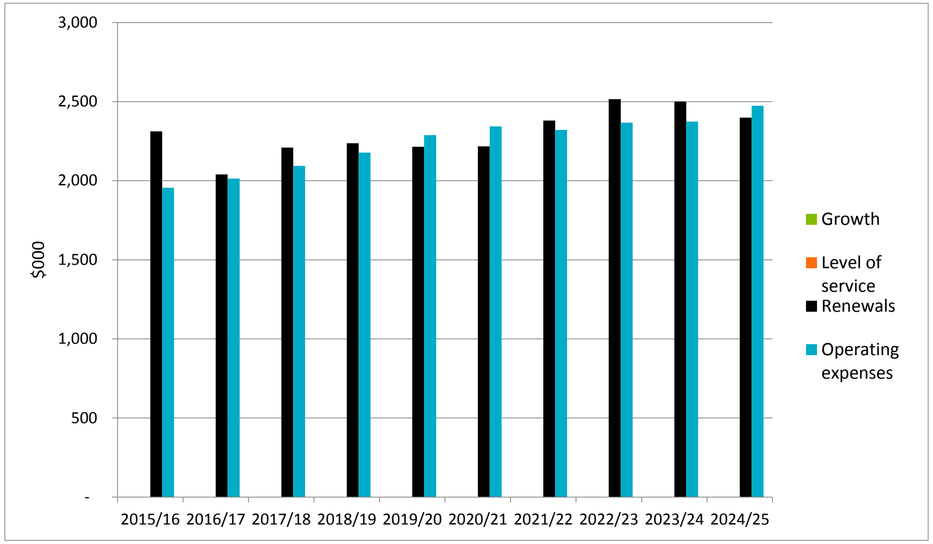
To manage the drainage of excess rainfall so that property and people are protected from flood damage, and to mitigate the adverse effects of stormwater run-off on the District's lakes and waterways.

What we do

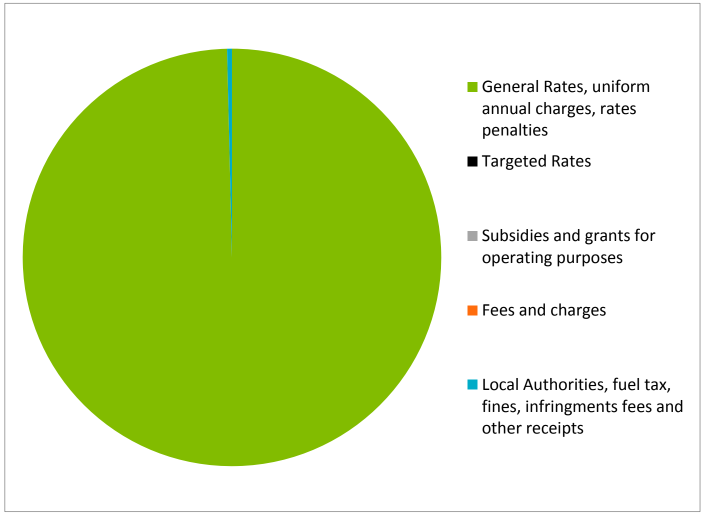
- Maintain stormwater systems and operate to manage drainage of excess rainfall.
- Develop and implement programmes to progressively improve stormwater systems in areas that experience localised flooding usually resulting from extreme rainfall episodes.
- Manage an integrated approach to planning and maintaining a stormwater system that includes: ecosystems, people, urban design, communities and businesses, as well as cultural, amenity and social values. Regulate property owner responsibilities to utilise public stormwater facilities to assist in the provision of a fully functional stormwater system.

Rotorua 2030 Goals

Stormwater and land drainage costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
System adequacy	The number of flooding events that occur in a territorial authority district.	New measure*	SQL reports from Hansen	≤ 2	≤ 2	≤ 2	≤ 2
	For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system).	New measure*	SQL reports from Hansen	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties
Discharge compliance	Compliance with the territorial authority's resource consents for discharge from its stormwater system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents.	New measure*	Resource consent database	0	0	0	0
Response times	The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	New measure*	SQL reports from Hansen	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes
Customer satisfaction	The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	New measure*	Request for Service database	≤ 20 / 1000 rated properties	≤ 20 / 1000 rated properties	≤ 20 / 1000 rated properties	≤ 20 / 1000 rated properties

** New measure – denotes focus on alignment of the service with progress towards 2030.*





Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
Renewals and replacements	Stormwater renewal programme	2,312	2,040	2,209	16,463
	Grand Total	**2,312**	**2,040**	**2,209**	**16,463**

Significant negative effects

Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Negative environmental impact on waters received downstream.	Current water services bylaw licensing. Investigate and develop treatment options of stormwater run-off. Optimise street sweeping regimes.
Flood damage to property.	Manage and control extreme discharges.
Developers drive/influence where system upgrades are needed due to where development occurs.	Work closely with Planning departments during resource consent stage of new developments.

Stormwater and Land Drainage - Funding Impact Statement

Stormwater and Land Drainage	Annual Plan 2014/15 ($000)	Long-term Plan 2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	5,719	3,345	3,432	3,764	3,661	3,849	3,895	4,272	5,915	6,098	5,126
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	63	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Local Authorities, fuel tax, fines, infringments fees and other receipts	-	12	13	13	13	14	14	15	15	16	17
Total operating funding (A)	**5,782**	**3,357**	**3,445**	**3,777**	**3,674**	**3,863**	**3,909**	**4,287**	**5,930**	**6,114**	**5,143**
Applications of operating funding											
Payments to staff and suppliers	876	464	473	483	494	506	518	532	546	562	578
Finance Cost	831	753	783	832	883	957	974	911	913	872	919
Internal charges and overheads applied	1,364	739	758	779	801	825	852	878	908	940	976
Other operating funding applications	-										
Total applications of operating funding (B)	**3,071**	**1,956**	**2,014**	**2,094**	**2,178**	**2,288**	**2,344**	**2,321**	**2,367**	**2,374**	**2,473**
Suplus (deficit) of operating funding (A-B)	**2,711**	**1,401**	**1,431**	**1,683**	**1,496**	**1,575**	**1,565**	**1,966**	**3,563**	**3,740**	**2,670**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
- to meet additional demand	724	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace exisiting assets	1,675	2,312	2,040	2,209	2,237	2,215	2,217	2,380	2,516	2,500	2,399
Increase (decrease) in reserves	-	(911)	(609)	(526)	(741)	(640)	(652)	(414)	1,047	1,240	271
Increase (decrease) of investments	-										
Total applications of capital funding (D)	**2,399**	**1,401**	**1,431**	**1,683**	**1,496**	**1,575**	**1,565**	**1,966**	**3,563**	**3,740**	**2,670**
Surplus (deficit) of capital funding (C-D)	**(2,399)**	**(1,401)**	**(1,431)**	**(1,683)**	**(1,496)**	**(1,575)**	**(1,565)**	**(1,966)**	**(3,563)**	**(3,740)**	**(2,670)**
Funding balance ((A-B)+(C-D))	312	-	-	-	-	-	-	-	-	-	-

Waste Management

Why we do it
To provide for the collection, reduction, re-use, recycling, and disposal of waste in a sustainable manner.

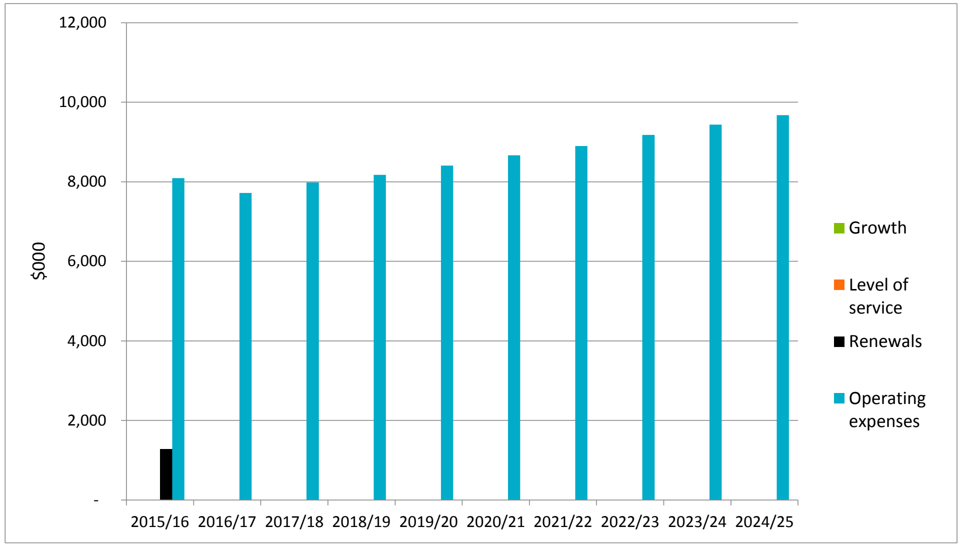
What we do
This group of activities includes:

- Refuse collection
- Waste management
- Landfill

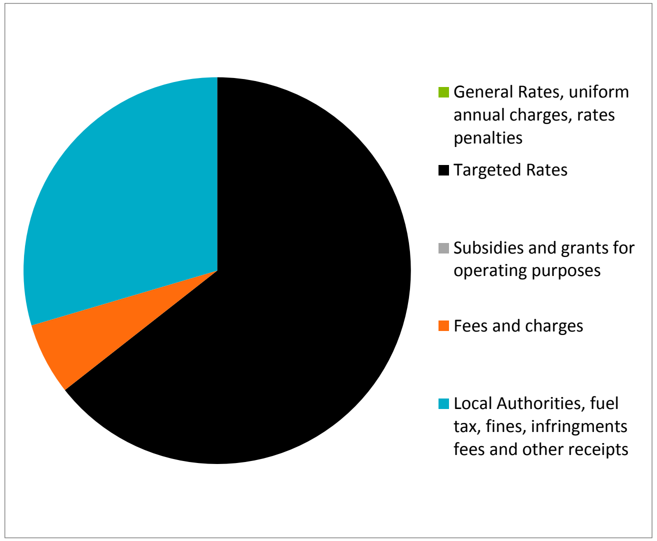
The activities provide a weekly refuse collection service for residential properties, manages and provides recycling and re-use services and plans, provides and manages waste disposal facilities.

Rotorua 2030 Goals

Waste Management costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Provide efficient household waste and recycling services.	Percentage of residents very/fairly satisfied with refuse collection service.	91%	Community Survey	≥90%	≥90%	≥95%	≥95%
	Percentage of residents very/fairly satisfied with recycling collection service.	New measure*	Community Survey	≥60%	≥75%	≥80%	≥85%
Provide sustainable recycling facilities for household, green waste and concrete.	Increasing number of tonnes per annum of green + wood waste recovered.	New measure*	Waste database	≥6,750 tonnes	≥7,000 tonnes	≥7,250 tonnes	≥7,500 tonnes
	Increasing number of tonnes per annum of concrete waste recovered.	New measure*	Waste database	≥1,250 tonnes	≥1,500 tonnes	≥1,750 tonnes	≥2,000 tonnes
	Increasing number of tonnes per annum of recycled material recovered.	4,475	Waste database	≥4,475	≥4,700	≥4,900	≥5,100
Minimise impact on environment.	No resource consent abatement notices, infringement notices, enforcement orders or convictions.	Achieved	Consent database	Achieved	Achieved	Achieved	Achieved
	Reduce the amount of rubbish/waste that is collected from kerbside collection per household.	New measure*	Waste database	≤ 336 kg / household	≤ 330 kg / household	≤ 315 kg / household	≤ 300 kg / household

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	Landfill renewals	1,275	-	-	-
	Grand Total	**1,275**			

Significant negative effects
Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect.
Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Leakage of contaminates from Landfill to surrounding environment	Provision of emergency overflow with back-up. Upgrade of leachate disposal system.
Greenhouse gasses produced by the Landfill	Provision of gas collection system and flare
Illegal dumping/tipping of waste	Combination of education, enforcement and provision of affordable disposal facilities
Litter creating unsightly nuisance	Combination of provision of facilities, clean ups, education and community involvement





Waste Management - Funding Impact Statement

Waste Management	Annual Plan					Long-term Plan					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	1,148	462									
Targeted Rates	2,837	4,140	4,257	4,382	4,515	4,660	4,816	4,981	5,162	5,354	5,565
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	385	398	412	425	439	453	469	486	504	524
Internal charges and overheads recovered	1,246	1,213	1,244	1,276	1,310	1,348	1,389	1,432	1,479	1,529	1,584
Local Authorities, fuel tax, fines, infringments fees and other receipts	3,447	1,889	1,955	2,025	2,087	2,154	2,226	2,302	2,386	2,475	2,572
Total operating funding (A)	**8,678**	**8,089**	**7,854**	**8,095**	**8,337**	**8,601**	**8,884**	**9,184**	**9,513**	**9,862**	**10,245**
Applications of operating funding											
Payments to staff and suppliers	3,771	3,752	3,284	3,415	3,502	3,597	3,697	3,801	3,913	4,030	4,156
Finance Cost	458	908	919	956	962	993	1,035	1,040	1,071	1,066	1,024
Internal charges and overheads applied	5,204	3,429	3,516	3,609	3,708	3,818	3,934	4,058	4,193	4,338	4,495
Other operating funding applications	-										
Total applications of operating funding (B)	**9,433**	**8,089**	**7,719**	**7,980**	**8,172**	**8,408**	**8,666**	**8,899**	**9,177**	**9,434**	**9,675**
Suplus (deficit) of operating funding (A-B)	**(755)**	**-**	**135**	**115**	**165**	**193**	**218**	**285**	**336**	**428**	**570**
Sources of capital funding											
Subsidies and grants for capital expenditure	953	414	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**953**	**414**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	75	-	-	-	-	-	-	-	-	-	-
- to replace exisiting assets	326	1,275	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	(861)	135	115	165	193	218	285	336	428	570
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**401**	**414**	**135**	**115**	**165**	**193**	**218**	**285**	**336**	**428**	**570**
Surplus (deficit) of capital funding (C-D)	**552**	**-**	**(135)**	**(115)**	**(165)**	**(193)**	**(218)**	**(285)**	**(336)**	**(428)**	**(570)**
Funding balance ((A-B)+(C-D))	(203)	-	-	-	-	-	-	-	-	-	-

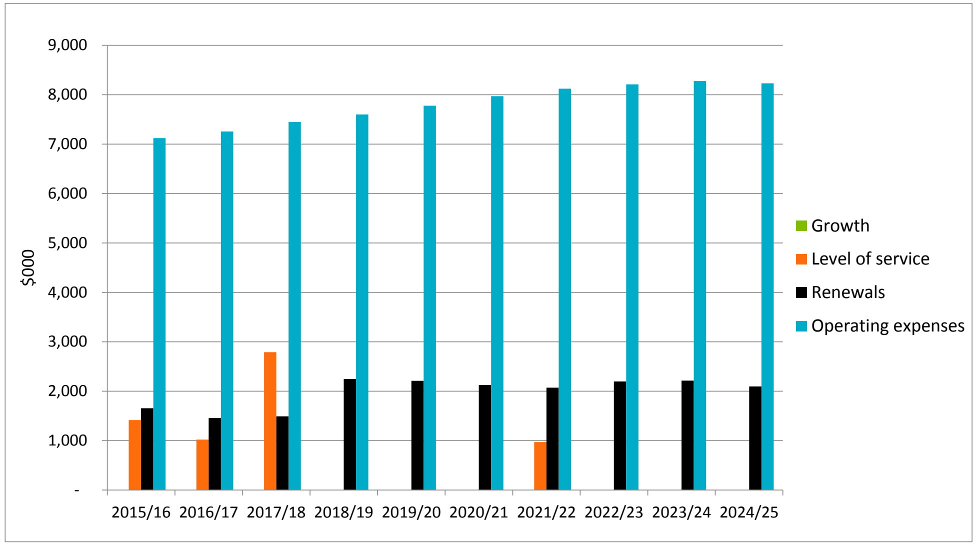
Water Supplies

Why we do it
To provide cost-effective, constant, adequate, sustainable and high quality supply of water.

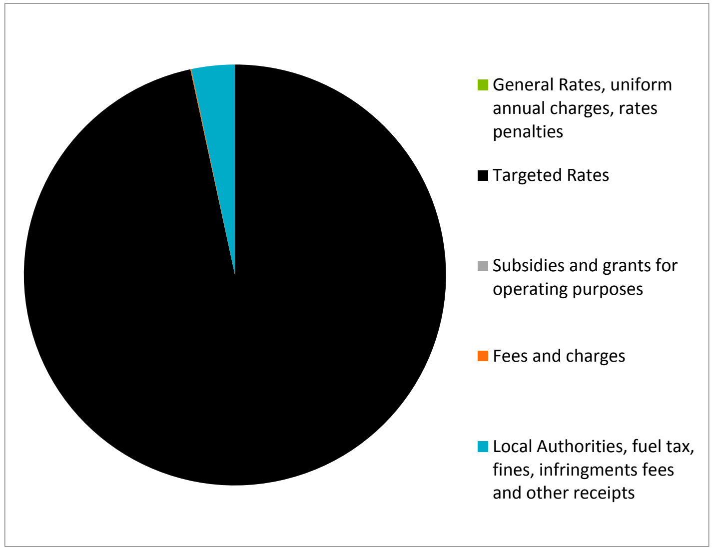
What we do
The water supplies activity comprises the provision of potable water to three urban supply areas, five rural residential supply areas and two farming supply areas.

Rotorua 2030 Goals

Water supplies costs



How operating expenses are paid for



What you can expect from us

Level of service (What we will do)	Performance measure	Performance targets					
		Current performance 2013/14	Data Source	2015/16	2016/17	2017/18	2019 to 2025
Safety of drinking water	Compliance with: ▪ part 4 of the drinking-water standards (bacteria compliance criteria), and ▪ part 5 of the drinking-water standards (protozoal compliance criteria)	New measure*	MoH National WINZ database	Achieved for all supplies	Achieved for all supplies	Achieved for all supplies	Achieved for all supplies
Maintenance of the reticulation network	The percentage of real water loss from the local authority's networked reticulation system. The methodology used in calculation is based off Benchloss NZ from the NZ Water and Wastes Association.	New measure*	Supply from bulk meter readings, Consumption from Water Billing	≤ 25%	≤ 25%	≤ 25%	≤ 25%
Fault response times	In response to a fault or unplanned interruption to the networked reticulation system, the median response times for **attendance to urgent** call-outs, from the time of the notification being received to the time that service personnel reach the site.	New measure*	SQL reports from Hansen	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes
	In response to a fault or unplanned interruption to the networked reticulation system, the median response times for **resolution of urgent** call-outs, from the time of the notification being received to the time that service personnel confirm resolution of the fault or interruption.	New measure*	SQL reports from Hansen	≤ 240 minutes	≤ 240 minutes	≤ 210 minutes	≤ 210 minutes
	In response to a fault or unplanned interruption to the networked reticulation system, the median response times for **attendance to non-urgent** call-outs, from the time of the notification being received to the time that service personnel reach the site.	New measure*	SQL reports from Hansen	≤ 1 day	≤ 1 day	≤ 1 day	≤ 1 day
	In response to a fault or unplanned interruption to the networked reticulation system, the median response times for **resolution of non-urgent** call-outs, from the time of the notification being received to the time that service personnel confirm resolution of the fault or interruption.	New measure*	SQL reports from Hansen	≤ 3 days	≤ 3 days	≤ 3 days	≤ 3 days
Customer satisfaction	The total number of complaints received by the local authority about any of: ▪ drinking water clarity ▪ drinking water taste ▪ drinking water odour ▪ drinking water pressure or flow ▪ continuity of supply, and ▪ the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.	New measure*	Request for Service database	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections
Demand management	The average consumption of drinking water per day per resident within the territorial authority district.	New measure*	Consumption from Water Billing	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day

** New measure – denotes focus on alignment of the service with progress towards 2030.*

Capital Expenditure

Reason for change	What will be done	Values Year 1 ($000)	Year 2 ($000)	Year 3 ($000)	Year 4-10 ($000)
▪ Renewals and replacements	Water supply renewal programme	1,656	1,458	1,490	15,155
▪ Level of service	Backflow prevention additions	691	708	726	-
	Extension of the Rotoma water supply	-	-	-	969
	General bore sources	-	-	1,743	-
	Generator(s) to provide electricity for pump stations	249	-	-	-
	Installation of filtration for the raw lake water	83	-	-	-
	Sectorisation and pressure management	304	312	320	-
	Valve additions to control flow	87	-	-	-
	Grand Total	**3,070**	**2,478**	**4,279**	**16,124**

Significant negative effects

Potential negative effects associated with undertaking the activities in this group are described below along with actions undertaken to mitigate the effect. Effects from the activities can influence the social, cultural, environmental and economic wellbeing of the community/district.
The negative effect could be physical or a perception.

Issue/Risk/Negative impact	Action Plan
Unable to renew resource consent for water abstraction of Ngongotaha.	Work with local iwi to work towards agreement for renewal of resource consent. Investigate potential new water sources should new resource consent not be granted.
Input of water into wastewater system.	Council has in place and follows a water conservation strategy and a trade waste bylaw to regulate discharges to the waste water system.
High cost of water abstraction.	All water schemes are paid for by users.

Water Supplies - Funding Impact Statement

Water Supplies	Annual Plan 2014/15 ($000)	Long-term Plan 2015/16 ($000)	2016/17 ($000)	2017/18 ($000)	2018/19 ($000)	2019/20 ($000)	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	-										
Targeted Rates	6,870	8,290	8,525	8,774	9,040	9,332	10,579	10,910	11,272	11,657	12,079
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	214	6	6	6	7	7	7	7	8	8	8
Internal charges and overheads recovered	-	423	433	444	455	468	481	495	510	527	544
Local Authorities, fuel tax, fines, infringments fees and other receipts	-	283	293	303	312	323	333	345	357	371	385
Total operating funding (A)	**7,084**	**9,002**	**9,257**	**9,527**	**9,814**	**10,130**	**11,400**	**11,757**	**12,147**	**12,563**	**13,016**
Applications of operating funding											
Payments to staff and suppliers	4,504	2,314	2,364	2,418	2,475	2,538	2,604	2,675	2,752	2,835	2,924
Finance Cost	360	562	587	658	680	716	760	752	669	553	308
Internal charges and overheads applied	1,576	4,244	4,306	4,374	4,446	4,525	4,609	4,696	4,790	4,891	4,999
Other operating funding applications	-										
Total applications of operating funding (B)	**6,440**	**7,120**	**7,257**	**7,450**	**7,601**	**7,779**	**7,973**	**8,123**	**8,211**	**8,279**	**8,231**
Suplus (deficit) of operating funding (A-B)	**644**	**1,882**	**2,000**	**2,077**	**2,213**	**2,351**	**3,427**	**3,634**	**3,936**	**4,284**	**4,785**
Sources of capital funding											
Subsidies and grants for capital expenditure	47	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-	-	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**47**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Application of capital funding											
Capital expenditure											
- to meet additional demand	485	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	1,414	1,020	2,789	-	-	-	969	-	-	-
- to replace exisiting assets	2,491	1,656	1,458	1,490	2,247	2,208	2,124	2,068	2,197	2,214	2,096
Increase (decrease) in reserves	-	(1,188)	(478)	(2,202)	(34)	143	1,303	597	1,739	2,070	2,689
Increase (decrease) of investments	-										
Total applications of capital funding (D)	**2,976**	**1,882**	**2,000**	**2,077**	**2,213**	**2,351**	**3,427**	**3,634**	**3,936**	**4,284**	**4,785**
Surplus (deficit) of capital funding (C-D)	**(2,929)**	**(1,882)**	**(2,000)**	**(2,077)**	**(2,213)**	**(2,351)**	**(3,427)**	**(3,634)**	**(3,936)**	**(4,284)**	**(4,785)**
Funding balance ((A-B)+(C-D))	(2,285)	-	-	-	-	-	-	-	-	-	-

Council Controlled Organisations

A council controlled organisation (CCO) is a company or trust controlled by council. The activities of the company are overseen by a board of directors. Council selects and appoints the directors to the board based on their ability to add value to the organisation.

Expectations for the CCO are set by the council. Council is able to set the level of decision-making for the board and the outcomes they are to achieve.

In contrast to councils, CCOs are focused on achieving a constrained set of business objectives. This brings a unifying focus to the organisation along with efficiencies through a corresponding drive to align resources with the required outcomes.

The formation of partnerships and alliances is a further strength of the CCO model. Commonly perceived as being more commercial and flexible than councils, CCOs are often able to collaborate more effectively with the private sector.

Rotorua Lakes Council presently has a number of CCOs (Rotorua District Council Holding Ltd, Grow Rotorua Ltd, Rotorua Regional Airport Ltd, TERAX 2013 Ltd, TERAX Ltd Partnership, Local Authority Shared Services Ltd, and Bay of Plenty Local Authority Shared Services Ltd) and has agreed to the creation of a new CCO– Rotorua Contracting.

Rotorua District Council Holdings Ltd

Introduction

In 2010 council established a holding company, Rotorua District Council Holdings Limited, to be used as an umbrella for a range of commercial activities that were identified at the time.

Going forward, council is considering using the holding company to assist in managing and coordinating the activities of Grow Rotorua Ltd, Rotorua Regional Airport Ltd.

As at 30 June 2015 the holding company had not traded.

Goals/Objectives

- Application of additional commercial focus and rigor applied in the interface between council and the subsidiary organisations;
- Enhance coordination arising from the ability to have representation on the holding company board from each of the subsidiary boards; and
- Include some level of political representation on the holding company board.

Grow Rotorua Ltd

Introduction

Grow Rotorua Ltd (GRL) is a council controlled organisation (CCO) that is 100% council owned. It was established in late 2012 as a result of the Rotorua Sustainable Economic Growth Strategy.

Grow Rotorua Ltd continues to influence the development of initiatives that strengthen economic investment opportunities in key economic driver areas: forestry industry, tourism, agriculture (including land use change) and geothermal and other sources of renewable energy.

More recently in the Tourism sector, Grow Rotorua Ltd is involved in the progression of new spa opportunities, discussions on potential geothermal-themed golf tourism and implementation of a strategy to maximise the economic opportunities generated by mountain biking in Rotorua.

Grow Rotorua's forestry focus is on building the case for a Centre of Excellence in Engineered Wood Products and on-shore value-added processing of export logs.

In the Agribusiness sector, Grow Rotorua is focused on identifying and promoting alternative environmentally sustainable land uses for the catchment. There is also a major focus on developing the international education sector including education, flight training and freshwater science.

Nature and scope of activities

The Purpose of the Company is to: *Provide a sustainable future economic platform off which Rotorua, its people and its businesses, can grow and prosper.*

The objectives of the Company are to:

- Develop technically and financially robust investment value propositions.
- Communicate and promote propositions to the investment community.
- Facilitate private sector investment into the Rotorua District.
- Identify barriers to creating investment wealth in the District and propose solutions to these.
- Understand the capability and skills required to achieve the District economic growth strategy and promote these requirements to the local education sector.
- Identify appropriate roles to attract and assist Te Arawa investment locally (or in their rohe).

Performance Measures

Target	Measure	Timing
Total estimated capital to be invested in new projects	$15m	By 30 June 2016
Total number of new jobs created as estimated by investors to operate projects as above	120	By 30 June 2016
The 10yr economic impact for Rotorua *	$150m	By 30 June 2016
The number of 2016 Flagship Projects contributed to	4	By 30 June 2016

* Measured as estimated annual revenues at planned capacity x 10.

Rotorua Regional Airport Ltd

Introduction

Rotorua Regional Airport Limited (RRAL) is a limited liability company which trades as Rotorua International Airport. RRAL is fully owned by the Rotorua District Council and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002.

Airport operations are managed by a chief executive reporting to the company's board of directors. One of his key objectives is to ensure that the Airport improves its financial performance and its return to its shareholder.

Nature and scope of activities

RRAL is responsible for the ongoing capital development and maintenance, and ownership of the airport's infrastructure. Its primary goal is to optimise the use of its assets to ensure the ongoing safe and successful operation of the airport.

Performance Measures

	2016	2017	2018
Aircraft Aircraft movements	7,400	7,474	7,549
Passengers Domestic	215,000	217,100	219,400
Financial Total Revenue Total Expenses NPAT Capital expenditure	$4,793,352 $4,744,167 $49,185 $930,000	$4,886,735 $4,807,080 $79,655 $855,000	$4,982,550 $4,857,163 $125,387 $700,000
Customer Customer service and facility rating	7.2 out of 10	7.5 out of 10	8.0 out of 10
Operational Number of controllable safety incidents	1.5	1	0
Team Number of employee injuries (days off work)	7.5	5	2

Rotorua Contracting

Introduction

Existing council services of Castlecorp, the Nursery and the Landfill are to be transitioned to this CCO from 1 July. It is expected that this CCO will be fully operational by end of September 2015. The formation of this CCO will:

- support enhanced employment and training outcomes;
- foster business development and growth;
- maintain the ability of council to control key service attributes (eg: nature of planting in the CBD);
- encourage commercial discipline and efficiency; and
- provide a mechanism for external investment.

Nature and scope of activities

Provide services includes the maintenance of Council's water supply, wastewater reticulation, storm water infrastructure, litter and refuse collection, janitorial and maintenance of public gardens, parks, sports fields and cemeteries.

Performance Measures

Performance targets are included in the service level agreements between Council and the CCO. The CCO will also report on further measures which will be negotiated on an annual basis as part of the annual process of preparing a Statement of Intent.

Terax 2013 Ltd and Terax Limited Partnership

Introduction

Rotorua District Council (RDC) and the New Zealand Forest Research Institute Ltd (Scion) have created Terax Limited Partnership (the Partnership) and Terax 2013 Ltd (the Company). The Partnership has been formed under the Limited Partnership Act with RDC and Scion as Limited Partners and providing investment funding (the Investors).

Nature and scope of activities

The purpose of the Partnership is to commercialise the TERAXTM organic waste treatment process and thereby generate returns to its investors.

The process destroys sewage treatment plant sludge and other organic wastes that are typically landfilled. It combines hydrothermal and biological processing to break down complex organic materials into simpler molecules. The consequence of this process is elimination of the organic solids content of the feed material. RDC and Scion have both invested in maturing this process targeting specific application to urban waste water treatment and have formed an Unincorporated Joint Venture for this purpose. The Joint Venture was successful in attracting grants from the Ministry for the Environment Waste Management Fund to evaluate the process at pilot plant level. This work has been successful and the potential for commercial application identified for application to the RDC Waste Water Treatment Plant and the much wider application of treating municipal waste streams both in New Zealand and internationally.

Performance Measures

Target	Measure	Timing
1. The company is operating efficiently	The budget is adopted by the Board and the investors advised via the SOI of expected investment requirements over three year timeframe.	By 30th June 2015
2. Intellectual Property strengthened.	International patents granted in key countries/regions (Australia, Canada, China, European Community, Japan, Malaysia, Singapore, South Korea, USA)	By 30th June 2016
3. Strategic partner or territorial licensee for NZ/Australia Municipal Biosolids market.	MoU or Letter of Intent in place with at least 1 territorial licensee.	By 31st December 2015

4. Strategic partner or territorial licensee for NZ/Australia Municipal Biosolids market	At least 1 territorial licensee fully contracted.	By 30th June 2016
5. Licences taken up	▪ No less than 2 end user licences within the Local Government sector or wider industry end users. ▪ No less than 2 additional end-user licences in place	By 31st December 2015 By 31st July 2016
6. Investors identified	Due diligence under way by at least 1 prospective new investor in Terax LP	By 31st December 2015
7. Technology extended to municipal solid waste	MfE funded development programme completed; basic engineering and cost estimate completed for a TERAX system to treat municipal solid waste	By 31st December 2015
8. Compliance	The Audit of the Company does not highlight any material issues.	Annually
9. Business operations	Effective business strategies are put in place to ensure that the Investors receive an appropriate return on their investment.	Reviewed annually

Local Authority Shared Services Limited

Introduction

The Local Authority Shared Services Ltd (LASS) was incorporated in December 2005. The LASS was established as a Control Controlled Organisation under the Local Government Act for the 13 Waikato/Rotorua councils. Rotorua District Council has an approximately 7% shareholding in the company.

Nature and scope of activities

Over the period the company has been operating benefits have been delivered in the form of:

- Improved level and quality of service
- Coordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all councils irrespective of location or size to benefit from joint initiatives
- Leverage provided from economies of scale resulting from a single entity representing councils leveraging procurement opportunities.

At this stage these gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional transport model (WRTM), and through joint procurement contracts.
The ability of LASS to contribute to a greater extent in terms of shared services and also at a strategic collaboration level has been the subject of discussion and agreement through the Waikato Mayoral Forum.

The Directors have been tasked with identifying ways to progress these initiatives. This will involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by LASS. The LASS Directors will continue to seek any new opportunities, either from internal investigations, or shareholder initiatives that are presented to it with a sound business case.

New services that are intended to be initiated under the LASS umbrella will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced cost. All such proposals will be presented to the Shareholders for approval prior to implementation.

Performance Measures

LASS agree annually its key financial and non-financial performance indicators with shareholders. These indicators are outlined in LASS's Statement of Intent.

Statement of Corporate Intent, Interim Report and Annual Report is presented to the CCO Subcommittee.

- Financial forecasts and performance targets are specified annually in the Statement of Corporate Intent.
- Joint procurement initiatives for goods and services are investigated and implemented.
- Collaborative projects are identified and business cases are developed for the highest priority projects and the projects implemented.
- Existing LASS are managed and renegotiated as required.
- Positive cash flow will be maintained.
- Expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors.
- The Board will provide a written report on the business operations and financial position of the LASS to shareholder as a minimum on a six monthly basis.
- Administrative support and regular updates provided to Mayoral Forum regarding progress for approved work streams.
- The Shared Valuation Data Service (SVDS) is reliable, well maintained and available to users at least 99% of normal working hours. All SDVS major
- enhancements are supported by business case.
- The Waikato Regional Transport Model (WRTM) is reliable, well managed and available to all users. Modelling reports requested are actioned within.
- the agreed time frame. A report by the Contract Manager is provided to the Board at least every six months.
- Shareholders are surveyed annually and satisfied with the performance of LASS.
- Shareholders are informed on the benefits being provided to shareholding Councils by LASS.
- Financial forecasts to be achieved.

Bay of Plenty Local Authority Shared Services Limited

Introduction

Rotorua District Council is also a one-ninth shareholder in Bay of Plenty Local Authority Shared Services Ltd (BOP LASS). BOP LASS was incorporated during 2007/08 to investigate, develop and deliver shared services, joint procurement and communications for the participating councils.

BOP LASS delivers benefits through improved levels of service, reduced costs, improved efficiency and / or increased value through innovation. This will achieved primarily through joint procurement and shared services.
Joint procurement includes procurement of services or products by two or more councils from an external provider.

Shared services include participation of two or more councils in the provision of a common service. The expected benefits that can be achieved through shared services are:

- Improved levels of quality of service.
- A coordinated and consistent approach to the provision of services.
- Reduction in the cost of support and administrative services.
- Opportunities to develop new initiatives.
- Economies of scale resulting from a single entity representing many councils in procurement.

Performance Measures

The specific performance targets for BOPLASS will be set annually through the BOPLASS Statement of Intent and will be based on the framework outlined below. At the end of each financial year the BOPLASS Annual Report will report on performance against the Statement of Intent including how it performed against those targets.

- Joint procurement initiatives provide financial savings and/or improved service levels to the Council
- Support is provided to assist the Council when engaging in shared service development and projects

- A collaboration portal for access to, and sharing of, project information between BOPLASS councils and the greater Local Government community is operational
- Best value is ensured through managing and/or renegotiating existing contracts
- Communication is undertaken at the appropriate level with at least one meeting with the Executive Leadership Team per year
- The company remains financially viable.

Financial Strategy

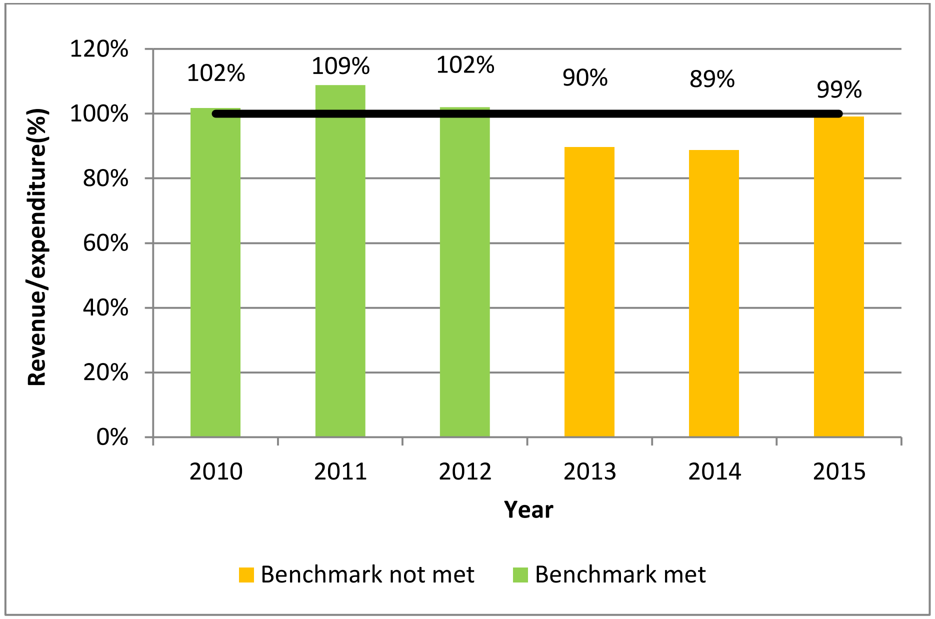
The theme of this ten year long-term plan is financial sustainability. The financial strategy is a cornerstone of the council achieving the goal of living within its means, and ensuring sufficient funding is available for key projects over the coming ten years.

The financial strategy outlines key financial parameters and limits, which the council will operate within. It provides insight into Council's current financial health and makes clear how this will be improved over the next 10 years. The long-term plan has been developed to meet these financial strategy goals. The council will report against the financial strategy when preparing its pre-election report in 2016.

Recent changes to the Local Government Act introduced new financial prudence parameters. The purpose of these parameters is to disclose the financial performance of Council via benchmarks which are easy to understand by our community. These were first introduced in the 2014 Annual Report.

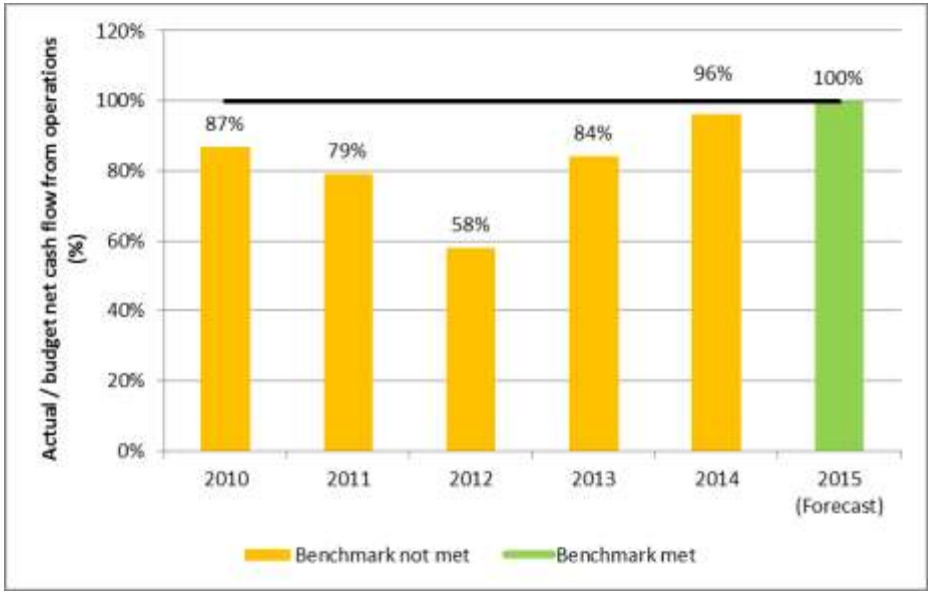
Two new mandatory measures are the balanced budget benchmark which shows the council's revenues as a percentage of operating expenditure, and the operations control benchmark which shows council's net cash flows from operations as a proportion of its planned net cash flows.

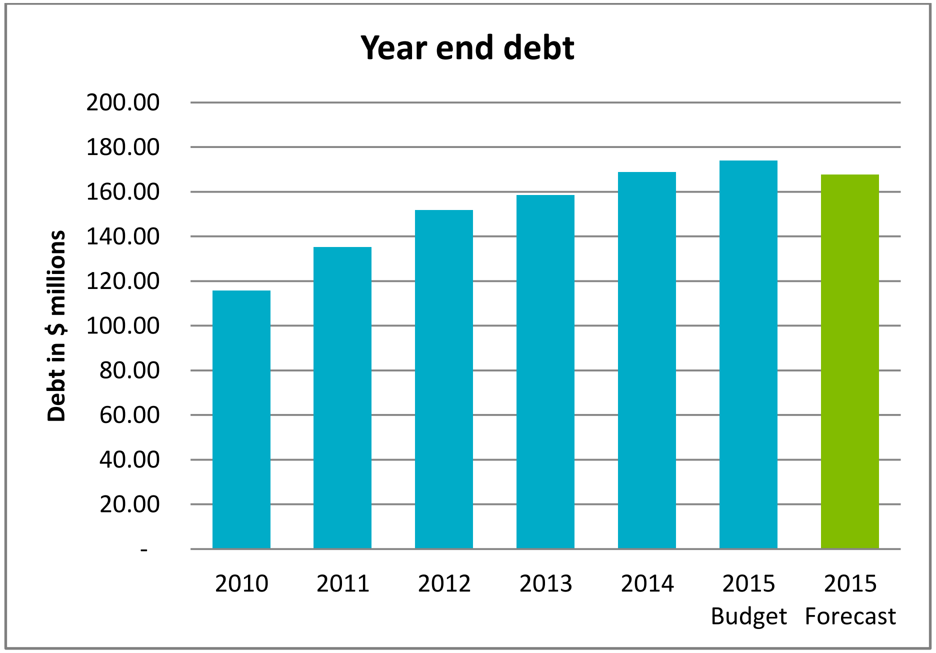
Balanced Budget
Under section 100 of the Local Government Act 2002, the balanced budget requirement means operating revenues are set at a level sufficient to meet that year's operating expenses.



Council has not produced a balanced budget for the last three years. During the last six years we have seen revenues from fees and charges fall, operating expenditure increase, and rates held low.

While Council's budget was balanced for three of the last six years, cash flows fell well short of what was planned to fund operating and capital expenditure. The following graph shows that even during times when the budget was balanced (2010 to 2012), Council was not generating sufficient cash flows to pay for all its costs. These cash shortfalls have driven Council's debt from $100.8m at the end of 2009 to $168.7m for 2014. During this period, Council's revenues did not increase at the same levels as debt. This meant a larger portion of our income is now required to service debt than back in 2009.





Following the 2013 elections a comprehensive review of Council's financial position was undertaken. In December 2013, the outcome was reported. This review highlighted that Council's overall financial position was not as strong as it should be, and that debt levels were considered too high when considered against future projects and proposals. Rates increases had been kept artificially low to help residents during hard economic times, but this compounded future sustainability issues.

A new sustainable financial framework was introduced. This included:

- Holding debt increases to a minimum
- Annual rate increases of approximately 3% (except for revaluation years)
- Property sales to balance capital spend
- Constraining capital spend to approximately $22 million per annum
- Introducing a strong efficiency programme to reduce costs

This framework was modelled forward 30 years. The modelling showed the following:

- Balanced budget would not be achieved until early 2030 due to current funding gap in three activities
- Capital expenditure would need to remain constrained until early 2030
- Debt would increase at the rate of inflation (2.5%)

Council reviewed the modelling and felt it was not prudent to wait such a long period to balance its budget as well as constraining capital expenditure, considering the number of significant projects coming up over the next 10 years. Increasing debt to fund this expenditure was not seen as prudent or sustainable.

In preparation of this long-term plan, the council has been mindful of the balance between overall debt levels, levels of service, a balanced budget and the resulting rate increases.

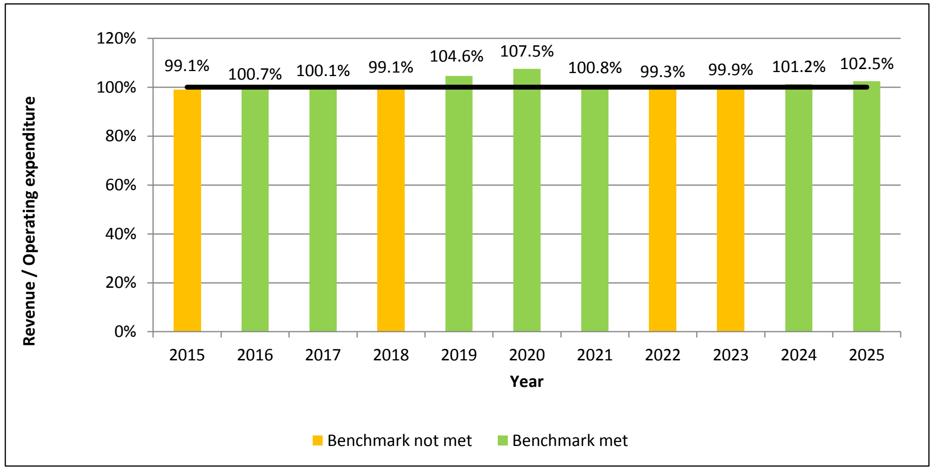
Following a careful and focussed planning process the council has agreed on a level of rates increases for ratepayers for each of the next ten years.

These increases will see reduced debt, improved cash flows and a balanced budget across the next ten years. This will enable core services to continue, our assets to be maintained, and the district to continue growing with capacity for new projects.

It is the council's view that implementation of this financial strategy in the long-term plan is prudent and sustainable as it delivers a balanced budget across the 10 years. Three of the next ten years will not be balanced, but overall the next ten years will see revenues exceed operating expenditure by $19.5million. The years where the budget is not balanced will be largely due to not funding all of our depreciation costs in the respective year.

This will have no significant impact on Council's services, capital spend or debt. Rates will remain at an affordable level, borrowing will be under control and the council will continue providing the services needed to attain the district's Rotorua 2030 vision.

Balanced Budget Ratio



The following sections outline the individual core components of the financial strategy.

Reduced Spending

To achieve these financial strategy goals the council has previously cut operating expenditure by $8.3m, reflected in the level of operating expenditure in the 2015 Annual Plan. This cut in costs was achieved by reviewing the organisational structure and services provided. The cuts were achieved by Council becoming more efficient, i.e. doing the same or more with less. On a day-to-day basis the cuts had no impact on services provided to our community.

Council's corporate services were reviewed as part of the organisation's realignment process. Its shape and size reflect the current needs of the organisation and the information systems it is using. The costs of these services are higher than what Council believes to be a fair level. A process of continual improvement, and a review and potential replacement of our core system, is programmed into the early years of the plan, and is targeting $1.0m of savings.

The level of operating expenditure has little reactive capacity included. Council believes no further efficiency savings of significance can be found without looking at the level of the service it provides. This means the council will find it difficult to respond to new initiatives or challenges without looking for additional funding or diverting current funding from existing services.

Sources of Income

Council has a number of ways it can fund its activities. The most common are rates, subsidies from central government, and fees and charges from users of services and facilities. Every three years Council reviews its policy on what proportion of its income comes from these sources, and sets the level of rates to balance the budget.

Fees and charges

Over the last six years, revenue from fees and charges has declined as a proportion of income. This was a result of less revenue from users, and fees being held low to ensure services and access to facilities remained affordable to the community. As a result, revenue from fees and charges sits at the low end of Council's funding policy limits. This means more of the cost of these services is funded by rates rather than user fees.

Council does not believe it can significantly increase revenues from fees and charges to help deliver a balanced budget, and has therefore decided to retain the current funding proportions. This means that fees and charges will increase in proportion to any increase in the services cost base or rates required. As an example, a 5% increase in the cost of providing building consents will mean a 5% increase in user fees.

This will result in the proportion of revenue required to fund certain activities being at the low end of Council's funding policy for the next 10 years.

Rates
The council intends to provide certainty to ratepayers over their rates bills. With that in mind the following rates rises are proposed for each of the next 10 years.

The higher year 1 one-off increase is required to achieve a balanced budget. Council believes it is prudent to deliver a balanced budget early and believes it is better to have a high rate increase in one year rather than spreading it over multiple years. Rate increases in the following years will be at a rate that matches the increase to our cost base from inflation.

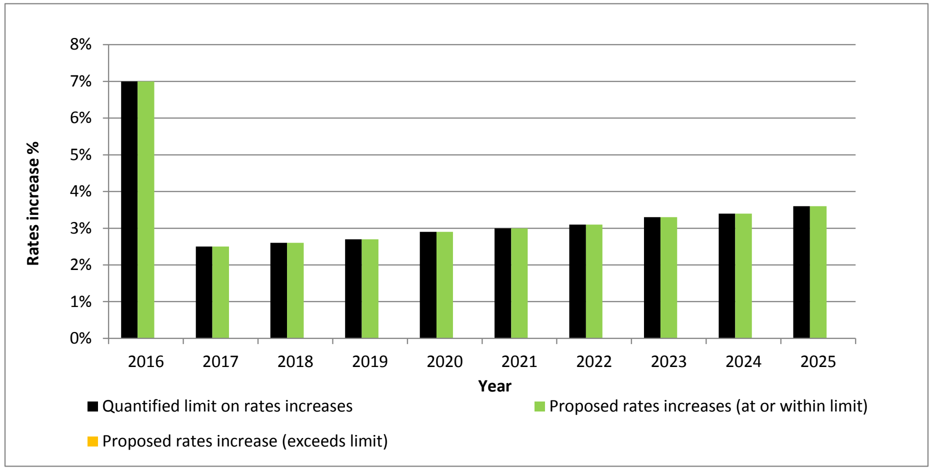
Year 1 will see the following increases to targeted rates:

Water	10%
Sewage	15%
Refuse	79%

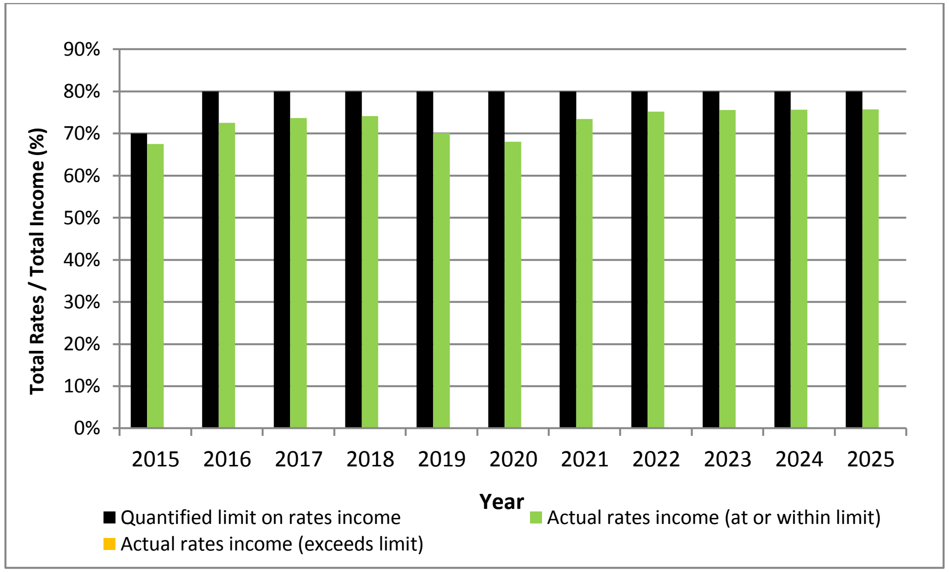
These activities have been under-funded for a number of years and the increases are required to provide the right level of funding for the service provided.
All other rates will be increased to provide an average 7% increase to rates overall.

Limits to Rates Increase
Year 1 : 7%
Year 2 onwards : at the prevailing rate of inflation applied to our cost base.

The rate limits are the average across existing ratepayers.



Council will limit total rates as a proportion of total revenue to less than 80%.



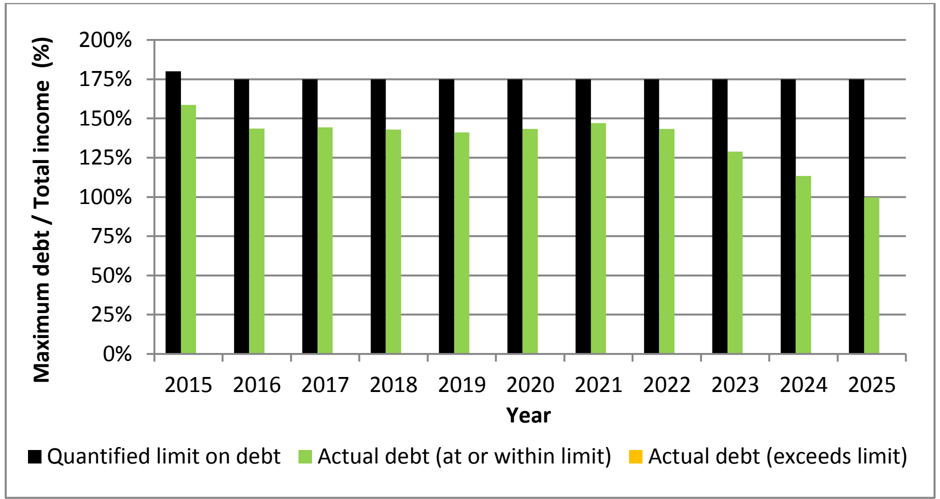
Debt

To remain sustainable and live within our means we need to reduce spending. Debt has grown from $100.96m in 2009 to $168.7m at 30 June 2014. While the level of debt we currently have is sustainable, this will not be the case with the capital expenditure ahead of us and debt funding required.

Unlike residential and business borrowing which is secured against assets, the council's borrowings are secured against its revenues, in particular its ability to rate. A prudent level of debt is considered to be 175% of income. Going over this level means an increase in the cost of borrowing unless Council applies for a credit rating.

The following graph illustrates the effect our increased debt, in combination with minimal increases in revenues, has on our capacity to borrow in the future.

Graph: Debt to Revenue Ratio



The council believes it is prudent to change from 180% to 175%. A lower ratio means Council has the capacity (within market prudential financial limits) to increase debt to provide funding in the event of unbudgeted disasters and emergencies, and other unforeseen events. Council's liquidity ratio also ensures that there are funding sources and cash immediately available in excess of 110% of external debt. Preserving the capacity to borrow debt in exceptional circumstances is part of a long term strategy to be financially sustainable, and to be able to fund a response to emergencies and disasters.

Future debt capacity also provides Council with an opportunity to consider new infrastructural and community asset investment.

Council will be applying for a credit rating for two reasons. The first is the good practice and disciplines this brings into the organisation. The second is to ensure Council has future borrowing capacity should a disaster or project of significance arise.

Limits to Debt

The debt to revenue ratio will remain under 175% over the ten years. Note the drop in the ratio between 2015 and 2016, related to the transfer of $18.6 million of debt to the airport company along with approximately $46.5 million of assets.

Funding of capital expenditure

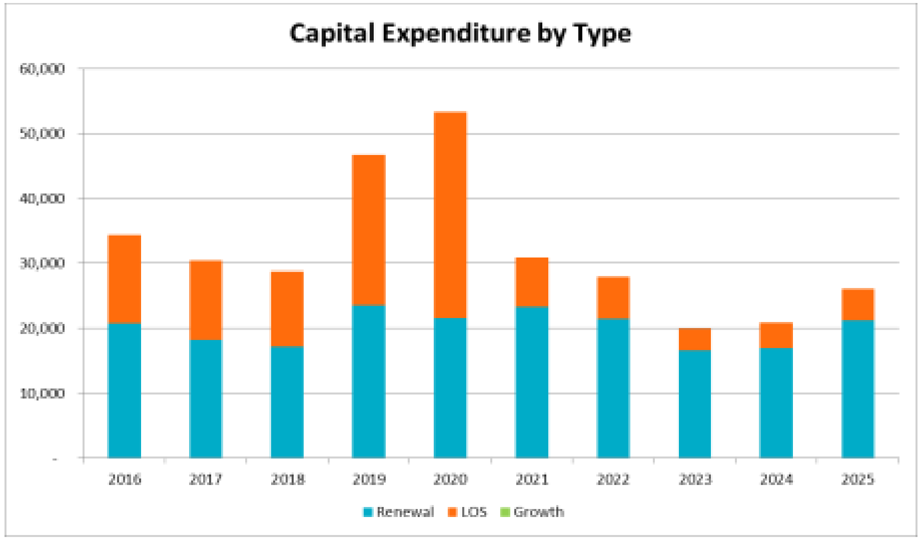
To curb increases in debt borrowing we will pay for more of our asset spending from rates and operating surpluses. Over recent years Council has funded a large proportion of its capital expenditure from debt rather than from operating surpluses. Council believes it is prudent to utilise operating surpluses to fund capital expenditure in the future, to ensure debt levels are controlled.

The rate increase set for year 1 is intended to fund activities correctly and provide an operating surplus to pay for most of our annual asset spending. This will still see debt increase, but only at the rate of inflation.

Capital Expenditure

The long term plan provides for $320m of funding for the replacement of existing assets that are near the end of their economic lives, and new assets required to improve the existing levels of service. This spend is based on information held in our asset management systems which group assets, holds condition assessments, applies assumptions and averages, which in turn determines estimated useful lives and expected replacement dates and values. This forms the basis of our capital expenditure program for the next 10 years.

During the last 6 years, Council has achieved an average completion rate of 74% of our capital expenditure programs and budgets. This is due to a number of factors which can include delaying projects, reduction in the cost of projects, or determining the capital spend is no longer required. As such Council has elected to fund 85% of the full program. This will be managed by strengthening our capital expenditure monitoring programme and targeting improvements to our asset management planning. These improvements will enable Council to have a dynamic work programme ensuring capital spend occurs at the appropriate time to meet the long term plan objectives, while living within the funding available. There is a risk that this may not be possible in every year, and if this did occur Council would either need to reduce its program or borrow to fund a shortfall. The Council has sufficient borrowing capacity to fund the shortfall if required, and would still remain within borrowing limits. Reducing the spend could impact on the level of service the community receives from these assets, where an increase in borrowing would see an increase in rates.



The total spend includes $210m on network infrastructure required to maintain and improve the level of service provided by our infrastructure assets.

Asset Sales

The council is investigating selling some assets in order to reduce levels of debt. Council has budgeted for sales of $1 million per year for the next ten years. These assets will only be sold if the council gets a fair price. Council is prepared to wait until it can get a fair return.

Growth

Growth in population has been assessed to 0.33% per annum for the next 20 years. This rate of growth means it is highly unlikely new assets related to growth will be required.

Number of rateable properties

	Years	Rateable properties
Number of Rateable properties	2015	28,700
	2016	28,800
	2017	28,900
	2018	29,000
	2019	29,100
	2020	29,200
	2021	29,300
	2022	29,400
	2023	29,500
	2024	29,600
	2025	29,700

Policy on Securities

In order to borrow money the council has to offer our lenders some security, as residents do with their mortgages. Like most councils, we secure our debt against our rates income. The council is gradually moving its borrowings towards the NZ Local Government Funding Agency as this provides long term borrowing at lower rates than commercial banks or private lenders. Rates will continue to be used as security for all borrowing. Lenders accept this as security and it helps keep our interest rates low. Giving rates as security means our lenders can make us rate residents more to repay debt in the remote chance that we default on payments.

In some circumstances Council may offer other security. However physical assets will only be pledged in certain circumstances. The council currently has no loans secured by way of mortgage over properties but may do so if the situation arises. The full policy on securities can be found in our Treasury Policy on the council's website.

Investments

The council holds investments in companies and cash.

Investments in Companies

The council is an equity holder in eight companies. The reason for holding equity interest in the companies is principally to achieve efficiency and community outcomes, rather than to receive a financial return on investment. The council holds shares in the following companies:

Council's Shareholdings Company	Shareholding	Principal reason for Investment	Budgeted return
Grow Rotorua Limited	100%	Economic Development	Nil
Rotorua Regional Airport Limited	100%	Economic development	Nil
Rotorua Contracting (formal name to be determined)	100%	Efficient Government	Nil
TERAX 2013 Limited	50%	Efficient Government	Nil
Local Authority Shared Services Limited	6.14%	Efficient Government	Nil
BOP LASS Limited	16.13%	Efficient Government	Nil
New Zealand Local Government Insurance Corporation Ltd	<1%	Risk management	Nil
Mountain Bike Events Limited	49%	Economic Development	Nil

Cash Investments

From time-to-time the council has surplus cash. Surplus cash is invested for short periods to maximise returns. The council aims to meet the average 90 day bank bill rate.

Generally the council's cash management practice is to use surplus cash to minimise external debt. The long-term plan includes an assumption that Council holds $1 million in cash at any one time.

Council's Treasury

Council considers it prudent to hold cash at a level that supports the balance of restricted reserves (this amount of cash is not available to offset external debt). Any cash held above the level of restricted reserves is to ensure strong lines of liquidity and access to cash remain available to Council.

Cash is supplemented by the use of committed banking facilities. The $32 million is based on the level of cash that Council currently holds, and a further amount to ensure liquidity of funding. In present financial markets, holding cash is a cheaper option than is available through the use of committed facilities.

Other Investments

As part of borrowing from the Local Government Funding Agency, the council is required to invest in financial bonds with the agency. The council will receive interest on these bonds equivalent to the cost of borrowing.

Insurance

Council fully insures water and wastewater treatment plants, along with its buildings, plant and equipment, and vehicles.

Below ground infrastructure (primarily water reticulation, waste water, and storm water networks) are insured for significant natural disasters. A key assumption is that the government will provide 60% of the funding to meet reinstatement costs following a significant natural disaster. Aon has conducted a risk assessment on the likelihood of significant natural disasters, and these were assessed as being low.

Council has tested insurance cover for infrastructural assets. Cover is currently obtained by direct placements into the London insurance markets. Cover is based on modelling identifying our maximum probable loss under a number of scenarios. Modelling and recommended cover is provided by our Insurance brokers, Aon.

Purpose of financial statements

General Information

The prospective financial statements are for Rotorua Lakes Council, the parent only. The council publishes group accounts for the annual report. For the purpose of the council's Long-term Plan (LTP), it is only the parent accounts that are relevant for public consultation. This prospective financial information has been prepared to meet the requirements of the Local Government Act 2002. This information may not be suitable for use in any other context. These prospective financial statements are for the period 1 July 2015 to 30 June 2025.

The actual results achieved for the period covered by this plan are likely to vary from information presented in this document, and the variations may be material. The reforecast statement of financial position as at 30 June 2015 has been used to give an opening position for the prospective statement of financial position.

The elected council is responsible for the prospective financial information presented in this document, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. The prospective financial statements comply with Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements. The council does not intend to update the prospective financial statements subsequent to presentation.

Funding Impact Statements

Funding impact statements are required under the Local Government Act 2002 and conform to clause 5 of the Local Government (Financial Reporting) Regulations 2011. They cover the ten year period from 1 July 2015 to 30 June 2025, and outline the council's sources of funding and plans to apply them. Generally accepted accounting practice does not apply to the preparation of the funding impact statements, as stated in section 111(2) of the Local Government Act.

Key divergences from generally accepted accounting practice are the exclusion of depreciation in all funding impact statements and the inclusion of internal revenue and expenditure.

Prospective Statement of Comprehensive Revenue and Expense

This financial statement discloses the net surplus or deficit and the components of net surplus (deficit), arising from activities or events during the period that are significant for the assessment of both past and future financial performance.

Prospective Statement of Changes in Equity

This financial statement presents a measure of comprehensive income. Equity is measured as the difference between the total value of assets and total liabilities. Accumulated Equity represents the community's investment in publicly owned assets, resulting from past surpluses.

Prospective Statement of Financial Position

This financial statement provides information about the economic resources controlled by Council. Its capacity to modify those resources is useful in assessing Council's ability to generate cash and/or provide services in the future. Information about the financing structure is useful in assessing borrowing needs, and how future surpluses and cashflows may be distributed among those with an interest in the Council. The information is also useful in assessing how successful the council is likely to be in raising future finance.

Prospective Statement of Cashflows

This statement reflects Council's cash receipts and cash payments during the period and provides useful information about Council's activities in generating cash through operations to:

- Repay debt, or
- Re-invest to maintain or expand operating capacity.

Statement of Accounting Policies

The accounting policies adopted by Council can have a significant impact on the financial and service performance, financial position and cashflows that are reported in Councils financial reports. Therefore, for proper appreciation of those reports, users need to be aware of:

a) the measurement system underlying the preparation of the financial reports, and
b) the accounting policies followed in respect of individual items in the financial reports, especially where there are acceptable alternatives for dealing with any such items.
c) Any changes in the measurement system, assumptions or particular accounting policies.

Notes to the Financial Statements

These provide further explanation of accounting policies adopted by the council and the assumptions used in preparing the financial statements.

Prospective statement of comprehensive revenue and expense

For the year ended:	Annual Plan 2014/2015 ($000)	Long-term Plan 2015/2016 ($000)	2016/2017 ($000)	2017/2018 ($000)	2018/2019 ($000)	2019/2020 ($000)	2020/2021 ($000)	2021/2022 ($000)	2022/2023 ($000)	2023/2024 ($000)	2024/2025 ($000)
Revenue											
Rates, excluding targeted water supply rates	70,164	75,291	77,406	79,657	82,053	84,685	88,422	91,404	94,667	98,142	101,940
Targeted Rates for water supply	3,814	4,090	4,206	4,329	4,460	4,604	4,758	4,921	5,099	5,290	5,497
Development and financial Contributions	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants (Incl Capital Subsidies)	12,937	9,962	8,458	7,865	14,746	19,139	10,040	7,361	6,916	7,030	7,156
Other revenue	22,655	19,995	20,695	21,440	22,090	22,803	23,562	24,371	25,255	26,197	27,227
Finance Income	-	50	50	50	50	50	50	50	50	50	50
Gains	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**109,569**	**109,389**	**110,814**	**113,341**	**123,399**	**131,282**	**126,833**	**128,105**	**131,988**	**136,708**	**141,870**
Expenditure											
Personnel Costs	34,089	26,784	27,284	27,837	28,415	29,047	29,705	30,415	31,178	31,994	32,862
Depreciation and amortisation expense	27,404	25,023	25,762	26,527	27,345	28,307	29,390	30,358	31,425	32,526	33,736
Other expenses	39,238	48,509	49,127	50,993	52,410	53,907	55,522	57,192	58,858	60,751	62,917
Finance Costs	9,878	8,293	8,563	9,020	9,748	10,865	11,240	11,105	10,610	9,755	8,900
Total operating expenditure	**110,609**	**108,610**	**110,736**	**114,376**	**117,919**	**122,126**	**125,857**	**129,069**	**132,070**	**135,025**	**138,414**
Surplus/ (deficit) for the period	**(1,040)**	**779**	**78**	**(1,036)**	**5,480**	**9,156**	**976**	**(963)**	**(82)**	**1,683**	**3,456**
Loss for the period from discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) before tax	**(1,040)**	**779**	**78**	**(1,036)**	**5,480**	**9,156**	**976**	**(963)**	**(82)**	**1,683**	**3,456**
Income tax expense	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) after tax	**(1,040)**	**779**	**78**	**(1,036)**	**5,480**	**9,156**	**976**	**(963)**	**(82)**	**1,683**	**3,456**
Other Comprehensive Income											
Revaluation on property, plant and equipment	-	24,123	27,031	28,910	30,839	34,550	37,499	39,930	43,713	46,103	50,023
Revaluation on intangibles	-	-	-	-	-	-	-	-	-	-	-
Net change in fair value of investments	-	-	-	-	-	-	-	-	-	-	-
Net change in fair value of hedges	-	-	-	-	-	-	-	-	-	-	-
Other Comprehensive Income	**0**	**24,123**	**27,031**	**28,910**	**30,839**	**34,550**	**37,499**	**39,930**	**43,713**	**46,103**	**50,023**
Total Other Comprehensive Income	**(1,040)**	**24,902**	**27,109**	**27,874**	**36,319**	**43,706**	**38,475**	**38,967**	**43,631**	**47,786**	**53,479**

Prospective statement of financial position

For the year ended:	Annual Plan 2014/2015 ($000)	Long-term Plan 2015/2016 ($000)	2016/2017 ($000)	2017/2018 ($000)	2018/2019 ($000)	2019/2020 ($000)	2020/2021 ($000)	2021/2022 ($000)	2022/2023 ($000)	2023/2024 ($000)	2024/2025 ($000)
Assets											
Current Assets											
Cash & Cash Equivalents	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Debtors & other receivables	23,389	8,769	8,883	9,086	9,892	10,524	10,167	10,269	10,580	10,958	11,372
Inventories	1,325	1,328	1,361	1,396	1,434	1,476	1,520	1,567	1,619	1,674	1,734
Derivative Financial Instruments	-	-	-	-	-	-	-	-	-	-	-
Non-Current Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	25,714	11,097	11,244	11,482	12,326	13,000	12,687	12,836	13,199	13,632	14,106
Non-Current Assets											
Loans & Receivables	-										
Property, plant and equipment	1,120,704	1,133,225	1,163,906	1,194,163	1,243,341	1,301,922	1,340,016	1,376,592	1,407,924	1,441,500	1,483,031
Investment Property	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	3,600	2,559	2,559	2,559	2,559	2,559	2,559	2,559	2,559	2,559	2,559
Other Financial Assets	3,570	31,470	31,470	31,470	31,470	31,470	31,470	31,470	31,470	31,470	31,470
Total Non-Current Assets	1,127,874	1,167,254	1,197,935	1,228,192	1,277,370	1,335,951	1,374,045	1,410,621	1,441,953	1,475,529	1,517,060
Total Assets	1,153,588	1,178,351	1,209,179	1,239,674	1,289,696	1,348,951	1,386,732	1,423,457	1,455,152	1,489,161	1,531,166
Liabilities											
Current Liabilities											
Creditors and Other Payables	19,100	17,027	17,558	17,975	19,463	20,776	21,335	21,826	23,102	24,017	25,713
Provisions	750	672	689	707	726	747	769	793	819	847	877
Employee Benefit Liabilities	5,300	6,121	6,235	6,361	6,493	6,637	6,787	6,949	7,123	7,309	7,507
Borrowings	36,150	36,150	36,150	36,150	36,150	36,150	36,150	36,150	36,150	36,150	36,150
Derivative Financial Instruments	-	-	-	-	-	-	-	-	-	-	-
Taxation Payable	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	61,300	59,970	60,632	61,193	62,832	64,310	65,041	65,718	67,194	68,323	70,247
Non-current liabilities											
Borrowings	137,756	120,925	123,925	125,925	137,925	151,925	150,425	147,425	133,925	118,925	105,425
Provisions	2,600	2,075	2,127	2,182	2,241	2,306	2,375	2,449	2,530	2,616	2,710
Employee Benefit Liabilities	500	254	259	264	269	275	281	288	295	303	311
Total Non-current liabilities	140,856	123,254	126,311	128,371	140,435	154,506	153,081	150,162	136,750	121,844	108,446
Total Liabilities	202,156	183,224	186,943	189,564	203,267	218,816	218,122	215,880	203,944	190,167	178,693
Net Assets	951,432	995,127	1,022,236	1,050,110	1,086,429	1,130,135	1,168,610	1,207,577	1,251,208	1,298,994	1,352,473
Net Assets/ Equity											
Capital Contributed by											
Accumulated comprehensive revenue and Expenses	714,724	733,757	733,480	731,781	738,005	747,645	747,912	746,277	745,488	746,757	749,422
Restricted Equity	3,973	4,513	4,867	5,530	4,786	4,302	5,012	5,683	6,391	6,804	7,595
Reserves	232,735	256,858	283,889	312,799	343,638	378,188	415,687	455,617	499,330	545,433	595,456
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets/ Equity	951,432	995,127	1,022,236	1,050,110	1,086,429	1,130,135	1,168,610	1,207,577	1,251,208	1,298,994	1,352,473

Prospective statement of changes in net assets/ equity

For the year ended:	Annual Plan 2014/2015 ($000)	2015/2016 ($000)	2016/2017 ($000)	2017/2018 ($000)	2018/2019 ($000)	Long Term Plan 2019/2020 ($000)	2020/2021 ($000)	2021/2022 ($000)	2022/2023 ($000)	2023/2024 ($000)	2024/2025 ($000)
Balance as at 1 July	952,472	970,225	995,127	1,022,236	1,050,110	1,086,429	1,130,135	1,168,610	1,207,577	1,251,208	1,298,994
Total Comprehensive Income as stated	(1,040)	24,902	27,109	27,874	36,319	43,706	38,475	38,967	43,631	47,786	53,479
Balance at 30 June	951,432	995,127	1,022,236	1,050,110	1,086,429	1,130,135	1,168,610	1,207,577	1,251,208	1,298,994	1,352,473
Total Comprehensive Income attributable to:	(1,040)	24,902	27,109	27,874	36,319	43,706	38,475	38,967	43,631	47,786	53,479

Footnote: Opening position of equity has been reforecast from budget to achieve a more reliable starting point.

Prospective statement of cashflows

For the year ended:	Annual Plan 2014/2015 ($000)	Long-term Plan 2015/2016 ($000)	2016/2017 ($000)	2017/2018 ($000)	2018/2019 ($000)	2019/2020 ($000)	2020/2021 ($000)	2021/2022 ($000)	2022/2023 ($000)	2023/2024 ($000)	2024/2025 ($000)
Cash flows from operating activities											
Receipts from rates revenue	76,271	79,381	81,611	83,986	86,514	89,290	93,180	96,324	99,766	103,431	107,437
Receipts from customers and other services	26,104	19,995	20,695	21,440	22,090	22,803	23,562	24,371	25,255	26,197	27,227
Receipts from Grants and Subsidies	9,488	9,962	8,458	7,865	14,746	19,139	10,040	7,361	6,916	7,030	7,156
Goods and Services Tax (Net)	-	-	-	-	-	-	-	-	-	-	-
Interest received	-	50	50	50	50	50	50	50	50	50	50
Dividends received	-	-	-	-	-	-	-	-	-	-	-
Payments to suppliers	(41,960)	(47,953)	(48,696)	(50,917)	(52,027)	(53,700)	(55,268)	(57,618)	(58,908)	(61,440)	(63,089)
Payments to employees	(34,089)	(26,784)	(27,170)	(27,597)	(28,043)	(28,531)	(29,039)	(29,587)	(30,176)	(30,806)	(31,476)
Interest paid	(9,449)	(8,293)	(8,563)	(9,020)	(9,748)	(10,865)	(11,240)	(11,105)	(10,610)	(9,755)	(8,900)
Income tax refund/(paid)	-	-	-	-	-	-	-	-	-	-	-
Net cash from operating activities	26,365	26,358	26,385	25,807	33,580	38,187	31,286	29,796	32,295	34,708	38,406
Cash flows from investing activities											
Proceeds from medium term investments	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of property, plant and equipment	1,000	1,000	1,025	1,051	1,078	1,107	1,137	1,167	1,200	1,234	1,270
Proceeds from community loan repayments	-	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	(31,596)	(34,358)	(30,411)	(28,858)	(46,658)	(53,294)	(30,924)	(27,963)	(19,994)	(20,942)	(26,176)
Purchase of intangible assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of other investments	-	-	-	-	-	-	-	-	-	-	-
Net cash from investing activities	**(30,596)**	**(33,358)**	**(29,386)**	**(27,807)**	**(45,580)**	**(52,187)**	**(29,787)**	**(26,796)**	**(18,794)**	**(19,708)**	**(24,906)**
Cash flows from financing activities											
Proceeds from borrowings	4,231	7,000	3,000	2,000	12,000	14,000					
Repayment of borrowings							(1,500)	(3,000)	(13,500)	(15,000)	(13,500)
Net cash from financing activities	**4,231**	**7,000**	**3,000**	**2,000**	**12,000**	**14,000**	**(1,500)**	**(3,000)**	**(13,500)**	**(15,000)**	**(13,500)**
Net increase/(decrease) in cash and cash equivalents and bank overdraft	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents and bank overdraft at beginning of the year	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Cash and cash equivalents and bank overdrafts at end of the year	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Council-wide funding impact statement

Council Wide	Annual Plan Budget 2014/15	2015/16	2016/17	2017/18	2018/19	Long-term Plan Budget 2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Sources of operating funding											
General Rates, uniform annual charges, rates penalties	48,128	47,019	48,350	49,767	51,276	52,932	54,695	56,572	58,626	60,813	63,204
Targeted Rates	27,893	32,362	33,262	34,218	35,238	36,357	38,485	39,753	41,141	42,618	44,234
Subsidies and grants for operating purposes	3,449	3,236	3,302	3,372	3,447	3,529	3,617	3,710	3,813	3,922	4,042
Fees and charges	3,864	6,635	6,868	7,114	7,330	7,567	7,818	8,085	8,380	8,692	9,033
Interest and Dividends from Investments	-	50	50	50	50	50	50	50	50	50	50
Local Authorities, fuel tax, fines, infringments fees and other receipts	18,195	13,362	13,830	14,327	14,760	15,238	15,745	16,286	16,876	17,507	18,194
Total operating funding (A)	**101,529**	**102,664**	**105,662**	**108,848**	**112,101**	**115,673**	**120,410**	**124,456**	**128,886**	**133,602**	**138,757**
Applications of operating funding											
Payments to staff and suppliers	75,981	75,295	76,407	78,829	80,826	82,953	85,227	87,606	90,034	92,745	95,778
Finance Cost	8,997	8,291	8,563	9,020	9,747	10,865	11,238	11,105	10,610	9,755	8,898
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**84,978**	**83,586**	**84,970**	**87,849**	**90,573**	**93,818**	**96,465**	**98,711**	**100,644**	**102,500**	**104,676**
Suplus (deficit) of operating funding (A-B)	**16,551**	**19,078**	**20,692**	**20,999**	**21,528**	**21,855**	**23,945**	**25,745**	**28,242**	**31,102**	**34,081**
Sources of capital funding											
Subsidies and grants for capital expenditure	10,330	6,727	5,156	4,493	11,299	15,610	6,423	3,649	3,104	3,108	3,114
Development and financial contributions	158	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	-	7,000	3,000	2,000	12,000	14,000	(1,500)	(3,000)	(13,500)	(15,000)	(13,500)
Gross proceeds from sale of assets	-	1,000	1,025	1,051	1,078	1,107	1,137	1,167	1,200	1,234	1,270
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of captial funding (C)	**10,488**	**14,727**	**9,181**	**7,544**	**24,377**	**30,717**	**6,060**	**1,816**	**(9,196)**	**(10,658)**	**(9,116)**
Application of capital funding	**-**	-	-	-	-	-	-	-	-	-	-
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-
- to meet additional demand	1,769	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	13,673	13,540	12,121	11,664	23,103	31,707	7,519	6,428	3,358	3,982	4,960
- to replace exisiting assets	15,658	20,818	18,290	17,194	23,553	21,586	23,403	21,534	16,638	16,959	21,215
Increase (decrease) in reserves	-	(553)	(538)	(315)	(751)	(721)	(917)	(401)	(950)	(497)	(1,210)
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**31,080**	**33,805**	**29,873**	**28,543**	**45,905**	**52,572**	**30,005**	**27,561**	**19,046**	**20,444**	**24,965**
Surplus (deficit) of capital fundig (C-D)	**(20,592)**	**(19,078)**	**(20,692)**	**(20,999)**	**(21,528)**	**(21,855)**	**(23,945)**	**(25,745)**	**(28,242)**	**(31,102)**	**(34,081)**
Funding balance ((A-B)+(C-D))	(4,041)	-	-	-	-	-	-	-	-	-	-

Statement of accounting policies

Reporting Entity

Rotorua Lakes Council is a territorial local authority under the Local Government Act 2002 and domiciled in New Zealand.

The Rotorua Lakes Council group (Group) consists of the ultimate parent, Rotorua Lakes Council (Council) and its subsidiaries Rotorua Regional Airport Limited (100% owned), Grow Rotorua Limited (100% owned), and jointly controlled entities Terax 2013 Limited (50% owned) and Terax Limited Partnership (50% owned). The council's subsidiaries and jointly controlled entities are incorporated and domiciled in New Zealand. It is proposed in these prospective financial statements that the business unit formerly known as Castlecorp will become a controlled entity, (a 100% owned Council Controlled Organisation), Rotorua Contracting Limited.

The primary objective of Rotorua Lakes Council is to provide goods or services for the community or social benefit, rather than making a financial return. Accordingly, the council has designated itself and the Group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The prospective financial statements of Rotorua Lakes Council are for the 10 year period of the Long-term Plan ended 30 June 2025. The prospective financial statements were authorised for issue by Council on 22 July 2015.

Prospective Financial Statements

The prospective financial statements are for Rotorua Lakes Council, the parent only. The council publishes group accounts for the annual report. For the purposes of the council's long term plan, it is only the parent accounts that are relevant for public consultation.

The prospective financial information has been prepared to meet the requirements of the Local Government Act 2002. This information may not be suitable for use in any other context.

Since these prospective financial are for the period 1 July 2015 to 30 June 2025, actual results are not reflected. The actual results achieved for the period covered by this plan are likely to vary from the information presented in this document, and thee variations may be material.

The reforecast statement as at 30 June 2015 has been used to give an opening position for the prospective statement of financial position.

The elected council is responsible for the prospective financial information presented in this document, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The prospective financial statements comply with Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements.

Basis of preparation

Statement of Compliance

The prospective financial statements of Rotorua Lakes Council and Group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These prospective financial statements have therefore been prepared in accordance with NZ GAAP. They comply with Tier 1 Public Benefit Entity standards (and NZ IFRS in absence of a standard), and other applicable financial reporting standards, as appropriate for public benefit entities.

Measurement Base

The prospective financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, collections, biological assets and certain financial instruments (including derivative instruments) and available for sale investment, which have been measured at fair value.

Functional and presentation currency

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of Rotorua Lakes Council and Group is New Zealand dollars.

Changes in accounting policies

There has been one change in accounting policies during the financial year and an update of wording to reflect PBE standards.

Standards, amendments, and interpretations issued

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a tier strategy) developed by the External Reporting Board (XRB). Under this accounting standards framework, the council is classified as a Tier 1 reporting entity and will be required to apply full Public Benefit Entity Accounting Standards (PAS).

The effect of first time adoption of the PBE standards on accounting policies is minimal at this stage. However, there are minor differences in the presentation of financial statements and terminology for grouping information. These differences largely have an effect on disclosure only:

New format and/or naming of financial statements as:

- Statement of Financial Performance and Statement of Other Comprehensive Revenue and Expense (formerly Statement of Comprehensive Income)
- Statement of Financial Position
- Statement of Changes in Net Assets/Equity (formerly Statement of Changes in Equity and shown as summary only for purposes of these prospective financial statements)
- Statement of Cash Flows

Revenue and receivables from exchange and non-exchange transactions (as defined in PBE standard PBE IPSAS 1) are shown as separate groupings.

Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Rotorua Lakes Council and its controlled entities and are prepared by adding together like items of assets, liabilities, equity, and income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses unrealised gains and losses are eliminated in full on consolidation.

Controlled entities (was Subsidiaries)

Rotorua Lakes Council consolidates as subsidiaries in the group financial statements all controlled entities where Rotorua Lakes Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where Rotorua Lakes Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined as being unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Controlled entities are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The consideration transferred in an acquisition of a subsidiary reflects the fair value of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owner.

Investments in any controlled entity held by council are accounted for at cost, less any impairment charges, in the separate financial statements.

The council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the council. If the consideration transferred is lower than the net fair value of the council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

At the end of each reporting period the council assesses whether there are any indications that the carrying value of the investment in controlled entities may be impaired. Where such indications exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

Non-controlled entities (was Associates)

The council accounts for investments in associates using the equity method. A non-controlled entity is an entity over which the council has a non-controlling interest and may have significant influence, and that entity is neither a controlled entity (subsidiary) nor an interest in a joint venture. The investment in the associate is initially recognised at cost and the carrying amount in the group's financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate, after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the relevant associate.

Dilutions, gains or losses arising from investments in associates are recognised in the surplus or deficit.

Investments in associates is carried at cost in the council's parent entity financial statements.

Non-controlled entities (Joint Venture)

A joint venture is a binding contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled entities, the council and group recognise in its financial statements share of interest in the assets it controls, liabilities and expenses it incurs, and the share of income that it earns from the joint venture using the proportionate consolidation method.

Revenue

Revenue is measured at the fair value of consideration received or receivable to the extent that it is probable that economic benefits or service potential will flow to the group and the revenue can be reliably measured.

Revenue is derived from non-exchange and exchange transactions. A non-exchange transaction is a transaction where the reporting entity receives value from another entity without giving approximate value in exchange. E.g. a government grant. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and gives approximately equal value, e.g. sale of goods or services at market rates.

Rates revenue

Rates are set annually by a resolution of Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when the council has struck the rate and that rate becomes payable.

Rates collected on behalf of Bay of Plenty Regional Council (BOPRC) are not recognised in the financial statements as Rotorua Lakes Council is acting as an agent for BOPRC.

Government grants

Government grants are received from New Zealand Land Transport Agency, which subsidises costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the council are recognised as revenue when control over the asset is obtained.

Sale of goods

Sales of goods are recognised when a product is sold to the customer.

Traffic and parking infringements

Revenue from traffic and parking infringements are recognised when payment of the infringement notice is received.

Interest and dividends

Interest income is recognised using the effective interest method. Interest on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established.

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to the balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated as the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profit less losses, net amounts are presented as a liability.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred. The council and Group have chosen not to capitalise borrowing costs directly attributable to the acquisition, construction or production of assets.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the council has no obligation to award on receipt of the grant application, and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Trade creditors or debtors in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the surplus or deficit in the period they arise.

The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Income Tax

Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) enacted or substantially enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) enacted or substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

Subsequent to initial recognition lease payments are apportioned between a reduction of lease liability and finance charge. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense in surplus or deficit on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Derivative financial instruments and hedge accounting
Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The council and group designates certain derivatives as either:

- Hedges of the fair value of recognised assets (when values are positive) or liabilities (when values are negative) or a firm commitment (fair value hedge); or
- Hedges of highly probably forecast transactions (cashflow hedge).

The council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The full fair value of derivatives is classified as non-current if the remaining item of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Fair value hedge

A fair value hedge manages the exposure to change in fair value of a recognised asset or liability or an unrecognised firm commitment that could affect surplus of deficit.

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised directly in the surplus or deficit. Fair value hedge accounting is only applied for hedging fixed interest borrowings.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is recognised immediately as surplus or deficit over the period to maturity.

Cash flow hedge

Cash flow hedges manage the exposure to the variability in cash flow that is attributed either to a particular recognised asset or liability, or highly probable forecast transaction or foreign currency risk.

The portion of gain or loss on an effective portion of derivatives designated of a cash flow hedging instrument determined to be an effective hedge, is recognised directly in other comprehensive revenue and expenses and accumulated in cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "gains" or "finance costs".

If a hedge of a forecast transaction subsequently results in recognition of a financial asset or a financial liability, associated gains or losses that were recognised directly in other comprehensive income will be reclassified into the surplus deficit in the same period or periods during which the asset acquired, or liability assumed, affects surplus or deficit. However, if it is expected that all, or a portion, of a loss recognised directly in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised directly in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognised directly in other comprehensive income from the period when the hedge was effective, will remain separately recognised in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from other comprehensive income to the surplus or deficit.

Other Financial assets

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus deficit, in which case the transaction costs are recognised in the surplus deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the council and group commits to purchase or sell the asset. Financial assets are 'derecognised' when the rights to receive cash flows from the financial assets have expired or have been transferred, and the council and group has substantially transferred all the risks and rewards of ownership.

Financial assets are classified into four categories:

- financial assets at fair value through surplus or deficit;
- loans and receivables;
- held to maturity investments; and
- fair value through other comprehensive income.

Classification depends on the purpose for which the investments were acquired.

Management determines classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through surplus or deficit:

Financial Assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or as part of a portfolio classified as held for trading, are classified as current assets. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values, with gains or losses on remeasurement recognised in the surplus or deficit.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date which are included in non-current assets.

After initial recognition they are subsequently measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or 'derecognised' are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of a loan is recognised in the surplus deficit as a grant.

Held to maturity investments:

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are subsequently measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised, are recognised in the surplus or deficit.

Available for sale assets (formerly financial assets at fair value through other comprehensive income:

Available for sale assets include equity investments and debt securities.

Equity investments are neither classified or held for trading, nor designated at fair value through surplus or deficit.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. The council and group includes the following in this category:

- Investments that Council intends to hold long-term but which may be realised before maturity in response to needs for liquidity; and
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised directly in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On 'derecognition' the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to surplus or deficit.

Impairment of financial assets

The amount of any impairment loss identified is measured as the difference between the assets carrying amount and present value of estimated future cash losses that have not yet been incurred.

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held to maturity investments:

Impairment is established when there is objective evidence that the council and group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). Impairment in term deposits, local authority stock, government stock and community loans, are recognised directly against the instruments carrying amount.

Available for sale assets:

For available for sale assets, a significant or prolonged decline in the fair value of the investment, below its cost, is considered objective evidence of impairment.

For debt instruments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments, are considered objective indicators that the asset is impaired.

If impairment evidence exists for an available for sale asset, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus (or deficit) and recognised in other comprehensive revenue and expenses, is reclassified from net assets/equity to surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit; increases in their fair value after impairment are recognised in other comprehensive revenue and expense

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories

Inventory is measured at cost upon initial recognition.

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the average cost method.

The amount of any write-down for the loss of service potential from cost to net realisable value is recognised in the surplus or deficit in the period of the write down.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increase in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment
Property, plant and equipment consist of;

Operational assets – These include land, buildings, landfill post-closure, library books, plant and equipment, recreational forests and motor vehicles.

Restricted assets - Restricted assets are parks and reserves owned by the council and group which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by Council and group. Each class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is measured at initial cost directly attributable to acquisition of the items or valuation, less accumulated depreciation and impairment losses.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at fair value.

Revaluations:

Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued at fair value with sufficient regularity to ensure that their carrying amount does not differ materially from fair value, and at least every three years. The value of recreational forests is at deemed cost. All other assets are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, the off-cycle assets are revalued.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to an asset revaluation reserve in equity for that class of asset. Where this result is a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

The value of land and buildings is their market value as determined by a registered valuer.

Additions:

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

Property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals as derecognition:

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset or when no further economic benefits or service potential are expected. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation:

Depreciation is provided on all fixed assets with certain exceptions. The exceptions are:

- Land is not depreciated.
- Library books are not depreciated. The annual renewal expenditure to maintain the library book collection is recognised as an operating expense.
- Roading, wastewater reticulation, stormwater systems and water reticulation assets are depreciated as noted below. A number of the components of the roading network, such as excavation, sub-base materials and compaction, are not depreciated as these assets have an infinite life. Stormwater channels are also considered to have an infinite life and are not depreciated. Signs and markings are not depreciated as these assets are maintained to the same level.
- The useful lives of Rotorua Museum collections and the library reference collection are considered to be extremely long (with potential for appreciation of value). Therefore, due to its insignificance, no depreciation has been brought to charge.

All other assets are depreciated on a 'straight-line' basis at rates that will write off their cost or valuation over their expected useful economic lives.

Vehicles are depreciated on the basis of diminishing value and at a rate of 20% calculated to allocate motor vehicles' cost over their estimated useful lives.

The expected lives of major classes of assets are:

Buildings	
Structure	10 to 80 years
Services	20 to 50 years
Fit-out	5 to 40 years
Site specific	2 to 20 years
Plant and equipment	10 to 20 years
Parks & Reserves	5 to 100 years
Sewage	
Treatment plants and facilities	5 to 100 years
Wastewater and reticulation (other assets)	10 to 140 years
Water	
Treatment plants and facilities	5 to 100 years
Water and reticulation (other assets)	10 to 130 years
Stormwater drainage	10 to 130 years
Roads and footpaths	
Seal - First coat and base	80 years
Seal - second coat	12 years
Footpaths (concrete)	100 years
Footpaths (bitumen)	7 to 20 years
Bridges	40 to 100 years
Landfill improvements	3 to 100 years
Computer Systems	3 to 5 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Subsequent costs:

Costs subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the assessed useful economic life or pattern of consumption. The amortisation expense is recognised in the surplus or deficit as an expense category consistent with the function of the intangible asset.

Impairment losses are recognised immediately in surplus or deficit.

Goodwill:

Goodwill on acquisition of businesses and controlled entities (subsidiaries) is included in 'intangible assets'. Goodwill on acquisition of associates is included in 'investments in associates' and is tested for impairment as part of the overall investment balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses relating to goodwill cannot be reversed in future periods.

Software acquisition and development:

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Carbon Credits:

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are 'derecognised' when they are used to satisfy carbon emission obligations.

Amortisation:

The carrying value of an intangible asset with a finite life is amortised on a 'straight-line basis' over its useful life. Amortisation begins when the asset is available for use, and ceases at the date that the asset is 'derecognised'. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3-5 years	20-33%

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

Recreation Forestry assets

Standing forestry assets are held for the prime purpose of recreation at deemed cost.

Council may from time to time harvest minor portions of a forest. At the time of sale a proportion of deemed cost of area of forest evidenced within a felling plan is offset against proceeds and felling costs at the time. The net value is recognised in surplus or deficit.

Recreational forest assets not managed for harvesting into agricultural produce, or being transformed into additional biological assets are reported as property, plant and equipment in accordance with the policies for property, plant and equipment.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred, and excludes costs of day-to-day maintenance.

After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property, through valuation or retirement, are recognised in the surplus or deficit.

Creditors and other payables
Short-term creditors and other payables are recorded at their face value.

Borrowings
Borrowings are initially recognised at their fair value, net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council or the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Employee Entitlements
Short-term employee entitlements:

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken, at balance date, and sick leave.

The amount of sick leave is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

A liability and an expense for bonuses is recognised where council is contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements:

Entitlements that are payable beyond 12 months, after the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements:

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

The expense relating to these provisions is presented in the statement of financial performance net of any reimbursement.

Superannuation schemes
Defined contribution schemes:

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes:

The council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting as it is not possible to determine from the terms of the scheme, to the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Provisions
The council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or

constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Equity

Equity is the community's interest in the Rotorua Lakes Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components.

The components of equity are:

- Accumulated comprehensive revenue and expense (was Retained earnings)
- Reserves

Reserves

Restricted reserves:

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves are those subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met. Also included in restricted reserves are reserves restricted by council decision. The council may alter them without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of the council.

The council's objectives, policies and processes for managing capital are described in note 34.

Asset revaluation reserve:

This reserve relates to the revaluation of property, plant and equipment to fair value.

Available for sale reserve:

This reserve comprises the cumulative net change in the fair value of available for sale financial assets.

Cash flow hedge reserve:

This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of goods and services tax (GST), except for debtors and other receivables and creditors and other payables, which are stated on a GST-inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense. Net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. Net GST paid to, or received from, the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Cost allocation

Rotorua Lakes Council has derived the cost of service for each significant activity of council using the cost allocation system outlined below.

Direct costs:

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Indirect costs:

Indirect costs relate to the overall costs of running the organisation and include staff time office space and information technology costs. Indirect costs are allocated as overheads across all activities utilising an appropriate driver.

Critical accounting estimates and assumptions

In preparing these prospective financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Rounding

Some rounding variances may occur in financial statements due to the use of decimal places in the underlying financial data.

Revenue and financing policy

Introduction

This policy has been prepared in accordance with the Local Government Act 2002. It identifies funding sources and mechanisms to be used to fund Council's operating expenses and capital expenditure for the financial years commencing 1 July 2015.

The Local Government Act 2002 requires Council to identify the costs of its functions and fund them appropriately. Section 103(2) sets out the funding mechanisms that Council has available to fund its functions. They are:

- General rates;
- Lump sum contributions
- Interest and dividends from investments;
- Proceeds from asset sales;
- Financial contributions under the Resource Management Act 1991;
- Any other source.
- Targeted rates;
- Fees and charges;
- Borrowings;
- Development contributions;
- Grants and subsidies;

Council has taken account of all these funding sources in designing its revenue and financing policy.

What activities should Council fund?

In this long-term plan Council has identified eight community outcomes, which are referred to throughout the document.

The range of activities undertaken by Council is designed to fulfil the outcomes expected by the community.

The long-term plan process identifies:

a) Activities that Council should undertake and fund;

b) Who should pay (after taking into account who benefits or causes the activity, and the timing of such benefit or cause);

c) Who causes the costs (and how much, if any, adjustment needs to be made to any fee or charge or allocation for fairness, equity, wellbeing or ability to pay);

d) The most appropriate funding or charging mechanism to collect the revenue; and

e) Reviews and summarises the overall result in the funding impact statement.

A summary of activity groups is included in the funding policy table on pages 114-119.

Who should pay? Who benefits?

Council needs to consider who benefits from each group of activities.

Economic theory places all goods and services on a continuum. The position of particular goods or service depends on the degree to which it possesses the following two characteristics:

- Rivalry in consumption – goods are rival in consumption if one person's consumption of the goods or service prevents others from doing so, e.g. chocolate bars are goods with a large degree of rivalry in consumption; if Bill eats them, Jane cannot.
- Excludability - goods or service are excludable if a person can be prevented from consuming the goods or service, e.g. if Bill doesn't buy a movie ticket then the usher can exclude him by preventing him from entering the theatre.

At one end of the continuum there are the so-called 'public goods'. These are goods which are both non-rival and non-excludable, i.e. everyone can consume them and no-one can be prevented from consuming them if they wish. A good example of public goods is national defence, where the whole community is protected from an invasion by the armed forces whether it wishes to be or not, and this protection cannot be removed from anyone in New Zealand.

The costs of these 'public goods' are recovered from the public as a whole (i.e. income tax for national services, or in a local community's general rates).

At the other end of the continuum are ‘private goods’ which are both rival in consumption and excludable. Most of our daily consumables are private goods. The costs of these can be recovered through user-charges or targeted rates.

Very few goods and services are entirely public goods or private goods. Most goods and services are ‘mixed goods’ and fall somewhere between the two ends of the continuum which leads to a mix of funding mechanisms.

The characteristics of goods or a service determine what type of funding tool might be used to fund a particular service. Local authorities may already have made judgements about what they consider to be public goods when deciding whether or not to undertake a particular activity.

Activity plans identify which activities Council considers:

- Benefit the community as a whole
- Benefit part of the community
- Benefit individuals

Analysis of benefits

Council has analysed the cost and benefits of all its activities, having regard to cost, availability and use. Direct charging mechanisms are used where individuals are considered to derive benefit and it is practical for Council to charge the user. These charging mechanisms mostly include fees and charges, as well as targeted rates for services.

For activities which benefit the wider community, Council has reviewed whether there is more benefit derived by certain sectors of the community. It was concluded that while some sectors may benefit from certain activities, other sectors benefit more from other activities. Therefore Council has funded most of the remaining costs of its activities (after deducting user fees and charges, and targeted rates for services) from the general rate and district-wide targeted rates.

Balancing funding requirements of today and those of tomorrow

The LGA 2002 requirement to consider periods in or over which benefits are expected to occur, relates to allocating costs of capital expenditure fairly between ratepayers of today and tomorrow, to ensure intergenerational equity. One mechanism to achieve this is borrowing, so that servicing and repayment costs are spread over the period of enjoyment of the asset. The second is to ensure the ratepayers of today pay their fair share of the service they are receiving today to prevent an unfair portion of costs being deferred to future ratepayers.

Council is also required to manage its affairs prudently. The Treasury Policy, which deals with borrowing and investment, is designed to ensure Council is prudent in its financial decision-making.

Some activities of Council relate to a portion of the district rather than to the district as a whole. These are ring-fenced for the purpose of managing costs and revenue i.e. identified as separately funded activities. They include:

- Water supply schemes
- Waste water schemes

Borrowing relating to these activities comes within the ring-fence and is dealt with on an inter-generational basis.

Council has resolved that other activities will be funded mostly by income derived from the activity. Consequently borrowing relating to these activities is also ring-fenced and is consequently dealt with on an intergenerational basis. The activities include:

- Funding of Council Controlled Organisations
- Pensioner Housing

In some cases general rate funding is provided, but this is clearly identified.
Other borrowings, being those that fund district-wide activities and the general purposes of Council, are not related to specific assets and are only entered into where it is prudent to do so. The cost of servicing is allocated across these activities in proportion to the capital involved in each activity.

Council’s view of the inter-generational equity concept is that it does not necessarily promote a high level of borrowing for assets that provide benefits over time, and therefore over generations. Rather, it requires Council to adopt a funding strategy that charges and rates on a consistent basis over time, with each generation paying its fair share.

Generations do not begin and end simultaneously; they change their composition on a rolling basis. Each generation inherits benefits from the past and passes benefits on to the future.
Accordingly, Council's approach has been to combine a prudent approach to borrowing with a consistent level of rating so that rates are levied on a consistent basis over time, with each generation making its contribution.

Who causes the costs?
Certain activities may be undertaken by Council to remedy the negative effects of actions or inactions of any persons or categories of persons. These costs are sometimes referred to as "exacerbator pays" or "polluter pays", depending on the nature of the costs. They may not necessarily be bad or negative, but they may have negative effects on the community or environment. They typically include costs that have been caused by a person or category of persons, such as trade waste and costs arising from the lack of control of animals.

In its funding policy, council has sought to recover most of these costs from the persons and categories of people who cause the costs. The mechanisms mostly used are direct fees and charges.

Overall impact of allocation of liability for revenue
Fees, charges and other funding mechanisms used are based on a sustainable approach reflecting social, economic, environmental and cultural wellbeing of both the current and future Rotorua community. In setting fees, charges, and rates, Council recognises the need to consider factors of fairness and equity, including wellbeing and ability to pay. It does so by setting direct charges at a level that is sustainable and promotes wellbeing, and by using differentials for the allocation of general rates.
Council has a sustainable approach to its overall funding. Having considered the allocation of liability for funding revenue needs, Council must weigh this against the current and future social, economic, environmental and cultural wellbeing of the community. This necessarily takes into account ability to pay.

Councils have found there is a limit to which they can levy rates purely according to user pays. A range of factors come into play, not least of which is the inability of some users to pay for services, and the inappropriateness of depriving them the use of council services if they cannot afford them. A specific example is libraries. Councils only recover approximately 5%-15% of their costs by direct charges. Above this level, people will use libraries less, and the unit cost of maintaining a library increases. Hence, both the individual and the community are worse off.

Differentials (multipliers or discounts on rates) are used to address the social, economic, environmental and cultural wellbeing of the community; in other words to achieve a level of fairness across the district. This includes the various groups of ratepayer's ability to pay. Other mechanisms for such purposes are the council's remission policies.

Selection of the most appropriate charging mechanism

How does Council pay for these services?
Council derives its income from several sources. Rates form part of the gross income of Council after it has exhausted other sources of revenue.

Council considers the extent to which activities can be funded by fees, charges and other non-rating mechanisms such as:

- Income from sales, commission and investments
- Fees and charges
- Development and financial contributions
- Other forms of direct charges

These are supplemented by:

- Subsidies
- Grants, where available
- Allocations from central government and regional offices
- Business
- Borrowing

Income from sales, commission and investments
Some council activities generate income from entrance fees, sales of product, commissions on sales, event management, and similar opportunities.

Fees and charges
Fees and charges are used for services where there is a benefit to an individual or group. Where possible, Council sets fees and charges to recover the full or part of costs for services provided. Various types of regulatory services are also bound by statutory fees, e.g. under the Building Act 2004, Sale of Liquor Act 1989 etc.

Development and financial contributions
Capital expenditure relating to growth can be funded through development contributions, as prescribed in the Local Government Act 2002 and/or by financial contributions prescribed in the Resource Management Act 1993. The district has seen little growth over the last 10 years but is forecast to grow modestly over the next ten. No capital expenditure is required for growth over the coming years. The council reviewed its policy on development contributions and removed the policy for the financial years commencing 1 July 2015. Developments underway before this date will require payments under the previous policy.

Subsidies, grants and funding allocations
Council looks for opportunities to apply for alternative sources of funding including subsidies, grants, and allocations from central government, regional offices, foundations and other organisations where this may be available.
These are subject to available funds from contributing organisations and may vary from year to year.

Business
Council may enter into business to supply another source of funding.
This may include business partnerships.

Borrowing
Council may borrow New Zealand currency to finance their lawful functions. Borrowing is a useful method of funding the costs of capital expenditure where the benefits will accrue into the future. When considering borrowing as a funding source, the council will consider both the principles of managing within its rates, and debt limits as defined in the financial strategy.

Treasury Policy, which deals with borrowing and investment, is designed to ensure Council is prudent in its financial decision-making, and that borrowing occurs only where it is prudent to do so.

General Rates
General rates apply:
- if the community as a whole generally gains benefit from the service; or
- if it is available for all to take advantage of, the recovery of the cost is dependent on ability to pay; or
- if the cost is not directly or readily recoverable from a particular group; or
- if it cannot be reasonably collected by any other means.

General rating mechanisms are:
- a UAGC (uniform annual general charge) on each rating unit (property); and
- a general rate of cents in the dollar based on capital value.

If one sector gets more benefit than others, a differential is adopted to:
a) take account of the level of benefits available; or
b) carry out specific policies of Council; or
c) take account of various purposes and wellbeing issues, including ability to pay.

Also, if a sector needs to be subsidised, general rates are charged on a differential basis.

When costs cannot be recovered other than by way of general rate, they effectively become a tax on property value. General rates are governed by the attributes of a proportional tax (a standard rate in the dollar of value). This feature might be viewed as progressive in effect.
A general rate is a tax that can be applied on property at a standard rate across the district.

Therefore high value properties pay more than low value properties. This is generally referred to as an undifferentiated system. But it can give unrealistic results that are not sustainable, which in turn means they may not be fair, equitable and reasonable. The solution may be to use differentials. Differentials exist when different general rates are applied to certain categories of property.

Targeted Rates
Council uses targeted rates to fund services where it is determined that the cost of the service should be targeted to the group that benefits much more than the general benefit most ratepayers receive. Targeted rates may be set on a uniform basis or differentially for different categories of rateable properties.

Typical examples of targeted rates are water, sewerage, tourism, and economic development.

Council uses direct charging (user pays) mechanisms to the extent possible and reasonable, having regard to the current and future social, economic, environmental and cultural wellbeing of the community.

Council's approach to funding
Council takes a consolidated corporate approach to the management of its financial position. Through its long-term plan, it balances the level of capital expenditure required to meet strategic goals and maintain current service levels which are sustainable within the prudential guidelines set.

These parameters are contained in the Treasury Policy.

Most of Council's activities are funded on a district-wide basis for the following reasons:
- Synergistic relationship between city and rural communities, and lakeshore settlements;
- Large parts of the district affected by lakes or their catchments, and geothermal activities;
- Much of the expenditure that is local by nature is also available to the whole district, e.g. rural seal extension; and
- Council has been even-handed with local expenditure across the district over time.

Asset management plans are maintained for all infrastructural services and these provide information about asset condition and asset renewals required to maintain desired service levels.

Routine ongoing plant and equipment purchases are funded from depreciation charges and operating revenue.

Capital renewals are mostly funded from depreciation (funded by revenue), and from operating revenue.

New capital developments are mostly funded from borrowing, subsidies and grants (when available), user contributions, asset sales and reserves.

Borrowing is an appropriate funding mechanism to enable the effect of peaks in capital expenditure to be smoothed and also to enable the costs of major developments to be borne by those who ultimately benefit from the expenditure. Borrowing, as noted above, is managed within the framework of the Treasury Policy and, together with asset management plans, helps ensure prudent stewardship and effective use of council resources for now and for the future.

Policy Statement

Funding of operating expenditure (Section 103(1)(a))
Where expenditure does not create a new asset, or extend the life or usefulness of an existing asset, it is classed as operating expenditure.
Most of Council's day-to-day expenditure comes into this category. Council generates sufficient cash inflow from revenue sources (including rates) to meet cash outflow requirements for operating expenditure over the long term.

Council must ensure that each year's projected operating revenues are at a level sufficient to meet that year's projected operating expenses. This is the balanced budget requirement.

Council's policy for funding operating expenditure is:
a) Direct charging mechanisms to the extent considered reasonable and practical, including:
   - sales, commission and investment income;
   - fees and charges;
b) Subsidies, grants and funding allocations where these are available

c) Targeted rates where the beneficiaries can be identified and the benefit measured
d) Balance by way of a UAGC (uniform annual general charge) and general rates levied on a differential basis.

Funding of capital expenditure (Section 103(1)(b))
Capital expenditure is the category of expenditure that creates a new asset or extends the life of an existing asset.

Council must ensure that each year's funding for capital expenditure is at a level sufficient to meet that year's projected capital expenditure.

Council utilises the following sources to fund most capital expenditure:
a) Borrowing, where this best matches charges placed on the community against the period of benefits, with repayment over several years;
b) Proceeds of asset sales if available;
c) Financial contributions where these are appropriate;
d) Subsidies, grants, and funding allocations where available;
e) Targeted rates, where the beneficiaries can be identified and the benefit recovered;
f) UAGC, general rates and transfers from reserves; and
g) Interest and dividends where available.

Funding of capital expenditure depends on the nature of the capital expenditure. This can be categorised as:

Cost of renewal of assets
This is the routine replacement of an existing asset with a modern equivalent asset to the same function and capacity, at the end of its life.

These replacements are reasonably constant in nature and it is the council's intention to fund them from each year's depreciation charge. It is the council's policy to move towards fully funding depreciation to ensure future renewals are fully funded from operating surpluses.

Cost of backlog
This relates to the period of a planned (or completed) capital project that is required to rectify a shortfall in service capacity to meet community demand at agreed levels of service.

Cost of growth
This comprises the portion of planned (or completed) capital projects providing capacity in excess of existing community demand at agreed levels of service.

Cost of improved level of service
This relates to the cost of improving the level of service to an agreed new level above that previously agreed.

Further information and analysis of the funding of both operating and capital expenditure for the respective activities of Council are provided in the body of Council's long-term plan in terms of Section 101(3) of the Local Government Act 2002. This information includes:

- Beneficiaries of the activity
- Period of benefit
- Who creates the need for the activity
- The funding source
- Specific funding of estimated capital and operating expenditure.

Funding policy table

Activities	Who benefits (user/beneficiary pay principle) and across groups															
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/ Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N	Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/ disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Community Infrastructure																
Pensioner Housing	✓						Pensioner housing beneficiaries	Long term	No	Yes	Perceptions of inequality in support provided	Yes	N/A	100%		
District Library	✓		Less	Less		✓	Users and borrowers	Long term	No	Yes	Ratepayers in outer rural areas possibly have less opportunity to access facility	Yes	N/A	5%-15%		85%-95%
Events and Venues	✓				More	✓	Users of venues. Also businesses that benefit from visitors coming to Rotorua.	Long term	No	Yes, although residents can be excluded from venues as a result of high revenue events and conference securing bookings.	Increased visitors which assists businesses however, also increase in traffic congestion arising from major events and sports.	Yes	N/A	25%-45%		55%-85%
Rotorua Museum	✓		Less	Less	More	✓	Visitors to museum	Long term	No	Yes	Residents able to access without fee. Businesses benefit from facility being an attraction.	Yes	N/A	40%-70%		30%-60%

Activities	Who benefits (user/beneficiary pay principle) and across groups														
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/ Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N	Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/ disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Aquatic facilities	✓		Less	Less		✓	Users of Aquatic Centre	Long term	No	Yes (although some lower socio-economic families may not always be able to use).	Users of facility will be affected directly by any fee change.	Yes	N/A	30%-50%		50%-70%
Governance and Community Engagement	✓		✓				All residents equally. Individual property owners.	Annual	No	Yes		Yes	N/A	15%-35% (property rental)	1% (for community board)	65%-85%
Community Facilities	✓		✓	✓			Whole community	Long term	No	Yes	No	Yes	N/A	0%-10%		90%-100%
Community Safety																
Animal Control	✓					✓	Animal owners and whole community	Annual	Yes (dog owners)	Some people may not be able to afford to own dog.	Dog owners (affordability) and ratepayers.	Yes	Yes. By setting the fees at an affordable level it does not act as a barrier to dog owners registering their dogs.	55%-85%		15%-45%
Emergency Management (including rural fire)	✓		More	More			Whole community	Annual	No	Yes	No (Rural Fire benefits those in the rural area)	Yes	N/A	0%-10%		90%-100%

Activities	Who benefits (user/beneficiary pay principle) and across groups														
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/ Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N	Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/ disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Inspection	✓				More	✓	Individual property owners, specific businesses and the whole community.	Mostly annual	Premises servicing food and/or liquor and properties connected to geothermal.	Yes	Businesses servicing food and liquor. Property owners connected to geothermal.	Yes	Yes	65%-85%		15%-35%
Building Services	✓					✓	Property owners	Long term. Benefits of regulation are inter-generational	Yes, property owners who undertake new building or alterations.	Yes	Affordability for property owners doing building or alterations	Yes	Yes. By setting the fees at an affordable level it does not discourage obtaining the necessary consents.	90%-100%		0%-10%
District Development																
Consenting Services	✓					✓	Individual property owners and the whole community	Annual and long term	Individuals and groups wanting resource consents	Yes	No	Yes	Yes. Encourages environmentally positive actions.	0%-20%		80%-100%
Tourism – Destination marketing and travel office	✓				More	✓	Visitors, businesses and community as a whole.	Annual and long term		Yes	Greater share of cost charged to business as considered they benefit more from activity.	Yes	N/A	30%-50%	40%-50%	Up to 30%
Economic Development	✓				More		Visitors, businesses and community as a whole.	Annual and long term		Yes	Greater share of cost charged to business as considered they benefit more from activity.	Yes	N/A		50%-75%	25%-50%

Activities	Who benefits (user/beneficiary pay principle) and across groups														
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/ Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N	Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/ disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Planning and Policy	✓						Whole community	Long term		N/A	No	Yes	N/A	0%-10%		90%-100%
Inner City Services																
Parking Enforcement	✓		✓		More (for businesses in CBD)	✓	Visitors and residents parking in the CBD.	Long term	Exacerbators are the visitors and residents who do not comply with parking regulations.	N/A	Lower socio economic group likely to not have WOF or registration.	Yes	Fines discourage undesirable behaviour (parking for lengthy period, driving unwarranted vehicle).	100%		
City Services Operations	✓				More		Visitors and residents, Businesses in CBD. Also community as a whole.	Annual and long term		Yes	Greater share of cost charged to business as considered they benefit more from activity.	Yes	Parking fees encourage use of public transport and less traffic in metered areas.	30%-55%		45%-70%
Gardens, Reserves and Sportsgrounds																
Gardens, Reserves and Sportsgrounds	✓		Less	Less		✓	Sports groups, reserve users (if area booked for event) and burials.	Long term	No	Yes	User groups and ratepayers.	Yes	N/A	10%-30%		70%-90%
Roads and Footpaths																
Roads and Footpaths	✓		More	More		✓	Individual road users and community as a whole.	Long term	No	Yes	More of roading budget spent in rural area.	Yes	N/A	20%-30%		70%-80%

Activities	Who benefits (user/beneficiary pay principle) and across groups															
	Total Community	**Residential Urban**	**Residential Rural**	**Farming**	**Business**	**Individual Users**	**Users/ Beneficiaries**	**Period of benefit (Intergenerational Equity Principle)**	**Are there Exacerbators Y/N**	**Will proposed funding allow residents access to facility or service**	**Are there any implications for specific groups e.g. community or business?**	**Is approach financially sustainable?**	**Does it provide incentive/ disincentives e.g. environmentally friendly?**	**% funding from user fees and charges**	**% funding from targeted rates**	**% funded by general rate**
Sewerage and Sewage																
Sewerage and Sewage	✓					✓	Properties that are connected /able to be connected to wastewater system. Also community as a whole.	Long term	No	Yes (where provided)	High cost for property owners connected to new schemes.	Yes	N/A	0% - 15%	85% - 100%	
Stormwater and land drainage																
Stormwater and land drainage	✓		Less	Less			Property owners where systems in place and community as whole	Long term	No	N/A	Moving a portion from general rate allocated on land value will reduce the impact on farming and rural residential. Businesses with high capital values may pay an increased share.	Yes	N/A		0% - 10%	90% - 100%
Waste Management																
Waste Management	✓		Less	Less		✓	Individuals disposing of waste, and community as a whole.	Long term	Some exacerbators (fly tipping)	Yes	No	Yes	Landfill fees and limited collection service can result in greater level of littering.	25%-50%	40%-75%	Up to 25%

Activities	Who benefits (user/beneficiary pay principle) and across groups															
	Total Community	Residential Urban	Residential Rural	Farming	Business	Individual Users	Users/ Beneficiaries	Period of benefit (Intergenerational Equity Principle)	Are there Exacerbators Y/N	Will proposed funding allow residents access to facility or service	Are there any implications for specific groups e.g. community or business?	Is approach financially sustainable?	Does it provide incentive/ disincentives e.g. environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate
Water Supplies																
Water Supplies						✓	Properties that are supplied/able to be supplied water.	Long Term	No	Yes (where provided)	Greater cost for those connected to smaller schemes. Could consider amalgamating schemes.	Yes	No incentive to conserve water as uniform targeted rate (except those on water by meter).		100% (including water by meter)	

Funding policy mechanisms (in summary)

Total Revenue: Fund Operational and Capital Expenditure							
User Fees and Charges and Trading Revenue	Targeted Rates for Water	Targeted Rate for Wastewater	Uniform Annual General Charge (UAGC)	General Rates	Other Targeted Rates	Loans, Interest, Grants, Subsidy, Asset Disposal	Development Contributions (DC), reserve movements and Financial Contributions (Funding Growth)
Total Rates Revenue (Funding operating and asset renewal costs)						Capital Funding	
Fees and charges are to be increased regularly to ensure they are at least in line with CPI/ inflation movements. New charging opportunities explored such as: parking on reserves, and property file access. Reduces impact on rates.	Charged on a uniform basis to residents connected and capable of being connected to a council scheme. Some users (mostly larger commercial operations) are charged on the basis of usage as measured by meter. Rates calculated on basis of annual cost for each individual scheme. Alternative is an equalised rate over all water supply schemes in district. Consider wider use of metering in longer term to assist with conservation.	Charged on a uniform basis to residents connected and capable of being connected to the council scheme. Balanced budget will be important consideration in response to the $32m grant and payment of lump sum contribution by some property owners on the establishment of the target rate to fund capital. Equalisation of operating costs will need to be monitored in a transparent manner.	Activities funded by the UAGC (previously simply a minimum contribution to council services).	Lower amount with greater use of targeted rates and the UAGC. Will retain the capital value based system. Growth in rating base will continue at around 0.35% per annum, which will provide a small increase in our rating base. Activities funded from General Rates include: ▪ Engineering Services	Refuse collection rate for ratepayers receiving this service, also lake enhancement, urban sewerage development, Lakes Community Board and economic and business development rates charged on a uniform basis.	New capital mostly funded from loans – exceptions are grants and subsidies for specific projects such as roading and sewerage schemes. Rotorua Partners Programme will potentially assist with capital for: ▪ Sir Howard Morrison Performing Arts Centre ▪ Museum	No capital expenditure required for growth. Previous Development Contribution Policy has been removed. Operational surpluses will increase reserves and may be used to fund capital expenditure.

Rates impact funding statement

Rates for 2015/16
Figures stated do not include GST.

GENERAL RATES

General rate on capital value
Council sets a general rate on capital value on a differential basis, assessed on all rateable land in the district. The general rate funds that part of the general revenues of Council that is not funded by the uniform annual general charge.

The relationship between the differential categories for the general rate and the rate per dollar of capital value is:

Differential categories		Relative differentials %	Rate per $ of capital value 2015/16
1	General Rate – Base	100	0.002660
2	General Rate – Rural Residential	90	0.002395
3	General Rate – Business	180	0.004788

The amount to be collected for 2015/16 is $35,853,000.

Definition of differential categories for the general rate on capital value

Base: Every property not otherwise categorised.
Rural Residential: Every property in the rural sector which is not more than five hectares in area and used for residential purposes.
Business: Every property which is:
a) used for any business or industrial purpose.
b) vacant land which is not zoned residential or rural.

This category includes utilities but does not include Rotorua Lakes Council utilities or residential investment properties, regardless of the number of units, provided they are let for long term tenancies.

Uniform annual general charge
Council sets a uniform annual general charge as a fixed amount of $500.00 per rateable rating unit.

The UAGC is for the purposes of, but not necessarily limited to, funding the following types of activities:

- Governance & Engagement
- District Library
- Aquatic Centre
- Rotorua Museum (part)
- Events & Venues (part)
- Cemeteries and crematorium
- Animal Control
- Emergency Management/Rural Fire

The UAGC is set at a level that is determined by Council each year, subject to the maximum allowed under Section 21 of the Local Government (Rating) Act 2002.

The amount to be collected for 2015/16 is $14,040,000.

TARGETED RATES

Targeted rate for lakes enhancement
Council sets a targeted rate for lakes enhancement, as a fixed amount of $17.00 per rating unit, on all rateable land in the district excluding rating units within the Environment Waikato region.
The rate is to contribute to lakes enhancement by way of improving water quality.

The amount to be collected for 2015/16 is $454,000.

Targeted rates for business and economic development
Council sets 2 targeted rates to fund business and economic development on all rating units in the specified categories including vacant land that is in one of the three differential categories below because the underlying district plan zoning or district valuation roll category for the land indicates the differential categories apply (except Kaingaroa Village rating unit 07010 514 01A and Rotorua Lakes Council utilities), contributing to the cost of:

- Economic Projects
- Destination Rotorua Marketing
- Tourism Rotorua Travel and Information Centre

The relationship between the three differential categories for the purposes of setting these targeted rates, in terms of the total revenue to be gathered, has been set as follows:

		Revenue gathering split for the Business and Economic Development targeted rates
1.	Business	80%
2	Industrial	10%
3.	Farming	10%
Total revenue to be generated		100%

The amount to be collected for 2015/16 is $5,580,000.

a) Council will set a targeted rate as a fixed amount per rateable rating unit, on a differential basis as set out in the table below:

Differential categories	Relative differentials %	Rate per rating unit $
Business Urban and Rural	100	183.11
Industrial	100	183.11
Farming	25	45.78

- Where part of a rating unit is secondary to the principal use and is for the business of providing short-term accommodation the rate will be charged on the basis of 100% of the targeted rate where one or more bedrooms are used for providing short-term accommodation.

b) In addition, Council will set a targeted rate in the dollar on capital value set on a differential basis for the following categories of properties:

Differential categories	Revenue to be collected $	Rate per $ of capital value
Business Urban and Rural	4,250,000	0.003081
Industrial	442,000	0.00088
Farming	480,000	0.00017

- The differentiated targeted rate in the dollar on capital value will be set on every rating unit where either:
  - the principal use of that rating unit falls into one of the three categories described below, or
  - part of the rating unit has a significant secondary use that falls into one of the categories described, except where that use is the business of providing short-term accommodation.

This rate will apply only to the part of the rating unit allocated to the appropriate category.

Definition of differential categories for business and economic development targeted rates

Business, Urban and Rural: Every property in the urban or rural sector used for any business purpose except industrial. This category includes utilities and their networks.

Industrial: Every property that has been categorised in the District Valuation Roll as being used for industrial purposes in accordance with the Rating Valuation Rules 2008.

Farming: Every property which is used for farming purposes

Notes:

"Providing short-term accommodation" for the purposes of this rate includes the provision of accommodation such as a B&B, lodge, retreat, farm stay or homestay or the provision of other similar short-term accommodation."

Targeted rate for Lakes Community Board

Council sets a Lakes Community Board targeted rate as a fixed amount of $21.10 per rateable rating unit that is wholly or partially within the area shown on Map A (defined by the 2006 decision of the Local Government Commission, comprising the area delineated on SO Plan No.379278). The rate funds Lakes Community Board costs.

The amount to be collected for 2015/16 is $53,000.

Targeted rate for refuse collection

Council sets a targeted rate for refuse collection on a differential basis, based on the location of the rating unit (if it is in one of the service areas shown in Map B or Map C) excluding vacant sections and the provision or availability of the service. The rate is set as an amount per separately used or inhabited part of a rating unit and the extent of provision of the service.

The relationship between the differential categories for the refuse collection rates and the amount of the rate for the 2015/16 year is as follows:

Refuse Collection	Relative differentials (%)	2015/16 $ per SUIP
The total amount to be collected in 2015/16 is $4,140,000		
Urban (weekly collection)	100	142.00
Urban (CBD twice-weekly collection)	200	284.00
Rural (weekly collection)	104	147.68
Serviceable	50	71.00

Definition of differential categories for the refuse collection rates

Serviceable: where the service is available, but the ratepayer has nominated in writing not to receive delivery of council rubbish bags.

Notes:
Council reserve tenants will have the option of purchasing council refuse bags if they wish to use the collection service.

Targeted rates for water supply

Council sets targeted rates for water supply to properties within the service areas shown on the rating maps in this funding impact statement based on the location of the rating unit and the provision or availability to the land of a water supply. Council sets targeted rates for water supply to properties within the service areas shown on the rating maps in this funding impact statement based on the location of the rating unit and the provision or availability to the land of a water supply.

The targeted rates for water supply are as follows:

The targeted rates for water supply are as follows:

Water supply (except Kaharoa & Reporoa) (Service areas shown on Map **D**, Map E, Map F, Map G, Map H, Map I)	**Relative differentials (%)**	**Factor of liability**	**2015/16 Rate $**
The amount to be collected is $8,290,000 (Metered water $3,300,000; General water rate $4,200,000) A differential targeted rate of:			
▪ A fixed amount on each separately used or inhabited part of a rating unit connected (and not metered)	100	Per SUIP	210.76
▪ A fixed amount on each serviceable rating unit capable of connection.	50	Per rating unit	105.38
▪ A fixed amount on each connection to a rating unit (and metered)	100	Per connection	210.76
▪ A targeted rate on each metered connection to a rating unit, of a fixed amount per cubic metre supplied in excess of 56 cubic metres per quarter.		Per cubic metre	0.9350
Kaharoa (Service areas shown on Map J)	**Relative differentials (%)**	**Factor of liability**	**2015/16 Rate $**
The amount to be collected is $ 230,000			
A targeted rate of a fixed amount per connection to a rating unit.		Per connection	256.08
A targeted rate on each metered connection to a rating unit, of a fixed amount per cubic metre supplied to the rating unit.		Per cubic metre	0.33
Reporoa (Service areas shown on Map K)	**Relative differentials (%)**	**Factor of liability**	**2015/16 Rate $**
The amount to be collected is $560,000 A differential targeted rate:			
▪ A fixed amount per connection on each Domestic/Non-farming rating unit connected	64	Per connection	150.09
▪ A fixed amount per connection on each Farming/Dairy-factory rating unit connected.	100	Per connection	234.52
A differential targeted rate:			
▪ A fixed amount on each metered connection to a Domestic/Non-farming rating unit per cubic metre supplied in excess of the 82 cubic metres per quarter.	100	Per cubic metre	0.451
▪ A fixed amount on each metered connection to a Farming/Dairy-factory rating unit per cubic metre supplied in excess of 207 cubic metres per quarter.	64	Per cubic metre	0.2886

Definition of differential categories for the water supply rates

Connected rating unit: is one to which water is supplied from a council water supply service.

Serviceable rating unit: is one to which water is not provided but the whole, or some part of the rating unit is within 100 metres of a council water supply service and is within a water supply area, and could potentially be connected to that water supply service.

For the Reporoa water supply:

Domestic/non-farming rating unit: means a rating unit where the water supply is not subject to water allocation and a corresponding restriction on a flow or time basis. This applies to rating units primarily for domestic, commercial or industrial use excluding the Reporoa Dairy Factory.

Farming/dairy factory rating unit: means a rating unit primarily for farming of livestock and also includes the Reporoa Dairy Factory. Such rating units are subject to a daily water allocation restricted on a flow or time basis.

Notes:
Targeted rates for metered supply are invoiced quarterly by separate invoice.
Leakage: In respect of all metered water supply, where leakage is detected, the amount of water supplied will be determined in accordance with Council's procedure relating to account reassessments.

Targeted rates for sewage disposal

Council sets targeted rates for sewage collection and disposal for properties within the service areas shown on Maps L, M, N, O, P, Q, R, S, T, U, V, W and X on a differential basis, based on the provision or availability to the land of sewage disposal services, as follows:

Sewerage Disposal	Relative differentials (%)	Factor of liability	2015/16 Rate $
The amount to be collected is $13,200,000			
1. Rating unit connected:			
Category 1 - means rating units with 1 to 4 toilets (water closets or urinals)	100	Per WC/urinal	388.70
Category 2 - means rating units with 5 to 10 toilets (water closets or urinals)	85	Per WC/urinal	330.40
Category 3 - means rating units with 11 or more toilets (water closets or urinals)	80	Per WC/urinal	310.96
2. Serviceable - means rating units which are serviceable rating units.	50	Per rating unit	194.35

Definition of differential categories and other definitions for the sewage disposal rates

Connected rating unit: means a rating unit from which sewage is collected either directly or by private drain to a public sewerage system.
Serviceable rating unit: means a rating unit from which sewage is not collected but the rating unit (or part) is within 30 metres of Council's sewerage system and could be effectively connected to the sewerage scheme.
WC/urinal: means: a) a water closet; or b) each 1.5 metres or part thereof of urinal; or c) from 1 to 4 wall mounted urinettes.

Category 1: means the rating units with 1 to 4 toilets.
Category 2: means the rating units with 5 to 10 toilets.
Category 3: means the rating units with 11 or more toilets.

Note: a rating unit used primarily as a residence for one household will be treated as having only one water closet or urinal.

Targeted Rates for Urban Sewerage Development

Council sets targeted rate for urban sewerage development on all rateable land in the area shown on Map Y as a fixed amount of $2.80 per rating unit.
The rate funds the cost of sewerage capital work in the Ngongotaha, Fairy Springs and Hinemoa Point areas.
The amount to be collected in 2015/16 is $61,000.

Targeted rates for connection to sewerage schemes

Council sets separate targeted rates for connecting properties to the following sewerage schemes:

Mourea (Service areas shown on Map M)	Factor of liability	2015/16 Rate $
The amount to be collected is $7,300 A fixed amount on each household unit equivalent (HUE)	Per HUE	228.31
Hinemoa Point (Service areas shown on Map N) The amount to be collected is $4,200 A fixed amount on each household unit equivalent (HUE)	Per HUE	137.49

The rate funds the private connection costs of rating units that have not connected to the reticulation network within a reasonable timeframe. The rate is for the equalised cost of connection applied to those properties where the works have been undertaken.

The present sewerage schemes to which this rate relates are Moure and Hinemoa Point. This rate is separate to and in addition to the capital cost contribution for the relevant scheme.

Targeted Rates for Capital Cost of Sewerage Schemes

Council sets separate targeted rates for the capital costs of the following sewerage schemes:

- Okawa Bay
- Mourea
- Marama Point
- Amora Lake Resort
- Hinemoa Point
- Brunswick
- Brunswick stages 4 and 6
- Rotokawa
- Lake Okareka/Blue lake
- Okere Falls/Otaramarae/Whangamarino
- Paradise Valley
- Hamurana/Awahou
- Waikuta Marae

The rating units liable for this rate are those in the service areas as identified below.

	Factor of liability	2015/16 Rate $
Amora Lake Resort (Rating unit 06961 052 00) The amount to be collected is $12,250 A fixed amount per rating unit	Per rating unit	12,250.34
Brunswick Stages 4 and 6 (Service areas shown on Map P) The amount to be collected is $9,659 A fixed amount on each household unit equivalent (HUE)	Per HUE	292.74
Brunswick (Service areas shown on Map Q) The amount to be collected is $54,254 A fixed amount on each household unit	Per HUE	609.49

	Factor of liability	2015/16 Rate $
equivalent (HUE)		
Hamurana/Awahou (Service areas shown on Map R) The amount to be collected is $125,566 A fixed amount on each household unit equivalent (HUE)	Per HUE	426.08
Hinemoa Point (Service areas shown on Map N) The amount to be collected is $24,515 A fixed amount on each household unit equivalent (HUE)	Per HUE	495.25
Lake Okareka/Blue Lake (Service areas shown on Map S) The amount to be collected is $166,857 A fixed amount on each household unit equivalent (HUE)	Per HUE	897.09
Marama Point (Service areas shown on Map T) The amount to be collected is $14,691 A fixed amount on each household unit equivalent (HUE)	Per HUE	233.20
Mourea (Service areas shown on Map M) The amount to be collected is $27,562 A fixed amount on each household unit equivalent (HUE)	Per HUE	291.67
Okawa Bay (Service areas shown on Map O) The amount to be collected is $8,634 A fixed amount on each household unit equivalent (HUE)	Per HUE	454.46
Okere Falls / Otaramarae / Whangamarino (Service areas shown on		

	Factor of liability	2015/16 Rate $
Map **U**) The amount to be collected is $98,812 A fixed amount on each household unit equivalent (HUE)	Per HUE	404.47
Paradise Valley (Service areas shown on Map V) The amount to be collected is $4,886 A fixed amount on each household unit equivalent (HUE)	Per HUE	375.85
Rotokawa (Service areas shown on Map W) The amount to be collected is $34,209 A fixed amount on each household unit equivalent (HUE)	Per HUE	187.96
Waikuta Marae (Service areas shown on Map X) The amount to be collected is $2,136 A fixed amount on each household unit equivalent (HUE)	Per HUE	356.14

These rates fund the capital cost of establishing the schemes over 25 years.

The targeted rates for the respective sewerage schemes are applied only to those properties that have not taken the opportunity to pay their contribution towards the capital costs as an informal single lump sum payment (where available). Those ratepayers who have made or make an informal single lump sum payment will not be liable for the sewerage scheme capital cost targeted rate. Payments of informal single lump sum payments must be received by 15 June prior to 1 July of the first financial year that Council charges a targeted rate for capital costs for the respective sewerage scheme. The option for ratepayers to settle the residual amount of their share of the capital cost of their particular scheme will be available throughout the remaining term of the targeted rate i.e. anytime during the 25 years. This ability exists for all schemes and is provided through a specific remission policy included elsewhere in this plan.

For future developments or connections Council reserves the right to select the funding mechanism(s) that will be used. This may include either of the options referred to above i.e. assessing a targeted rate over a 25 year term or inviting a capital payment before the service connection is completed.

Definitions for the sewerage rates

Nominated rating units: means properties which existed as rating units at the date of commissioning each scheme.

Household unit equivalent (HUE): means a household equivalent to enable industrial, commercial and multiple dwelling developments to be included in the calculations. It is used to convert industrial, commercial and multiple dwelling developments to a household equivalent equating to a single dwelling. Where used as the factor to determine a rating unit's liability for a rate, HUE corresponds to the extent of provision of the service to the rating unit as objectively measured by the floor area calculation noted below.

A minimum of one HUE will apply to all nominated rating units including those where no buildings exists i.e is vacant. Where multiple dwellings exist, each household unit additional to the primary dwelling will be assessed on the following basis:

Floor Area of Additional Household Unit	% Charge/HUE
Less than 40m^2	No charge*
40m^2 to less than 60m^2	50% HUE
60m^2 to less than 70m^2	60% HUE
70m^2 to less than 80m^2	70% HUE
80m^2 to less than 90m^2	80% HUE
90m^2 to less than 100m^2	90% HUE
100m^2 or greater	100% HUE or 1 HUE

The first additional household unit of less than 40m2 will not attract a separate sewerage capital targeted rate or voluntary contribution charge. Any further household units of less than 40m2 will be assessed a sewerage capital targeted rate or voluntary contribution charge of 50% HUE. All subsequent dwellings constructed after the completion of a sewerage scheme will be charged a capital contribution targeted rate or voluntary contribution towards the sewerage scheme calculated on the same basis.

Definition of separately used or inhabited part of a rating unit

Separately used or inhabited part (SUIP): means any separately used or inhabited part of a rating unit, including any part of a rating unit that is able to be used or inhabited by the ratepayer or by any other person or body having a right to use or inhabit that part by virtue of tenancy, lease, licence or other agreement.

Voluntary Lump Sum Capital Contributions

Council had set amounts for ratepayers who elected to pay one-off voluntary lump sum capital contributions for the capital cost of sewerage schemes.
Lump sum options for all current schemes have expired, however ratepayers may still choose to settle their outstanding contribution at any time. Council offers a specific remission policy for this purpose.
Except as stated above, the Council will not accept lump sum contributions in respect of any targeted rate.

Rates Postponement

To cover costs, the following fees and charges are set for the 2015/16 rating year. All fees and charges for this will be added as either a one-off or annual charge as the case may be, to the approved applicant’s rate account.

Initial Charges - One-Off (plus GST at the prevailing rate)	Charging Unit	2015/16
Application Fee	One-Off	$88.89
Contribution to Counselling	One-Off	$250.00
Half Year Interest Charges		
Interest calculated on Council’s marginal borrowing rate 6 monthly on all amounts outstanding		
Annual Charges (plus GST at the prevailing rate)		
Annual Account Fee	Annual	$44.44
Administration Fee	Annual	1.0%
Reserve Fund Fee	Annual	0.25%
Property Insurance *	Annual	TBA

* Property Insurance: A ratepayer must submit a current insurance certificate annually. If the ratepayer cannot afford separate cover Council will arrange cover and the cost will be added to the balance of postponed rates.

Due dates for payment of rates

All rates, excluding targeted rates for metered water supply, will be payable in four instalments by the due dates, as follows:

Instalment	Due Date	Penalty Date
Instalment Number 1	20 August 2015	21 August 2015
Instalment Number 2	20 November 2015	21 November 2015
Instalment Number 3	20 February 2016	23 February 2016
Instalment Number 4	20 May 2016	21 May 2016

Targeted rates for metered water supply charged quarterly (separately) will be payable within 30 days of invoice.

Discount for Prompt Payment

A discount, at a rate set annually, is allowed to any ratepayer who pays the total rates, charges, and levies as specified on the rates assessment (excluding targeted rates for metered water supply charged quarterly), by the due date for the first instalment. The discount for 2015/16 is 2.0 %.

Penalties on unpaid rates

- **Current overdue rates instalments:**
  A penalty will be added to any part of an instalment that remains unpaid after the due date for payment of the instalment on the penalty dates above. The penalty will be 10% of the unpaid instalment.

- **Arrears of rates (including past instalments):**
  - A further penalty of 10% will be added on 31 July 2015 to rates assessed in any previous financial year and which remain unpaid on 29 July 2015.
  - A further penalty of 10% will be added on 2 February 2016 to rates assessed in any previous financial year, plus any previous further penalty, and which remain unpaid on 31 January 2016.

Note: Penalties will not be applied to rating units approved by the Chief Financial Officer in cases where:

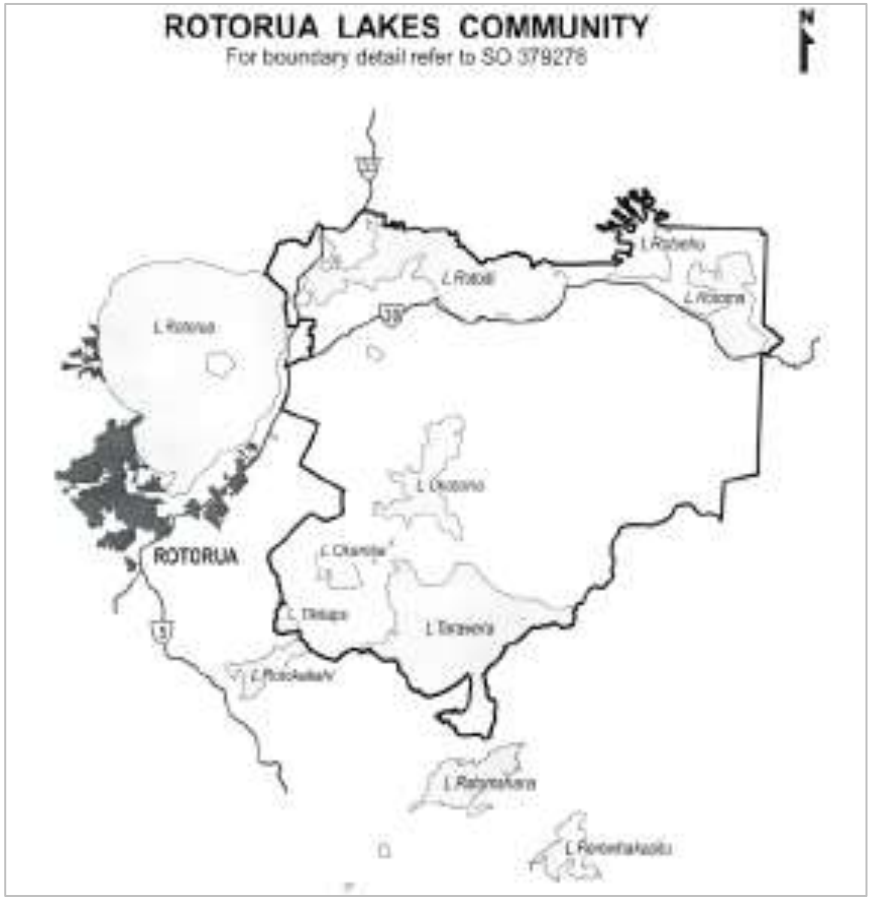
- applying penalties would serve to be detrimental to the collection of all or part of the balance of the outstanding rates; or
- applying penalties would only add to what is deemed to be an uncollectable debt; or
- there is a Direct Debit authority to pay the full amount of rates owing by regular payments within the current rating year, and any default is promptly rectified.
- Land is designated 'Maori Freehold land title'; and
  - is under multiple ownership; and
  - is unoccupied

Penalties on unpaid water invoices

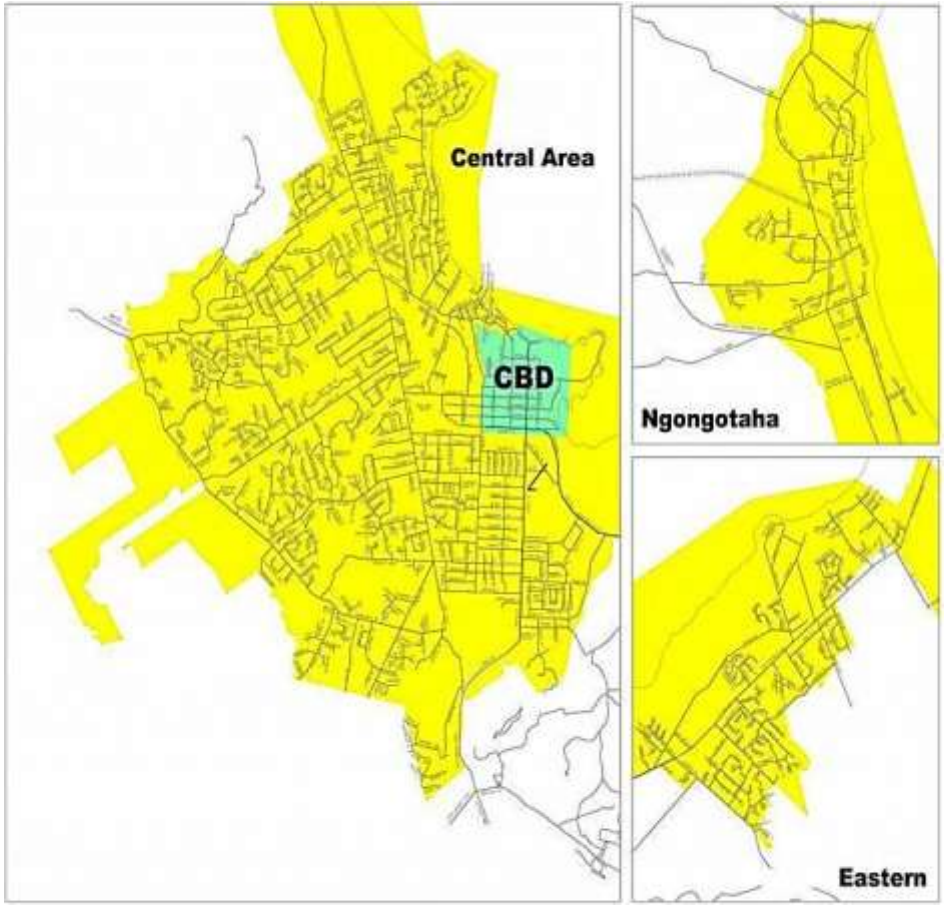
- **Current overdue invoices for water supply charged quarterly:**
  A penalty will be added to any part of an invoice that remains unpaid after the due date for payment of the invoice. The penalty will be 10% of the unpaid invoice and is applied two working days after the due date.

Rating maps

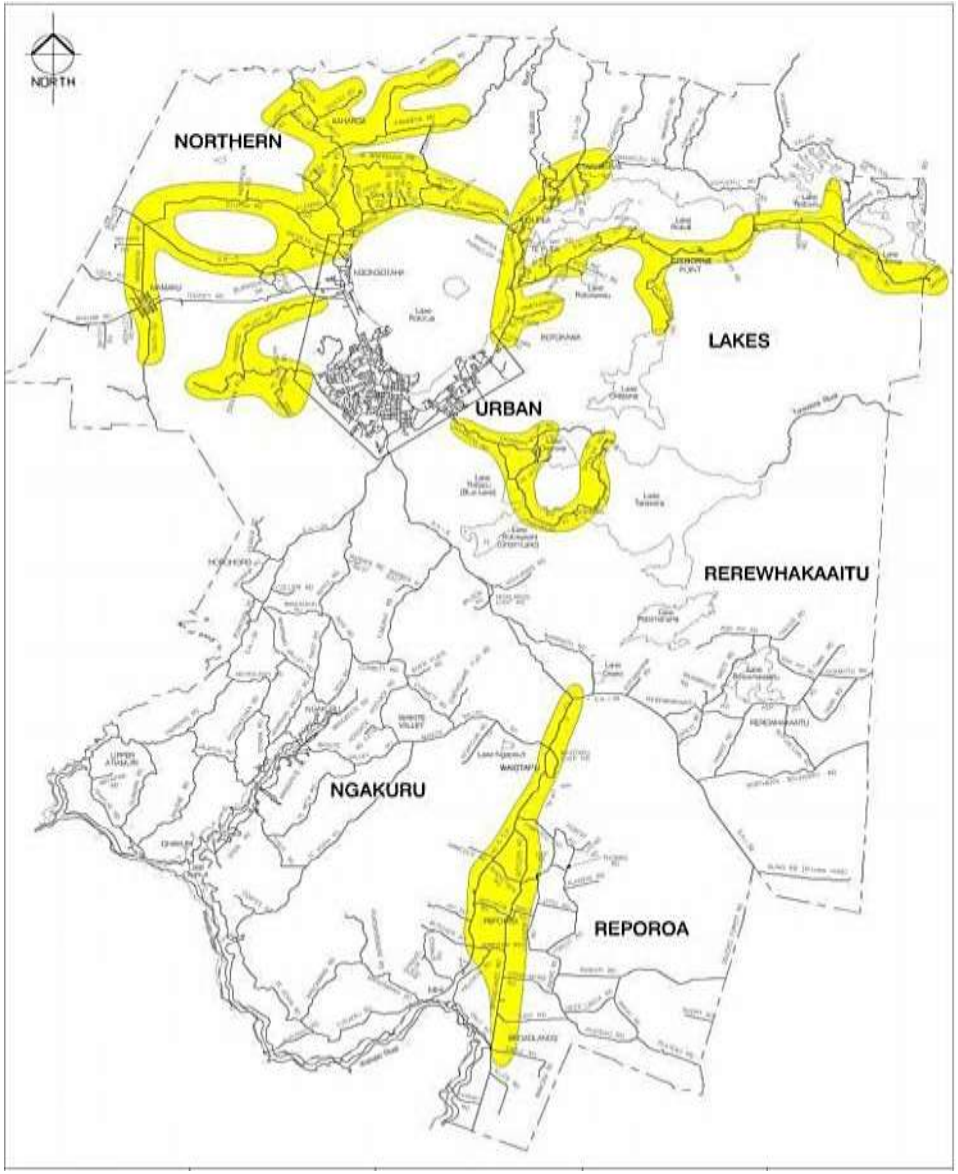
Map A
Rotorua Lakes Community Board



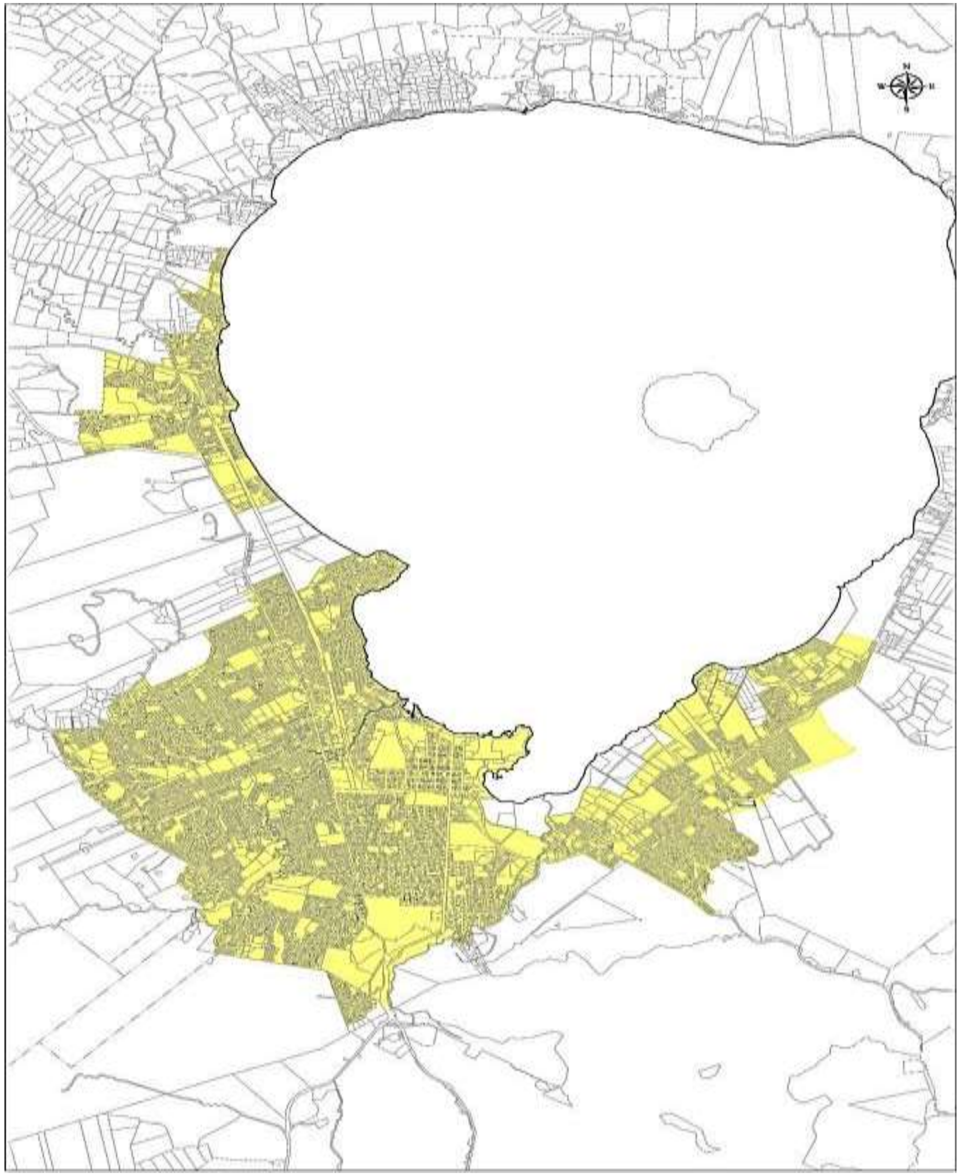
Map B
Urban Refuse Collection



Map C
Rural Refuse Collection

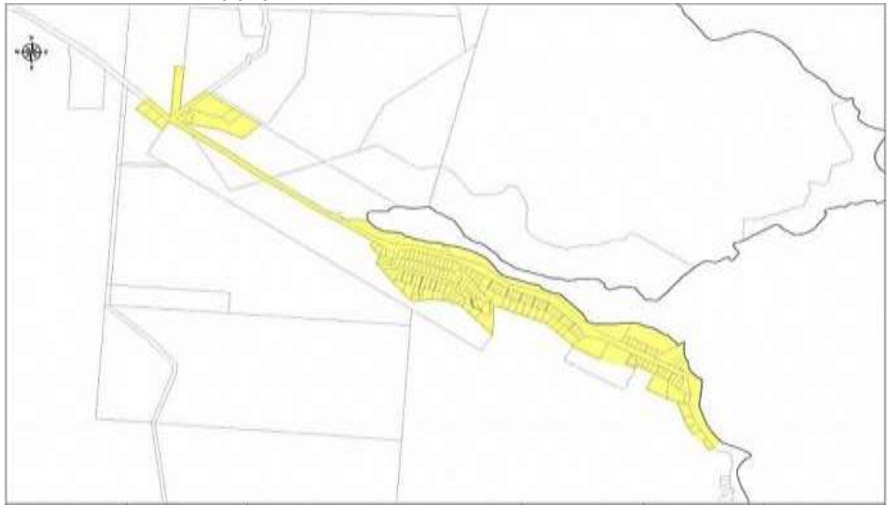


Map D
Urban Water Supply

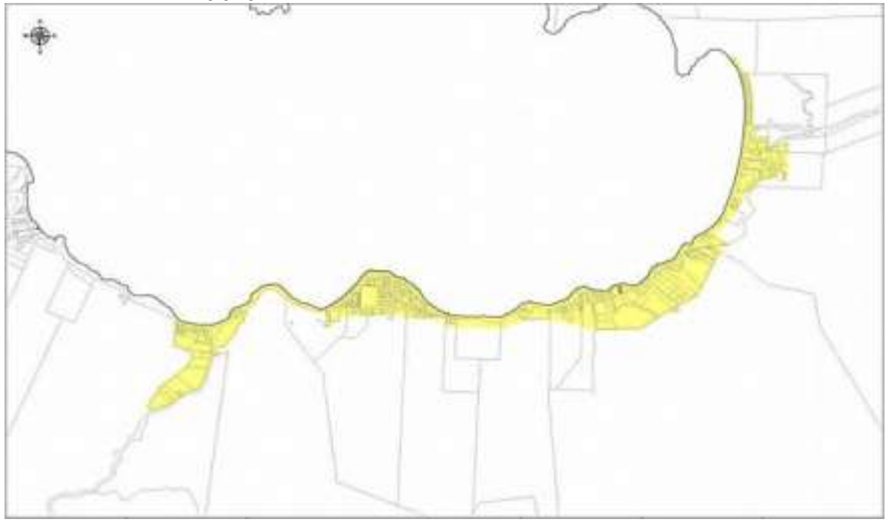


Map E
Mamaku Water Supply

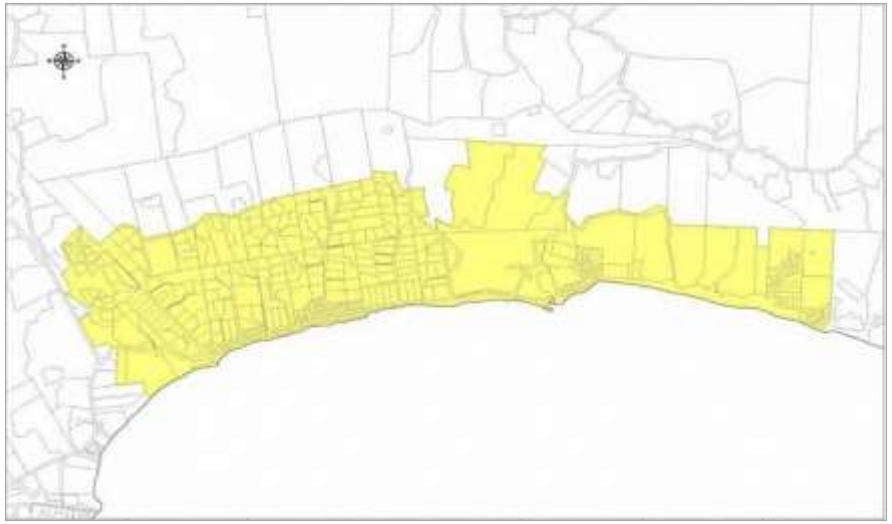
Map G
Rotoma Water Supply



Map F
Rotoiti Water Supply

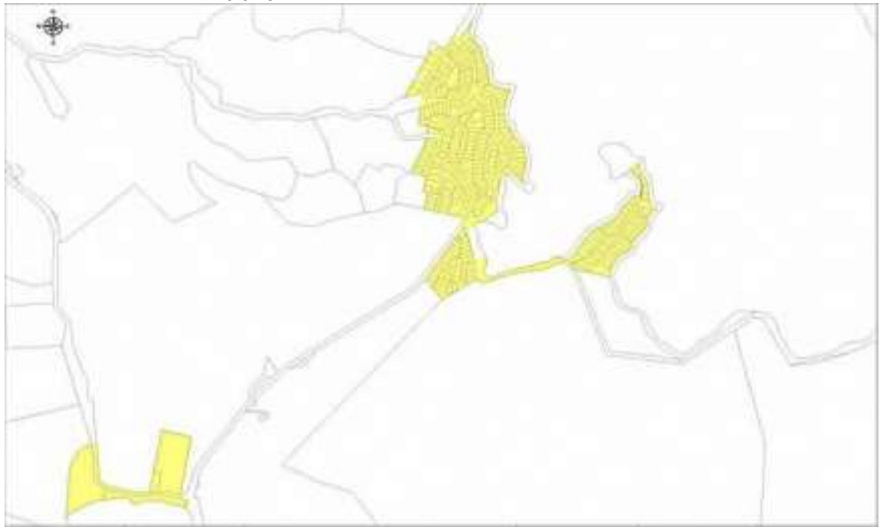


Map H
Hamurana Water Supply



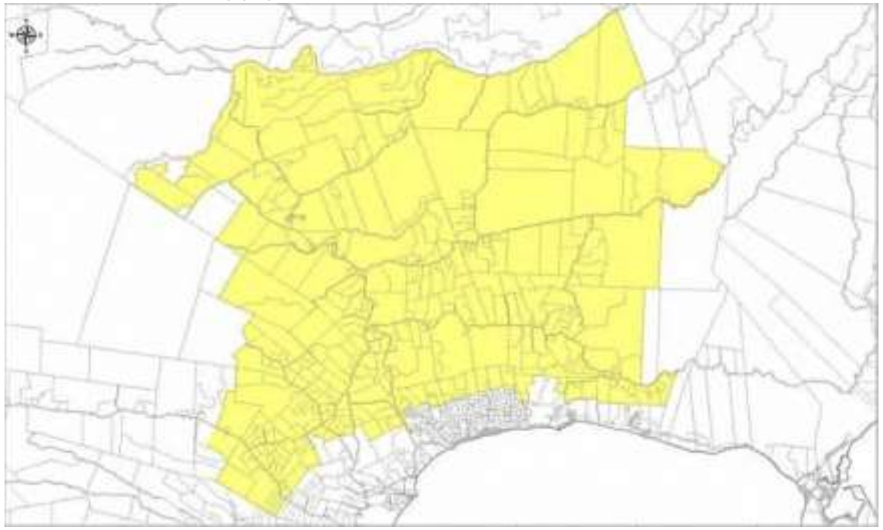
Map I

Okareka Water Supply



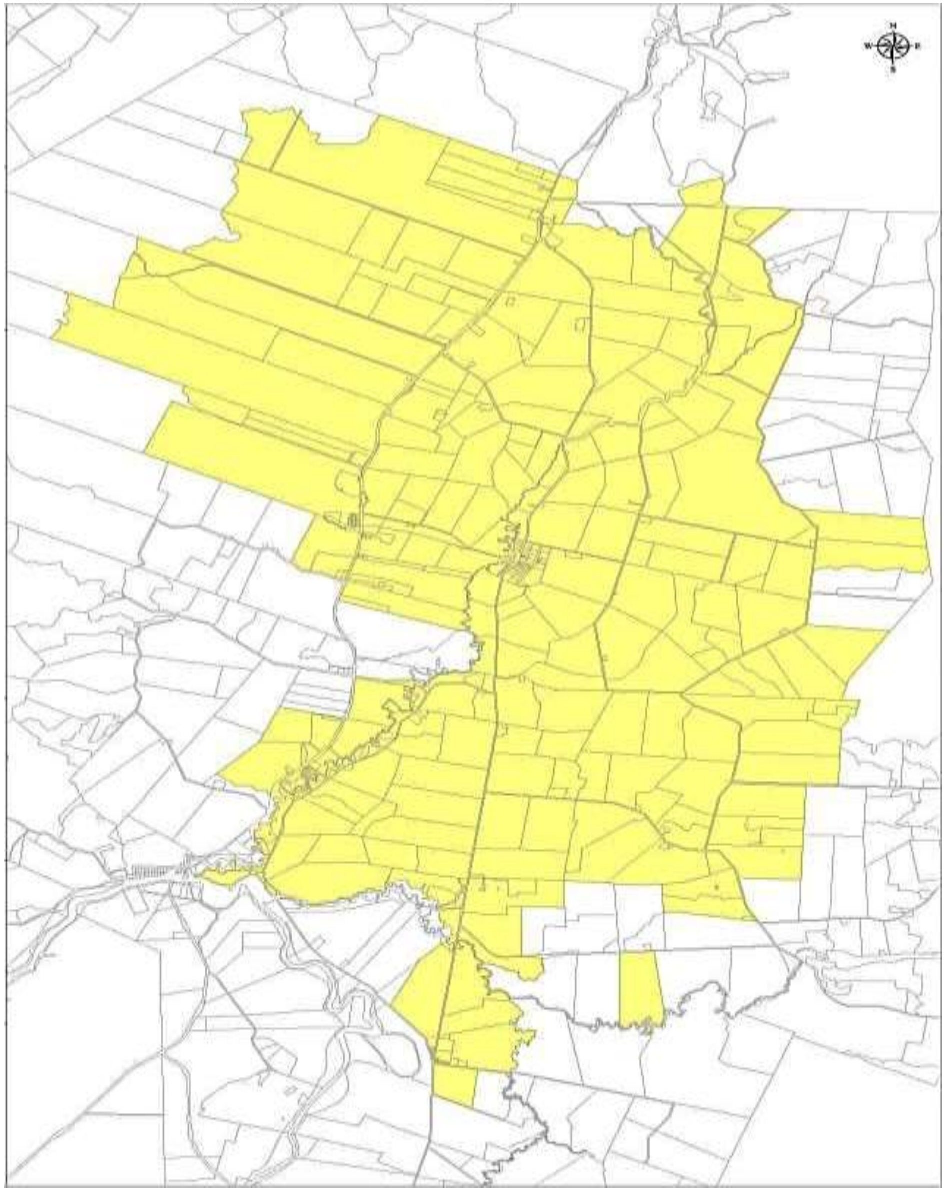
Map J

Kaharoa Water Supply

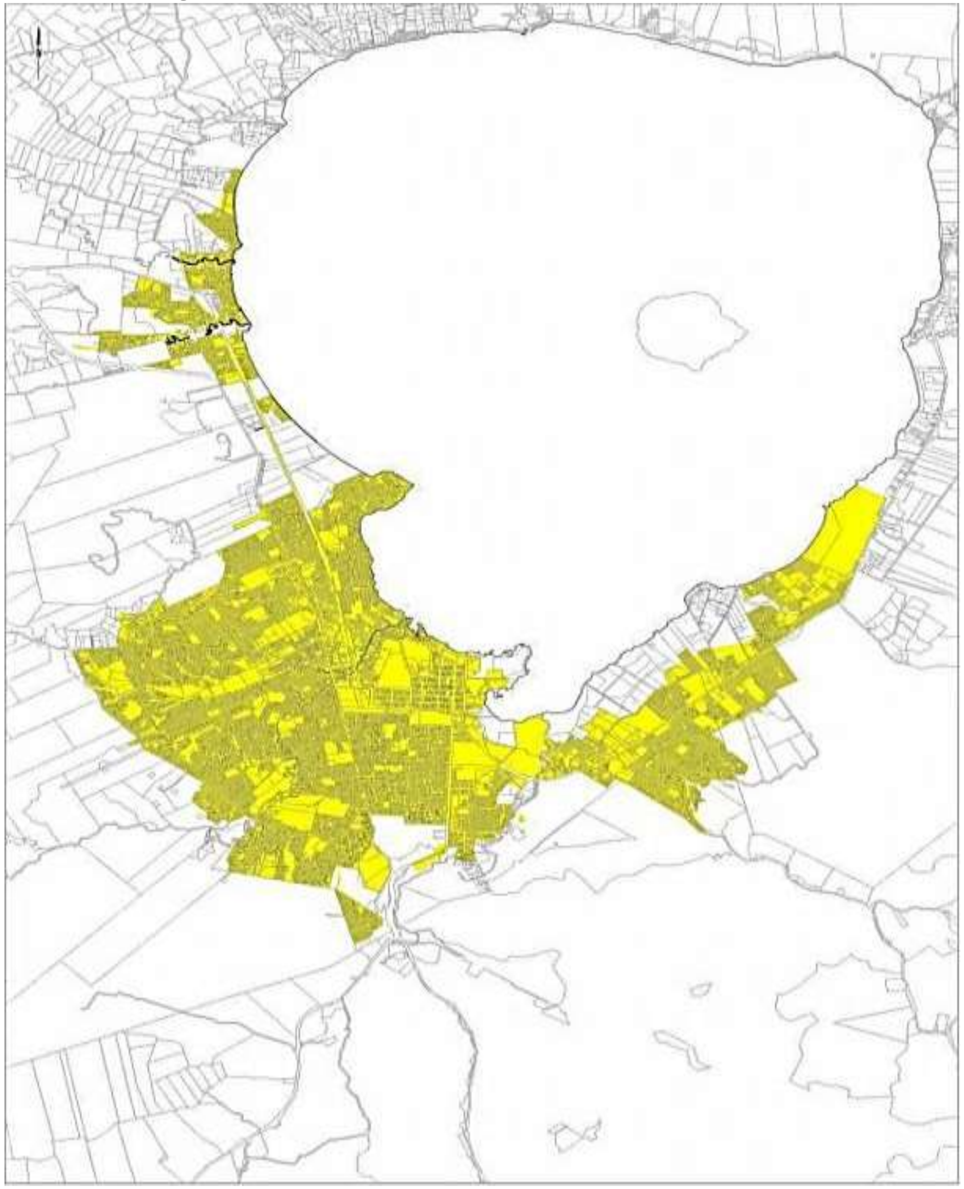


Map K

Reporoa Water Supply



Map L
Urban Sewerage

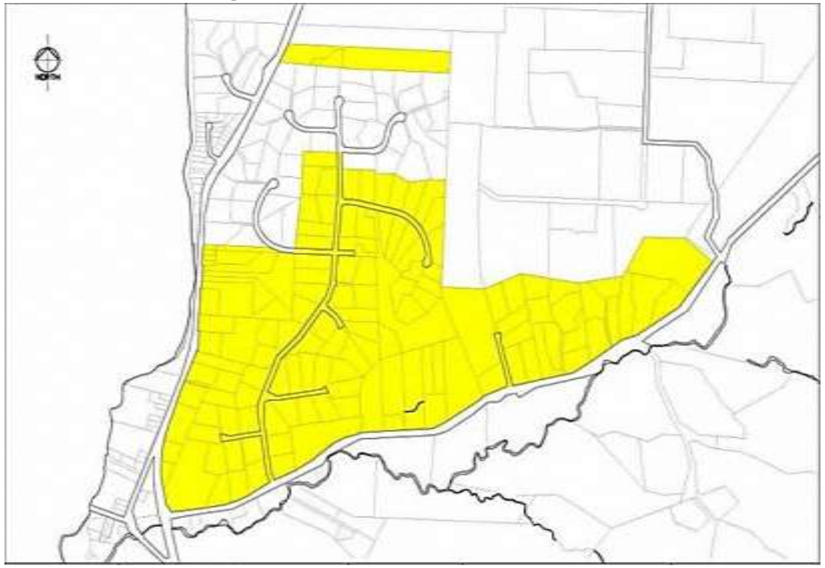


Map M
Mourea Sewerage Scheme

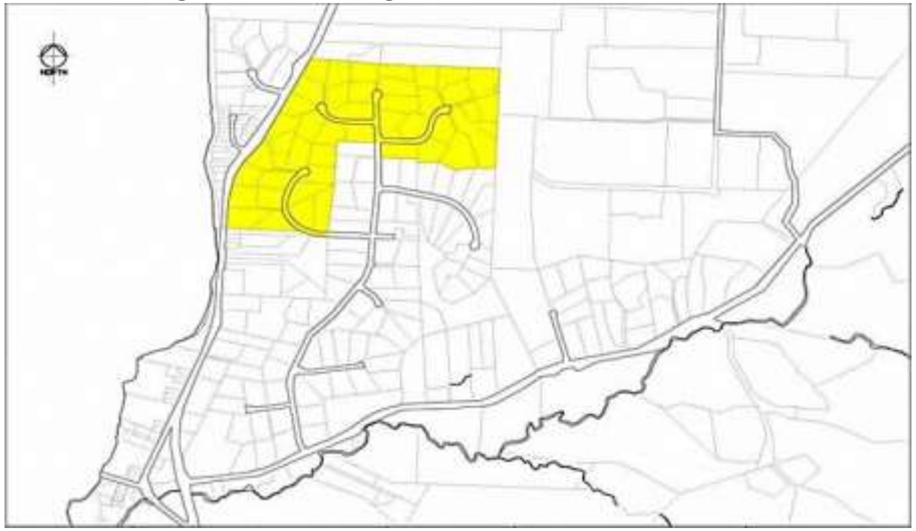
Map N
Hinemoa Point Sewerage Scheme

Map O
Okawa Bay, Amora Lake Resort Sewerage Scheme

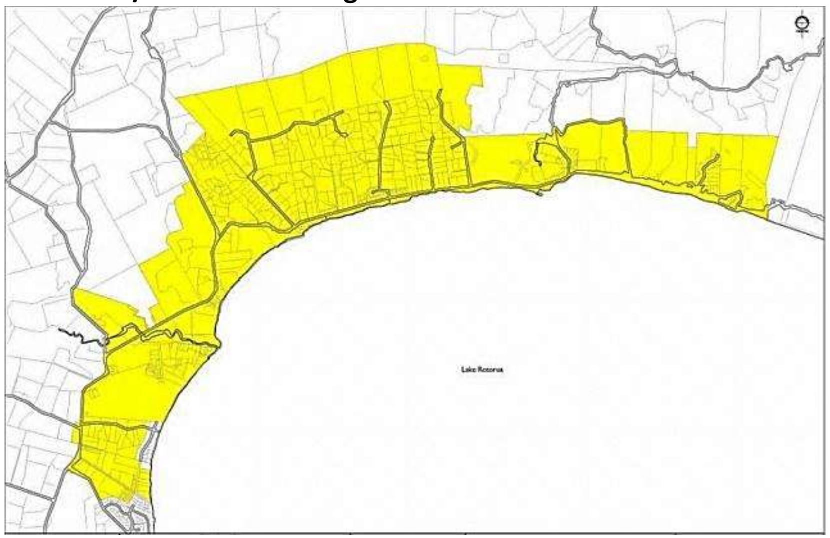
Map Q
Brunswick Sewerage Scheme



Map P
Brunswick Stages 4 & 6 Sewerage Scheme

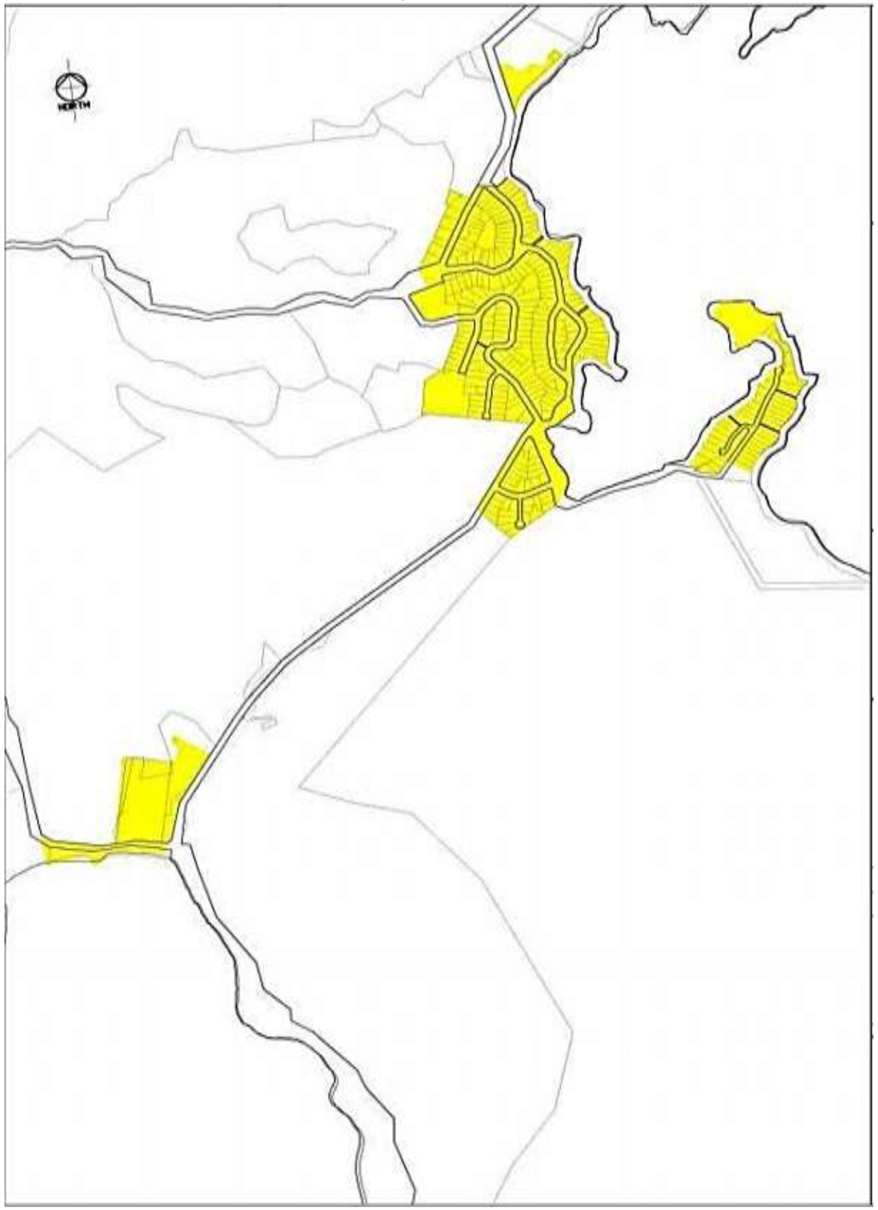


Map R
Hamurana/Awahou Sewerage Scheme



Map S

Lake Okareka, Blue Lake Sewerage Scheme

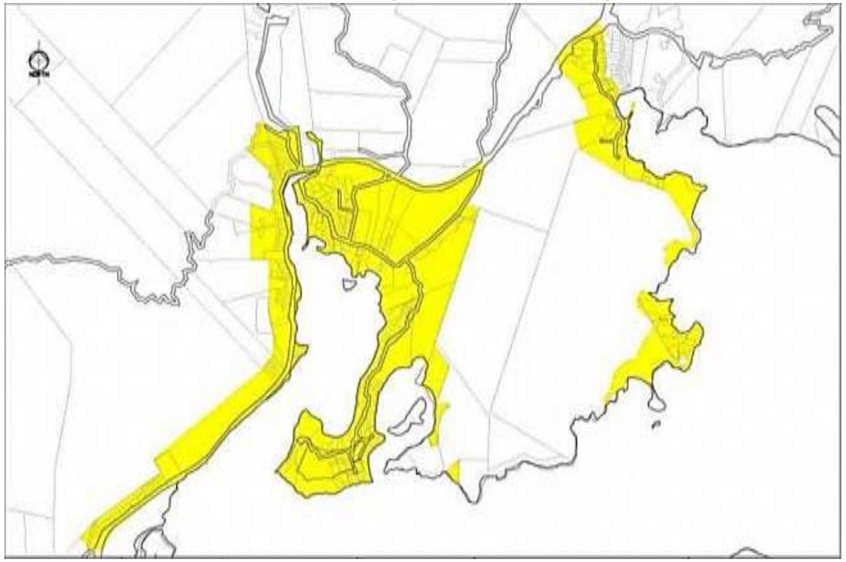


Map T

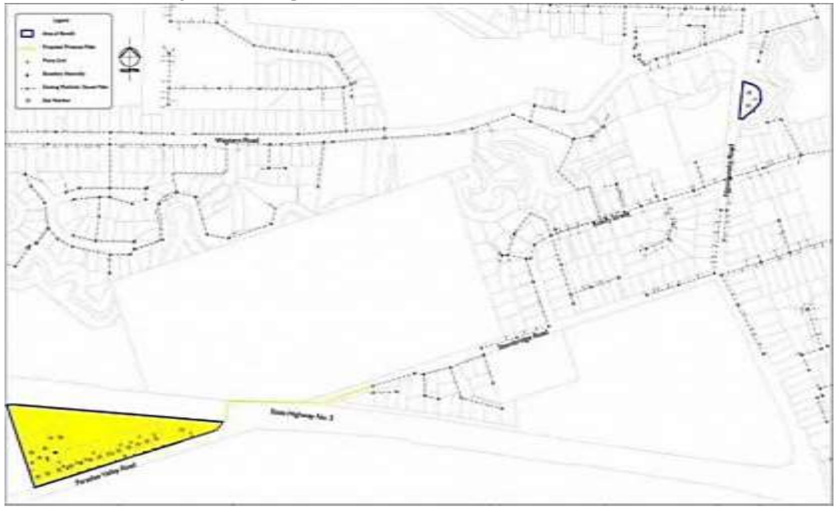
Marama Point Sewerage Scheme

Map U

Okere Falls, Otaramarae, Whangamarino Sewerage Scheme

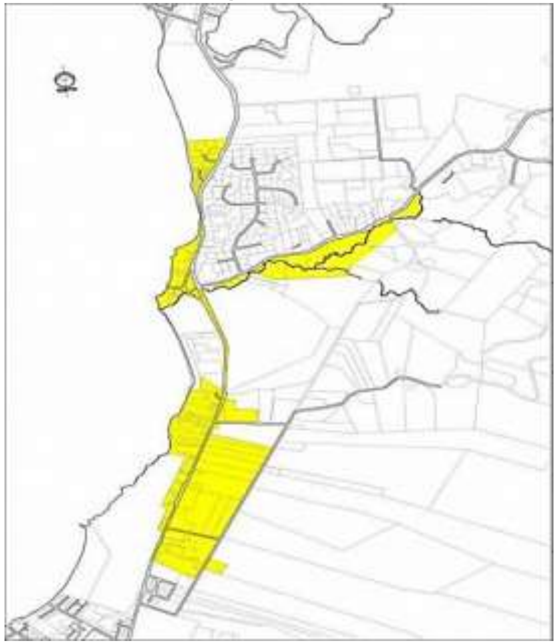


Map V
Paradise Valley Sewerage Scheme

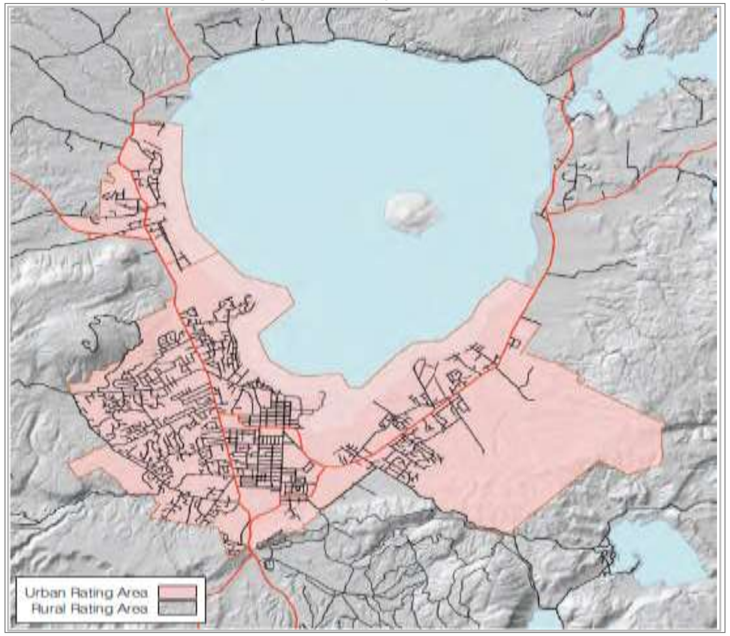


Map X
Waikuta Marae Sewerage Scheme

Map W
Rotokawa Sewerage Scheme



Map Y
Rotorua Urban Rating Boundary



The term:

"Business purpose" means any purpose of commerce, trade, or industry; but does not include any farming purpose.

"Farming purpose" means used for agricultural, horticultural or pastoral or forestry purposes, or the keeping of bees or poultry or other livestock.

"Property" means, either the part or the whole of any rating unit (as the case may be) used for a particular purpose. (Explanatory note: The intention is that where different parts of a property that constitute a rating unit are being used for different purposes, they may be rated differently).

"Residential purposes" means occupied or intended to be occupied for the residence of any household, being a residential unit, including holiday homes that may be let for short-term periods not exceeding 100 days per annum. Kaingaroa Village on rating unit 07010 514 01A will be treated as entirely "residential" for all rates within this funding impact statement even though it comprises elements of other categories.

"Rural Sector" means the part of the Rotorua District which is not the Urban Sector.

"Urban Sector" means the area as shown on the map titled Rotorua Urban Rating Boundary (Map L) and contained in the rating maps section of this funding impact statement (a larger copy is available at the Council Civic Centre). The boundary has been set to recognise the urban growth trends and where properties have similar access to services (but not necessarily the same). This boundary will be reviewed from time to time as necessary to accommodate changes to the above, and follows rating unit boundaries rather than dissecting properties.

"Utilities" being all rating units situated within the Rotorua District that have been identified by the Valuer General as infrastructure utility networks.

"Vacant Land" means land which is in an undeveloped state and is not being used or occupied for any purpose.

"Zoned" means zoned in accordance with the operative Rotorua District Plan.

Examples of rating impact

Category	CV 2011	CV 2014	%CV change	Total RLC 2014/2015 Rates	Total RLC 2015/16 Rates	Increase/ (decrease) in total RLC rates	% Increase/ (decrease) in total RLC rates
Business							
Lower capital value	$255,000	$265,000	4%	$2,965	$3,312	$347	11.7%
Medium capital value	$459,000	$442,000	-4%	$4,408	$4,701	$292	6.6%
Upper capital value	$895,000	$755,000	-16%	$8,587	$8,464	-$123	-1.4%
Farming General							
Lower capital value	$326,000	$436,000	34%	$1,417	$1,776	$360	25.4%
Lower capital value	$522,000	$413,000	-21%	$1,916	$1,711	-$204	-10.7%
Medium capital value	$837,000	$742,000	-11%	$2,735	$2,657	-$78	-2.9%
Upper capital value	$1,580,000	$1,180,000	-25%	$4,611	$3,876	-$734	-15.9%
Upper capital value	$2,610,000	$2,880,000	10%	$7,497	$9,135	$1,638	21.8%
Residential Rural General							
Lower capital value	$214,000	$204,000	-5%	$1,094	$1,173	$79	7.2%
Medium capital value	$360,000	$360,000	0%	$1,270	$1,359	$89	7.0%
Upper capital value	$570,000	$555,000	-3%	$2,154	$2,399	$246	11.4%
Residential Urban General							
Lower capital value	$172,000	$178,000	3%	$1,579	$1,733	$154	9.8%
Medium capital value	$222,000	$211,000	-5%	$1,699	$1,821	$122	7.2%
Upper capital value	$315,000	$308,000	-2%	$1,920	$2,078	$158	8.2%

Reserve funds statement

Self-Funding Reserves
Self-funding reserves are reserves established at Council's will for activities that will generate enough revenue over time to cover the cost of their operation.

Council Created Reserves
Council created reserves are established by Council resolution. Transfers to and from these reserves is at the discretion of Council.

The Reporoa and Waikite Domain reserves were established to account for the domain board committee current account balances. These were established when the Reserves Act came into effect. The reserve recognises a future call on funding towards improvements to various categories of capital assets; for example the Waikite Domain reserve assists with development of Waikite Hot Pools.

Restricted Reserves
Restricted reserves are subject to specific conditions either set by legislation, trust or bequests and the purpose may not be changed without reference to the courts of a third party.

Reserve Development - Section 108 of the Resource Management Act 1991 requires funds to be set aside for the development of reserves.

Creative New Zealand Reserve - Funds held and used in accordance with the policies of organisations external to Council; for example RLC allocates funds on behalf of creative NZ on application for funding. Funding rounds occur approximately two times per year dependent on funds.

	Opening Balance 1 July 2015 ($000)	Deposits ($000)	Withdrawals ($000)	Closing Balance 30 June 2025 ($000)
Self Funding Reserve				
Pensioner Housing	1,384	3,787	1,378	3,793
Electricity	945	-	-	945
Total Self Funding Reserve	**2,329**	**3,787**	**1,378**	**4,738**
Council Created Reserves				
Reporoa Domain	66	-	-	66
Waikite Domain	26	-	-	26
Total Council Created Reserves	**92**	**-**	**-**	**92**
Restricted Reserves				
Reserves Development	1,471	2,125	851	2,745
Creative NZ Reserve	20	527	527	20
Total Restricted Reserves	**1,491**	**2,652**	**1,378**	**2,765**
Grand Total	**3,912**	**6,439**	**2,756**	**7,595**

Rating policy

Introduction

The Rating Policy forms part of the Revenue and Financing Policy, and should also be read in conjunction with the Funding Impact Statement to gain a complete understanding of the way in which rates are set and assessed across the district and for particular properties. Council rates on a Capital Value rating system.

The district's three-yearly general revaluation has been completed and will come into effect for rating purposes on 1 July 2015. The general revaluation will cause reallocation of some rates across the district. However, it does not result in any change to the total rates revenue that Council collects.

Changes for 2015/16

Council is making the following changes:

- Overall 7% increase to all rates excluding the Sewerage Scheme Capital Cost targeted rates which will remain unchanged.
- This overall increase includes a 15% increase to sewage, 10% increase to water and a 43% increase to refuse collection.
- A $40 reduction to the uniform annual general charge (UAGC) that is applied to every rateable property in the district. This will see the UAGC drop to $500 and see a larger portion of the general rate collected via capital value.
- A reduction in the general rate differential for business from 1.9 to 1.8. This is in keeping with previous commitments to move all differentials to 1.0 over time.
- An increase in the general rate differential for rural residential from 0.85 to 0.90. This is in keeping with previous commitments to move all differentials to 1.0 over time.

Changes indicated for the future

- Council is committed to implementing additional targeted rates to reflect private benefits received over time through the annual plan process.
- CBD operations and development are currently funded by the general rate. Council will review this to see whether a targeted rate to CBD ratepayers is more appropriate. This will be reviewed in conjunction with the reduction of the general rate business differential.

Policy Statement

This policy is based on the existing rating policy and making some minor changes to it.

Purpose

The purpose is:

- To establish the basis for funding part of the revenue forecast required to perform the duties of Council; and
- 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.

Definitions

The term:

"Business purpose" means any purpose of commerce, trade, or industry; but does not include any farming purpose.

"Farming purpose" means used for agricultural, horticultural or pastoral or forestry purposes, or the keeping of bees or poultry or other livestock.

"Property" means, either the part or the whole of any rating unit (as the case may be) used for a particular purpose. (Explanatory note: The intention is that where different parts of a property that constitute a rating unit are being used for different purposes, they may be rated differently).

"Residential purposes" means occupied or intended to be occupied for the residence of any household being a residential unit including holiday homes that may be let for short-term periods not exceeding 100 days per annum. Kaingaroa Village on rating unit 07010 514 01A will be treated as entirely "residential" for all rates within this policy even though it comprises elements of other categories.

"Retirement village" being as defined within the Retirement Villages Act 2003.

"Rural Sector" means the part of the Rotorua District which is not the Urban Sector.

"Separately used or inhabited part (SUIP)" being any part of a rating unit that is or is able to be used or inhabited by the ratepayer or by any other person or body having a right to use or inhabit that part by virtue of tenancy, lease, licence or other agreement.

"Urban Sector" means the area shown on the map titled Rotorua Urban Rating Boundary and contained in the rating maps section of this policy (a larger copy is available at the Council Civic Centre). The boundary has been set to recognise the urban growth trends and where properties have similar access to services (but not necessarily the same). This boundary will be reviewed from time to time as necessary to accommodate changes to the above and follows rating unit boundaries rather than dissecting properties.

"Utilities" being all rating units situated within the Rotorua District that have been identified by the Valuer General as infrastructure utility networks.

"Vacant Land" means land which is in an undeveloped state and is not being used or occupied for any purpose.

"Zoned" means zoned in accordance with the operative Rotorua District Plan.

Uniform Annual General Charge

Council sets a uniform annual general charge on every rateable unit in the district for the purposes of, but not necessarily limited to, funding the following types of activities:

- Democracy and Kaupapa Maori
- District Library
- Rotorua Museum (part)
- Community halls
- Animal Control
- Governance & Strategic Direction
- Aquatic Centre
- Events & Venues (part)
- Cemeteries and crematorium
- Emergency Management/Rural Fire

The UAGC is set at a level determined by Council each year, subject to the maximum allowed under Section 21 of the Local Government (Rating) Act 2002.

Differential General Rates

Council sets general rates on a differential basis:

a) Council sets a differential general rate in the dollar on capital value according to three different rating categories to fund that part of general revenues of Council that is not funded by the uniform annual general charge.
b) The objective of including differentials in the general rate is to achieve a fair distribution of the general rate between categories of rating units, having regard to meeting 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.
c) The relationship between general rate differentials applicable for each rating category is set as follows:

		Relative differentials for the general rate
General rate differential categories		
1	Base Rate	100%
2	Business	180%
3	Rural Residential	90%

Differential categories

In general, a rating unit will fit into one differential category only. However it is recognised that situations occur where a rating unit has multiple uses. In such cases there will usually be a principal or primary use and a secondary use. In these cases where Council considers the secondary use is significant and would incur additional rates, then that part of the rating unit may be rated according to the secondary use differential category.

The differential categories are as follows:

Base Rate
Every property not otherwise categorised.

Rural Residential
Every property in the rural sector which is not more than five hectares in area and used for residential purposes.

Business
Every property which is:
c) used for any business or industrial purpose.
d) vacant land which is not zoned residential or rural.

This category includes utilities but does not include residential investment properties, regardless of the number of units, provided they are let for long term tenancies.

Targeted Rate for Lakes Enhancement
Council sets a targeted rate of a fixed amount on every rating unit in the district, excluding those within the Waikato Regional Council area, to contribute towards lakes enhancement by way of improving lake water quality.

Targeted Rates for Water Supply
Council sets differentiated targeted rates for all:

a) separately used or inhabited parts of a rating unit, to which water is provided by unmetered supply; or
b) rating units, to which water is provided by metered supply; or
c) rating units which are serviceable.

For these purposes:
- A "rating unit connected" is one to which water is supplied from a council water supply service.
- A "serviceable rating unit" is one to which water is not provided, but the whole, or some part of the rating unit is within 100 metres of a council water supply service and is within a water supply area and could potentially be connected to that water supply service.

Unmetered water supply
A targeted rate:
- A fixed amount per connection on each separately used or inhabited part of a rating unit connected.
- A targeted rate of a fixed amount (being 50% of the unmetered connected targeted rate above) on each serviceable rating unit.

Metered water supply (except Kaharoa and Reporoa)
- A targeted rate of a fixed amount per separately used or inhabited part.
- A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied in excess of ‘x’ cubic metres per quarter, where ‘x’ is the amount specified for this targeted rate in the Funding Impact Statement of the Annual Plan.

Note: Targeted rates for metered supply are invoiced quarterly by separate invoice.

Kaharoa water supply
These rates are set on rating units identified on Plan Number 11015 Sheet 7. Refer to the rating maps section of the rates funding impact statement in this document.

A targeted rate of a fixed amount per connection on each separately used or inhabited part of a rating unit connected.

A targeted rate on each metered rating unit of a fixed amount per cubic metre supplied to the rating unit.

Note: Targeted rates for metered supply are invoiced quarterly by separate invoice.

Reporoa water supply

These rates are set on rating units identified on Plan Number 11015, Sheet 8. Refer to the rating maps section of the rates funding impact statement in this document

For these purposes:

"Domestic/Non-Farming" rating unit means a rating unit where the water supply is not subject to water allocation and a corresponding restriction on a flow or time basis. This applies to rating units primarily for domestic, commercial or industrial use, excluding the Reporoa Dairy Factory.

"Farming/Dairy Factory" rating unit means a rating unit primarily for farming of livestock and also includes the Reporoa Dairy Factory. Such rating units are subject to a daily water allocation restricted on a flow or time basis.

A differential targeted rate:

- A fixed amount per connection on each Domestic/Non-farming rating unit connected.
- A fixed amount per connection on each Farming/Dairy Factory rating unit connected.

A differential targeted rate:

- A fixed amount on each Domestic/Non-farming rating unit connected per cubic metre supplied in excess of 'x' cubic metres per quarter, where 'x' is the amount specified for this targeted rate in the Funding Impact Statement of the Annual Plan.
- A fixed amount on each Farming/Dairy Factory rating unit connected per cubic metre supplied in excess of 'x' cubic metres per quarter, where 'x' is the amount specified for this targeted rate in the Funding Impact Statement of the Annual Plan.

Note: Targeted rates for metered supply are invoiced quarterly by separate invoice.

Leakage

In respect of all metered water supply, where leakage is detected, the amount of water supplied will be determined in accordance with Council's procedures relating to account reassessments.

Targeted Rates for Sewage Disposal

Council sets targeted rates on a differential basis for all rating units from which sewage is collected, or which are serviceable rating units. Refer to the rating maps section of this policy.

For these purposes:

- "Connected" means a rating unit from which sewage is collected, either directly or by a private drain, to a public sewerage system.
- A "serviceable" rating unit is one from which sewage is not collected, either directly or by a private drain to a public sewerage system, but the whole or some part of which is within 30 metres of Council's sewerage system and could potentially be connected to the sewerage system.
- "Toilet" means: a) a water closet; or b) each 1.5 metres or part thereof of urinal; or c) from 1 to 4 wall mounted urinettes.
- "Category 1" means the rating units with 1 to 4 toilets.
- "Category 2" means the rating units with 5 to 10 toilets.
- "Category 3" means the rating units with 11 or more toilets.
- "Serviceable" means those properties which are serviceable rating units.

Council sets the following targeted rates:

A differential targeted rate calculated as a fixed amount per toilet connected to the sewerage system on each rating unit as follows:

- Category 1 - 100% of the base amount
- Category 2 - 85% of the base amount
- Category 3 - 80% of the base amount
- Serviceable - 50% of the base amount [per rating unit]

Targeted Rate for Urban Sewerage Development

Council sets an urban sewerage development rate to fund the cost of sewerage capital work in the Ngongotaha, Fairy Springs and Hinemoa Point areas by way of a uniform targeted rate on each rating unit in the "Urban Sector" that pays a UAGC.

Targeted Rates for Capital Cost of Sewerage Schemes

The purpose of these rates is to recover the capital cost of establishing the schemes over 25 years.

The total capital cost of a scheme will be divided by the maximum user capacity for which the scheme has been designed and built, to arrive at the capital share contribution for each user. In this way existing users will not be required to pay for spare capacity planned for future growth. As new users connect to the scheme they will be required to make a capital contribution on the same basis as the original scheme users. This ensures equity between those original scheme benefactors and future benefactors.

Targeted rates for sewerage schemes are set on the remaining capital contribution after allowing for a rates funded subsidy of $1,500 per household unit equivalent and taking into account relevant central and regional government subsidies.

Targeted rates for respective sewerage schemes are applied only to those properties that have not taken up the option to pay their contribution towards the capital costs as a single lump sum (where available). Those ratepayers who have made or make a single lump sum capital contribution will not be liable for the sewerage scheme targeted rate. Single lump sum capital contributions must be received by 15 June prior to 1 July of the first financial year that Council charges a targeted rate for capital costs for the respective sewerage scheme.

The option for ratepayers to settle the residual amount of their share of the capital cost of their particular scheme will be available throughout the remaining term of the targeted rate, i.e. any time during the 25 years. This option exists for all schemes and is provided through a specific remission policy included elsewhere in this plan.

For future developments or connections Council reserves the right to select either of the options referred to above, i.e. assessing a targeted rate over a 25 year term or inviting a capital payment contribution before the service connection is completed. This discretion may apply on a property-by-property basis.

Separate targeted rates have been applied to the following sewerage scheme areas as detailed in the following policy statement.

Council sets targeted rates on a differential basis for the capital costs of the following sewerage schemes:

- Okawa Bay
- Marama Point
- Hinemoa Point
- Brunswick stages 4 and 6
- Lake Okareka/Blue Lake
- Paradise Valley
- Waikuta Marae
- Mourea
- Amora Lake Resort
- Brunswick
- Rotokawa
- Okere Falls/Otaramarae/Whangamarino
- Hamurana/Awahou

Council is also planning to set targeted rates on a differential basis for the capital cost of establishing the following sewerage schemes, subject to consultation:

- Rotoiti
- Rotoma
- Mamaku

For these purposes:

- "nominated rating units" means properties which existed as rating units at the date of commissioning each scheme.
- “household unit equivalent” (HUE) means a household equivalent to enable industrial, commercial and multiple dwelling developments to be included in the calculations. It is used to convert industrial, commercial and multiple dwelling developments to a household equivalent equating to a single dwelling. Where used as the factor for determining a rating unit's liability for a rate, HUE corresponds to the extent of provision of the service to the rating unit, as objectively measured by the floor area calculation noted below.

Multiple Dwelling Units within a Rating Unit
Council sets targeted rates on a differential basis (differentiated by scheme) for all nominated rating units based on the household unit equivalent. A minimum of one HUE will apply to all nominated rating units including those where no building exists, i.e. are vacant. Where multiple dwellings exists, each household unit additional to the primary dwelling will be assessed on the following basis:

Floor Area of Additional Household Unit	% Charge/HUE
Less than $40m^2$	No charge*
$40m^2$ to less than $60m^2$	50% HUE
$60m^2$ to less than $70m^2$	60% HUE
$70m^2$ to less than $80m^2$	70% HUE
$80m^2$ to less than $90m^2$	80% HUE
$90m^2$ to less than $100m^2$	90% HUE
$100m^2$ or greater	100% HUE or 1 HUE

The first additional household unit of less than $40m^2$ will not attract a separate sewerage capital targeted rate or voluntary contribution charge. Any further household units of less than $40m^2$ will be assessed a sewerage capital targeted rate or voluntary contribution charge of 50% HUE. All subsequent dwellings constructed after the completion of a sewerage scheme will be charged a capital contribution targeted rate or voluntary contribution towards the sewerage scheme calculated on the same basis.

Targeted Rates Connection Costs for Sewerage Schemes
Where Council has undertaken the private connections for properties that had not connected to the reticulation network within a reasonable timeframe, the equalised cost of connection through a specific targeted rate shall be applied to those properties where the works have been undertaken.

The present sewerage schemes affected by this include Mourea and Hinemoa Point. Future connections may be required for Rotokawa and Brunswick. This rate is separate to and in addition to the capital cost contribution for the relevant scheme.

Targeted Rate for Refuse Collection
This rate is set on rating units identified on Plan Number 10196, Sheets 1 and 2. Refer to the rating maps section of the Rates Funding Impact Statement in this document.

Council sets a differentiated fixed targeted rate for refuse collection from separately used or inhabited parts of a rating unit, excluding council reserves, within the respective service areas for refuse collection in urban and rural areas respectively, where the service is provided.

- Urban - 100% of the uniform sum
- Rural - 100% of the uniform sum plus $2.50
- Urban CBD - (twice weekly collection) 200% of the uniform sum
- Serviceable 50% of the uniform sum

For these purposes:
- “Serviceable” means where the service is available, but the ratepayer has nominated in writing not to receive delivery of council rubbish bags.
- Vacant sections are not subject to refuse charge.
- Council reserve tenants will have the option of purchasing council refuse bags if they wish to use the collection service.

Targeted Rate for Lakes Community Board
Council sets a Lakes Community Board uniform targeted rate to fund community board costs on each rating unit that is wholly or partially within the area defined by the 2006 decision of the Local Government Commission, comprising the area delineated on SO Plan No.379278. Refer to the rating maps section of the Rates Funding Impact Statement in this document

Targeted Rates for Business and Economic Development
Council sets:
a) a differentiated fixed targeted rate; and
b) a differentiated targeted rate in the dollar on capital value.

for the purposes of contributing to the cost of:
- Economic Projects
- Destination Rotorua Marketing
- Tourism Rotorua Travel and Information Centre

The relationship between the three categories for the purposes of setting these targeted rates, in terms of the total revenue to be gathered, has been set as follows:

		Revenue gathering split for Business and Economic Development targeted rates
1.	Business	80%
2	Industrial	10%
3.	Farming	10%
Total revenue to be generated		100%

- The differentiated fixed targeted rate will be set on every rating unit where the use of that rating unit or any part of the rating unit falls into one of the three categories described below.
- Where such a part is secondary to the principal use, and is for the business of providing short-term accommodation, the rate will be charged on the basis of 100% of the targeted rate where 1 or more bedrooms are used for providing short-term accommodation.

The relationship between the three categories for the purposes of setting the differentiated fixed targeted rate has been set as follows:

		Relative differentials for the Business and Economic Development targeted rates
1.	Business	100%
2	Industrial	100%
3.	Farming	25%

- The differentiated targeted rate in the dollar on capital value will be set on every rating unit where either:
  - the principal use of that rating unit falls into one of the three categories described below; or
  - part of the rating unit has a significant secondary use that falls into one of the categories described, except where that use is the business of providing short-term accommodation.

This rate will apply only to the part of the rating unit allocated to the appropriate category.

Differential Categories for Business and Economic Development

Targeted Rates:
The differential categories are as follows:

Business
Every property in the urban or rural sector used for any business purpose except industrial. This category includes utilities and their networks.

Industrial
Every property that has been categorised in the District Valuation Roll as being used for industrial purposes in accordance with Rating Valuation Rules 2008.

Farming
Every property which is used for farming purposes

Notes:

1. "Providing short-term accommodation" for the purposes of this rate includes the provision of accommodation, such as a B&B, lodge, retreat, farm stay or homestay, or the provision of other similar short-term accommodation.
2. Where land is vacant these rates will apply if the underlying district plan zoning or district valuation roll category for the land indicates that any of the three categories described above should apply.
3. Kaingaroa Village rating unit 07010 514 01A is exempt from these rates.

Rates remissions policies

Brief Statement
Council has the following rates relief policies (and a grant in lieu of remission policy), effective from 1 July 2015, pursuant to the Local Government (Rating) Act 2002, as follows:

- Remission of penalties on current overdue instalments;
- Remission of penalties on current overdue metered water invoices;
- Remission of penalties on arrears (including past overdue instalments);
- Remission of rates on land used for certain purposes;
- Policy for grants in lieu of rate remissions;
- Remission of targeted rates for sewage from schools;
- Remission of rates for QEII National Trust Open Space Covenants;
- Remission of rates in extraordinary circumstances;
- Remission of metered water charges where leak has been detected and repaired;
- Discount for early payment of rates;
- Remission policy on uncollectable rates;
- Remission of targeted rates for capital cost of sewerage schemes on payment of capital cost owing;
- Remission of rates on Maori freehold land;
- Rates postponement;
- Postponement of rates on Maori freehold land

Generally, all first time remissions and postponements approved will apply from 1 July in the year in which they are applied for. Subsequent applications will require necessary supporting documentation to be provided in accordance with the renewal process as advised by Council. The exception will be remission of arrears penalties.

Council has delegated to council officers authority to consider and approve all applications for remission or postponement of rates pursuant to Council's policies, except for "remission of rates in extraordinary circumstances". As a general rule, and where practicable, documentary evidence or statutory declaration should be provided in support of a written application.

Applications for remission or postponement or a grant in lieu of remission, must be in writing unless otherwise indicated in a policy.

All rates remission policies are at the discretion of Council, having regard to both the policy and circumstances.

<u>Remission of Penalties on Current Overdue Instalments</u>

Policy objective
To enable Council to act fairly and reasonably in its consideration of penalties on rates where payments have not been received by Council by due date.

Conditions and criteria
Council will remit a penalty on the first instalment when the full year's rates are paid before the penalty date for the second instalment.

Council will consider remission of penalties on a current overdue instalment when the late payment has resulted from:
a) significant family disruption, including death, illness or accident to a family member as at the due date; or
b) matters outside the ratepayer's control, including payments going astray in the post, non-receipt of the instalment notice before penalty date, the late issue of a sale notice, and a late clearance payment by the solicitor on a property settlement.

Council may also consider remission of a penalty when the late payment has apparently been inadvertent and the ratepayer has a good payment history.

"Good payment history" would generally be where there has been no penalty incurred during the previous 12 months.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so. Applications for remission must be in writing.

Remission of Penalties on Current Overdue Metered Water Invoices

Policy objective

To enable Council to act fairly and reasonably in its consideration of penalties on metered water invoices where payments have not been received by Council by due date.

Conditions and criteria

Council will consider remission of penalties on a current overdue metered water invoice when the late payment has resulted from:

a) significant family disruption, including death, illness or accident to a family member as at the due date; or
b) matters outside the ratepayer's control, including payments going astray in the post, non-receipt of the instalment notice before penalty date, the late issue of a sale notice, and a late clearance payment by the solicitor on a property settlement.

Council may also consider remission of a penalty when the late payment has apparently been inadvertent and the ratepayer has a good payment history. "Good payment history" would generally be where there has been no penalty incurred during the previous 12 months.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so. Applications for remission must be in writing.

Remission of Penalties on Arrears

(arrears comprises rates from any previous rating year).

Policy objective

To enable Council to act fairly and reasonably in its consideration of penalties on rates that are in arrears.

Conditions and criteria

Council will consider remission of penalties on arrears when:

a) a request for remission has been made in writing; and
b) the request includes full supporting reasons and evidence satisfactory to Council; and
c) the remission contributes to prompt settlement in full of the remaining debt or to the sale of the property and clearance of the debt in the short term.

Conditions and criteria for remission of future penalties on arrears and on future instalments in cases of severe hardship

Council will consider remission of future penalties on arrears in cases of severe hardship when:

a) a request for remission has been made in writing; and
b) the request includes full supporting reasons and evidence satisfactory to Council; and
c) the purpose of the request is for the ratepayer to reach and maintain fully paid status; and
d) the ratepayer enters into a rates settlement arrangement that provides for collection of both current rates and arrears in full over an acceptable timeframe, provided that:
    (i) the arrangement will be annulled if the applicant does not adhere to it; and
    (ii) Council may vary the arrangement on request; and
    (iii) Council may in extreme cases elect to also remit some or all of the penalty arrears existing at the time the arrangement was entered into if the arrangement has been adhered to and this brings about settlement in full.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so.

Remission of Rates on Land Used for Certain Purposes

Policy objective

To facilitate the ongoing provision of non-commercial community services and non-commercial sporting and recreational opportunities for the residents of the district. Providing rates remissions will achieve this by assisting the organisation's survival and making services of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, and economically disadvantaged people.

Conditions and criteria

This part of the policy will apply to land owned or occupied by a charitable, sports or recreation organisation where they are recorded in Council's Rating Information Database as the ratepayer or are occupying Rotorua Lakes Council reserve, and which is used exclusively or principally for sporting, recreation or community purposes. For the purposes of this policy the terms "occupied" means exclusive use of all or part of a rating unit.

The policy does not apply to organisations operated for private pecuniary profit, and volunteer labour will be a predominant resource of qualifying entities.

This policy is designed to assist the survival of organisations that would otherwise struggle financially and, as such, those that are considered to receive adequate funding from other sources will not qualify for assistance under this policy.

Applications for remission must be made on the prescribed form (available from the council offices). New applications for rate remission should be made to the council prior to the commencement of the rating year. Organisations that successfully applied in the previous year must re-apply, and their re-application **must** be received by 15 June prior to the rating year being applied for.

Organisations making applications should include the following documents in support of their application:

- Statement of objectives; and
- Constitution or rules or equivalent; and
- Financial accounts; and
- Information on activities and programmes; and
- Details of membership or clients.
- The policy shall apply to such organisations as approved by the council as meeting relevant criteria.

Remission for successful applicants using land for sporting or recreation purposes is 50% of the non-service-related rates applicable to the exclusive use part of the rating unit occupied.

The remission for successful applicants using land for community purposes is 100% of the non-service-related rates applicable to the exclusive use part of the rating unit occupied.

Policy for Grants in Lieu of Rate Remissions

This policy is not part of Rotorua Lakes Council's rates remission policies. However reference to it is included here to highlight it's availability to ratepayers who previously, but no longer, qualify for the "certain purposes" remission, due to changes in legislation, i.e. the Local Government (Rating) Act 2002 specifies who must be entered as ratepayers in the Rating Information Database.

Council may provide grants in lieu of rates through its community assistance programme to organisations which are not entitled to rate remission because they are not the ratepayer under the Local Government [Rating] Act 2002). The intention is to mitigate any adverse financial impact of provisions in the Local Government (Rating) Act 2002, on affected organisations.

For further details of Council's community assistance (grants) schemes, please refer to the Community Engagement and Support activity section in the Long-term Plan.

Remission of Targeted Rates for Sewage Disposal from Schools

Policy objective

To enable Council to fairly and reasonably rate schools for sewage disposal, having regard to the number of water closets and urinals needed for the number of pupils and staff rather than for the actual number of water closets and urinals available.

Conditions and criteria

Targeted rates for sewage disposal from schools will be remitted to the extent that they exceed the rates on the deemed number of water closets and urinals:

a) The deemed number of water closets and urinals will be the lesser of one water closet and urinal for every 20 persons (teachers and students), or part thereof, on the roll at 1 April in the preceding financial year, and the actual number of water closets and urinals.

b) A school is defined as a state school under section (2) (1) of the Education Act 1989, or an integrated school under section (2) (1) of the Private School Conditional Integration Act 1975.

Schools will be required to file an annual return of staff and student numbers in the prescribed form in order to qualify for the remission.

Remission of Rates for Queen Elizabeth II National Trust Open Space Covenants

Policy Objective
To provide rates relief where land is legally protected under a QEII Open Space Covenant.

Conditions and criteria
Council will consider remissions of rates on land that has a QEII Open Space Covenant where the land or portion of land has a legal binding QEII Open Space Covenant registered on the title.

Calculation of such remissions are to be on a case-by-case basis, with the determination of land value for the covenanted land to be made by Council's Valuation Service Provider.

Remission of Rates in Extraordinary Circumstances

Policy Objective
It is recognised that not all situations in which the council may wish to remit rates will necessarily be known about in advance and provided for in Council's specific policies. The purpose of this part of the policy is to provide for the possibility of rates remission in circumstances which have not been specifically addressed but in which, for the reasons set out below, Council considers it appropriate to remit rates.

Conditions and criteria
Council may remit rates on a rating unit where it considers it just and equitable to do so because extraordinary circumstances arising from a change to Council's Rating or Rates Remission policies have resulted in unintended consequences for a rating unit.

The amount of any such relief will be determined by Council having regard to the quantum of additional rates caused by the extraordinary circumstances.

Any such remission granted will be determined on a case-by-case basis, and will not be delegated to council officers.

Remission of Metered Water Charges Where Leak Has Been Detected and Repaired

Policy Objective
The objective of this remission policy is to provide a measure of rates relief where a water leak has been detected on the ratepayer's property, and prompt remedial action to repair the leak has been undertaken. However the ratepayer is responsible for water leaks and the usage of water on their property.

Conditions and criteria
Council will consider remissions of metered water charges under the following circumstances;

a) where a leak has been detected on the ratepayer's property, and that leak has been promptly repaired; and
b) the leak has resulted in charges in excess of expected usage ; and
c) when applied for in writing, with evidence that a leak has occurred and documentation of the repairs undertaken.

The amount to be remitted is determined from the average of the previous four quarterly readings. The amount is doubled and deducted from the total water consumption of the period in question. Up to 50% of the difference will be remitted. Ratepayers are limited to one application for a water leak remission within any one year period for a particular property. Re-occurring annual remission requests may be declined.

Discount for Early Payment of Rates

Policy Objective

To provide a discount to ratepayers who choose to pay their annual rates in full by the due date for the first instalment.

Conditions and criteria

A discount will be allowed to early payment of rates in compliance with the following conditions:

a) The discount will be allowed for any ratepayer who pays the total annual rates as specified on the rates assessment, by the due date for the first instalment;
b) The discount will not apply to charges for water by meter;
c) The discount will be at a rate fixed annually by resolution.

Remission policy on uncollectable rates

Objectives

1. To allow for situations where all practicable methods of enforcing rates collection have been exhausted and where it is in the council's and ratepayer's best financial interests to remit such rates. One benefit of this is to achieve early recovery of the GST content of these uncollectable rates instead of having to wait until expiration of six years as required by the Limitation Act 2010, which then prompts write-off of the debt and recovery of the GST at that time. Most, if not all properties that meet this objective, are expected to be multiple owned Maori Freehold Land that is unoccupied and unused.

2. To allow for situations where due to the relatively small size of the amount owing it is not economical to collect such rates debts.

Conditions and criteria

a) All rates, both arrears and current, including service charges, will be remitted in cases where the council considers either of the above objectives will be achieved. This policy will be applied at Council's instigation.
b) Delegated authority to apply this policy rests with the Chief Financial Officer
c) Properties receiving a remission under 1 above are to be reviewed whenever fresh aerial images are available to confirm or otherwise their continued remission status.

Remission of Targeted Rates for Capital Cost of Sewerage Schemes on Payment of Capital Cost Owing

Policy Objective

The objective of this policy is to allow ratepayers, who did not originally take up the lump sum option within the timeframe allowed for any of Council's sewerage schemes, to repay the capital cost balance owing.

Conditions and criteria

At any point during a rating year, a ratepayer who is currently paying a targeted rate for the capital cost of a sewerage scheme may request the capital cost balance owing as at 30 June for that rating year (note: each rating year begins on 1 July).

The amount quoted will not contain any loan charges for any subsequent rating year (i.e. it will be the remaining capital cost balance owing as at 30 June of that rating year), but as the targeted rate has been set for the full current rating year, this targeted rate must be paid for that year as assessed.

Provided the amount quoted by Council is paid in full on or before 30 June of that rating year, the rating unit will automatically be credited with a 100% remission of the sewerage capital cost targeted rate each year until the end of the loan repayment term.

<u>Remission of rates on Maori Freehold Land</u>

In developing this policy Council has given consideration to how either providing or not providing rates remissions would contribute to the following objectives.

Objectives

1. Supporting the use of the land by the owners for traditional purposes.
2. Recognising and supporting the relationship of Maori, and their culture and traditions, with their ancestral lands.
3. Avoiding further alienation of Maori freehold land.
4. Facilitating any wish of the owners to develop the land further for economic use.
5. Recognising and taking account of the presence of waahi tapu that may affect the use of the land for other purposes.
6. Recognising and taking account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere).
7. Recognising and taking account of the importance of the land for community goals relating to:
    a) the preservation of the natural character of the lakes environment
    b) the protection of outstanding natural features
    c) the protection of significant indigenous vegetation and significant habitats of indigenous fauna
8. Recognising the level of community services provided to the land and its occupiers.
9. Recognising matters relating to the physical accessibility of the land.
10. Encouraging productive use or occupation of part or all of the land and payment of rates on part or all of the land.
11. Taking into account other factors (e.g. value of land based on highest and best use, compared with actual or most practical use) that contribute to the block being unoccupied and unproductive.

Specific conditions and criteria

a) 50% rates remission may be provided where any of the objectives 1-9 are supported.
b) 75% rates remission may be provided for a period of 5 years where land that is previously not used is brought into productive economic use. After 5 years the remission will be either removed or reduced where conditions continue to prevent full economic use of the land, e.g. zoning value, access difficulties, flooding or erosion. This remission may only be applied for once every ten years in respect of the same property. (objectives 4 and 10 supported).
c) Multiple sets of uniform annual general charges and uniform targeted rates may be remitted where multiple rating units are being used as one property, e.g. forestry, farming. Rating units need not necessarily be contiguous (objectives 4 and 10 supported).
d) Part of the rates may be remitted where some other aspect beyond the reasonable control of the owners prevents the full economic use of the land e.g. access, flooding, erosion etc. Remission amount will be on a case by case basis at the discretion of council (objective 9 supported).
e) Part of the rates may be remitted where:
    i. The land is multiple owned and unoccupied, and
    ii. Remission of part of the rates assessed will enable all or part of the land to be utilised, and enable payment of the balance of the rates assessed (objective 10 supported).
f) Part of the rates may be remitted where:
    i. The land is multiple owned, and
    ii. The rateable value exceeds the value that is relevant for the purpose for which the land will be used, e.g. land is zoned residential yet is used for farming (objective 11 supported).

Calculation of remissions under objective 11 are to be on a case by case basis, with the determination of 'actual use' rateable value to be made by Council's valuation service provider.

General conditions and criteria

a) If any remaining rates after a remission is applied are not paid by the relevant due date no further remission will be provided.
b) No remission of service charges will be provided.
c) No rates postponements will be provided on Maori freehold land.
d) Consideration will be given to the following matters (but not limited to these) as part of the decision-making process:

i. The number of owners
ii. The rateable land value per hectare relative to similar parcels of land
iii. Any restriction of access, bearing in mind this will have been accounted for to some extent by Council's valuers
iv. Potential for future use/economic development of the land.

e) For the purposes of this policy, multiple owned Maori freehold land means Maori freehold land owned by more than two persons.
f) Each case will be considered on its individual merits at Council's discretion. This means that an application for remission that seems to meet the conditions and criteria may not necessarily be approved.
g) Properties approved to receive a remission will be subject to regular review and generally this will be on an annual basis.
h) Application for rates remissions under any of the above conditions is required to be submitted on the 'MFL remission application form'. Contact Council's customer service centre for a copy. Further information may be requested by council officers to support any application lodged.

Rates Postponement

Policy Objective
To give ratepayers a choice between paying rates now or later, subject to the full cost of postponement being met by the ratepayer and Council being satisfied that the risk of loss in any case is minimal.

General Approach
Only rating units defined as residential, and used for personal residential purposes by the applicant(s) as their sole or principal residence, will be eligible for consideration of rates postponement under the criteria and conditions of this policy.

Current and all future rates may be postponed indefinitely, or until the sale of the property, if at least one ratepayer (or, if the ratepayer is a family trust, at least one named occupier) is 65 years of age or older. Where the ratepayer is younger than 65, current and all future rates may be postponed to a date not more than 15 years from June 30th in the rating year in which the application was made. The applicant may elect to postpone the payment of a lesser sum than that which they would have been entitled to have postponed under this policy.

Owners of units in retirement villages will be eligible; provided that Council is satisfied payment of postponed rates can be adequately secured.

Council will add to the postponed rates all financial and administrative costs to ensure fairness between ratepayers who use the postponement option and those who pay as rates are assessed.

Council will establish a reserve fund to meet any shortfall between the net realisation on sale of a property and the amount outstanding for postponed rates and accrued charges, at the time of sale. This will ensure that neither the ratepayer(s) nor the ratepayer(s') estate will be liable for any shortfall.

Criteria and Conditions

Eligibility
Any ratepayer is eligible for postponement provided that the rating unit is used by the ratepayer for personal residential purposes. This includes, in the case of a family trust owned property, use by a named individual or couple. People occupying a unit in a retirement village under an occupation licence will be able to apply for postponement of the rates payable by the retirement village on their unit, with the agreement of the owner of the retirement village.

Risk
Council must be satisfied, on reasonable assumptions, that the risk of any shortfall when postponed rates and accrued charges are ultimately paid, is negligible. To determine this, a specifically designed actuarial model has been developed that will forecast, on a case-by-case basis, expected equity, when repayment falls due. If that equity is likely to be less than 20%, the council will offer partial postponement, set at a level expected to result in final equity of not less than 20%.

Where a ratepayer wishes to postpone both this council's rates, and those set and assessed by Bay of Plenty Regional Council, this council will consult with Bay of Plenty Regional Council to ensure that the combined council's rates do not exceed the equity provisions outlined in the previous paragraph. Where a ratepayer wishes to postpone the rates assessed by Waikato Regional Council a separate application would have to be made to Waikato Regional Council.

Exclusions

At present, the law does not allow councils to register such a charge against Maori freehold land. Accordingly, Maori freehold land is not eligible for rates postponement (unless and until the law is changed so that the council can register a statutory land charge).

Insurance

The property must be insured for its full value and evidence of this produced to Council annually.

To assist ratepayers who are currently uninsured, Council is anticipating the development of a group insurance policy to provide all risks cover, designed to keep cover against catastrophic loss to a minimum cost. The premium will be treated as part of the postponement fee and therefore come within the postponement arrangements.

Arrangements for the group insurance policy are currently on hold, but Council will continue to monitor progress.

Mortgage

Postponement of rates on a property subject to mortgage will be available only if Council holds a letter from the mortgagee agreeing to the postponement.

Independent Advice

To protect Council against any suggestion of undue influence, applicants will be referred to an appropriately qualified and trained independent agency contracted by Council. The agency will work with the applicant, to ensure they are aware of all aspects of the policy, before deciding to proceed with postponement. A certificate confirming this will be required by Council before the postponement is granted. The cost of this is included in initial charges set out in the Funding Impact Statement.

Rates able to be postponed

All rates are eligible for postponement except for: targeted rates for water supplied by volume (water by meter rates) and lump sum options.

Security

Postponed rates will be registered as a statutory land charge on the rating unit title. This means Council will have first call on the proceeds of any revenue from the sale or lease of the rating unit.
Postponement will not be granted if a statutory land charge cannot be registered on the rating unit Certificate of Title.

Council has the right to decline postponement if the property is situated in a known hazard zone.

Conditions

Any postponed rates (under this policy) will be postponed on the following conditions:

(a) Until the death of the ratepayer(s) or named individual or couple, (in this case the council will allow up to 12 months for payment so that there is ample time available to settle the estate or, in the case of a trust owned property, make arrangements for repayment); or

(b) Until the ratepayer(s) or named individual or couple ceases to be the owner or occupier of the rating unit. (If the ratepayer sells the property in order to purchase another within the council's district, Council will consider transferring the outstanding balance, provided it is satisfied that there is adequate security in the new property for eventual repayment); or

(c) If the ratepayer(s) or named individual or couple continue to own the rating unit, but are placed in residential care, Council will consider them to still be occupying the residence for the purpose of determining when postponement ceases and rates are to be paid in full; or

(d) Until a date specified by Council. Council will charge an annual fee including interest on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover Council's administrative and financial costs and may vary from year to year.

Fees

Annual Fees
Annual fees will be charged in accordance with the fees outlined in the Funding Impact Statement.

Application Fee
An application fee will be charged in accordance with the fees outlined in the Funding Impact Statement. This will be added to the postponed rates.

Financial Costs
The financial cost will be charged in accordance with the interest rate outlined in the Funding Impact Statement. This will be added to the postponed rates.

Payment
The postponed rates or any part thereof may be paid at any time. The applicant may elect to postpone the payment of a lesser sum than that which they would have been entitled to have postponed pursuant to this policy.

Review or Suspension of Policy
The policy is in place indefinitely and can be reviewed, subject to the requirements of the Local Government Act 2002, at any time. Any resulting modifications will not change the entitlement of people already in the scheme, to continued postponement of all future rates. Council reserves the right not to postpone any further rates once the total of postponed rates and accrued charges exceeds 80% of the rateable value of the property as recorded in Council's rating information database. This will require the ratepayer(s) for that property to pay all future rates but will not require any payment in respect of rates postponed up to that time. These will remain due for payment on death or sale.

The policy consciously acknowledges that future changes in policy could include withdrawal of the postponement option.

Procedures
Applications must be on the required form which will be available from Council's Civic Centre at 1061 Haupapa Street, Rotorua. The policy will apply from the beginning of the rating year in which the application is made, although Council may consider backdating past the rating year in which the application is made, depending on the circumstances.

Applications for postponement under this part of the policy will be determined by officers of the council, acting under delegated authority from Council as specified in the delegations resolution.

Postponement of rates on Maori freehold land
Council's policy in respect of postponement of rates on Maori freehold land follows past policy. This is to not postpone rates but to use the remission policy where appropriate.

Treasury policy

Introduction
Council's Treasury Policy establishes borrowing limits to ensure prudent management of anticipated debt borrowings over time, and exposure to risk. The policy also ensures investment returns are maximised within an acceptable risk management framework, to ensure capital preservation, for the benefit of ratepayers.

Reporting to Council
The Chief Financial Officer has responsibility for ensuring appropriate reporting of the Treasury function is completed for senior management and the council, to ensure they can meet their oversight requirements, as detailed within this policy, and effectively monitor performance.

Constraints
All projected borrowings are to be approved by Council as part of the Annual Plan process, or resolution of Council before the borrowing is affected. When making decisions or taking action the following are taken into account:

- Local Government Act 2002, in particular Part 6 including sections 101, 102, 104 and 105 requiring Council to adopt a number of funding and financial policies including a liability and investment policy. Council must manage its revenue, expenses, assets, liabilities and investments prudently, in a manner that promotes the current and future interests of the community.
- Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trustee Act 1956 Part II Investments.
- Lenders Covenants, including the specific requirements to the New Zealand Local Government Funding Agency which Council joined in February 2013 as a borrower and guarantor.
- Debenture trust deed covenants.
- Liabilities outside of policy – Council from time-to-time will enter into transactions and agreements that can expose Council to financial liability. These may include creditors, leases and guarantees. These are not part of the risk management activity controlled through the Treasury Policy document.

Liability management policy

Purpose
The Treasury Policy outlines the principles Council follows to manage Council's debt and investments and to avoid the risks associated with:

- the re-pricing risk of new and existing debt compared to Council's set budget cycles and control limits
- the funding risk and ability to refinance or raise new debt at a future time by maintaining market confidence in the creditworthiness and integrity of Council as a borrower
- Council's investments to support its strategic objectives and to invest surplus cash according to this policy

Borrowing policy
Council borrows funds as it determines by resolution arising from the Long-term planning and Annual Planning processes. Projected future debt levels are estimated from cash flow forecasting based on these planning processes.

Council will not enter into any borrowings denominated in a foreign currency.

Council raises debt for a number of purposes including:
- To fund capital expenditure for new assets relating to additional demand, new levels of service and/or growth and those that require inter-generational funding
- Short term working capital
- Special projects as determined from time to time by the Council
- Fund emergencies in the short term

Council is able to borrow through a variety of market mechanisms including:

- Through New Zealand Local Government Funding Agency Limited (LGFA)
- Accessing the capital markets directly by the issuance of stock, floating rate notes and other instruments as approved by Council.
- Direct bank borrowing

Interest rate management

Council's ongoing borrowing requirement gives rise to direct exposure to interest rate movements. Interest rate risk management refers to managing and minimising the impact that unfavourable movements in market interest rates can have on Council's cash flows, underpinning its Annual Plan and Long-term Plan. This impact can be both favourable and unfavourable.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of debt funding costs. Certainty around interest costs is to be achieved through the ongoing management of underlying interest rate exposures.

The Chief Financial Officer approves the ongoing interest rate risk management strategy based on the above primary objective, and advice from the Treasury Management Group which monitors the interest rate markets on a regular basis.

Interest rate risk management instruments

Interest rate risk can be managed by way of fixed and floating rate term debt, and also by using interest rate risk management instruments that allow the re-profiling of the floating rate part of the debt portfolio.

Fixed rate, longer term borrowing can mitigate interest rate re-pricing risk. This risk exists where a long-life asset is funded by floating rate and either the asset produces a fixed income stream that cannot be easily re-priced in line with changing interest rates, or debt repayments which are funded from a fixed income source (e.g. a targeted rate) which will not be re-priced regularly.

Buying and selling risk management instruments for the primary purpose of generating premium income is not permitted because of its speculative nature.

Funding risk management

Funding risk management centres on the ability of Council to re-finance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and terms of existing facilities/debt. A key factor of funding risk management is to spread and control the risk and reduce the concentration of risk at any one point in time so that if one-off internal or external negative credit events occur, the overall interest cost through adverse credit margins movements is not unnecessarily increased, or term availability and general flexibility reduced.

Council ensures debt maturity is spread widely over a band of maturities to minimise the risk that large concentrations of debt may mature or be reissued when credit margins are high. Council manages this specifically by adopting maximum maturity percentages in any one 12 month period, measured on a rolling basis.

Council's ability to readily attract cost-effective borrowing is largely driven by its ability to:

- Maintain a strong balance sheet and ultimately its ability to rate. This means that in general terms Council debt has a perceived credit quality just below that of the New Zealand Government
- Service loans as interest and principal amounts become due
- Have diversified funding sources and maturity dates to avoid one-of event risk unduly impacting on overall interest expense levels
- Manage its image in the marketplace and its relationships with bankers, brokers, investors.

The Chief Financial Officer or delegate has the discretionary authority to re-finance existing debt on more favourable terms. Such action is to be reported and ratified by Council at the earliest opportunity. Council has the ability to pre-fund up to 12 months of forecast debt requirements including re-financings.

Liquidity management

Liquidity management refers to the timely availability of funds to Council when needed, without incurring penalty costs.

The following guidelines have been established to provide Council with appropriate levels of liquidity at all times:

- Cash flow forecasts are produced to assist in the matching of operational and capital expenditure to revenue streams and borrowing requirements
- Council will maintain its financial investments in liquid instruments and within credit exposure limits detailed in this policy
- Council will ensure that where sinking funds or council-created investment reserves are maintained in liquid financial investments to repay borrowing, these investments are held for maturities not exceeding the relevant borrowing repayment date
- To minimise the impact of unexpected cash surpluses, Council will take advantage of the efficiencies of maintaining floating rate bank facilities to assist in overall working capital management.
- Term loans and committed debt facilities together with cash or near cash financial investments must be maintained at an amount of at least 110% over the maximum projected net external debt balance, as detailed in the current Annual Plan.

Credit exposure policy

Prudent credit management can reduce the council's risk of loss from a counterparty failing to meet its obligations. Credit exposure for borrowings is relevant for the undrawn portion of any committed, standby or bank facility, where the counterparty has a contractual obligation to provide funds to the Council. Where the council uses these facilities, the counterparty's minimum credit rating must be A1 (short-term) or A- (long-term) as rated by Standard & Poor's, or equivalent credit ratings from another internationally recognised rating agency (such as Moody's or Fitch Ratings).

Emergency risk fund

Maintain sufficient headroom within council's liquidity and confirmed debt facilities so that a minimum of $15 million may be accessed to meet unforeseeable and immediate funding requirements unable to be provided through management of Council's business-as-usual activities or insurances.

Security provided to the market

Council offers a charge over rates and rates revenue, as security for general borrowing programmes and interest rate risk management activity. From time to time, with prior council approval and the Trustee, security may be offered by providing a charge over one or more of Council's assets. Council offers security under a Debenture Trust Deed.

Utilisation of internal funds for internal borrowing purposes will be on an unsecured basis.

Carbon credits

The introduction of the Emissions Trading Scheme (ETS) may require the purchase of carbon credits to offset landfill emissions. Council can purchase up to 80% of its expected exposure over the next 18 months on a rolling basis at the discretion of the Chief Financial Officer.

Foreign exchange exposures

Council may have foreign exchange exposure through the occasional purchase of foreign exchange denominated assets or foreign currency denominated expenses in order to access particular assets or services. Commitments in excess of NZD100,000 are defined as an exposure. Foreign exchange exposures may be hedged using spot and forward foreign exchange contracts with registered banks with a credit rating of at least A+, once expenditure is approved by the Chief Financial Officer and/or Council.

Borrowing Intra-Group

Council's debt is managed on a centralised basis for the parent and its subsidiaries**.**

Where Council has a borrowing requirement for specific projects or activities, internal cash resources may be utilised first before any funds are borrowed externally.

Council is able to facilitate cost-effective external borrowings if required for Council Controlled Organisations [CCOs] by way of its standing in the marketplace and recognises that there is a financial benefit to CCOs from this. Council can pass funding to CCOs at cost or include a margin to reflect its support as approved by the Council. If funds are raised by Council for the specific purpose of funding a CCO, then these funds cannot be provided below cost to Council

From time to time Council may provide direct financing to Council Controlled Organisations to assist in cash flow management and this would be advanced at the Council's average cost of funds.

Control Parameters

Borrowing limits
Total council borrowings will be managed within the following macro limits in line with LGFA requirements:
(Covenants are measured on Council only not consolidated group)

Ratio	LIMIT
Net Debt/Total Revenue	<175%*
Net Interest/Total Revenue Net Interest/Annual Rates Income	<20% <25%
Liquidity [a] (external debt + cash or near cash financial investments (including LGFA borrower notes) + unutilised but committed loan facilities, to existing external debt)	>110%
Liquidity [b] (cash or near cash financial investments (including LGFA borrower notes) + unutilised but committed loan facilities – emergency risk funding of $15 million, to equal a minimum period of forecast net cash outflow including maturing debt on a rolling basis)	6 Months at least

**this would increase to 250% if RLC had an external long term credit rating of A or better.*

When reporting against these macro-limits on a quarterly basis, Treasury will not only measure against current debt levels but also test projected debt levels over the period covered by the current LTP, including sensitivity analysis around income levels and interest rates, and also an assumption that there will be no debt repayments over the cycle (i.e. debt levels projected cannot be lower than those of the previous year.

No more than $60 million of maturing debt can mature in any rolling 12 month period.

Fixed/floating interest rate profile
The following table details control limits for the allowable floating/fixed rate mix. The table reflects Council's preference for a reasonable level of certainty over interest costs, over multiple timeframes, given the long term nature of assets being funded. The fixed rate amount at any point in time should be within the following maturity bands:

Fixed rate maturity profile limit		
Term Of Exposure	**Minimum Fixed Rate Exposure**	**Maximum Fixed Rate Exposure**
Year 1	50%	100%
Year 2 and 3	30%	80%
Year 4	15%	60%
Year 5 to year 10	0%	50%
Year 11 and over	Any borrowing must be approved by Council	

Investment management policy
Council seeks to minimise the risks associated with its investments to avoid placing the capital value of individual investments at risk. Council does not undertake any unnecessary or speculative investment activity.

The council's key investment policy objectives are to:

- prudently manage its financial investments by seeking to maximise investment income within acceptable investment risk parameters. Council, as a public entity, is risk averse and as such will have a primary focus on preservation of capital, despite this meaning a level of return that may be lower than could be achieved by investing in 'speculative riskier' assets
- invest in only those investments that are approved under this policy
- maintain an appropriate level of diversity
- support the Council's liquidity requirements
- enable regular reviews of the performance (risk and return) of investments
- maintain operational controls and procedures that protect the Council against financial loss, opportunity cost and other inefficiencies.

Mix of Investments

The council has investments in equity and debt securities. The council's equity investments include holdings in CCOs and other entities where there is a specific strategic objective for holding the investment, or the investment is required to comply with legislation. Council may invest in shares of the LGFA and may borrow to fund that investment.

The council's debt investments include treasury assets, such as cash or cash equivalent investments, loan advances and LFGA equity related requirements. Council holds other debt investments, each tagged for specific purposes, which may include loans to council controlled organisations.

Acquisition of new investments

New equity investments are approved by the council acting on the recommendation of the appropriate council committee. In general, it is not Council's policy to acquire equities solely for investment purposes, except where those equities are purchased as a part of a perpetual or externally managed investment portfolio, or where arrangements are entered into that mitigate financial risks associated with the investment.

Loan advances may be made from time to time to assist Council to achieve its investment objectives and Council outcomes. Council approval is required for all loan advances, and all advances must meet statutory requirements including the requirements of Section 63 of the Local Government Act 2002 in relation to concessionary interest rates.

Investment Risks

This policy sets operating parameters for financial investment activity including approved counterparties, instruments and limits. The following principles form the key assumptions of the operating parameters contained in the investment framework:

- Credit risk is minimised by placing maximum limits for each broad class of non-government issuer (excluding LGFA), and by limiting investments to local authorities and registered banks within prescribed limits
- Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market
- Council may only make financial investments in approved creditworthy counterparties.

Council's financial investments give rise to a direct exposure to a change in interest rates, impacting the return and capital value of its investments. For investments in excess of 12 months the Treasury Management Group implements an interest rate risk management strategy by reviewing rolling cash flow forecasts and adjusting the maturity of its investments, as appropriate.

Financial investments - approved issuers, instruments and limits

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the council in a default event will be weighted differently depending on the type of instrument entered into. Credit risk will be regularly reviewed by the council. Treasury-related transactions would only be entered into with organisations specifically approved by the Council.

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's, Fitch or Moody's) being A+ and above or short term rating of A-1 or above. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

The following matrix guide will determine limits.

Counterparty/Issuer	Minimum long term/short term credit rating	Instruments	Limits (% of total investment portfolio)
NZ Government	N/A	Treasury bills	100%
Local Government Funding Agency (LGFA)	N/A	LGFA borrower notes/LGFA bonds	100%
NZ registered bank	A+ / A-1	Money market call deposits Money market term deposits	Up to 100% of total portfolio but no more than $10M with any one registered bank

Policy Monitoring

Reporting to Council

The Chief Financial Officer has responsibility for ensuring appropriate reporting of the Treasury function is completed for senior management and the council, to ensure they can meet their oversight requirements as detailed within this policy, and to effectively monitor performance. Reporting requirements are agreed or confirmed annually with the Chief Executive and Council.

Reporting is expected to include appropriate summaries showing compliance against key policy risk parameters with exception reporting, as soon as one is recognised. Commentary should be limited to that which assists recipients to readily understand the impact of any decisions they are being requested to make.

Treasury Management Group (TMG)

The TMG exists to ensure the following:

- Compliance with Council's Treasury Policy
- Ensure operational controls and procedures protect Council against financial loss and opportunity cost, and ensure other inefficiencies are mitigated or maintained
- Monitor, evaluate and report on treasury performance

A key responsibility is to evaluate borrowing opportunities. In evaluating borrowings the TMG will consider the following:

- The overall structure of Council borrowings, having regard to the principle of intergenerational equity.
- The impact of the new debt on borrowing limits taking into account long term debt projections and the potential impact of new debt on Council financial ratios, and the impact of the new debt on the sustainability of overall debt service costs
- Relevant margins under each borrowing source
- The debt maturity profile ensuring concentration of debt in a particular year(s) is in compliance with this policy
- Prevailing interest rates relative to the term of borrowing
- The term of the borrowing
- Legal compliance and financial covenants
- Other terms and conditions

The core members of the TMG are as follows:

- Chief Financial Officer
- Finance Manager
- Accounts Lead

The Chief Executive is invited to all TMG meetings, but is not a permanent member, as are representatives of the council's independent treasury advisor (if one is appointed).

Other council officers and Council's treasury advisors are invited to attend as required.

Accounting treatment of financial instruments and valuations

Council uses financial market instruments for the primary purpose of reducing its exposure to fluctuations in interest rates. The accounting treatment for such financial instruments is to follow New Zealand Generally Accepted Accounting Practice and is detailed in the Accounting Manual.

Performance measurement

Measuring the effectiveness of Council's treasury activities is achieved through a mixture of subjective and objective measures. The predominant subjective measure is the overall quality of treasury management information, including development of key performance indicators (KPIs) for the Chief Financial Officer, by agreement with the Chief Executive.

Delegated authorities

Council has the following responsibilities, either directly itself or via the following stated delegated authorities:

Activity	Delegated authority	Limit
Approving and changing policy	The Council	Unlimited
Approving borrowing programme and new debt	The Council	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging physical assets as security over borrowing	The Council	Unlimited
Approval for providing security stock as security over borrowing	Chief Executive or delegate	Unlimited
Appoint Debenture Trustee	The Council	Unlimited
Re-financing existing debt	Chief Executive or delegate	Re-financing existing debt
Approving transactions outside policy	The Council	Unlimited
Adjust net debt interest rate risk profile	Chief Executive or delegate	Per risk control limits
Managing funding maturities	Chief Executive or delegate	Per risk control limits
Maximum daily transaction amount (borrowing, interest rate risk management) excludes roll-overs on floating rate debt and interest rate roll-overs on swaps	Chief Executive or delegate	$30 million
Authorising seal register signatories	Mayor/Chief Executive or delegate	Unlimited
Authorising lists of signatories and opening/closing bank accounts	Chief Executive or delegate	Unlimited
Triennial review of policy	Chief Executive or delegate	N/A
Ensuring compliance with policy	Chief Executive or delegate	N/A

All management delegated limits are authorised by the Chief Executive. The following procedures must be complied with:

- All delegated authorities and signatories must be reviewed at least annually to ensure they are still appropriate and current
- A comprehensive letter must be sent to all relevant banks and other counterparties, at least annually, to confirm details of all relevant current delegated authorities empowered to bind Council

Whenever a person, with delegated authority on any account or facility, leaves Council, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

Policy review

This Treasury Policy is to be formally reviewed by Council at least every 3 years, in conjunction with the long term plan process, or earlier if required. The Chief Financial Officer has the responsibility for preparing a review report to be presented to the Council for consideration and approval.

Definitions: Unless the context otherwise requires, in this Policy:

CCOs:
Council-controlled organisations in which council controls 50% or more of the votes or has the right to appoint 50% (or more) of directors or trustees.

COs:
an entity with voting rights held by one or more Local Authorities.

Debt:
amount of funds borrowed by Council under a specific contractual debt arrangement with provisions covering the repayment terms and payment of interest.

Debenture Trust Deed:
all Council's borrowings are secured by a floating charge over the future rate income of the district through the provisions of a denture trust deed.

Group:
the business of Council and its subsidiaries.

Floating rate:
an interest rate re-pricing within the next 12 months.

Fixed/Floating rate profile:
Council manages its interest rate exposures by defining minimum and maximum fixed or floating percentages within various timeframes.

Fixed Interest Rate:
an interest rate re-pricing date beyond 12 months forward, on a continuous rolling basis.

Funding Risk:
the risk that funding sources may curtail lending and availability of funding at acceptable credit margins.

Hedging:
a hedge can be constructed from a range of financial instruments, including forward contract, swaps and other derivative products, in order to offset any potential losses.

Interest Rate Risk:
impact that exposure to movements in market interest rates can have on Council's cash flows, Annual Plan and Long-term Plan.

Interest Rate Swap:
an interest rate swap allows the variable rate interest payments of a debt facility to be exchanged for a fixed rate or vice versa. This is done notionally without changing the terms of the underlying loan.

LGFA:
the NZ Local Government Funding Agency was incorporated on 01 December 2011. It is owned by 30 local authority councils and the Crown. Primary purpose is to provide more efficient funding costs and diversified funding sources for NZ local authorities. Council Joined LGFA as a borrower/guarantor in February 2013.

Liquidity Risk:
the risk that Council may be unable to meet short term financial demands.

Long Term:
greater than 12 months

Net Debt:
total debt less cash or near cash financial investments, including LGFA borrower notes.

Net Interest:
total interest expenses less interest income, excluding interest income from debt on lending to CCOs.

Short Term:
less than 12 months

Total Revenue:
earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Income excludes non-government capital contributions (e.g. development contributions and vested assets).

Trustee:
the trustee or trustees for the time being holding office as trustee under the debenture trust deed.

Weighted average interest rate:
takes into account the various loan interest rates, loan value and term to calculate an overall average interest rate.

Infrastructure strategy 2015-2045

Infrastructure Strategy

2015-2045

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Strategy Overview

Strategy Introduction

This strategy explains how we will deliver infrastructure services to meet the needs of current and future generations.

It aims to achieve a balanced investment programme which keeps existing infrastructure in good condition, as well as allowing for investment in new infrastructure to meet expected growth. The strategy covers a period of 30 years and includes an overview of major infrastructure issues and trends that will have an impact on our infrastructure over this period, how we propose to respond to these, and the risks and costs associated with our investment in infrastructure over that time.

Strategy Context

This Infrastructure Strategy has been developed in the following context:

Rotorua has experienced modest growth over recent years - O.9% p.a. between 2003 and 2013 as opposed to the national growth of 2.1% p.a. for the same period. The long term Plan aims to invest in projects and activities that will accelerate this economic growth. The Urban Revitalisation Plan 2015-2045 envisages economic growth which should lead to increased population from the current level of around 65,000 to one of 71,800 within the 30 year period, with the majority of this growth along a defined spatial plan.

Whereas there will be some ageing of the population it will be considerably less than in other parts of the country.

With this in mind, and as our district relies heavily on tourism and forestry, infrastructure and the services delivered through these assets are pivotal components of our strategy. The focus of this strategy will be to maximise the benefits and value of investments already made in the past, and into the future.

Collectively the district has $1.5 billion invested in physical assets– everything from water, roads and footpaths (network assets) through to library and community halls (social assets), and we spend around $50m per year to maintain and renew these assets. Over the first third of this 30 year infrastructure strategy (30IS), we will be investing in additional infrastructure to meet higher environmental outcome demands and to fill gaps in our current service offering, particularly where these investments support the council's economic and community development goals. The forecast capital expenditure is derived from the information held in the underlying asset management plans. Council has provided funding of 85% of total asset management plan capital expenditure to reflect a higher level of scrutiny on capital spending and an increased emphasis on completion of projects at the time the work is required.

This strategy provides a clear 'line of sight' from our 2013 vision and through to the 2015 long-term plan. The two foundation strategies, infrastructure and financial, inform this plan.

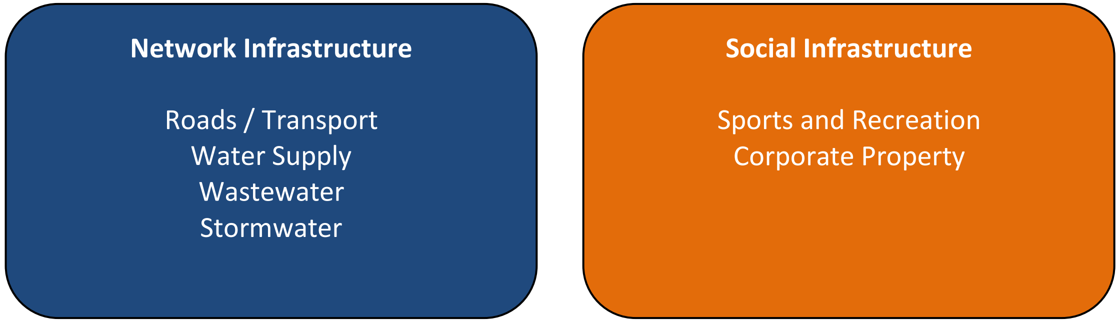
The strategy will have the following imperatives:

- Continued development of evidenced-based decision-making tools for any infrastructure investment proposal.
- A continued programme to improve asset knowledge of condition, utilisation and performance.
- A focus on renewals to maintain existing levels of service, within an agreed risk environment – including a focus on increasing the resilience and environmental performance in all networks.
- Integration of planning tools to direct new growth where possible to areas with existing surplus infrastructure capacity.
- Incentives to support increasing the use of existing community and recreation facilities.
- Integration and optimisation of upgrade works with forecasted renewals to reduce cost and disruption.

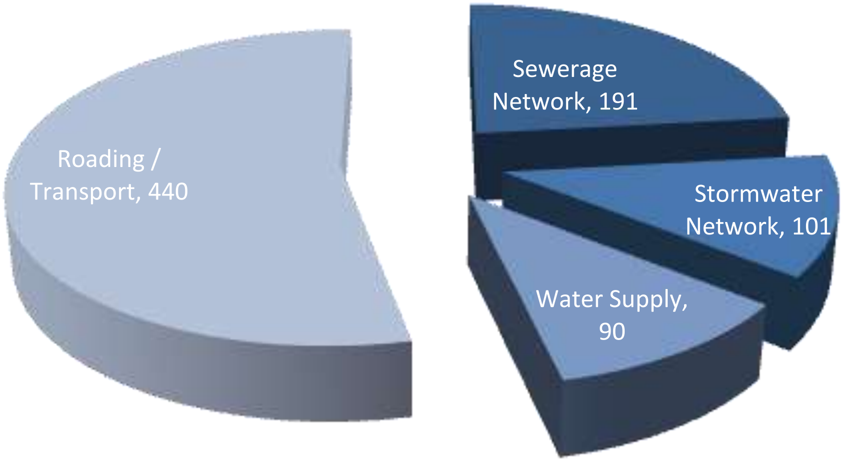
Figure 1

This strategy scope includes network infrastructure
(It does not include social infrastructure assets)

Figure 2



Network Infrastructure Net Book Value (NBV) as at 30 June 2014



Network infrastructure NBV is the net difference between the estimated asset replacement costs and the depreciated value in millions of dollars.

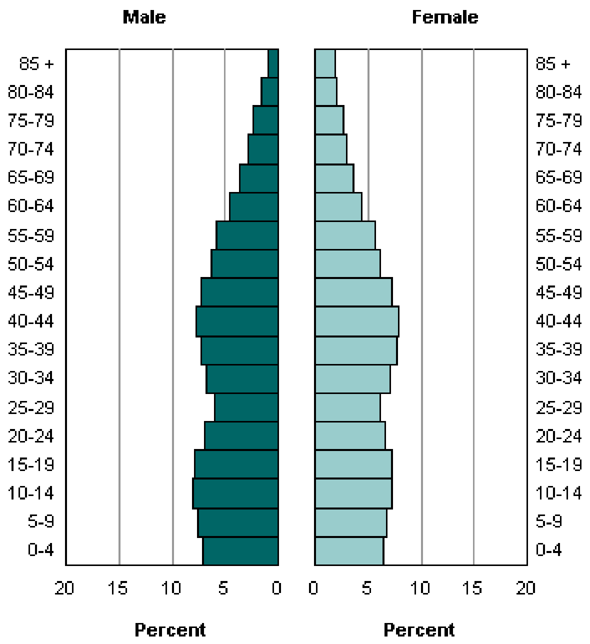
Major Issues Influencing Our Strategy

Population Growth and Demographics

We expect that the district will experience modest population growth over the next 30 years, similar to current and historic trends (see figure 3 below). Beyond this period, population in New Zealand is expected to stabilise and Rotorua is not expected to be materially different. Planning implications are being considered as part of the longer-term view of our long-life assets as part of any deliberations for investment.

The council is considering targeted investment in the district to unlock more economic growth. While we do not expect that growth to place unpredictable demand on infrastructure services in the future, any significant demand growth in response to a more buoyant local economy will increase demand on services and infrastructure. We will regularly update service levels through annual plans in response to demand growth beyond those currently forecast.

Figure 3: Demographic Chart of the district – Population make up (gender)



Resilience and Sustainability

The council has a responsibility to manage its assets and services in a way that provides resilience and environmental brand protection for the district. Rotorua is not particularly exposed to the risk of natural disasters any more than any other city in New Zealand. The main concern is the risk of severe weather events (e.g., big storms), as well as the longer-term effects of climate change.

A number of programmes looking at quantifying and measuring the impact of climate change on our infrastructure are underway. Additional data and information from these studies will inform future versions of the infrastructure strategy.

These initiatives support an ongoing programme of capital renewals which provide for improved physical and environmental resilience in our networks, with a careful selection of material types and engineering design techniques. Critical assets have been treated with priority. This programme has been underway for more than a decade and will continue through the 2015 long-term plan (LTP), the 2015/45 30IS and beyond.

Community Demand and Affordability

Community expectations of council services are continually increasing, while tolerance for cost increases, disruptions and service failure is decreasing.

Council will have an ongoing dialogue with the community, through annual and long-term plans, about the levels of service it provides. This is to ensure it meets expectations, and any changes to service levels will take into account factors such as cost, the distribution of benefits and who pays.

Alongside current economic growth and demand considerations, asset capacity and utilisation (discussed below) are being carefully analysed against future demand. One of the key programmes of work is to understand where prior investments in infrastructure are underutilised in the current environment. District Plan planning rules and other key constructs (e.g. urban design) are being considered carefully as part of this analysis. Affordability and 'Levels of Service' provision, current and future, is another.

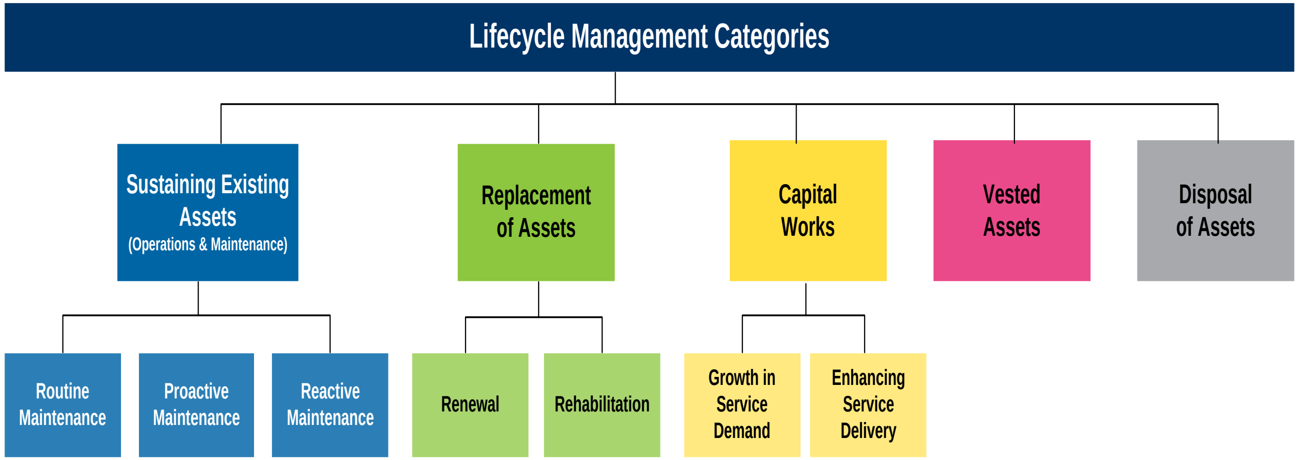
To that effect some $43 million of investment in the 'three waters', primarily in enhanced waste water treatment options for around the lakes small communities, has been noted in this strategy as requiring investment, although it has not been included in our financial forecasts pending community consultation in the LTP process.

Regulatory Requirements

Changing statutory requirements and national standards set by central government (e.g. health and safety) can impact on how and to what level, we deliver services. We will work with government on changes to national standards that impact on our infrastructure services and implement them in accordance with legislative requirements.

Overall Approach

We will take a principled approach to how we manage our infrastructure portfolio. The following principles will guide our decision-making. The council has developed and is implementing a data collection programme across all its infrastructure assets. This is informing our strategic asset management framework which aims to use evidenced-based decision-making tools to inform short, medium and long term infrastructure investment decisions on behalf of the community. New disciplines have to be integrated into the more traditional engineering and financial disciplines to build appropriate forecasting models and to inform the 2015 LTP and the 2015/45 30IS. One of the key considerations has been a refocus on the 'whole of life' costs and benefits of an asset and the services these provide.



- The routine maintenance plan relates to the day-to-day running and upkeep of the asset. It supports the level of service required of the asset. Operations and maintenance expenditure can be a significant proportion of the asset's total lifecycle cost.
- Routine maintenance is divided into planned (proactive) maintenance and unplanned (reactive) maintenance.
- Planned Maintenance
- This is the proactive inspection and maintenance work to support asset reliability and quality, and to prevent costly failures of associated assets.
- Reactive maintenance

Attends to urgent or unplanned maintenance work which is required to remove a hazard or to repair a fault. This work is required in the short term to restore the asset to working condition and is generally undertaken in response to inspections, complaints or Renewal and Maintenance of Assets

Renewal expenditure includes the renewal or rehabilitation of assets to restore an asset to its original level of service i.e. capacity or the required condition. Required levels of expenditure on the cyclic asset replacement programme will vary from year to year, and will reflect:

- The age profile of the assets.
- The condition / performance profile of the assets.

- The ongoing maintenance demand.
- The differing economic/useful lives of individual assets comprising the overall system of assets.

The broad funding consolidation of maintenance and renewal for the four networks covered by this strategy is as follows:

Key Assets	Estimated Replacement Value $000	Average Annual Renewal $000	Average Annual Maintenance $000
Transport	440,000	6,300	6,200
Stormwater	186,000	2,458	3,077
Potable water	182,000	1,816	6,150
Waste water	312,000	4,565	10,380
TOTAL	**1,120,000**	**12,681**	**25,807**

Critical to these considerations has been reconciliation of the depreciation expense (funding) against the forecast renewals (expense) across the whole of life of the council's assets (although 30 years is published in this report the analytics must be for longer periods i.e. for 100 years). The direct correlation of these two parameters indicates that the planned renewal investment is around 82% of the theoretical depreciation value of the assets. We believe that this is reasonable as the long term depreciation level is based on an as yet untested rate of asset condition and deterioration. On-going asset condition and actual performance evaluation will calibrate and optimise the ratio between depreciation and renewal investment.

Additionally, the theoretical asset depreciation lifecycles as indicated by the relevant graphs indicate spikes in renewal demand over certain periods. These spikes simply correspond to the current nominal life expectations for certain assets and the periods of their initial construction. It is our intention to recalibrate these projections taking into consideration actual asset deterioration rather than the theoretical one in order to smooth the demand for renewal funding and in a more consistent manner than that currently projected.

The financial principles which support this approach are embodied in the council's Financial Strategy. There are a number of key general considerations which, when combined, have supported the approach and informed this strategy.

Fit for Purpose

We will provide appropriate quality infrastructure that can deliver services in a manner that meets community expectations now and into the future;

We will maintain and renew infrastructure and related facilities in accordance with balanced and financially sustainable best practice.

Asset Utilisation

We will improve our understanding of the current capacity and actual utilisation of our assets. Where asset networks are under-utilised, we will develop strategies to increase utilisation, before asset augmentation, to ensure maximum benefit is derived from our historical investment.

Strategic Long-term View

We will continue to scrutinise our asset performance, and service outcomes and investment value, with a focus on whole-of-life costs and long-term affordability. We will consider the long-term implications of investment in infrastructure and will make sure the level of contribution from each generation is set at a fair and reasonable level.

Improved Knowledge and Data

We will increase the level of understanding of our assets to ensure that investment in maintenance and renewal programmes is optimally set, and assets are renewed at the right time before maintenance demand exceeds benefits. Quality information and data will enable us to accurately link the relationships between costs, benefits and risks.

Coordinated

We will ensure infrastructure decisions are coordinated across Council, its subsidiaries, other agencies and other councils in the region.

Resilient

We will work to ensure our infrastructure can deal with significant disruption as a result of natural hazards. We have a good understanding of the risk to Council assets. We will continue to utilise technological advances to increase the resilience of assets that we renew, and ensure the risk of financial loss from natural events is prudently managed and reduced over time.

We will increase our understanding of the impact of climate change on our infrastructure networks, to improve management of our assets and guide future infrastructure investment.

Managed Risk

We will comply with all legislation and national standards that apply to infrastructure and service provision.

Our Assumptions

Underlying this strategy is a number of key assumptions. These assumptions have a specific and important influence on the picture this strategy builds for Rotorua Lakes Council and how we address any challenges and opportunities it highlights. These assumptions similarly inform the Financial Strategy. This strategy is based on the following assumptions;

Investment

Investment in civic infrastructure will be set at a level that retains and maintains existing levels of service and can meet realistic demand from growth. The funding models which support the longer-term view of our infrastructure replacement and upgrade profiles must demonstrate that this is affordable over the next 30 years and beyond.

Population Growth

The population through to 2045 is expected to reach around 71,800 (a movement of 10.5%). Should economic growth be achieved above the historic norms, population growth is likely to exceed this expected level. Population, if it follows current long-term projections for New Zealand generally, will likely remain static for the next 30-50 years.

Community Demand

Community demand for improved services will generally only be made where there is a gap in our target service offering, or where increasing service levels would retain our competitive advantage in that service in comparison to other cities.

Key investment planned in the life of this strategy to meet community demand, growth and environmental standards are:

Network	Planned Investment $000	Brief Comment
Transport	32,000	A variety of projects to address more and improved active transport mode choices, improvements in corridor and intersection capacity and efficiency, road safety and general amenity enhancement for the district to support our tourism objectives.
Stormwater	4,500	• A number of projects and programmes to improve network capacity and to enhance the network's ability to protect the district from flooding and contaminants. • The primary drivers are flood protection of private and community property, access resiliency and community health wellbeing
Potable Water	21,175	• While there is a plan to improve and optimise network operations the dominant planned investment objective relates to servicing and maintaining potable water sources and to increasing future storage to the south. • Water is a critical lifeline and the network's ability to meet current and anticipated demand arising from population growth, statutory requirements and environmental conditions are pivotal to the purpose of this proposed investment.
Waste Water	93,510	• The major investment is in the expansion of the centralised Rotorua Waste Water Treatment Plant to replace the existing Forest Land Disposal System, and to meet community demand for wastewater treatment and reticulation around lakeside and rural communities. • Key statutory requirements and environmental standards are the leading considerations of this proposed investment.
TOTAL	**119,185**	**These proposed investments span the timeframe of the LTP and the strategy.**

National Standards

Although the statutory environment for local government will evolve, the broad requirements for infrastructure will remain static.

Economic

The district’s economic performance (in terms of performance as measured by GDP) will move from below the national average to 2.0% p.a. over the period of this strategy.

Forecasting Assumptions

Over recent years there has been a systematic data collection programme across all core infrastructure assets (transport, water, wastewater and stormwater). This information has been used to determine asset value, asset life and to forecast renewal programmes which are captured in the expenditure graphs, on the following pages. Our forecasting assumptions are based on deterministic modelling on available information of asset quantity, condition, life, value to inform our depreciation and renewal programme. The capital expenditure presented in the graphs and tables in the following pages is at 85% of the underlying asset management plans. This reflects a higher level of scrutiny on capital spending and an increased emphasis on completion of projects at the time the work is required.

This information tells us that our short-term asset renewal requirements are generally higher than we have budgeted for renewals in the past.

We have maintained a prudent approach in continuing to fund depreciation only where it is anticipated that Council will be responsible for renewing the asset in the future. We have also mitigated the risk to cover a need for renewal expenditure above that determined by our model (e.g. to respond to urgent / emergency situations).

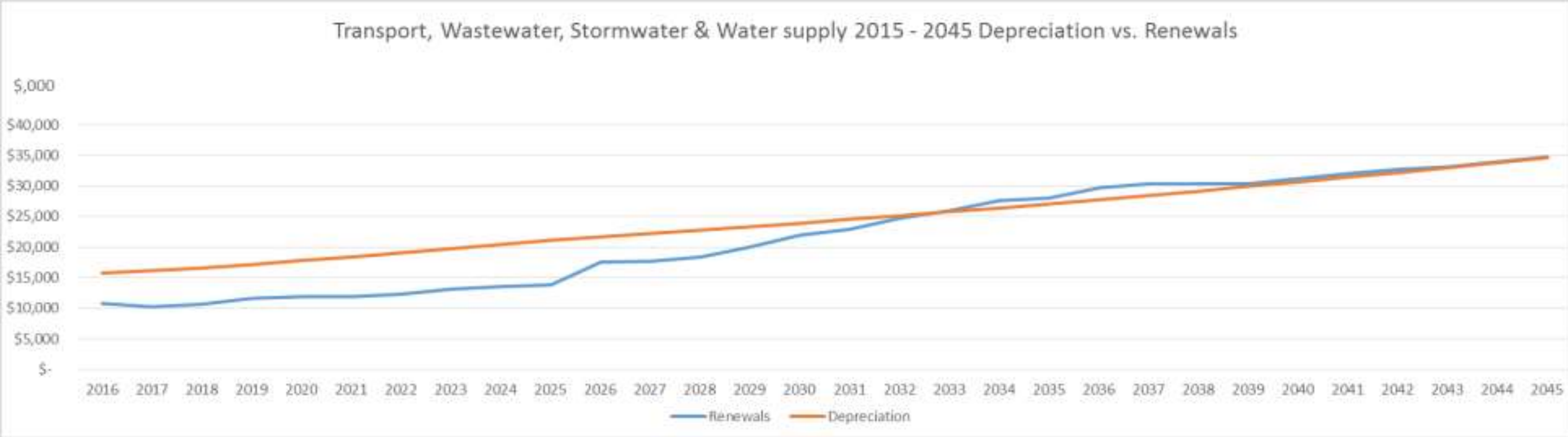
We have achieved this by provisioning appropriate capital funding capacity in some years of our LTP. This amount is equal to the theoretical difference between our renewal expenditure and depreciation over the earlier years of our LTP.

Inflation has been applied to the financial information included in this Infrastructure Strategy using BERL inflation forecasts.

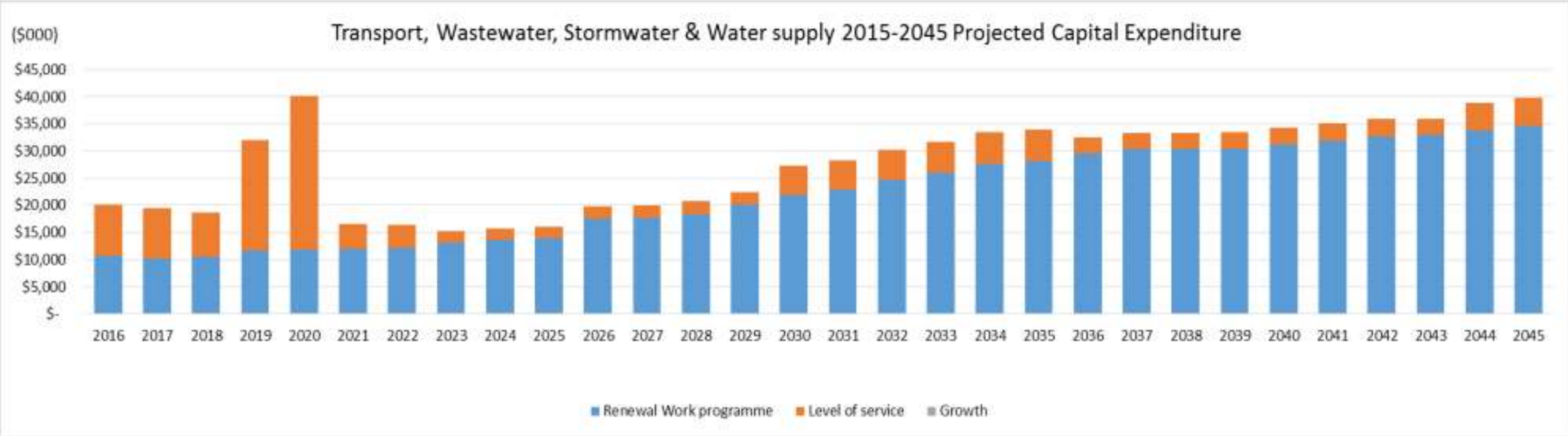
All Infrastructure Financials

ALL $000	2016	2017	2018	2019-2025	2026-2030	2031-2035	2036-2040	2041-2045	30 Year Total
Income	39,198	40,741	42,459	356,411	304,567	344,579	389,840	441,047	1,958,843
Operating Expenditure	26,574	27,137	28,557	223,912	176,163	199,331	225,524	255,150	1,162,348
Depreciation	15,677	16,141	16,619	133,501	113,880	128,847	145,778	164,934	735,377
Net Operating Loss	**(3,053)**	**(2,537)**	**(2,717)**	**(1,002)**	**14,524**	**16,401**	**18,538**	**20,963**	**61,118**
Add: Depreciation	(15,677)	(16,141)	(16,619)	(133,501)	(113,880)	(128,847)	(145,778)	(164,934)	(735,377)
Net Spend	**12,624**	**13,604**	**13,902**	**132,499**	**128,404**	**145,248**	**164,316**	**185,897**	**796,495**
Capital Renewals	10,722	10,236	10,587	88,047	95,596	129,092	151,907	166,220	662,407
Capital Growth	0	0	0	0	0	0	0	0	0
Capital Levels of Service	9,397	9,262	8,080	64,294	14,588	28,618	14,815	19,297	168,351
Total Capital Expenditure	**20,119**	**19,498**	**18,667**	**152,341**	**110,184**	**157,710**	**166,722**	**185,517**	**830,758**
Net Expenditure	**32,743**	**33,102**	**32,569**	**284,840**	**238,588**	**302,958**	**331,038**	**371,414**	**1,627,253**

All infrastructure Depreciation Vs Renewals



All Infrastructure - 2015 – 2045 Projected Capital Expenditure



Transport

Summary

Our transport network and services are focused on delivering safe, effective and efficient movement of people and goods. This includes carriageways for private car travel, public transport and cycling and walking. As with all our core infrastructure services, we have a significant inventory of physical assets and therefore the funding requirement for the operation, renewal and capacity/demand development reflects the scale of the asset. The district has a relatively widely spread transport network, with a corresponding maturity in its operational and capital management programmes for delivering appropriate stewardship of the network and related transport service.

Transport Infrastructure Profile and Level of Service

Our transport infrastructure is in good condition, our levels of service are currently meeting the needs of the district and are sustainable and affordable. The overall asset condition is assessed annually and whole of life investment decisions are made based on the evidence of the information provided from these surveys. Our current operations and renewal programmes are adequate to sustain this key level of service over the short and medium-term (10-30 year horizon). The current levels of service are not expected to materially change. There will however be an issue-based focus from time-to-time on different types of interventions, demands, and initiatives to meet shifting and evolving priorities as circumstances dictate.

Broad Network Information

Key Assets	Qty.	Estimated Replacement Value $000	Life Cycle	Annual Renewal $000	Maintenance $000
Roads	1003 km	338,394	10-15 years	4,596	2,522
Footpaths	665 km	23,383	93 years	511	305
Bridges	123	24,815	98 years	255	170
Stormwater controls	8960 units	3,488	50-100 years	250	450
Miscellaneous	Varied	54,913	Varied	714	2,751
TOTALS	N/A	444,993	N/A	6,326	6,198

Asset General Condition

Roads and carriageways are structurally sound but face increasing demand from heavy freight loading.

Footpaths have an average life of 32 years, with 92% constructed in concrete and 8% in asphaltic bitumen.

Bridges are in sound structural condition with an average of 45 years.

Kerbing and channelling and other stormwater control assets are in average condition but facing increasing pressure from urban densification and climate change. Average age of the asset is 32 years.

Meeting Future Growth and Demand

Growth and demand in transport service is very closely aligned with population and economic growth. These are expected to moderately increase in the future. Demand is also affected by behavioural changes (such as parents using cars to deliver children to schools or people choosing to use public transport versus driving a car, walking or cycling). Consequently, there is a number of corridor capacities and utilisation projects underway to improve our understanding of current and future demand, community behaviour and use of the transportation network. Growth in terms of capital expenditure requirements is primarily in the areas of sustainability, safety and network infrastructure capacity improvements that have been identified in existing local and regional transport plans, and network improvements needed to unlock economic growth (e.g. national state highways).

This growth is catered for in the current capital development programmes of the service. A high level summary of these projects and programmes is outlined below

Project/Programme	Description	Estimate $000	Note
Urban cycleway network	To complete the district's primary urban cycleway corridors network and to increase the mode share to 4% of all commuting and utility trips.	2,500	This can be accelerated to be completed within the first 4 years of the LTP if our application to the Urban Cycleway Fund is successful. Alternatively it will take place over a period of 10 years.
East/Central/West Corridors Planning	To address; 1. Options for improving the economic performance of the District 2. The impacts of growth on through traffic 3. Reduce costs and improve outcomes through coordinating land use and transport investment 4. Crash related deaths and injuries	Not fully assessed yet and within the lifespan of the 30 year IS.	In collaboration with NZTA and other stakeholders. To be principally funded by NZTA.
Malfroy Rd / Old Taupo Road	Intersection improvements to address safety, capacity and efficiency of traffic flow	2,300	In 2019/2020 Co-investment with NZTA The local council share can be abandoned or reduced but this will lead to an equivalent reduction of investment from NZTA and diminished capacity of the intersection, causing further congestion and traffic delays.

Project/Programme	Description	Estimate $000	Note
Ranolf Road - 4 lanes	North/South commuter route improvement to improve capacity, reduce congestion and improve safety risk.	4,000	Beyond the 2025 LTP and to be co-invested by NZTA. The programme can be abandoned with a reduced road capacity to accommodate future traffic demand leading to higher levels of congestion and lower safety quality.
Minor Safety Programme	In response to road crash record and aims to improve overall safety risk through targeting crash black spots. Aim is to reduce the annual crash related social costs to the community which amounts to $30 million.	5,500	▪ Programmed in the first 10 years of the LTP and co-invested by NZTA. ▪ Council may decide not to invest in these programmes and accept a higher level of road safety risk. Currently road crashes in the district cause some $30m of community social costs. Abandoning this programme will not reduce these costs.

Project/Programme	Description	Estimate $000	Note
Rural Road seal extensions	To gradually seal the currently unsealed portion of the roading network (142kms). To improve the level of service to rural communities and the economic performance of these roads.	12,000	• Over the life of the 30 year Infrastructure Strategy. Fully funded locally; not NZTA investment. • Council may decide to invest less in this programme with the consequence of rural roads remaining unsealed indefinitely, or for a longer period.
Urban Street Upgrades and Rural Villages plus amenity lighting	To upgrade appearance and level of service for urban and village neighbourhoods.	6,000	• Over the first 10 years of the LTP. • Council may opt to discontinue these programmes and accept the current level of service for such areas. However, without the appropriate programme and financial allocation needed neighbourhood upgrades may not proceed.

Major Issues and Risks

Issue / Risk	Options to address risk
• Increasing congestion in some areas of the district, especially around the inner city at peak times and along major routes, could compromise the inner city revitalisation strategy. • Optimising operation of the transport network whilst supporting enhancement of urban form.	• Integration with the planned investment by NZTA, particularly on the east, central and west corridors. • Ensure that mass movement of traffic for the economic benefit of the district is enabled through dedicated corridors with the appropriate capacity, structural integrity and all weather/event protection. These corridors are protected and supported by the urban plan. Design standards of the corridors are affordable and not in conflict with good urban design principles. • Encourage change in transport mode choice through active programmes and interventions such as improved patronage of the public transport system, increased commuting and utility trips by cycling and walking. • Pivotal to these changes is the completion of safe and effective primary cycle and walking network corridors planned in the LTP. • Review and modify the council's parking policy to promote a shift away from high use of private cars to more active modes.
Increased public expectations for convenient, safe and affordable multi-modal transport options	There is limited investment in PT and other active modes. The Infrastructure Strategy and LTP propose investment in projects and programmes that would encourage an increased capacity for active transport modes through investment in improved PT facilities and active networks such as cycling and walking.
• Seismic / Volcanic tremor/Severe weather vulnerability • Some roads and footpaths are at risk of slips and subsidence • Bridges, walls and unsupported slopes are	• A robust emergency response and recovery plan. Maintain redundancy and alternative route access to key destinations to mitigate event-caused disruptions. • Bridges regularly inspected and repairs made as necessary. • Seismic risk part of design parameters.

Issue / Risk	Options to address risk
continually at risk of collapse, thereby limiting access.	• Appropriate control of stormwater runoff has a mitigating benefit for transportation assets.
• Community expectations on surface quality. • Increasing community expectations are for wider use of expensive surface treatments such as asphaltic concrete. • That suburban centres are given the same urban design considerations as the CBD through the use of higher quality and more expensive levels of service treatments and furniture.	• Apply surface treatments in line with the roading network hierarchy that reflects the significance of a road corridor in terms of traffic volume and economic activity value. • Apply NZTA specifications for development of benefit/cost criteria in the selection of surface treatment. • Develop and embed asset treatment and related financial demands only, in line with council approved plans such as the upcoming cycling, walking, bus priorities, centre development and densification plans. Maintain discipline in application of the range of available treatment programmes.

Most Likely Scenario for Service

Increased service levels are proposed in the provision of multi-modal infrastructure, over the next 10 years.

Collaboration with NZTA to address current and anticipated capacity and growth issues on the main transport corridors of the district should future-proof the network for anticipated growth scenarios and related transport impacts.

Level of service in roading surfaces and streetscapes will be maintained over the next 10+ years as all primary road integrity indicators suggest that the district's roading network meets its target levels of service and is equal to or better than peer networks.

Recommended operations and renewals programmes will adequately deliver and maintain the level of service at a sustainable level over the medium and long-term of this strategy and Long-term Plan.

Significant Future Decisions

Significant future decisions are subject to the council's 'Policy on Significance'. This is reviewed every three years with the LTP. Over the period of this strategy the council will consider the following as part of the review:

- Development and maintenance of an increasingly multimodal network to address emerging congestion issues in some parts of the district, by funding cycle, pedestrian and public transport routes. These decisions will be made incrementally as detailed design of key corridor components proceeds and is consulted on.
- Maintaining sufficient flexibility in the network to enable response to changing transport mode choices, and assign priorities to different modes according to hierarchy of access developed for different segments of the district.
- Integrating the council's primary transport corridors network and spatial planning with NZTA investment, particularly the three main corridors. Council will have to make decisions on key corridor land designations over the first three years of this LTP.
-

Financial Commentary

Spending on the network over the next 30 years is relatively predictable and stable. The forecasted actual operational and renewal costs are in line with the current LTP for the first 10 years. Thereafter some adjustments to the renewal programmes may be needed to closely match the currently theoretical depreciation curve, based on further condition validation.

Most renewal and maintenance spending will be on pavement surfaces, with a relatively high proportion going towards surface renewals. Network capacity and safety upgrades are linked to Council's overall strategic priorities outlined in the Rotorua 2030 Strategy.

Anticipated investment in upgrade projects and programmes will raise the level of depreciation and operational funding requirements over the life of the plan but these are forecast to broadly remain within the projected financial parameters of this plan and affordable in the context of the overall value of the asset base.

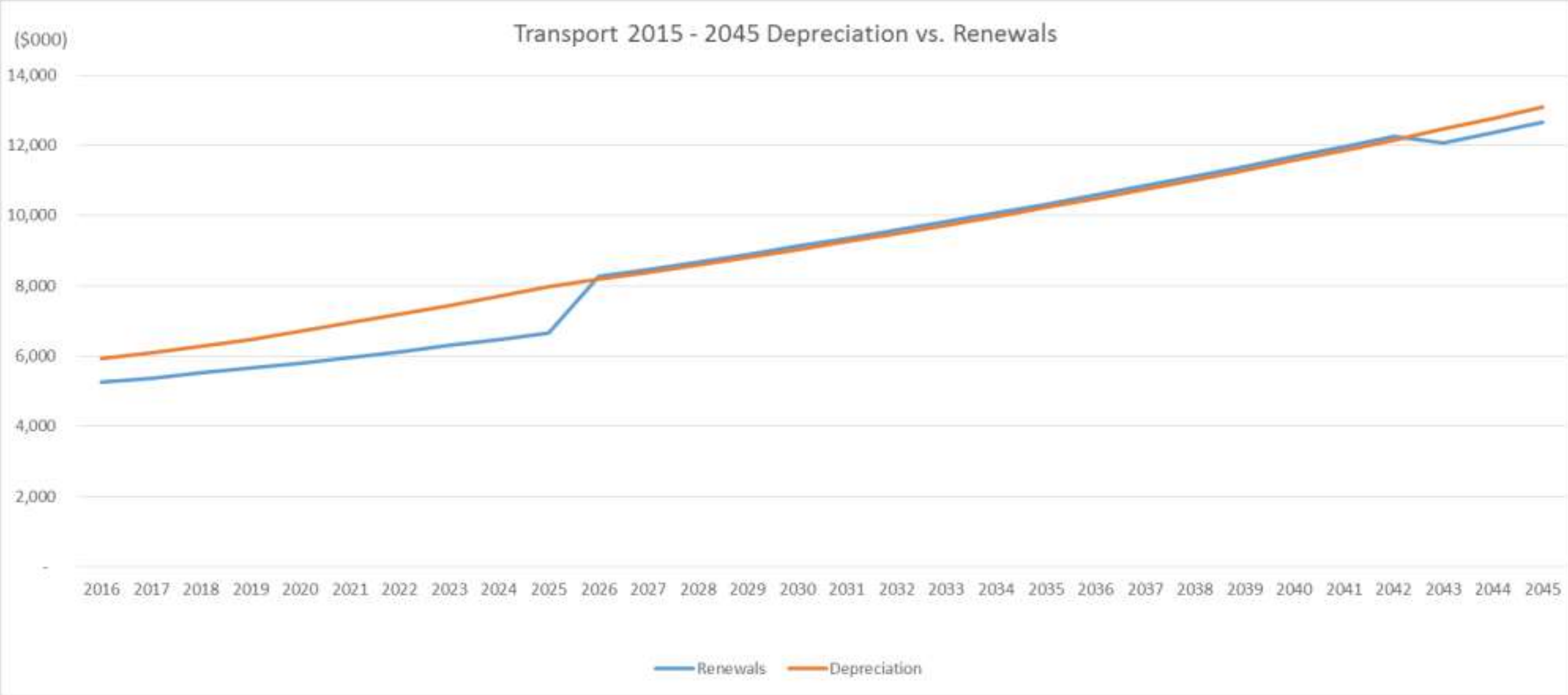
Infrastructure and Financial Profiles

The tables and graphics that follow outline the council's funding plan projections over the 30 year period of this LTP.

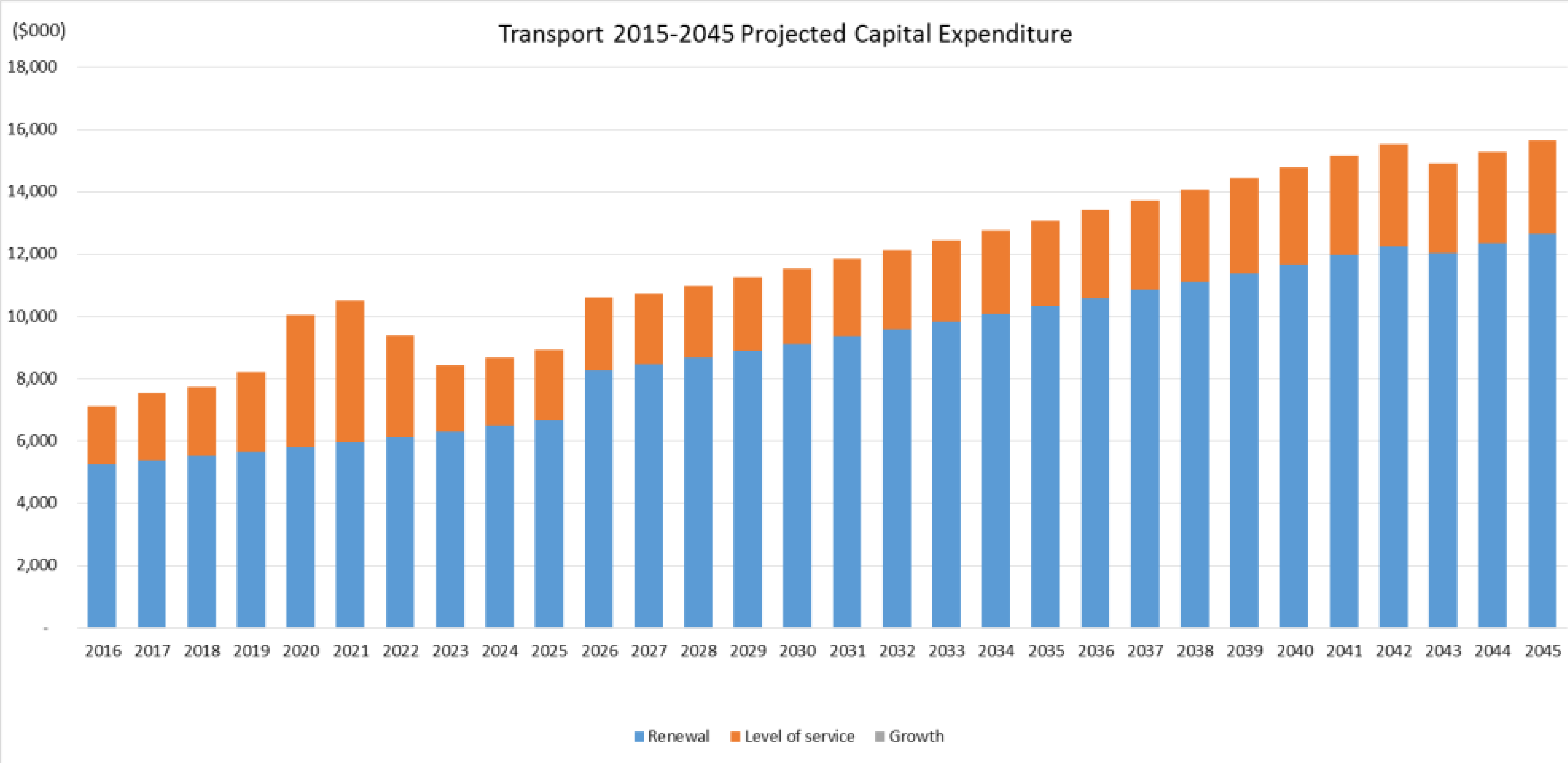
Scenario / Service Cost Transport 2015 - 2045 Financial Plans

Transport $000	**2016**	**2017**	**2018**	**2019-2025**	**2026-2030**	**2031-2035**	**2036-2040**	**2041-2045**	**30 Year Total**
Income	11,456	12,233	12,900	113,269	96,437	109,110	123,442	139,650	618,496
Operating Expenditure	8,803	9,035	9,326	72,908	60,236	68,169	77,139	87,286	392,902
Depreciation	5,927	6,102	6,284	50,475	43,056	48,718	55,122	62,363	278,047
Net Operating Loss	**(3,274)**	**(2,904)**	**(2,710)**	**(10,114)**	**(6,855)**	**(7,777)**	**(8,819)**	**(9,999)**	**(52,453)**
Add: Depreciation	(5,927)	(6,102)	(6,284)	(50,475)	(43,056)	(48,718)	(55,122)	(62,363)	(278,047)
Net Spend	**2,653**	**3,198**	**3,574**	**40,361**	**36,201**	**40,941**	**46,303**	**52,364**	**225,594**
Capital Renewals	5,250	5,381	5,517	43,031	43,453	49,163	55,625	61,336	268,756
Capital Growth	0	0	0	0	0	0	0	0	0
Capital Levels of Service	1,866	2,174	2,229	21,200	11,707	13,095	14,815	15,196	82,282
Total Capital Expenditure	**7,116**	**7,555**	**7,746**	**64,231**	**55,160**	**62,258**	**70,440**	**76,532**	**351,038**
Net Expenditure	**9,769**	**10,753**	**11,320**	**104,592**	**91,361**	**103,199**	**116,743**	**128,896**	**576,632**

Transport Depreciation Vs Renewals



Transport 2015 – 2045 Projected Capital Expenditure



Stormwater

Summary

Our stormwater service provides protection from flooding and bad weather events, while minimising the adverse effects of stormwater discharge into lakes, streams and other water bodies in the district. We have a significant inventory of physical assets and appropriate funding for operation, renewal and development of the network.

The design and provision of stormwater services are predominantly a risk mitigation exercise aimed at providing cost effective protection against an identified level of risk/flooding, and the impacts of this risk on the community’s wellbeing and property.

Not all flooding risk can be mitigated but risks can be reduced. Under extreme rainfall conditions flooding cannot reasonably be avoided.

Council’s stormwater design standards provide for a recommended 20% increase in flows as the network gets renewed and upgraded, due to climate change.

Major CBD discharges are treated prior to discharge to the lake and Council is currently preparing to submit a consent application for a comprehensive, urban area, discharge consent.

Council has developed a hierarchy of procedures and relevant plans to assist with the provision of both cost effective and reliable upkeep of the three waters networks.

Stormwater Infrastructure Profile and Level of Service

While our stormwater infrastructure is generally in good condition, the network has evolved over a long period of time during which design standards have nationally and internationally changed as accepted levels of risk exposure have declined. Consequently, as in all developed urban areas, Council's stormwater system comprises a variety of designs and therefore varied risk exposure tolerance standards. Raising the entire network to current standards is neither practical nor financially sustainable in the short term. It is therefore planned to align network improvements with our renewal programme which has a horizon of at least 100 years. In the interim, better identification of surface flow paths will continue to be carried out to address the highest risks and where the appropriate benefit risk ratio is present for early intervention this will be implemented.

Our challenge over the next few years will be to model our stormwater catchments (hydraulic models) to the level of detail where we can make more informed capital investment and planning decisions in the future. In the meantime we will be focussing our efforts on determining the location at-risk areas where we will need to undertake stormwater improvements.

Our over-arching management plan for the stormwater network is to continue to meet the level of service currently provided (generally a flow capacity for a 1-in-10 year severity event for primary piped systems, and 1-in-50 year protection for residential buildings).

It is likely that this work will also highlight the need for some rethinking of current policy settings in stormwater – and in particular what levels of service the district might be able to provide into the future. Our investigations and management plan approach will inform these future discussions with our community.

Rotorua district is located at the top of the Kaituna River catchment and does not normally suffer from extreme floods as happens in some lower catchment coastal communities.

Stormwater collection and discharges directly impact on lakes and freshwater quality around the district. Council's pollution control function is instrumental in responding to spillages and discharges of contaminants, and reducing any adverse impact.

Broad Network Information

Key Assets	Qty.	Estimated Replacement Value $000	Life Cycle	Annual Renewal $000 (30 yr average)	Maintenance $000
Pipe-network and supporting facilities	244 km	185,540 (2014)	20 - 100	2,458	3,077

Asset General Condition

The network is of a relatively young age and in good condition. The average age of the system is about 35 years.

In geothermal areas of the district the network assets experience more pronounced corrosion and deterioration, depending on the type of materials they have been constructed of.

Growth and Demand

Future pressure on the network will come from climate change, weather patterns and city densification. While city densification is taking place at a reasonably slow pace and in line with slow population growth, we have incomplete data to accurately quantify future demand on the stormwater network as a result of climate change. The effects of climate change are expected to lead to increased discharges into waterways and would impact on the network where capacity constraints already exist.

Network upgrade expenditure will focus on demand management through planning controls and onto targeted projects to address service data collection and key network deficiencies

A high level summary of these projects and programmes is outlined below:

Project/Programme	Description	Estimate $000	Note
Open drain/stream improvements	Flood mitigation works in the Otamatea Stream (Ford & Sunset Roads) and the Parawai drain area.	700	2017 – 2018. The alternative is to abandon these improvements and allow the current risk to escalate.
Pipe network improvements	Various upgrades of pipes to alleviate periodic flooding in parts of the urban area.	3,250	2016 – 2021. Alternatively Council may opt not to deliver these capacity improvements and accept a higher flooding risk with unpredictable economic impacts.
Monitoring equipment	Rain gauges within the Urban and rural areas to provide better information for modelling, design and consent compliance.	50	2016. These technological information gathering improvements aim to help Council optimise its networks. Without such aids optimisation is difficult and costs high.
Global stormwater resource consent conditions compliance	Investigation work to anticipate and plan mitigation options for new resource consents for discharging stormwater into the lakes and other receiving environments.	200	2016 – 2017. This work is not optional as resource consent conditions are statutory requirements to which Council must comply.
Barnard Road and Western Road sewage pumps flooding	To investigate and design options addressing health risk to local communities from the overflow of the Waiowhiro and Ngongotaha streams	100	2016. Council may opt to abandon these programmes, but the risk to the communities cannot be mitigated.
The watercourse between Selwyn and Larcy roads in Lynmore	To investigate and design options addressing flood risk to Selwyn/ Larcy roads.	400	2017. Council may decide to abandon this investigation with the high risk acceptance.

Key Risks and Challenges

Risk	Risk Management Approach
• Seismic / Volcanic Tremor/Severe Weather Vulnerability. • All assets are at risk of structural damage and/or slumping due to the effects of land subsidence or liquefaction. The risk from liquefaction varies with the location. High sediment loading under volcanic ash fall.	• An effective emergency response plan. • Structures regularly inspected and repairs made as necessary. • Seismic risk is part of all new design parameters and of critical assets where appropriate. • Mechanical clean-up of ash, dumped in an approved landfill, to minimise sediment and chemical loading of pipes and waterways. • Not doing this work would result in more significant disruption to the community during these events.
Risk	**Risk Management Approach**
• Limited network flow capacity. • There are areas prone to surface flooding in heavy rain events, and some known constrictions in several open watercourses.	• Model catchments to identify at risk and under capacity networks locations • Design new capital works improvements to mitigate risk in these locations. • Allow for secondary flow paths to reduce network loading. • Not doing this work will result in a higher level of flood risk than the community considers appropriate.

Stormwater and Land Drainage Challenges Ahead	
Issue/Challenge	**Approach/Comment**
A comprehensive resource consent for all urban stormwater discharges is likely to impose stricter discharge conditions.	• Prepare an assessment of likely conditions and conduct necessary investigations to highlight future augmentation works required to meet these conditions. The financial demand of such augmentation works will be updated during the next LTP in 2018-2028. • Not doing this work would result in continuing inefficient management of multiple consents and unexpected upgrading works.

Issue/Challenge	Approach/Comment
• During heavy rainfall events, the Waiowhiro Stream and Ngongotaha Stream levels rise and inundate land on which the Barnard Road and Western Road sewage pump stations are located. • This causes a health risk for neighbouring properties, and results in a large inflow of stormwater into the sewerage system.	• Initially, a small bund or wall to protect the pump stations, but in the longer term improvement of the flood-paths in order to reduce the frequency and severity of flooding. • Proceed with investigation of options to design mitigation of risks and submit financial demand during the next LTP 2018-2028. • Not doing this work would result in a higher level of flooding exposure and disruption than the community expects in accordance with Councils standards.
Issue/Challenge	**Approach/Comment**
The watercourse between Selwyn and Larcy roads in Lynmore is located on private properties, and has flooded on recent occasions. Work is required to improve the channel to increase flow capacity. This	• Study the existing and potentially developed catchment and flow-path all the way to Lake Rotorua, and design construction of an improved channel. Report financial demand of these works to the next LTP 2018-2028

water course also takes water from land which is likely to be developed above Lynmore, and so any increased runoff will need to be taken into account. Downstream effects on properties between Lynmore and Lake Rotorua also need to be assessed.	• Not carrying out these works would result in increased exposure to flooding for the property owners adjacent to the water course and drain.

Most Likely Scenario for Service

The most likely scenario will be to maintain the level of service we are currently providing for flood protection, and targeting at-risk areas where flood protection needs to be provided to a 1-in-50 year severity event.

Continue to provide the necessary resources required to maintain the level of service that we are currently providing for water quality – i.e. compliance with resource consents and maintaining appropriate standards of water quality and waterway health across the District's waterway environments.

In order to achieve this we need to better understand limitations of the existing capacity of the network. Proposed actions in further developing the network's hydraulic modelling will address this over the next three years.

It is likely that targeted, incremental capital budget increases in years three to ten will be necessary to improve service levels in high risk locations across the district in conjunction with planning controls that will play an important and increasing role in reducing the identified risk. Financial demand for these investigations will be articulated during the next LTP review of 2018-2028.

Significant Future Decisions

Over the period of this strategy, the council will need to consider the following and make decisions with potentially significant funding implications:

- Funding and consenting impacts of water quality standards in the National Policy Statement on Freshwater Management, and set through the regional plan review and related processes. This will be further identified from investigative works required to meet the likely comprehensive stormwater resource consent conditions for discharges into the lakes and other receiving environments. Likely timeframe is around 2018/19.

- Integration of land use and infrastructure development – identifying network upgrades and bringing forward renewals to support Council's growth aspirations. Depending on the success of the council's spatial plan, augmentation of main trunks may be necessary to facilitate development growth. The timeframe would cover the lifespan of this 30 year strategy, and be reviewed every three years when the LTP is reviewed.
- Identifying and funding those localised flood protection projects required to provide flood protection to a 1-in-50 year severity event in at-risk areas. Once investigative works are completed, the resulting business cases are to be submitted to Council for funding provision, provided that the appropriate benefit cost ratio justifies such investment.

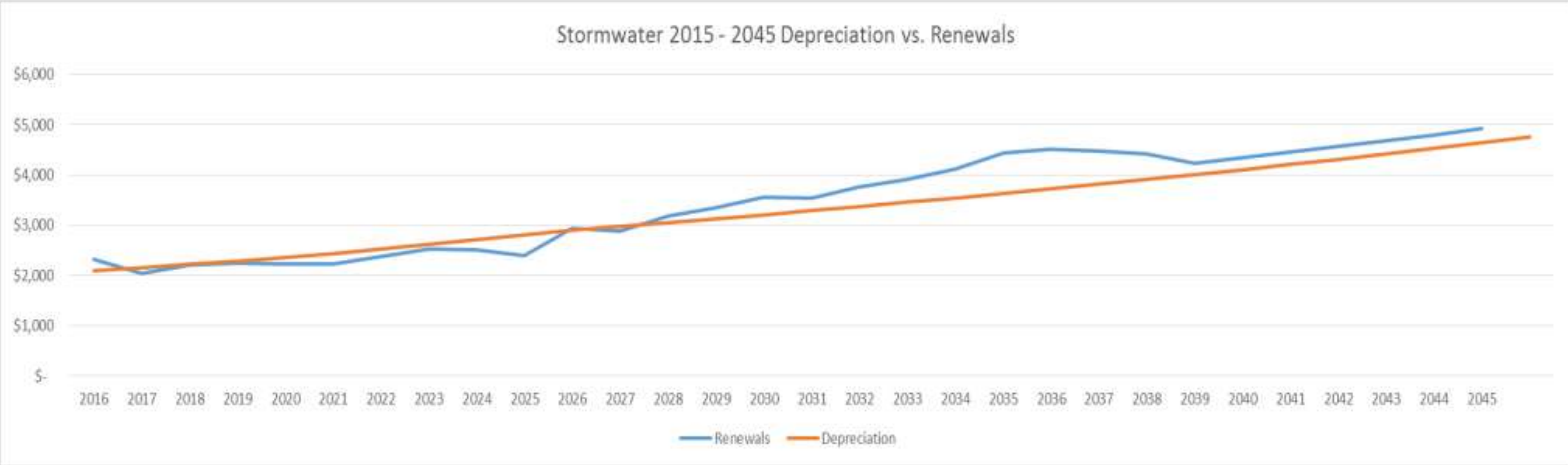
Financial Commentary

The diagrams that follow indicate that forecast network renewal costs will be less than budgeted for in the current LTP at this stage. Spending fluctuates over the next 100 years with several theoretical spending spikes relating to the (desktop) age and anticipated condition of the assets during that time. It is however a normal and well established practice adopted by this strategy to verify actual condition and ability of the network to provide the agreed levels of service closer to the time of their theoretical renewal.

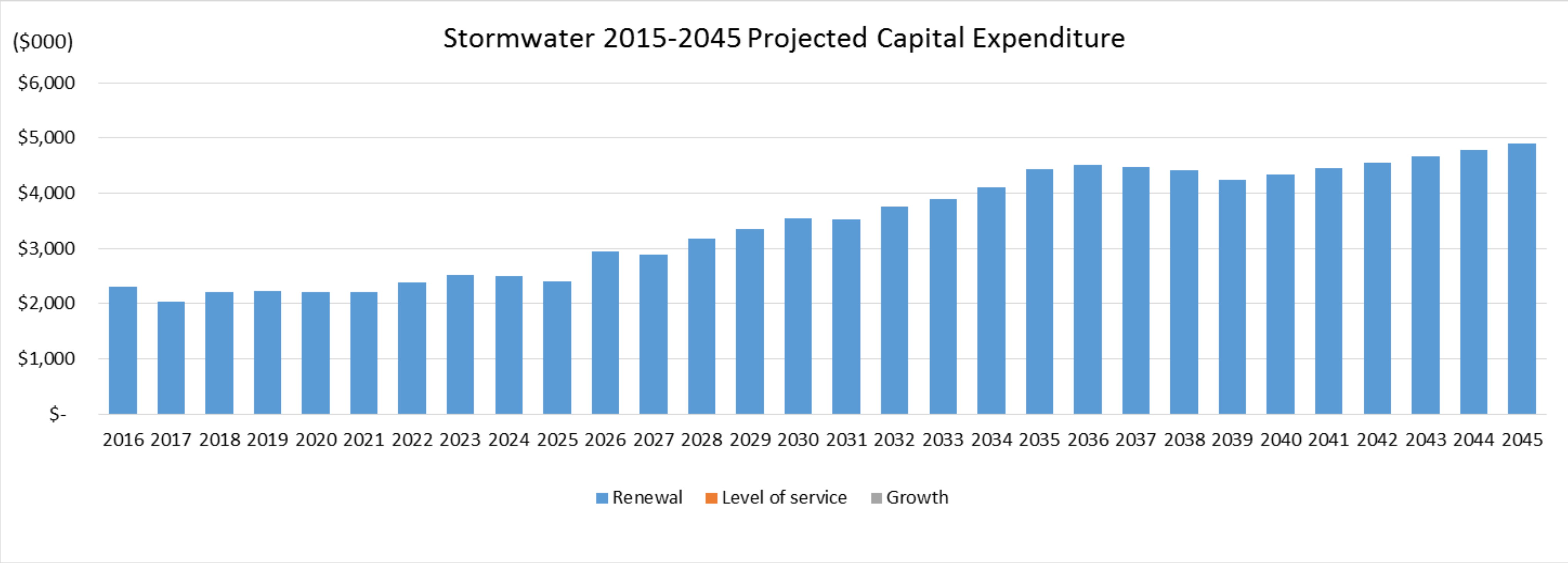
Scenario / Service Cost Stormwater 2015 - 2045 Financial Plan

Stormwater $000	**2016**	**2017**	**2018**	**2019**	**2026-2030**	**2031-2035**	**2036-2040**	**2041-2045**	**30 Year Total**
Income	3,357	3,445	3,777	32,919	27,701	31,329	35,433	40,080	178,041
Operating Expenditure	1,956	2,014	2,095	16,346	13,334	15,099	17,079	19,321	87,244
Depreciation	2,153	2,217	2,282	18,334	15,640	17,691	20,017	22,649	100,983
Net Operating Loss	**(752)**	**(786)**	**(600)**	**(1,761)**	**(1,273)**	**(1,461)**	**(1,663)**	**(1,890)**	**(10,186)**
Add: Depreciation	(2,153)	(2,217)	(2,282)	(18,334)	(15,640)	(17,691)	(20,017)	(22,649)	(100,983)
Net Spend	**1,401**	**1,431**	**1,682**	**16,573**	**14,367**	**16,230**	**18,354**	**20,759**	**90,797**
Capital Renewals	2,312	2,040	2,209	16,464	15,908	19,720	21,976	23,386	104,015
Capital Growth	0	0	0	0	0	0	0	0	0
Capital Levels of Service	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**2,312**	**2,040**	**2,209**	**16,464**	**15,908**	**19,720**	**21,976**	**23,386**	**104,015**
Net Expenditure	**3,713**	**3,471**	**3,891**	**33,037**	**30,275**	**35,950**	**40,330**	**44,145**	**194,812**

Stormwater 2015 – 2045 Depreciation Vs Renewals



Stormwater 2015 – 2045 Projected Capital Expenditure



Water Supply

Summary

Our water network provides the district with a cost-effective, safe and secure supply of potable water during normal conditions (on a day-to-day basis) along with the supply of water during adverse conditions, such as after a natural event or disaster. The water supply network is large and complex, delivering 14 billion litres of water a year. We operate a large inventory of physical assets that require funding commitments for operation, renewal and development. The council is working with other stakeholders to agree on a level of service for the provision of water during and after a major event.

Water Supply Infrastructure Profile and Level of Service

Our water supply infrastructure is in good condition and our levels of service are meeting the needs of the district. These service levels are sustainable and affordable. Our current operations, programmes and financial commitments are adequate to sustain this level of service over the immediate and medium-term (10-30 year horizon). Where high-risk assets are operating to full capacity, close monitoring of key performance indicators takes place in order to ensure an appropriate intervention to any part failures. Customer satisfaction levels are extremely high at 98%.

We ensure that network renewals are adequately funded in order to retain and maintain system levels of service. Like many water supply authorities, programmed replacement of unsatisfactory asbestos cement pipes is of significant importance, and we have an on-going programme for such pipeline replacement.

Broad Network Information

Key Assets	Qty.	Estimated Replacement Value $000	Life Cycle	Annual Renewal $000 (30 yr average)	Maintenance $000
Network Reticulation	825km	161,949 (2009)	50-90 yrs.	1,469	3,281
Pumping, Treatment & Storage	40 Sites	19,806 (2009)	20 - 100 yrs.	346	2,869
TOTAL	N/A	181,755	Varied	1,816	6,000

Asset General Condition

Network reticulation is generally in good condition, but there is a large proportion of asbestos cement pipes that is due for replacement during the period of this strategy.

Pumping equipment is generally in good condition, although there is a number of older pumps in service that requires close observation and monitoring.

Treatment plants are in very good condition, with all UV plants less than six years old, and most chlorine plants recently renewed.

Reservoirs are in good condition.

Growth and Demand

While at a city-wide level we do not have a problem in meeting expected future demands on water supply, we do expect to see increased demand in localised parts of the district. This will place pressure on the local network's ability to meet increased demand and may necessitate extra local storage.

The majority of Rotorua's water sources are from springs. The continued use of these sources is of particular concern when re-consenting the water takes. Under pressure from land owners and Iwi, and regional pressures on shared water resources, Council's continued use of spring sources is not guaranteed. Significant pro-active engagement is required to enable continued community support for water source takes.

Should the sources be secured, the likely future needs will be for additional storage in eastern, and later in central, supply areas.

The linking of supplies (Ngongotaha, urban and eastern) would also be of benefit to allow more efficient use of the sources and to improve resilience in the event of failure of a spring source or storage.

Due to the predicted low level of growth expansion, metering of residential customers is likely to be uneconomic for some time. The sectorisation project, aimed at reducing pressures and leakage and providing significantly better monitoring, modelling and control, is far more cost-effective and useful.

The Rotorua Basin Strategy will be reviewed to identify options, should the continued use of current sources become unviable.

Key Projects and Programmes to address growth and demand

Project/Programme	Description	Estimate $000	Note
Data / Communications	Equipment and software to electronically record and communicate field data.	250	2016. Council may opt to abandon this programme at the risk of having insufficient and timely data to operate the network at reliable and efficient levels.
Network Improvements	Additional pipelines, valves and backflow preventers to reduce water losses as well as health and operational risks.	4,605	2016 – 2025. Without these programmes the network cannot respond to new demand and or to regulations and operating resiliency. There will be more frequent failures and higher health risks.
New supplies/extensions	Possible new areas at Tarawera, Rotoma, West Rotoiti and Lynmore.	13,200	2019 – 2045. Highly dependent on community support and agreement on funding formulae. An option is available to abandon these plans and allow local communities to find alternative and individual solutions to their water needs.
Plant improvements	Additional standby electricity generation, control systems, and additional filtration at Rotoma.	460	2016 – 2017. Without this additional energy resource, there could be increased risk of plant and plumbing failure, and service interruptions.
Source improvements	Source improvements at Taniwha Springs (Ngongotaha) and additional source investigations for eastern area.	2,560	2016 – 2018. The investment could be abandoned at the risk of source contamination and supply reliability.
TOTAL		**20,615**	

Risk profile and current risk management plans

Water Supply Risks

Risk	Risk Management Approach
• Seismic / Volcanic tremor vulnerability. • All assets are at risk of structural damage and/or slumping due to the effects of land subsidence or liquefaction. This risk varies according to location.	• An effective emergency response plan. • Structures regularly inspected and repairs made as necessary. • Seismic risk part of new and renewed design parameters. • Not doing this work would result in unnecessary additional disruption to the public during these events.
Risk	**Risk Management Approach**
Failure of critical plant and/or network assets leading to extended loss of service for large parts of the serviced areas.	• A robust asset management process including appropriate levels of preventive maintenance, condition monitoring and replacements. • Standby/backup equipment for critical plant items. • Have in place appropriate business continuity plans, real-time SCADA monitoring system. • Not doing this work would result in a significant drop in level of service.

Water Supply Challenges Ahead	
Issue/Challenge	**Approach/Comment**
Preliminary modelling work indicates that development of some parts of the network has not kept pace with urban growth. There is also uncertainty over where and when urban development will occur.	Apply hydraulic model optimisation to assess future pressure points and scope mitigation options to be included in future LTPs and in response to realistic growth trends.
Issue/Challenge	**Approach/Comment**
Each of the three urban water supply systems have their own sources. Their networks are adjacent to each other, but only the Ngongotaha and city networks have a physical link. There is no link enabling flow from the city to the eastern supply and vice-versa, which could be used in case of a temporary loss of one source.	• Undertake a risk assessment of the likelihood and consequence of loss of one source, and carry out modelling and preliminary design for network upgrades that could mitigate this risk. • The consequence of not doing this work would be the inefficient use of the water supply sources available to the urban area and increased vulnerability in the event of localised network and source failure.
Issue/Challenge	**Approach/Comment**
Whilst the outlook is for modest growth across the district in future, it is difficult to predict where future growth will occur. There is an indication of demand for growth into elevated areas surrounding the city, and in particular above the eastern suburbs. There may be sufficient water volume available, but at present there is not the pumping capacity to lift water to such elevations.	• Robust analysis of census data and trends, information from landowners and developers. Confirmation of water volumes available, and design of infrastructure to service anticipated developments. • Initially, a desktop study by hydro geologists to provide a preliminary assessment of the likelihood of viable water sources. • Not doing this work would result in the inability to efficiently service new land development projects.

Issue/Challenge	Approach/Comment
The existing resource consent to take water from the Taniwha Spring at Ngongotaha expires in 2018. This spring is of cultural significance to the Ngati Rangiwewehi iwi, and Council wishes to look for alternatives to the current use of this site prior to that date.	• Develop a new water source for the Ngongotaha area, most likely to be groundwater bores (based on initial desktop investigations to date). • Continue use of the existing Taniwha Spring but with changes to be determined following extensive consultation with Ngati Rangiwewehi. • Not doing one of these options with the support of Ngati Rangiwewehi could result in inadequate water source for the Ngongotaha supply.
Issue/Challenge	**Approach/Comment**
Reservoir storage for most water supplies is approximately equivalent to one day's consumption, and the system depends on large electric motor-driven pumps to maintain this storage. Council does not have any on-site or mobile generation equipment in that can provide power to our four largest sites in the event of a power outage.	• Purchase or permanently hire units to be available to us at all times. • Not doing this could result in unnecessary low storage volumes during events caused by network failures or natural hazard events.
Issue/Challenge	**Approach/Comment**
• Currently Tarawera residents obtain water from various sources including the lake, springs bore and rooves. • As discussion over the need for a sewerage scheme for the area has progressed, there have also been calls for a water supply scheme to be established.	• To engage with the Tarawera community regarding options for a water supply and to ensure community support. • Not doing this could result in Council not meeting community concerns over poor drinking water quality, especially with the potential for deterioration of the lake water quality, which is the existing private primary source.

• A major combination of issues is the large costs, small number of properties and unlikelihood of any subsidies.	
Issue/Challenge	**Approach/Comment**
• The existing Rotoma water supply only covers a portion of the community. • There are calls for the scheme to be extended to cover all of the community. Issues include large costs, small number of properties and unlikelihood of any subsidies.	• To engage with the Rotoma community regarding options for a water supply and to ensure community support. • Not doing this could result in Council not meeting community concerns over poor drinking water quality, especially with potential for deterioration of the lake water quality, which is the existing private primary source.

Most Likely Scenario for Service

The current level of service will be maintained and with operations and renewal programmes in place will sustainably deliver this level of service over the medium and long-term. Reactive maintenance costs will be monitored closely to identify transition trends from cost effective maintenance to replacement timing.

Innovation is likely to reduce renewal costs in the medium term, with optimised renewal programmes bridging any gap between the theoretical depreciation curve and the actual renewal investment.

Spending on renewing potable water pipes and other network components will be at a steady level over the 30 year period.

We will work with stakeholders in the district to agree on levels of service for the provision of a water supply during and after a major event. This will then inform a work programme to ensure the system can be designed and optimised to be able to achieve this target.

Significant Future Decisions

Over the period of this strategy the Council will need to consider the following issues and make decisions with potentially significant funding implications:

- Ensuring that network renewal levels are appropriate. Theoretical network lifecycle curves indicate a spike in renewal demand for the period between 2018 and 2022. Actual condition validation for the next LTP of 2018-2028 will inform renewals budgets for the period.
- Ensuring storage levels are appropriate. While population and demand growth appears steady and low for now, these may change if economic growth accelerates. No immediate decisions are required, but trends will be monitored to inform future LTP reviews.
- Ensuring source protection and/or replacement. Depending on resource consent applications with the nearest been in 2019.
- Improvements associated with the development and maintenance of an increasingly resilient network. The region's emergency management plan will inform any augmentation of resiliency requirements by 2018.

▪

Infrastructure and Financial Profiles

While the theoretical lifecycle curve for the water supply network indicates a gap between depreciation and actual renewal allocation, further work is required to validate the actual condition of the asset. At present the theoretical lifecycle appears to be conservative as we see no rapid demand escalation for reactive repairs, and the network meets supply demand without stress.

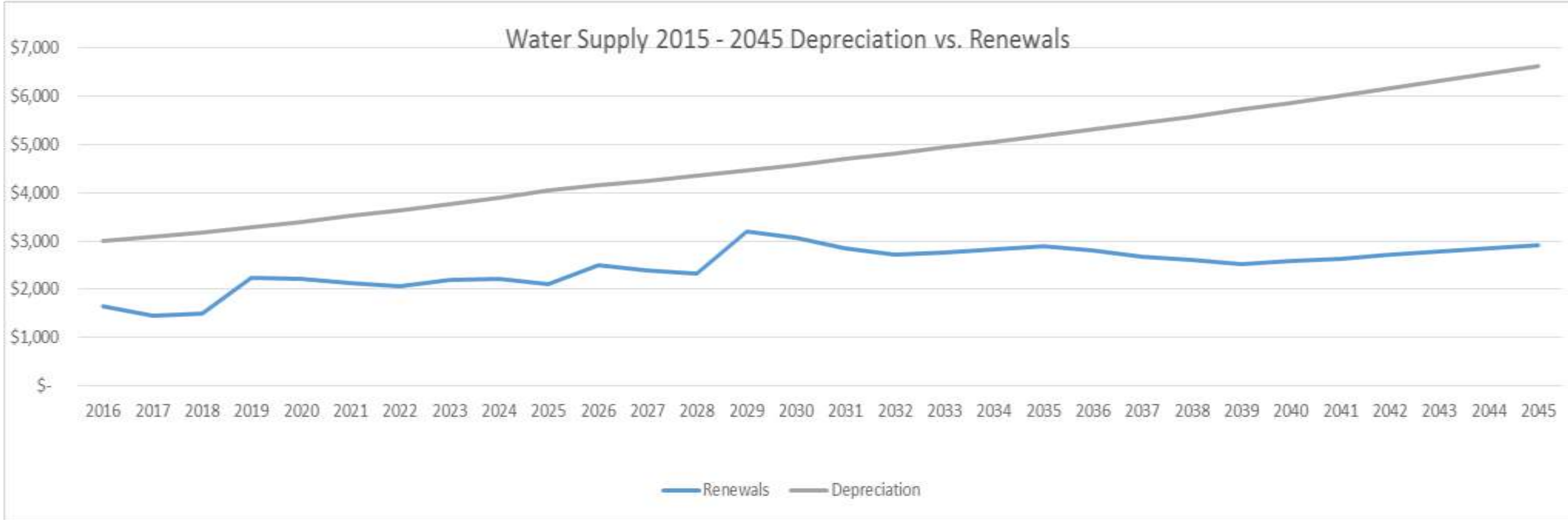
The following tables and graphics demonstrate the detail of information that Council has at its disposal to monitor the performance of its infrastructure assets. It also clearly demonstrates expected future financial commitments expected in each asset class.

Over the next three years a combination of hydraulic modelling and actual condition assessment will indicate whether Council needs to augment its investment in optimised renewal programmes and capacity upgrades. The results of these programmes will inform our asset management programmes over the 2018-21 period and beyond.

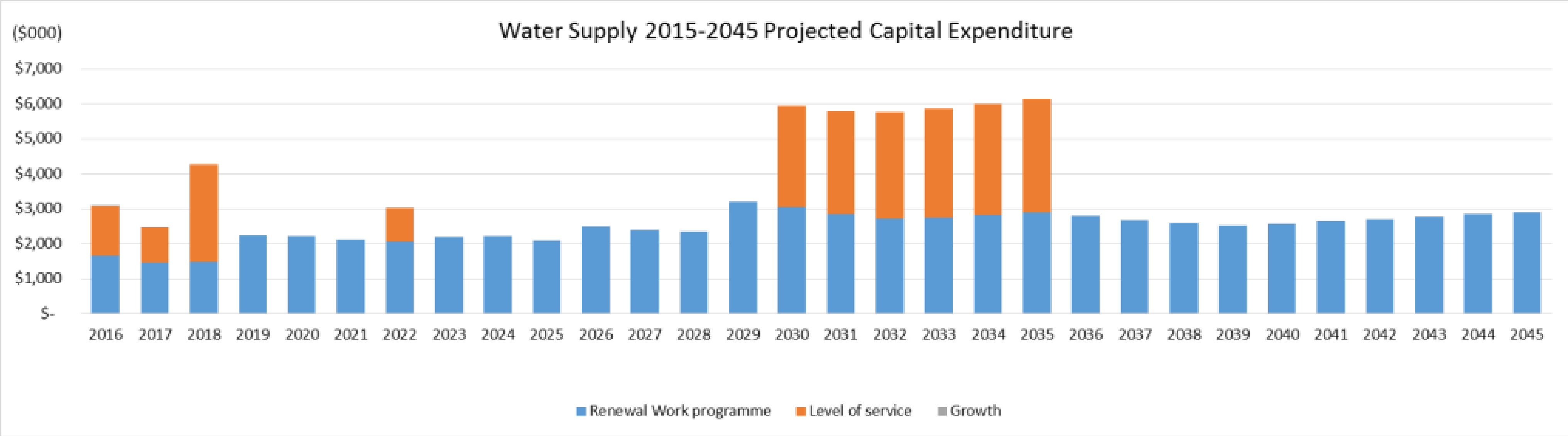
Water Supply – 2015-2045 Financial Plan

Water Supply $000	2016	2017	2018	2019-2025	2026-2030	2031-2035	2036-2040	2041-2045	30 Year Total
Income	9,002	9,257	9,528	80,825	70,130	79,344	89,772	101,567	449,425
Operating Expenditure	7,119	7,257	7,450	56,196	44,343	50,160	56,746	64,198	293,469
Depreciation	3,005	3,094	3,185	25,588	21,824	24,690	27,933	31,605	140,924
Net Operating Loss	**(1,122)**	**(1,094)**	**(1,107)**	**(959)**	**3,963**	**4,494**	**5,093**	**5,764**	**15,032**
Add: Depreciation	(3,005)	(3,094)	(3,185)	(25,588)	(21,824)	(24,690)	(27,933)	(31,605)	(140,924)
Net Spend	**1,883**	**2,000**	**2,078**	**24,629**	**25,787**	**29,184**	**33,026**	**37,369**	**155,956**
Capital Renewals	1,656	1,458	1,490	15,154	13,481	14,043	13,186	13,882	74,350
Capital Growth	0	0	0	0	0	0	0	0	0
Capital Levels of Service	1,414	1,020	2,789	969	2,881	15,523	0	0	24,596
Total Capital Expenditure	**3,070**	**2,478**	**4,279**	**16,123**	**16,362**	**29,566**	**13,186**	**13,882**	**98,946**
Net Expenditure	**4,953**	**4,478**	**6,357**	**40,752**	**42,149**	**58,750**	**46,212**	**51,251**	**254,902**

Water Supply 2015 – 2045 Depreciation Vs Renewals



Water Supply 2015 -2045 Projected Capital Expenditure



Wastewater

Summary

Our wastewater service is focused on providing for safe and reliable conveyance and treatment of wastewater. This incorporates conveyance of wastewater from households and other properties to treatment plants, and the provision of treatment that meets environmental and health standards as embodied in resource consent conditions. We have a large inventory of physical assets, and require significant funding commitments for the operation, renewal and development of the network.

Wastewater network primary assets are pipes for conveyance and treatment plants. Flagship projects focusing on the construction of an alternative to the urban treated effluent land disposal system, and the reticulation and treatment facilities for the remainder of the Lakes communities, are currently underway or in the very early stages of scoping and development.

In response to pressing water quality concerns of Lake Rotorua and the other lakes within the district, and the highly aggressive subsoil conditions in some areas, Council has always researched, constructed and operated wastewater facilities with the objective of utilising the highest level of innovation and effectiveness to address the challenges.

To attain high levels of expected nutrient removal, treatment plants and network optimised renewals are necessary to operate within this environment. Council has to remain at the forefront of performance and technical knowledge.

Wastewater Infrastructure Profile and Levels of Service

Our wastewater infrastructure is in good condition and our levels of service are meeting the needs of the district. These service levels are sustainable but expensive. Our current operations, programmes and financial commitments can sustain this level of service over the immediate and medium-term (10-30 year horizon). Where high-risk assets are operated at near capacity, close monitoring will occur to ensure timely intervention so any part failure is not unacceptably disruptive to the service.

Although the earliest wastewater networks in Rotorua date from the late 1890s, most urban reticulation and treatment has occurred during the 1970s and 1980s, and in 2010 for the more recent expansions into lakeside communities as part of the Rotorua Te Arawa Lakes Water Quality Programme (in conjunction with the BOPRC, TALT and MfE).

Anticipated network renewals for these systems highlight funding peaks after their 50 year theoretical lives, in 2030 and 2060. Further, very aggressive soil and geothermal conditions in parts of Rotorua mean much shorter life expectancy for part of the network. (Parts of the network in areas such as Ohinemutu have historical life expectancies of 10 years, even with the most modern technologies and materials.)

Condition monitoring, condition assessment and the use of modern technologies will even out renewal and replacement expenditure profiles. Council also implements leading trade waste and pollution control practices to reduce wastage, recover costs on a user-pays basis and reduce consequential impacts of spillages or overflows. Council is engaged in an innovative and groundbreaking joint project with SCION and MfE to develop a thermal deconstruction plant for wastewater bio-solids. Called TERAX, this project is now in the final design stages.

Broad Network Information

Key Assets	Qty.	Estimated Replacement Value $000	Life Cycle	Annual Renewal $000 (30 yr average)	Maintenance $000
WWTP	1	42,125 (2011)	10-100 yrs.	832	6,260
Land disposal system	1	19,772 (2011)	8 – 50 yrs. There is a small number of assets with lives 100 yrs. +. (i.e. ponds)	0 will be obsolete	645
Pump Stations	83	9,842 (2011)	10 – 75 yrs.	317	862
Reticulation Network	500 kms	240,155 (2014)	15-100 yrs.	3,413	2,613
TOTAL	**N/A**	**311,894**	**Varied**	**4,562**	**10,380**

Asset General Condition

The wastewater treatment plant is in good condition with some further treatment modules planned over next three years.

The land disposal system is in good condition; however, its operating efficiency has deteriorated in recent years.

Pump stations are in general good condition, but in geothermal areas there are signs of early structural deterioration.

Pipeline network is in general good condition, although there are some parts that are in poor condition due to age and location in geothermal areas.

Growth and Demand

Service demand pressure is likely to come from an increase in population, and from tourism or business growth. Any large industrial type uses built adjacent to the urban area will likely connect to the urban system to provide for cost effective treatment.

Due to very tight constraints on nutrient discharge to the Rotorua Lakes, our wastewater treatment will need to continue to play a leading role in nutrient reduction to the receiving environment. This may increase demand for highly effective nutrient removal ability of the wastewater plant.

Key Projects and Programmes to address growth and demand

Project/Programme	Description	Estimate $000	Note
Network improvements	Connecting Brunswick Park properties to new reticulation and work associated with the eastern corridor.	750	2016 -2025. This programme could be abandoned or reduced but it would create a capacity issue, compromising future development.
New Treatment schemes	Possible new small community schemes at Rotoiti, Rotoma, Rotoehu, Tarawera and Mamaku	60,000	2016 – 2025 Rotoiti and Rotoma are well advanced, but others are highly dependent on community support and agreements on funding options. The alternative is to abandon the programme and accept that each property will make its own arrangements, with sub-optimal outcomes
WWTP upgrade project	Major upgrade to the treatment process to produce an effluent quality that could be disposed to land or water.	25,000	2016 – 2019. Reduction or abandonment of this programme would place Council in a non-compliance position with regards to its resource consents.
Plant improvements	Treatment plant and pump station upgrades to address risk from power outages and volcanic ash fall.	660	2016 – 2017. Council may opt to abandon the programme and accept a lower resiliency level for some of its critical assets.
TERAX	Construction of a plant to thermally deconstruct bio-solids and produce useful by-products.	7,000	2016 -2018 Still in final evaluation/design stage Council may opt to abandon the project and continue to dispose of bio-solids on land, after composting.
TOTAL		**93,410**	

Key Risks and Challenges

Risk profile and current risk management plans

Wastewater Risks

Risk	Risk Management Approach
• Seismic / Volcanic tremor vulnerability/weather events. • All assets are at risk of structural damage and/or slumping due to the effects of land subsidence or liquefaction.	• A robust emergency response and recovery plan. Maintain redundancy and alternative options • Structures regularly inspected and repairs made as necessary. • Seismic risk part of new design parameters. • Not doing this work would increase potential for failure of the network at unacceptable levels of risk.
Risk	**Risk Management Approach**
• Limited network capacity. • Certain parts of the network are under-capacity, particularly in rain events, due to inflow and infiltration of stormwater into the network.	• Utilise flow monitoring and network modelling, followed by traditional inflow and infiltration reduction techniques to reduce extraneous flow into the network. Upgrade network and treatment where specific development or sprawl mandates. • Not doing this work would reduce levels of service and increase the risk of sewage overflows
Risk	**Risk Management Approach**
Increasingly demanding and costly regulatory compliance. The Rotorua Lakes Strategy means very stringent limits on nutrient discharges and corresponding discharge consent limits, which are difficult and costly to comply with. Sewage overflows from the network are under close scrutiny from regulators who are increasingly inclined to consider prosecution as an option.	• Development of additional treatment and disposal systems. • Close monitoring and management of operations to ensure that all practicable steps have been taken to eliminate overflows from the network. • Not doing this could result in potential for failure of the network at unacceptable levels of risk.

Wastewater Challenges Ahead	
Issue/Challenge	**Approach/Comment**
Effective management of WWTP bio-solids	• Council, in conjunction with SCION, is in the process of developing thermal deconstruction technology (TERAX) which should provide a disposal option for bio-solids from the WWTP and, possibly in the future, all solid waste. A pilot plant with an estimated cost of $12.5m is under design and programmed for construction in the 2015 and 2016 years. • Not doing this work would reduce Council's ability to control the effective disposal of bio solids from the WWTP.
Issue/Challenge	**Approach/Comment**
Council's resource consent to dispose of treated effluent on land in the Whakarewarewa Forest expires in 2021. Due to concerns of landowners about this discharge, Council has agreed to take all practicable steps to identify alternative treatment and disposal options in order to cease operations in the forest by 2019.	• Proceed with consultation on, and evaluation of, alternative options and progress to detailed design, resource consent application, construction and commissioning by December 2019. • Not doing this work could result in unnecessarily protracted and expensive consent renewal processes, and reduce certainty of disposal.
Issue/Challenge	**Approach/Comment**
The community has strongly indicated a desire to protect and improve lakes water quality and public health issues around Lakes Rotoiti and Rotoma by installing a system to cater for sewage discharges from these lakeside settlements. Government funding has been made available for this project, but there is a time limitation to its availability. Agreement has been reached on an appropriate	• Scope, design and implement appropriate treatment system that is environmentally acceptable and fiscally sustainable. • Not doing this work could result in a reduction of water quality in lakes Rotoiti and Rotoma, and an increase in public health issues within lakeside communities.

type of disposal and treatment system.	
Issue/Challenge	**Approach/Comment**
In the event of sustained loss of electrical power to the WWTP, Council has a limited amount of on-site generation capacity, but not enough to provide full treatment in the event of outages lasting more than four hours under normal flow conditions.	• Purchase or permanently hire a unit to be available at all times. • Not doing this would result in emergency discharge of wastewater at unacceptable levels of risk.
Issue/Challenge	**Approach/Comment**
The MBR tank is open to the air, and would be rendered inoperable should a volcanic ash-fall be experienced in Rotorua. This is a critical facility, and there have been at least two eruptions at Ruapehu within the last 20 years that had the potential to shut down and damage the MBR. Considering this likelihood and consequence, a protective cover is proposed.	• Design and construct a cover for the MBR structure to protect from ash fall. • Not doing this work would result in disruption to treatment processes and expensive repairs to the membrane filters due to volcanic ash.
Issue/Challenge	**Approach/Comment**
There have been calls for Council to promote reticulated sewerage schemes for the communities of Tarawera, Rotoehu and Mamaku. The cost of such projects is likely to be large in relation to the numbers of properties in serviced areas. There is currently no funding available for this.	Assess and monitor environmental and community adverse effects. Establish key benchmarks for adverse effects before any mitigation options are scoped and funded.

Most Likely Scenario for Service

Current levels of service will be maintained, and operations and renewals programmes in place will continue to adequately deliver levels of service sustainably over the medium and long-term.

Significant investment into new treatment projects and re-configuration of the current one is anticipated over the life of this strategy. The primary drivers for these investments are increasing constraints in discharges to the receiving environment and community expectations around lakes.

Significant Future Decisions

Over the period of this strategy the council will need to consider the following:

- Funding and consenting impacts of water quality standards in the National Policy Statement on Freshwater Management set through BOP regional plan review and whaitua processes in 2016.
- Development and maintenance of an increasingly resilient network.
- A delivery model that Council wishes to employ at the end of the current forest disposal tenure in 2019.
- Options for reducing the impact of waste water sludge (bio-solids) on solid waste minimisation initiatives, in 2016.

Financial Commentary

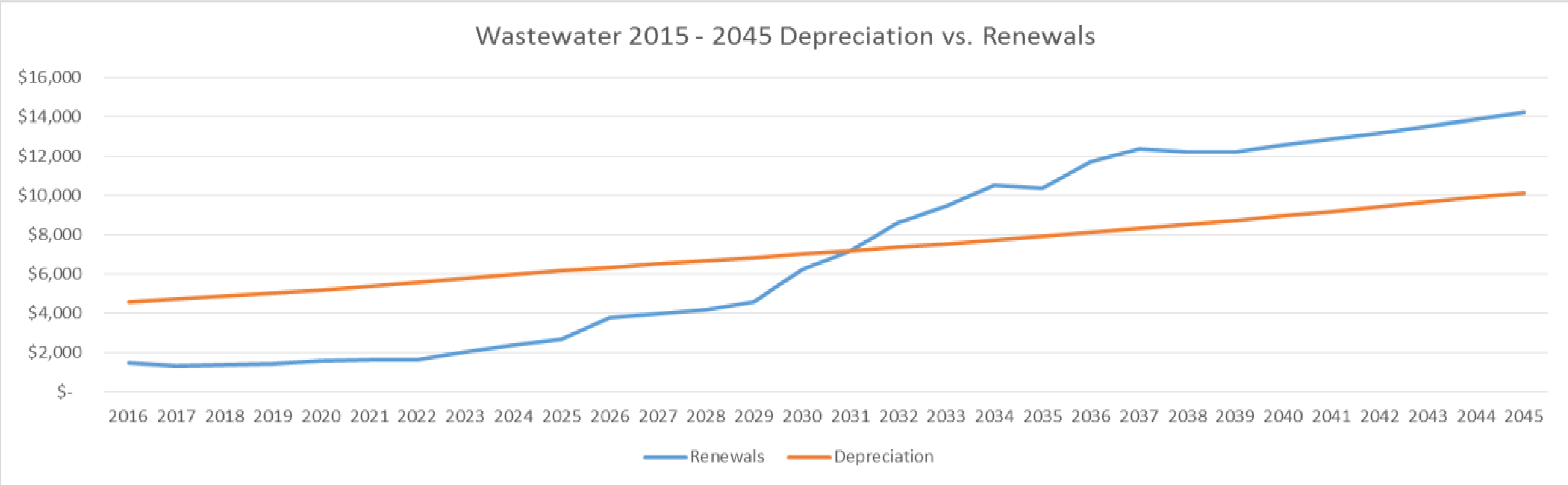
While the theoretical lifecycle curve for the water supply network indicates a gap between depreciation and actual renewal allocation, further work is required to validate the actual condition of the asset. Currently it appears that the theoretical lifecycle is conservative as we see no rapid demand escalation for reactive repairs, and the network meets supply demand without stress.

The forecast actual costs over the next 100 years are closely aligned with what is budgeted in the LTP. A high proportion of future renewals work is concentrated in time periods, which will be reviewed and revisited using enhanced condition and asset performance monitoring.

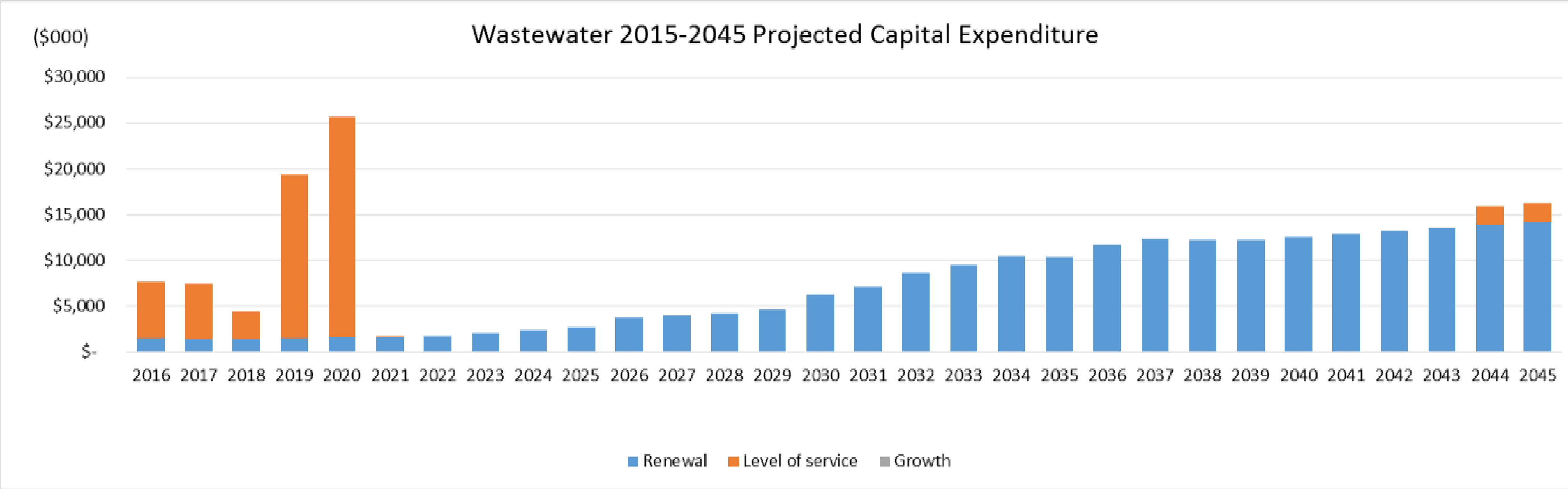
Wastewater 2015 – 2045 Financial Plan

Wastewater $000	**2016**	**2017**	**2018**	**2019-2025**	**2026-2030**	**2031-2035**	**2036-2040**	**2041-2045**	**30 Year Total**
Income	15,383	15,807	16,254	129,398	110,299	124,796	141,193	159,750	712,880
Operating Expenditure	8,696	8,831	9,686	78,462	58,250	65,903	74,560	84,345	388,733
Depreciation	4,592	4,728	4,868	39,104	33,360	37,748	42,706	48,317	215,423
Net Operating Loss	**2,095**	**2,248**	**1,700**	**11,832**	**18,689**	**21,145**	**23,927**	**27,088**	**108,724**
Add: Depreciation	(4,592)	(4,728)	(4,868)	(39,104)	(33,360)	(37,748)	(42,706)	(48,317)	(215,423)
Net Spend	**6,687**	**6,976**	**6,568**	**50,936**	**52,049**	**58,893**	**66,633**	**75,405**	**324,147**
	0	0	0	0	0	0	0	0	0
Capital Renewals	1,504	1,357	1,371	13,398	22,754	46,166	61,120	67,616	215,286
Capital Growth	0	0	0	0	0	0	0	0	0
Capital Levels of Service	6,117	6,068	3,062	42,125	0	0	0	4,101	61,473
Total Capital Expenditure	**7,621**	**7,425**	**4,433**	**55,523**	**22,754**	**46,166**	**61,120**	**71,717**	**276,759**
Net Expenditure	**14,308**	**14,401**	**11,001**	**106,459**	**74,803**	**105,059**	**127,753**	**147,122**	**600,906**

Wastewater Depreciation Vs Renewals Graph



Wastewater 2015 – 2045 Projected Capital Expenditure



Strategy Development and Review

The 30 Year Infrastructure Strategy [30IS] will be reviewed in each three-yearly Long-Term Plan review. Our 30IS will evolve and develop as infrastructure management capability evolves. As the quality of our information and analytics improves understanding of our assets, levels of service and demand for those services, we will focus on infrastructure strategies, planning and outcomes.

The horizon for our strategy will be held at a 30 year constant for each iteration; as the strategy develops the legacy of changes will be quantified in the document. In theory, there should be continuity across 30IS development cycles and it should be possible to pick-up our 30IS years later and see a clear and concise pathway of progression. In practice, this would encompass:

- A review of any material changes in principle, direction and focus of the strategy.
- A synopsis of the drivers for those changes, both internal and external.
- A structure highlighting the continuity of one iteration of the strategy to the next.

Significant forecasting assumptions

Introduction

In preparing forecasts, both financial and non-financial, there is a need to provide assumptions to address the uncertainties of the future. This is important for a number of reasons, including:

- allowing readers of the forecasts to understand the basis that financial information has been prepared on.
- providing a means of explaining differences that will inevitably occur between the actual result and that which was forecast.
- ensuring risks faced by the organisation in the future have been appropriately identified and evaluated.

The following societal trends have been used as a basis for preparing the Long-term Plan:

- There will be an increasing proportion of Maori residents.
- Rotorua's population will become more multicultural, including increases in residents from Pacific Islands and Asia, over the next twenty years.
- The number of people aged 75 and over is expected to increase over the next twenty years.
- More than half of Rotorua's young people are of Maori descent and this is expected to continue although the number of young people in the district is expected to decrease over the next twenty years.

The purpose of this section is to:

- comment on the process used to develop assumptions
- analyse legislation
- understand best practice
- set out the major assumptions
- outline any continuous improvement that may be required.

Integrated Risk Management (IRM)

Council has adopted an Integrated Risk Management (IRM) framework and process as the means for managing risk within the organisation. The IRM process and framework is intended to demonstrate responsible stewardship by Rotorua Lakes Council on behalf of its customers and stakeholders. It ensures that risk is managed from an organisational perspective, facilitating the effective and transparent allocation of resources to where they will have most effect on the organisation in successfully delivering its services. The process is integrated into the Long-term Plan 2015-2025.

The aim is to integrate risk management into Council's organisational decision making so that it can achieve its strategic goals cost effectively, while optimising opportunities and reducing threats.

Summary of Significant Assumptions

The following assumptions have been used in preparation of estimated financial statements in this Long-term Plan:

Assumptions, Risks and Uncertainties for 2015-2025 Long-term Plan Risk Assessment Matrix				
No.	**Assumption**	**Likelihood**	**Consequence**	**Overall Risk**
1	Asset lives	Unlikely	Minor	Low
2	Funding sources	Very unlikely	Medium	Moderate
3	Growth assumptions	Possible	Minor	Moderate
4	Cost growth	Possible	Medium	Moderate
5	Subsidy rate	Likely	Medium	Moderate
6	Asset revaluations	Possible	Medium	Moderate
7	Return on investments	Unlikely	Minor	Negligible
8	Interest on borrowing	Possible	Medium	Medium
9	Resource consents/designations	Possible	Medium	Moderate
10	Currency exchange rates	Likely	Minor	Low
11	Renewability of debt funding	Very unlikely	Medium	Moderate
12	Structure of local government	Unlikely	Medium	Low
13	Legislative demands on council resources	Possible	Medium	Moderate
14	Information technology disasters	Possible	Medium	Moderate
15	Local natural disaster	Unlikely	Major	Low
16	Climate change	Possible	Medium	Low
17	Emissions trading scheme	Possible	Minor	Low
18	Insurance	Possible	Medium	Low
19	Other Revenue	Possible	Minor	Low
20	Subsidies and Grants	Possible	Medium	Moderate
21	Capital Spending	Possible	Medium	Low

Forecasting Assumptions Commentary

1. Asset lives

Assumption
Council holds a number of assets that are significant to its operations and provision of services. These include assets related to water supplies, waste water, parks and reserves, stormwater, airport, roads, library, museum, events venues, buildings, plant and equipment. The assumption is that assets will function as expected for the duration of their estimated useful lives. The useful lives of these assets are referred to in the Statement of Accounting Policies and summarised in the table below:

	Years
Water supplies	5 to 130
Waste water	5 to 140
Parks and reserves	5 to 100
Stormwater	10 to 130
Roads	7 to 100
Buildings	2 to 80
Plant and equipment	10 to 20
Landfill	3 to 100

Risk
The risk is that the assets will not last as long as forecast and will need replacement earlier than planned. This would require the funding of replacements to also be brought forward. One option may be to see if other replacements could be delayed to avoid having to increase the rates required to fund this. Council's modelling does not depreciate assets until the year after capitalisation. However if not, then rates would increase in the year of the replacement, but not be required in the year the replacement was planned, so it is only a timing issue. Additional costs associated with the timing and lives of assets would be an interest component and/or depreciation component impacting rates and/or debt. For every $1million movement in debt there would be an approximate interest impact of $54,000.

Risk Assessment
Asset management plans are in place for these assets, and professionally qualified staff and consultants have been engaged over the years to advise on this risk. The risk is now well understood and considered to be low.

2. Funding sources

Assumption
That the various funding sources for assets and activities included in the Asset Activity Statements and the Funding Impact Statement will continue to be available to meet these requirements.

Risk
With the risk of a significant portion of available external funding being channelled to Christchurch or higher yielding development portfolios, some sources of funds may significantly reduce.

Risk Assessment
This risk is considered to be moderately low over the term of the plan as the majority of the funding included comes from user pays or general rates. Council, through the Local Government Funding Agency and traditional lenders, has the opportunity to diversify access to external funding. If there are projects/ activities within the plan that utilise external funding, that funding has only been included where there has been an acknowledgement of support.

3. Growth assumptions

Assumption
In order to inform future planning, growth assumptions have been developed identifying a number of growth scenarios. Council believes that it needs to be proactive in its assessment of growth to investigate strategic level implications, and view the consequences for future land use planning and asset management. Berl has provided projections for future population based on migration, unemployment and labour force factors and assume that a growing economy will generate increased employment (particularly on the back of a recovery in tourism) and discourage outward migration.

Rotorua Lakes Council's growth model makes growth assumptions for the district through to 2045. The assumptions identify three key parameters: population, households (represented as household equivalent units - HUEs), and visitor nights.

The growth assumptions are not for the purpose of setting growth targets, nor are they assumptions that seek to promote growth. The assumptions have been developed in order to ensure that there is sufficient infrastructure provided for managing increases in population and visitors over the next 10, 20 and 40 year periods, and ensuring that there is sufficient zoned land to enable projected growth to occur. Council has decided to take the cautious approach to planning for growth in the wake of recent past economic crises and natural disasters such as the Christchurch earthquake. To this end a low forecast for growth (approximately averaging 0.33% pa over the 10 year period) has been used for modelling of project expenditure and needs assessments for capital investment.

Risk
The risk is that growth is much higher or lower than that factored into the Long-term Plan. If lower, the district will have a lower rating base to collect rates from, resulting in higher than planned rates increases, and infrastructural assets (roads, water, and wastewater) will have greater capacity than required. However if growth is higher than the assumptions applied, the district could experience a demand higher than the capacity of the assets, which could result in asset failures and a need to rapidly and heavily invest in assets to accommodate the growth. This in turn would result in much higher than planned debt or a significant increase in rates (or both).

Risk Assessment
Currently growth is planned to be low and, taking into account the current economic conditions and expected slow recovery, the risk is considered low.

4. Cost growth

Assumption
The Reserve Bank Act requires that price stability be defined and negotiated between the government and the Reserve Bank. This is called the Policy Targets Agreement (PTA) and defines price stability as annual increases in the Consumers Price Index (CPI) of between 1 and 3 percent on average over the medium term, with a focus on keeping future average inflation near the 2 percent target midpoint. The inflation assumption currently used by Treasury after five years is the mid-point of the RBNZ target range of 1.0% pa to 3.0% pa, being 2.0% pa. History has shown that 2.5% (0.5% above midpoint) is a probable outcome in the shorter term. The Business and Economic Research Limited (BERL) price change estimates are shown below for two specific areas used in this Long-term Plan (% are per annum change).

Years ending 30 June:	Operating - LGCI Staff (%)	Operating - LGCI Other(%)
2016	1.8	2.3
2017	1.9	2.5
2018	2.0	2.6
2019	2.1	2.7
2020	2.2	2.9
2021	2.3	3.0
2022	2.4	3.1
2023	2.5	3.3
2024	2.6	3.4
2025	2.7	3.6

Risk
That prices rise higher than the assumptions built into the plan. Higher than expected inflation will result in higher rates increase or a reduction in service levels if overall pools of funds for capital spend are not altered.
A lower inflation factor will allow a lower than planned rates increase or reduction of debt. The effect of this would be as follows - for $100 million of costs a 1% increase would mean a $1 million increase in costs.

Risk Assessment
A number of factors will affect economic performance and certainty around these cost factors is difficult to judge. BERL has had many years of experience in providing cost adjustors to local government and is the best known resource available. However, with volatility within the global economy, currently the risk is considered moderate.

5. Subsidy rate

Assumption

Council receives subsidies from New Zealand Transport Agency (NZTA) for local roads within the district, of 51%. This subsidy comes from road user charges and petrol tax, and is allocated to roading projects at the rates listed below, depending on the type of project.

Financial assistance rates	%
Year 1 - 2016	51
Year 2 - 2017	52
Year 3 - 2018	53

It is assumed that the projects in the Long-term Plan will be subsidised at these rates.

Risk

The risk is that transport projects included in the Long-term Plan will not be approved by NZTA due to lack of funds or the subsidy rates are reviewed down. This would result in a shortfall in funding for planned projects. The largest risk is around renewals and maintenance, so if the subsidy is reduced, the level of service for renewals and maintenance would be reviewed and reduced to fit the budget.

Risk Assessment

Financial assistance rates (FAR) have been reviewed and are now set for the next three years. Therefore risk is currently considered moderate.

6. Asset revaluations

Modelling parameter

An annual valuation has been modelled using the "Other" inflation factor at section above for each year of the Long Term Plan.

Risk

The risk is that asset values over the period of the plan are significantly different to the estimated increases in the Long-term Plan.

Risk Assessment

The modelling assumption does not align with accounting practice of revaluation of particular assets classes on a three year rolling cycle. However, there is no real effect on cash flow or rates as a result of revaluation differences, but the replacement and maintenance of these assets will require more funds which will eventually result in higher than planned rates increases. Risk is considered moderate.

7. Return on investments

Assumption

It is assumed cash investment will net 4.4% return on short term cash investments over the duration of the Long-term Plan. Although the interest earned on short term cash investments will fluctuate considerably over the 10 years, it is not considered material and so a single assumption for all of the ten years has been used.

Risk

The risk is that Council will obtain lower returns on its cash investments.

Risk Assessment

As Council has minimal investments, this risk considered negligible.

8. Interest on borrowing

Assumption

Council has an actual portfolio of fixed interest rate debt that matures at various times over the next 6 years. The weighted average cost was 5.47% at June 2014. Taking into account current low interest rates and the slow economic recovery, the interest rate on the cost of borrowing for the Long-term Plan is as follows.

Year	Interest Rate
2016	5.4%
2017	5.4%
2018	5.6%
2019	5.8%
2020-2025	6%

Risk

The risk is that interest rates will be in excess of the 6.0% assumption. A movement in interest rates of 0.5% on debt of $100million is $500,000.

Risk Assessment

Council has a Treasury Management Group (TMG) which includes external experts. The TMG meets regularly to closely monitor council's levels and profile of debt as well as keeping up to date with global and local economic indicators. This has proved to be successful with council achieving average interest rates within the industry. So despite the close monitoring and good controls in place, the risk is still considered medium in longer run due to the volatility and unpredictability of the many factors that can affect interest rates.

9. Resource consents/designations

Assumption

Council will need to apply for numerous resource consents, designations etc., for new projects over the Long-term Plan. Major activities that will require consents (or district plan change) include landfill, water supply, new cemetery site and roading. It is assumed that all necessary consents will be granted when required with reasonable conditions.

Risk

The risk is that consents will take longer to be granted and therefore not be available at the time assumed within the Long-term Plan for commencement of the development; will include conditions that are more onerous than anticipated and the development becomes substantially more expensive, potentially to the extent that it becomes uneconomic to proceed or are not granted.

Risk Assessment

In deciding on and costing projects for the Long-term Plan, Council is well aware of the requirements to meet resource consent requirements; however the risk is around notified consents that could be appealed in the Environment court. This has the possibility to make the consent process both costly and long. The risk is therefore considered moderate.

10. Currency exchange rates

Assumption

It is assumed that currency exchange rates, particularly US and Australian dollars, will not fluctuate significantly during the period on the Long-term Plan. The exchange rates used is the BNZ 10 year average as at February 2015.

NZD $1 =$0.74 USD NZD $1 = $0.84 AUD

Risk

This assumption applies to certain pumping equipment, much of the new library book purchases, some computer software, accommodation and expenses associated with overseas travel, are in USD. Council has minimal exposure to currency movement risk in respect of significant assets or liabilities.

Risk Assessment

The amounts involved in foreign currency exchange rates for council are not considered material, so risk is low.

11. Renewability of debt funding

Assumption

It is assumed that Council's portfolio of debt, which has differing maturity dates from 1 to 6 years and new funding required, will be able to be raised on favourable terms.

Risk

The risk is that Council will not be able to raise new debt on favourable terms. The result would mean council would have to borrow at higher than planned interest rates.

Risk Assessment

Local government is a very low risk to investors, second only to central government. For this reason it is very unlikely that council will not be able to raise funds on favourable terms as and when required. Council has a comprehensive treasury policy and management practices, employs expert advice when required, has a debenture trust deed for raising loans and employ qualified staff. Habitual lenders have always shown confidence in Rotorua Lakes Council in the past and this is not likely to change.

In addition the raising of debt is structured so that less than $60 million is required to be raised in any one year. This helps to limit Council's exposure to difficult borrowing market conditions in any one year of the Long-term Plan. This risk is considered moderate.

12. Structure of local government

Assumption

Effective local government discussions have increased across New Zealand following the changes in the Auckland region but there are no clear or agreed scenarios within the Bay of Plenty region.

Risk

The risk is that continued discussions lead to dis-function and increased costs in local government. These could alter council's structure and would impact the ability to successfully implement the contents of the Long-Term-Plan

Risk Assessment

Central government has indicated local government re-organisation would only happen if communities want it. There is no visible groundswell for reform in the Rotorua District but there is more risk through possible re-organisation in the wider Bay of Plenty that could trigger further regional change, therefor the risk is assessed as higher during the period of this plan.

13. Legislative demands on council resources

Assumption

Over the past decade there has been a substantial increase in the level of delegation from central government to local government through legislative reforms. In almost all cases there has been no funding provided to develop the policy and/or deliver these new services. This has meant that the services have had to be funded from efficiency gains, local user charges, and an increase in rates, or combination of all these mechanisms. In some instances there has been a need to increase resources, such as staff, consultants and contractors. The assumption is that any legislative reform or amendments will not require Council to assume responsibilities that require additional resources and hence additional cost.

Risk

The risk is that there will be significant change to legislation that will cause a material change in operations and costs.

Risk Assessment

Change of Government or even a change in Ministers could have an impact on this risk, therefore the risk is considered moderate.

14. Information technology disasters

Assumption

Council runs a complex business and has a statutory responsibility to capture and retain data. In addition, Council needs to be able to provide technology support for various business functions across Council. Without the support of information and communication technology (ICT) infrastructure many of Council's services could not be provided. The assumption is, in the event of an ICT disaster, all services will continue to be provided and alternative support is available.

Risk

The risk is that in the event of an ICT disaster, services provided by Council will not be able to be delivered.

Risk Assessment

There is a range of mitigation measures adopted by Council to further reduce the likelihood of a major disaster including: sharing servers with other local authorities, such as at the library; a server virtualisation project that allows servers to be replicated in the event of a failure of any one of the servers; the OZONE platform which is used by 15 other local authorities which would provide a level of support; server room environment optimised for long life of servers; hardware renewal programme that ensures replacement before failure. This risk is considered moderate.

15. Local natural disaster

Assumption
It has been assumed that there will be no significant natural disaster during the term of the Long-term Plan.

Risk
The risk is that there could be a significant natural disaster within the next ten years that is in Rotorua or close enough to Rotorua to have a major impact on our levels of service.
Council's mitigating control for this is having business continuity plans in place.

Risk Assessment
The assessment is the chance of an event happening is low, however the effects on the district would be major.

16. Climate change

Assumption
The impacts of climate change have been taken into account allowing for additional demand on infrastructure due to climate change.

Risk
The risk is that there effects of climate change are much greater than anticipated.

Risk Assessment
Climate change effects have been measured and tracked for some time now and are reasonably well understood. This risk is low.

17. Emissions trading scheme

Assumption
There has been cost and income (arising from carbon credits) in relation to the gas flaring project at the landfill included in the Long-term Plan.

Risk
The risk is there are unknown costs associated with ETS that are not included in the Long-term Plan. This could have an effect on rates required.

Risk Assessment
It is not expected that these costs would be material to the plan so the risk is considered low.

18. Insurance

Assumption
The insurance industry now appears to have settled down and it is assumed in the Long-term Plan that with this stability that there will be no further major cost adjustors for insurance. The BERL recommended inflation factor for "Other" will be applied to each year.

Risk
The risk is that there could be further large adjustments in insurance that are not allowed for in the Long-term Plan.

Risk Assessment
If the world has another major natural disaster, there is little doubt that insurance costs will be affected, however the effects from the Christchurch and Japan earthquakes have now been built into the existing premiums and the risk of further significant price increases is considered low.

19. Other Revenue

Assumption
The other revenue is assumed to grow by 1.0% per year over and above inflation for the first three years of the long term plan. This increase is based on the assumption that revenue as at a very low point and with increased focus on revenue growth a 1.0% increase is achievable.

Risk
The other revenue does not grow as assumed in the plan and that has a negative impact on surplus or deficit.
Risk Assessment
As 1.0% growth is a small growth target and other revenue is not the main source of revenue for Council the risk is considered negligible.

20 Subsidies and Grants

Assumption

Council receives a significant amount of revenue from subsidies and grants. These subsidies and grants are in general associated with a dedicated capital expenditure or operating programme.

Risk

The risk is that given these subsidies are not guaranteed by the third party that they may not be received as budgeted or be lower than budgeted. This would result in a shortfall in funding for planned projects and could result in a negative impact on operating result and an increase in debt.

Risk Assessment

Prior to committing to most operating or capital programmes Council has an opportunity to ensure more certainty around funding. If the funding is lower or not available Council can look for alternative funding options to offset, or reassess the programme spending. This risk is considered moderate.

21 Capital Spending

Assumption

Council has budgeted a level of capital spending at 85% of its asset management plan (AMP). The AMP spend is based on information held in our asset management systems which group assets, holds condition assessments, applies assumptions and averages, which in turn determines estimated useful lives and expected replacement dates and values.

Risk

The risk is that Council spends more than 85% of its AMP over the period of the long term plan resulting in higher debt.

Risk Assessment

Over the last 6 years Council has spent on average 74% of its annual budgeted capital expenditure. Council also has the ability to reassess capital expenditure over the duration of the long term plan and reduce and reprioritise spend. This risk is considered low.

Significance and engagement policy

Date Adopted	Next Review	Officer Responsible
2 December 2014	December 2017	Governance and Partnerships Manager

1.0 Policy Purpose:

The purpose of the policy is to:

- enable Rotorua Lakes Council and our community to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities,
- provide clarity about how and when communities can expect to be engaged in decisions about different issues, assets, or other matters; and
- to inform council from the beginning of a decision-making process about:
    - the extent of any public engagement that is expected before a particular decision is made; and
    - the form or type of engagement required.

2.0 Policy outcomes

Enable Council to assess how significant particular issues, proposals, assets, and activities are and, the level of community engagement that is required once the degree of significance is known.

Make it clear about when the Council will engage and how it may engage, so that significant decisions can be made alongside the community.

Provide a guide that outlines the engagement principles that will be followed when engaging with the community.

3.0 Significance

3.1 How will the Council determine significance?

To determine the level of significance of a proposal or decision the Council will make judgements about the likely impact of that proposal or decision on:

a) The District;
b) The persons who are likely to be particularly affected by, or interested in, the proposal or decision; and
c) The cost to, or the capacity of, the Council to perform its role and carry out its activities, now and in the future.

3.2 Criteria for assessing significance

The following criteria will be used as a guide to determine the level of significance of a proposal or decision being considered is significant. If any of the following criteria are met, the proposal or decision may be significant. However, the criteria should be considered collectively to make this determination.

Where the significance of a proposal or decision is unclear against any of the criterion, the council will treat the criterion as being more significant rather than less.

a) The proposal or decision adversely affects all or a large portion of the community.
b) The impact or consequences of the proposal or decision on the affected persons (being a number of persons) will be substantial.
c) The financial implications of the proposal or decision on the Council's overall resources are substantial.
    - It involves $10 million or more budgeted expenditure
    - It involves $3 million or more unbudgeted capital expenditure
d) The proposal or decision will be difficult to reverse once the Council has committed to it.
e) The proposal or decision is likely to generate a high degree of controversy in the community.
f) The proposal or decision does not flow logically and consequentially from a significant decision already made, or, does flow from a significant decision already made but with substantial variations

g) It involves a proposal or decision to transfer ownership or control, or abandonment, of a strategic asset to or from council (Schedule 1 – list of strategic assets)

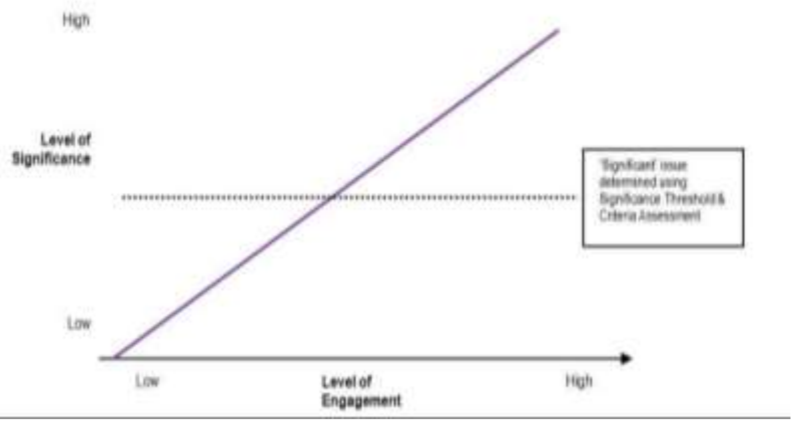
h) It involves a proposal or decision to significantly change the intended level of service provision for any significant activity, including a proposal or decision to commence or cease any significant activity. A proposal is generally only considered significant if it relates to the activity as a whole. (Schedule 2 – list of significant activities)

5.0 Engagement

5.1 How the Council will determine the level of community engagement?

The Council will give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter, for all decisions. However, the level of community engagement that is directly undertaken will vary, depending on the level of significance attached to the matter.

In general, the more significant an issue, the greater the need for, and level of, community engagement. If the matter is considered significant, under this policy, then the Council may carry out a consultation process. (See Council's Community Engagement toolkit for examples and guidance on engagement methods.



5.2 When the council will engage

a) When legislation requires that consultation or engagement be undertaken

b) When a significant proposal or decision is being considered

c) For some matters that do not trigger significance however are considered to have a greater level of interest from within the community.

5.3 When the council may not formally engage

a) When, in the opinion of the council, failure to make a decision urgently would result in unreasonable or significant damage to property, or risk to people's health and safety, or the loss of a substantial opportunity to achieve the council's strategic objectives.

d) When physical alterations to strategic assets are required to:

i. Prevent an immediate hazardous situation arising

ii. Repair an asset to ensure public health and safety due to damage from an emergency or unforeseen situation.

5.4 How will council engage?

Where the Council undertakes community engagement, the level of engagement, and the tools and techniques to be applied, will be tailored to the nature and significance of the matter being considered and to the target audience, notwithstanding legislative requirements.
There are a variety of tools and techniques that the Council may apply when undertaking community engagement.
In carrying out consultation the Council will be cognisant of the requirements of section 82 and 82A of the LGA 2002
The Council will use the SCP (as set out in section 83 of the LGA 2002) where required to do so by law.

5.5 Engagement principles

Council will underpin all its engagement efforts with best practice principles to help establish, consistent, effective and high quality engagement with the community. These principles align with LGA 2002 principles, ensuring we meet our statutory responsibilities in this regard.

The principles also set out what community, can expect from council, while allowing for some flexibility regarding the forms that engagement may take. The following are key engagement principles, which align with LGA 2002 principles, which Council will follow in its engagement with the community.

Transparency

Council ensures that decision-making is accessible, open, honest and understandable.

Our community receives the information needed, and with enough lead time, to participate effectively.

Building Relationships and Community Capacity

Council is actively aware of, and has regard to, the views of all its communities.

Community engagement processes invest in and develop long-term, collaborative working relationships and learning opportunities with community partners and stakeholders.

Inclusiveness and Fairness

Engagement and decision-making processes identify, reach out to, and encourage participation of the community in its full diversity.

Processes respect a range of values and interests and the knowledge of those involved.

Historically excluded individuals and groups are included authentically in processes, activities, and decision and policy making.

Impacts, including costs and benefits, are identified and distributed fairly.

Māori and Tāngata Whenua Participation

Council should actively provide opportunities for Māori to contribute to its decision-making processes. Iwi Environmental Management Plans, Joint Management Agreements, Memoranda of Understanding or any other similar high level agreements will be considered as a starting point when engaging with Iwi and Māori.

6.0 Definitions

Community	A group of people living in the same place or having a particular characteristic in common. Includes key stakeholders, interested parties, and affected people, families, neighbourhoods, groups, marae, Hapū and Iwi, organisations and businesses
Decisions	Refers to all decisions made by or on behalf of council including those made by officers under delegation
Engagement	In terms of this policy, engagement is a term used to describe the process of involving the community in council decisions. Engagement occurs along a continuum from informing (the most passive form of engagement for the community) through to empowering (the most active form of engagement for the community).
Significant and Significance	The Local Government Act (LGA 2002) defines the terms “significant” and “significance”. Significance means the degree of importance of the issue, proposal, decision, or matter, as assessed by council, in terms of its likely impact on, and likely consequences for the district; any people who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter; and, the capacity of council to perform its role, and the financial and other costs of doing so. Significant means that the issue, proposal, decision, or other matter has a high degree of significance.
Significant Activity	A list of the Significant Activities of the council is contained in Schedule 2 of this policy. Significant activities, per Schedule 2, are the activities in total and not the separate elements of the activities.
Strategic asset	The LGA 2002 defines strategic assets as an asset or group of assets that council needs to retain if council is to maintain council’s capacity to achieve or promote any outcome that council determines to be important to the current or future wellbeing of the community. A list of the strategic assets of the council is contained in Schedule 1 of this policy. For the purposes of this policy, council considers its strategic assets as a whole.

SCHEDULE 1– STRATEGIC ASSETS

For the purposes of section 76AA of the LGA 2002 the Council considers the following assets to be strategic assets.

The Council will consider the following strategic assets as a whole because it is the asset class as a whole that delivers the service.

The Council will therefore not undertake the special consultative procedure for decisions that relate to the transfer of ownership or control, or minor construction or replacement, of a part of a strategic asset, unless that decision triggers the significance thresholds and criteria outline in this policy.

The assets and groups of assets that the council considers to be "strategic assets" are:

- the council's roading network
- the council's wastewater network and treatment plant
- the council's water supply network
- the council's stormwater network
- the Rotorua Museum
- the council's public library, pensioner housing, event facilities, aquatic facilities, parks and reserves, cemeteries and crematorium
- shares in any council-controlled organisation
- waste management infrastructure consisting of disposal and collection

SCHEDULE 2 – SIGNIFICANT ACTIVITIES

The following is a list of Council's significant activities for the purposes of sections 76AA and 97(1) of the LGA 2002.

These have been determined because of their strategic importance in the delivery of service to the community. Significant activities are the activities in total and not the separate elements of the activities

Activity Group	Significant Activities
Network infrastructure	Transport networks
	Water supplies
	Sewerage treatment and disposal
	Storm water and land drainage
Solid waste	Collection
	Disposal
District Library	
Rotorua Museum	
Pensioner housing	
Gardens, Reserves, Sports grounds	Reserves
	Aquatic Centre
	Sports grounds

Long-term plan disclosure statement

Long-term plan disclosure statement for period commencing 1 July 2015

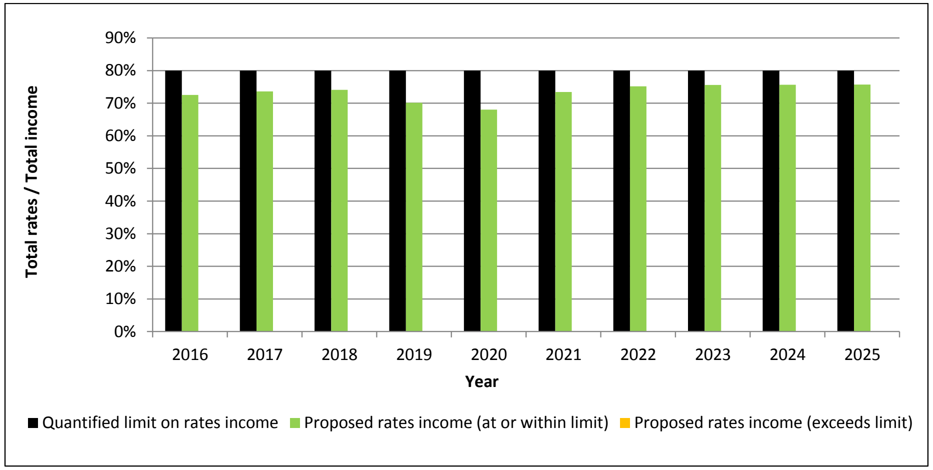
What is the purpose of this statement?
The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The council is required to include this statement in its ling-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 **(the regulations)**. Refer to the regulations for more information, including definitions of some of the terms used in this statement.

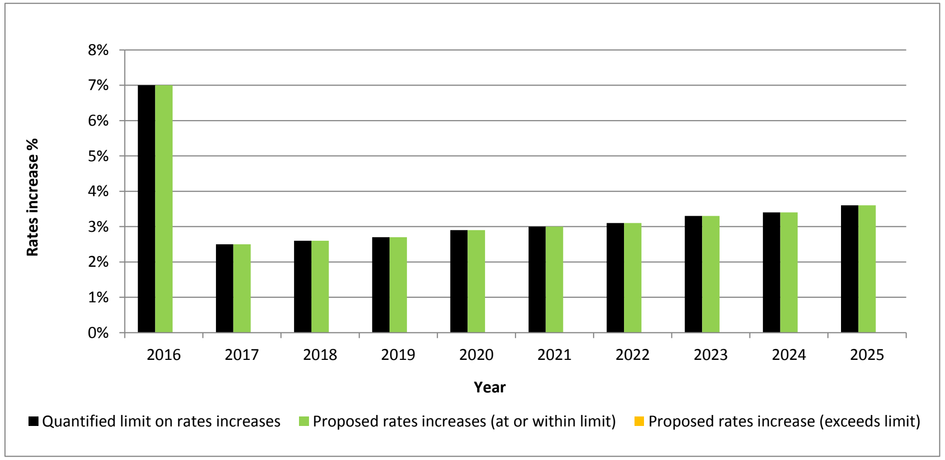
Rates affordability benchmark
The council meets the rates affordability benchmark if-

- Its planned rates income equals or is less than each quantified limit on rates; and
- Its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability
The following graph compares the councils planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is rates as a proportion of total revenue is less than 80%.



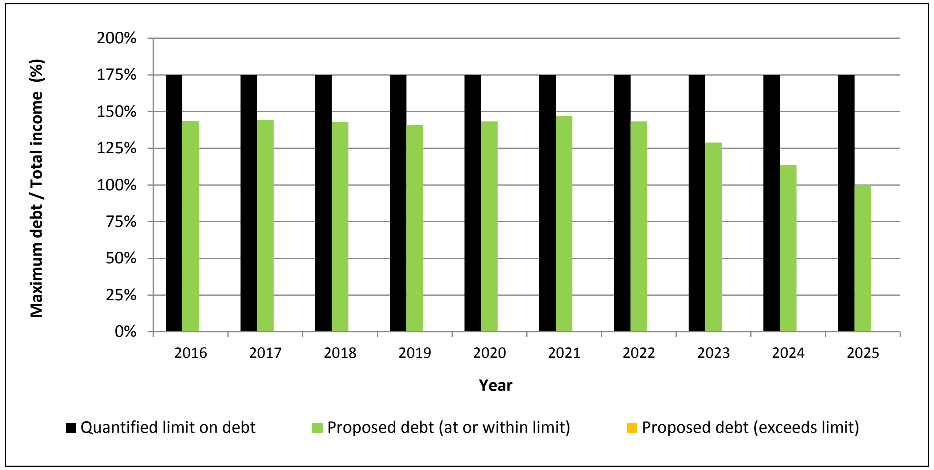
Rates (increases) affordability
The following graph compares the council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is a one-off 7% increase in the first year, and from year two onwards at the prevailing rate of inflation applied to our cost base.



Debt affordability benchmark

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

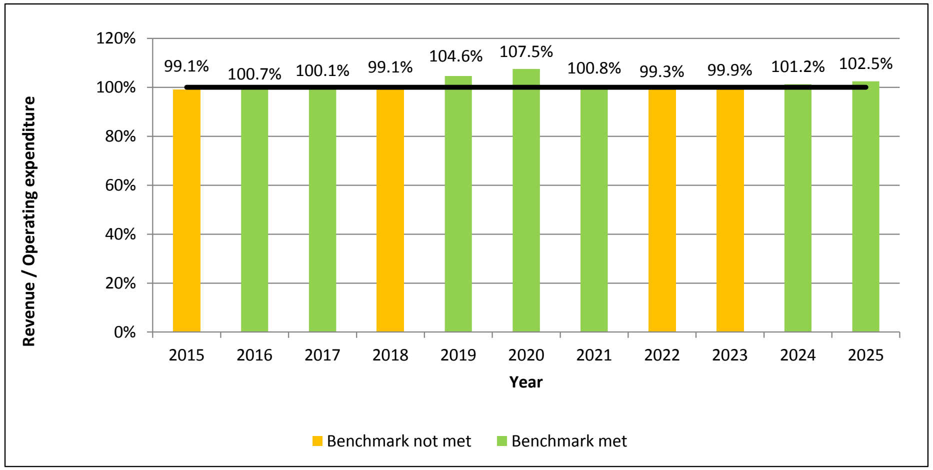
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is that total debt will be lower than 175% of total income.



Balanced budget benchmark

The following graph displays the council's planned revenue (excluding development contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant, or equipment).

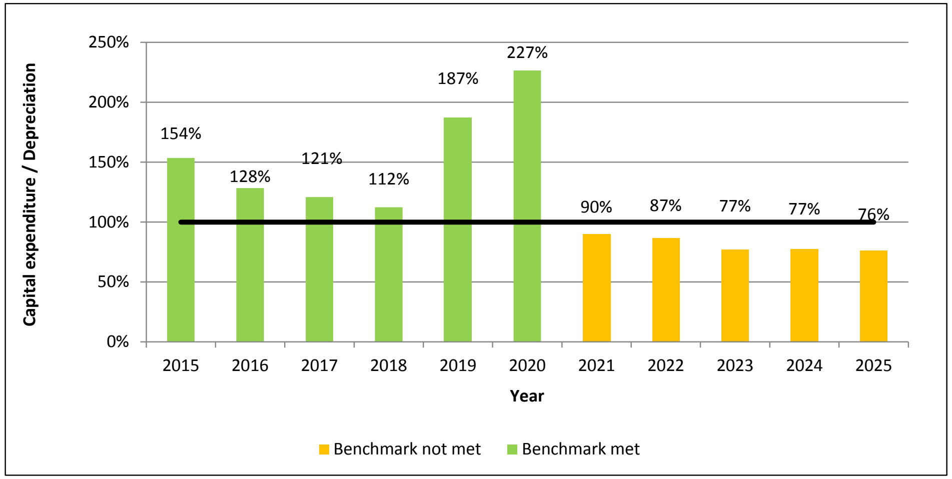
The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

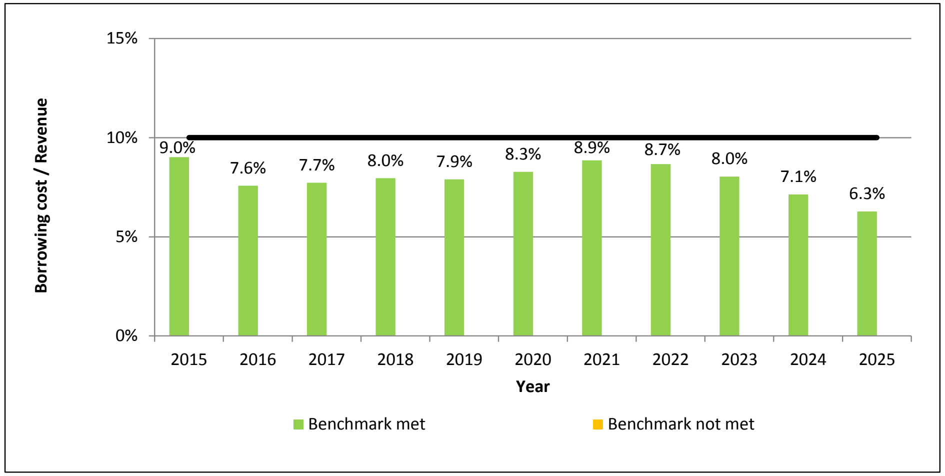
The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark it its planned borrowing costs equal or are less than 10% of its planned revenue.



Breach in the Local Government Act, 2002

The Council did not adopt the long-term plan before the commencement of the first year to which it relates as required by section 93(3) of the Local Government Act, 2002. The delay in the adoption was as a result of deliberations on the 2015-25 LTP Consultation Document taking longer than anticipated and to ensure all feedback obtained during the consultation process was fully considered in preparing the long-term plan.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader

Independent auditor's report on Rotorua District Council's 2015/25 Long-Term Plan

I am the Auditor-General's appointed auditor for Rotorua District Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's long-term plan (the plan). I have carried out this audit using the staff and resources of Audit New Zealand. We completed the audit on 22 July 2015.

Opinion

In my opinion, and recognising the unique circumstances facing the Council:

- the plan provides a reasonable basis for:
  - long-term, integrated decision-making and coordination of the Council's resources; and
  - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 243 to 245 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the Council's audited information.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee complete accuracy of the information in the plan.

Without modifying our opinion, we draw your attention to the following matters:

Uncertainties over the limit being imposed on all capital expenditure

As set out on page 8 and 9 of the plan, the Council has decided to set a funding envelope for the life of this plan that funds only 85% of the planned capital expenditure programme that the Council set out in its consultation document.

In order to achieve this reduced level of capital expenditure over the period of the plan without affecting levels of service the Council is required to find savings and efficiencies totalling $56.4 million. On page 84 of the plan the Council broadly outlines how it plans to reduce its capital expenditure, but at this stage has not identified any specific proposals to achieve the total level of savings required.

To the extent that the Council is not able to achieve these savings, the Council will need to reduce its capital expenditure programme or borrow to fund the shortfall with the potential to impact on the future rates requirement. This risk is highlighted by the Council on pages 84 and 238 of the plan, which sets out the financial strategy and significant assumptions.

Breach of the Local Government Act 2002

As disclosed on page 245 of the plan, the Council failed to adopt the plan before the commencement of the first year to which it relates. This is a breach of section 93(3) of the Local Government Act 2002.

In drawing your attention to these issues, we are not commenting on the merits of the policy content that they reflect. We consider the disclosures in the plan to be adequate.

Basis of Opinion

We carried out our work in accordance with the Auditor-General's Auditing Standards, relevant international standards and the ethical requirements in those standards.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our audit procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face over the next 30 years;
- the information in the plan is based on materially complete and reliable asset and activity information;
- the Council's key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures and forecast financial information has been adequately explained within the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

The Council is also responsible for the publication of the long term plan, whether in printed or electronic form.

I am responsible for expressing an independent opinion on aspects of the plan, as required by sections 94 and 259C of the Act. I do not express an opinion on the merits of the plan's policy content.

Independence

We have followed the independence requirements of the Auditor-General, which incorporate those of the External Reporting Board. Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.

Clarence Susan, Audit New Zealand
On behalf of the Auditor-General,
Tauranga, New Zealand

ROTORUA LAKES COUNCIL
Te kaunihera o ngā roto o Rotorua

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