



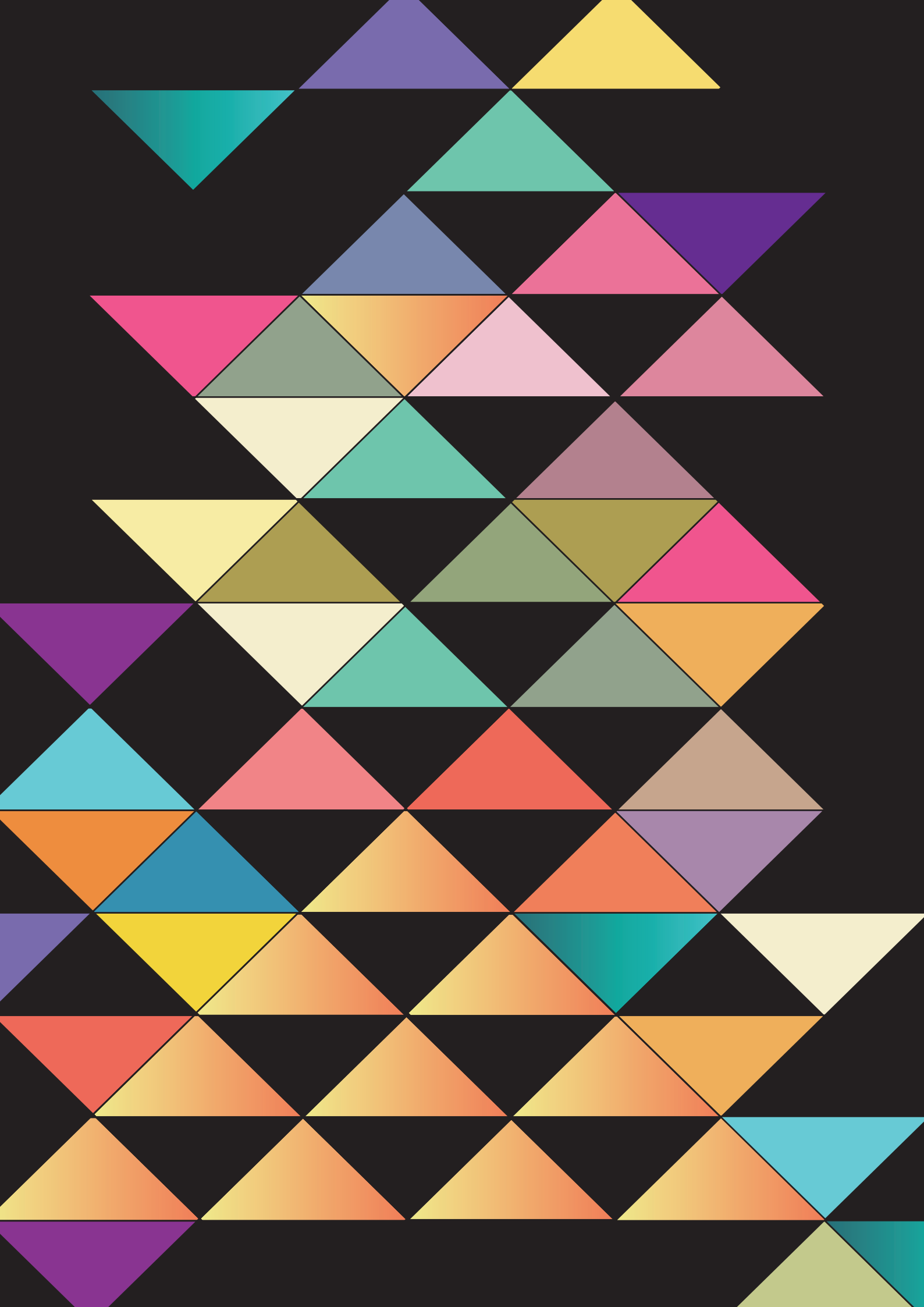
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**Whakataka te hau ki te uru,  
whakamata te hau ki te tonga,  
kia mākinakina ki uta,  
kia mātaratara ki tai,  
kia hī ake ana te atākura.  
He tio, he huka, he hau hū...tihe mauri ora!**

Cease the winds from the west,  
cease the winds from the south,  
let the breeze blow over the land,  
let the breeze blow over the ocean,  
let the red-tipped dawn come with a sharpened air.  
A touch of frost, a promise of a glorious day...it is life!







---

C H A P T E R O N E

# OUR PEOPLE



# E ngā iwi puta noa i tō tatau rohe o Rotorua, Tēnā tatau

I am delighted to present the Rotorua Lakes Council's 2018-2028 Long-term Plan. I would like to thank my fellow Councillors, board members, partners, Council's Chief Executive and the staff at Rotorua Lakes Council for their contribution to this plan and look forward to working with the entire community to implement it.

The 2018-2028 Long-term Plan will be the guiding document for the Rotorua district over the next decade, outlining the funding and delivery for achieving the community's collective vision. With its active environment, strong culture, easy lifestyle and diverse opportunities, the Rotorua district is the envy of many.

However, as we know several years ago Rotorua was at a standstill and predicted to decline.

Local businesses and community groups told us this was not an acceptable future for our district. They wanted to see change, progress and a better future.

We established the Rotorua 2030 vision, a bold aspirational plan for our district which we refreshed last year to establish The Rotorua Way, the next chapter in our long-term journey. This set our direction, providing the shape of the future we want for our district, and the spatial plan (still in progress) will further outline that. This 2018-28 Long-term Plan will weave it all together and add the "colour", setting out how Council will prioritise and resource our development as a community.

Positive change has been evident during the past few years, which will only continue with greater pace over the next ten years.

Our inner city has been revitalised; we have new businesses in Rotorua while existing ones have reinvested and expanded; neighbourhoods are being improved; our local economy has performed well with GDP growth consistently above the national average for the past year; and our increasing population has bucked previous predictions with Rotorua now a medium growth area. Those are just some of the positives we've seen and we now need to consider the next 10 years. Now more than ever there is a larger demand for efficient and effective services from all levels of government. While these changes are exciting, they do provide their challenges.

By reading this plan you will see that Council will be working hard over the next ten years to maximise the strengths of our district.

The 2018-2028 Long-term Plan maps out the projects and initiatives that will be implemented by Council over the next ten years to not only take advantage of these changes but also tackle the challenges they may create so that we continue to ensure Rotorua is the best place to live, work play and invest.

In developing this Long-term Plan councillors and staff have worked over many months to balance the community's expectations and priorities with the increasing demand for services and infrastructure, as well as our available financial resources.

This culminated in five themes that we took to the community in our consultation document and form the basis for how we will bring about further change and progress our vision:

1. Reviving our facilities
2. Environmental sustainability
3. Growing our district
4. Keeping the foot on the pedal of progress.
5. Funding and delivery

Continuing to deliver quality services will always be Council's priority. We also have the responsibility to ensure that the community's significant asset holdings are maintained so they will continue to function now and well into the future.

For this reason, significant funds are allocated in the plan to maintain, renew and improve key infrastructure assets such as roads, footpaths, cycleways, stormwater drainage, waste water, water supply as well as sports and recreation, community and cultural facilities. This also includes plans to further develop the local economy through the creation of vibrant, well designed and desirable public places across the district.

Another highlight is a detailed environmental program which shows how Council will manage our natural and urban environment to protect cherished lakes, waterways, bushlands and eco systems. There are also programs that will support residents to lead healthy, active and independent lives by taking advantage of Council's fantastic facilities and green spaces.

Put all together, the new Long-term Plan 2018-2028 along with our 2030 vision and spatial plan provides us all with a great direction for what the Rotorua district will be able to deliver for you, for your tamariki, for our mokopuna, for the progress of this wonderful district we all call home.

Tatau tatau – we together



**Hon Steve Chadwick JP**  
**Mayor of Rotorua**

# Created in 2013, the district's long- term vision created an enduring pathway for the Rotorua district...

...driving everything we do as we work with our community to achieve a positive future.

It followed a call for change to ensure the growth and development of the district and established long term goals as well as setting the direction for council work, services and planning.

A refresh following the 2016 elections, The Rotorua Way, reflected the need to continue to develop the Rotorua district in a way that responds to growth but at the same time retains and works to enhance the unique character of our place that is special to us all.

A focus on what makes Rotorua special – the district's active environment, our strong Te Arawa culture and manaakitanga, the fantastic lifestyle we can enjoy and the diverse economic opportunities that exist here have highlighted areas for opportunities and transformational change that point us towards achieving the goals of the vision.



## **VISION 2030 AND THE LONG-TERM PLAN**

The Long-term Plan is our action plan, setting out how we will deliver and fund what we've set out to achieve. It is Council's commitment to the community to deliver services and projects that contribute towards the vision and the district's strengths in a financially prudent way, balancing the challenges of affordability in the present while meeting the demands for future progress.

## **VISION 2030 AND COMMUNITY OUTCOMES**

Our community outcomes are our vision 2030 goals.

We have previously reported Vision 2030 via the quarterly 2030 progress report. We are leaving this behind as the method proved to not be fit for the purpose of understanding the current state and progress of community outcomes. Measuring our community outcomes should be in a way that tells us about the current state of our community with respect to where we would like to be.

We are developing a new approach. The purpose is to provide a common understanding of the 'state of the community' and in working with all citizens, community groups, sectors of government, business etc, create collaboration, leadership, ownership, and alignment to core areas where the district needs improvement in our community wellbeing.

It is envisaged that a first report will be produced in April 2019. The key parts to the new approach are that it is vision led, aspirational yet achievable, intergenerational and future focused.

Guiding the development of this framework in this way is the result of the new direction and expectations being set by central government. The reinstatement of the four well-beings, Treasury introducing the Living Standards Framework, the Reserve Bank expanding its mandate to include employment outcomes, and the commitment by government to embed wellbeing and living standards (for children in particular) at the centre of how government functions.

Local government is best placed to develop community wellbeing frameworks for use by all.



KOINEI TŌ TĀTAU KĀINGA. KO TĀTAU ŌNA TĀNGATA.  
 NĀ TĀTAU TONU I ORA AI TE AHUREA TE ARAWAME ŌNA ĀHUATANGA KATOA.  
 HE IWI AUAHA TĀTAU E TUKU NEI I TĀ TĀTAU E AKO NEI.  
 E KOKIRI NEI TĀTAU I TE ANGITU, I TE HIHIRI ME NGĀ REREKĒTANGA MAHA.  
 E KAHA TAUTOKO NEI TĀTAU I WHAKAPŪMAUTANGA O TE TĀIAO.  
 MŌ TE KATOA A ROTORUA...TATAU TATAU

THIS IS OUR HOME. WE ARE ITS PEOPLE.  
 WE'RE THE **HEART OF TE ARAWA CULTURE** AND EXPRESSION.  
 WE'RE INNOVATIVE AND WE SHARE WHAT WE LEARN.  
 WE'RE DRIVING OPPORTUNITY, ENTERPRISE AND DIVERSITY.  
 WE'RE SUPPORTING **A LEGACY OF SUSTAINABILITY** FOR OUR ENVIRONMENT.  
 ROTORUA IS **A PLACE FOR EVERYONE**...TATAU TATAU - WE TOGETHER

**PEOPLE | CULTURE | PLACE**

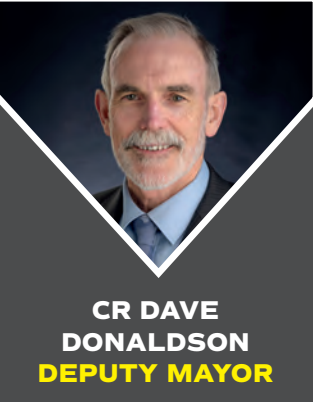


- 1** **A RESILIENT COMMUNITY** He hāpori pūmanawa ...inclusive, liveable and safe neighbourhoods give us a sense of place; and confidence to be involved and connected
- 2** **HOMES THAT MATCH NEEDS** Kāinga noho, kāinga haumarū...quality, affordable homes that are safe, warm, and available
- 3** **OUTSTANDING PLACES TO PLAY** Papa whakatipu...recreation opportunities are part of our lifestyle; connecting us, transporting us and surrounding us
- 4** **VIBRANT CITY HEART** Waahi pūmanawa...our inviting and thriving inner city reflects our unique heritage and lakeside location
- 5** **BUSINESS INNOVATION AND PROSPERITY** Whakawhanake pākiki ...we boast a diverse and sustainable economy energised by our natural resources and innovative people
- 6** **EMPLOYMENT CHOICES** He huarahi hou...we are a prosperous connected community; growing our education, training and employment opportunities
- 7** **ENHANCED ENVIRONMENT** Tiakina to taiao...we are known globally for our clean, natural environment, air quality and healthy lakes

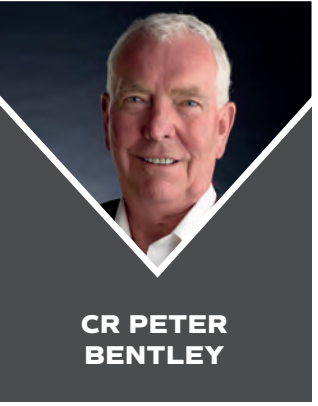
Mayor & Councillors



HON STEVE CHADWICK  
MAYOR



CR DAVE DONALDSON  
DEPUTY MAYOR



CR PETER BENTLEY



CR MARK GOULD JP



CR KAREN HUNT



CR ROB KENT



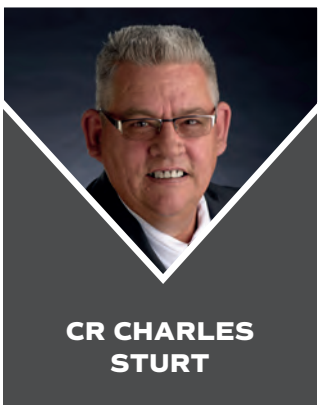
CR RAJMESH KUMAR



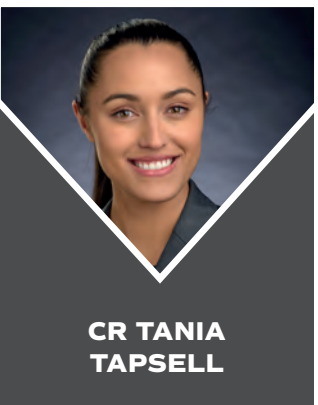
CR TREVOR MAXWELL MNZM  
CULTURAL AMBASSADOR



CR MEREPEKA RAUKAWA-TAIT



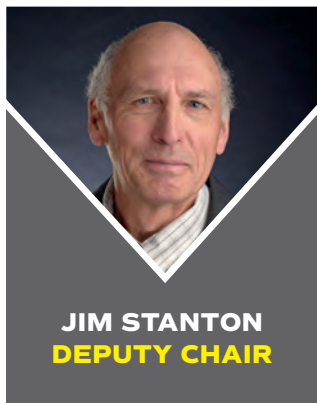
CR CHARLES STURT



CR TANIA TAPSELL



**PHILL THOMASS**  
**CHAIR**



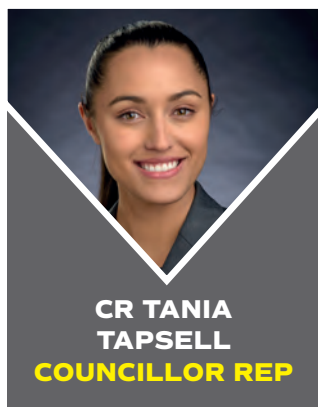
**JIM STANTON**  
**DEPUTY CHAIR**



**NICK CHATER**



**FRED STEVENS**



**CR TANIA  
TAPSELL**  
**COUNCILLOR REP**



**SHIRLEY TRUMPER**  
**CHAIR**



**CHRIS SUTTON**  
**DEPUTY CHAIR**



**BRYCE HEARD**



**BOB MARTIN**



**CR MARK  
GOULD JP**  
**COUNCILLOR REP**

Lakes Community  
Board

Rural Community  
Board

Rotorua Lakes Council has in place a range of mechanisms which collectively provide opportunities for Māori to contribute to council decision-making processes, giving effect to schedule 10, section 35 of the Local Government Act 2002.

Te Tatau o Te Arawa is the board which represents the collective interests of Te Arawa under the Te Arawa partnership agreement with Rotorua Lakes Council.

The Te Tatau board of trustees comprises 14 members, representative of a cross section of Te Arawa stakeholders including koeke (elders), Ngati Whakaue, Te Arawa iwi and hapu, land trusts and incorporations, pan-Te Arawa entities and rangatahi (youth).

Te Tatau o Te Arawa was established in 2015, following a robust 18-month process. Te Arawa (voting age members registered on the Te Arawa Lakes Trust register at the time) elected a board of 14 members to represent Te Arawa collective interests and guide the partnership with Council. The partnership agreement embodies the intention of Te Arawa and Rotorua Lakes Council to establish an enduring partnership which creates a future that benefits the community as a whole.

Te Arawa and Council committed to the following goals:

- provide a framework to work together towards improving Rotorua;
- provide mechanisms and resources that help Te Arawa to participate in Council policy, planning and other decision-making processes;
- facilitate the sharing of information to build better understanding that enhances collaboration and strategic thinking about Rotorua's future;
- Assist Te Tatau to:
  - achieve a Te Arawa 2030 Vision,
  - support the council to grow its capacity and capability to effectively and meaningfully engage with Te Arawa hapu and iwi,
  - realise opportunities (that arise from time to time) that both parties agree are mutually beneficial,
  - assist Council with its decision-making and other processes, exercise of functions, and exercise of powers by meeting five objectives:
  - help Council meet its Rotorua 2030 commitment to effectively partner with Te Arawa;
  - improve the delivery of Council's legal and statutory obligations to Maori;
  - strengthen Te Arawa's participation in Council decision-making;
  - identify strategic opportunities to work closely together for the betterment of the Rotorua district;
  - build iwi capacity and capability to partner with local government.

Other mechanisms providing Māori input into council decision-making include Te Pukenga Koeke o te Whare Taonga o Te Arawa, a group of Te Arawa kaumatua supporting Rotorua Museum decisions; Ngati Whakaue Gifted Reserves Protocol which provides input into decisions or changes to the status of gifted reserves; and the Kauae Cemetery Committee which advises on operations, policies and procedures for the Kauae Cemetery.

The Pukaki ki Rotorua Charitable Trust ensures the safe-keeping, conservation and maintenance of the taonga Pukaki; and the Waka Taua Trust has the same purpose, for the historic Te Arawa Waka Taua and shelter at the Lakefront.

The council has a number of individually tailored memoranda of understanding in place with various hapu of the district.



**TE TARU  
WHITE  
CHAIR**



**NGAROMA (MALA)  
GRANT  
DEPUTY CHAIR**



**EUGENE  
BERRYMAN-KAMP**



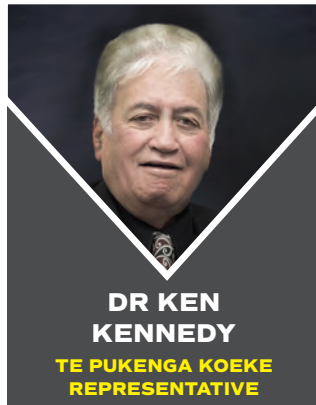
**POTAUA  
BIASINY-TULE**



**KINGI  
BIDDLE**



**NGAHUIA  
HONA-PAKU  
RANGATAHI**



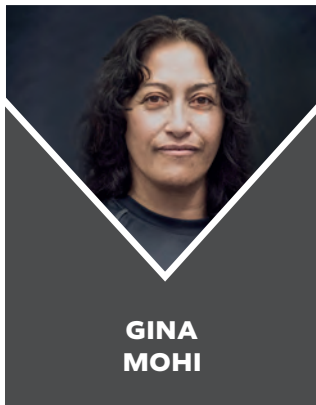
**DR KEN  
KENNEDY  
TE PUKENGA KOEKE  
REPRESENTATIVE**



**ERAIA  
KIEL**



**RAINA  
MEHA-RANGITAIRA**



**GINA  
MOHI**



**ANA  
MORRISON**



**GEOFFREY  
ROLLESTON**



**TE MAURI  
TAIT KINGI**

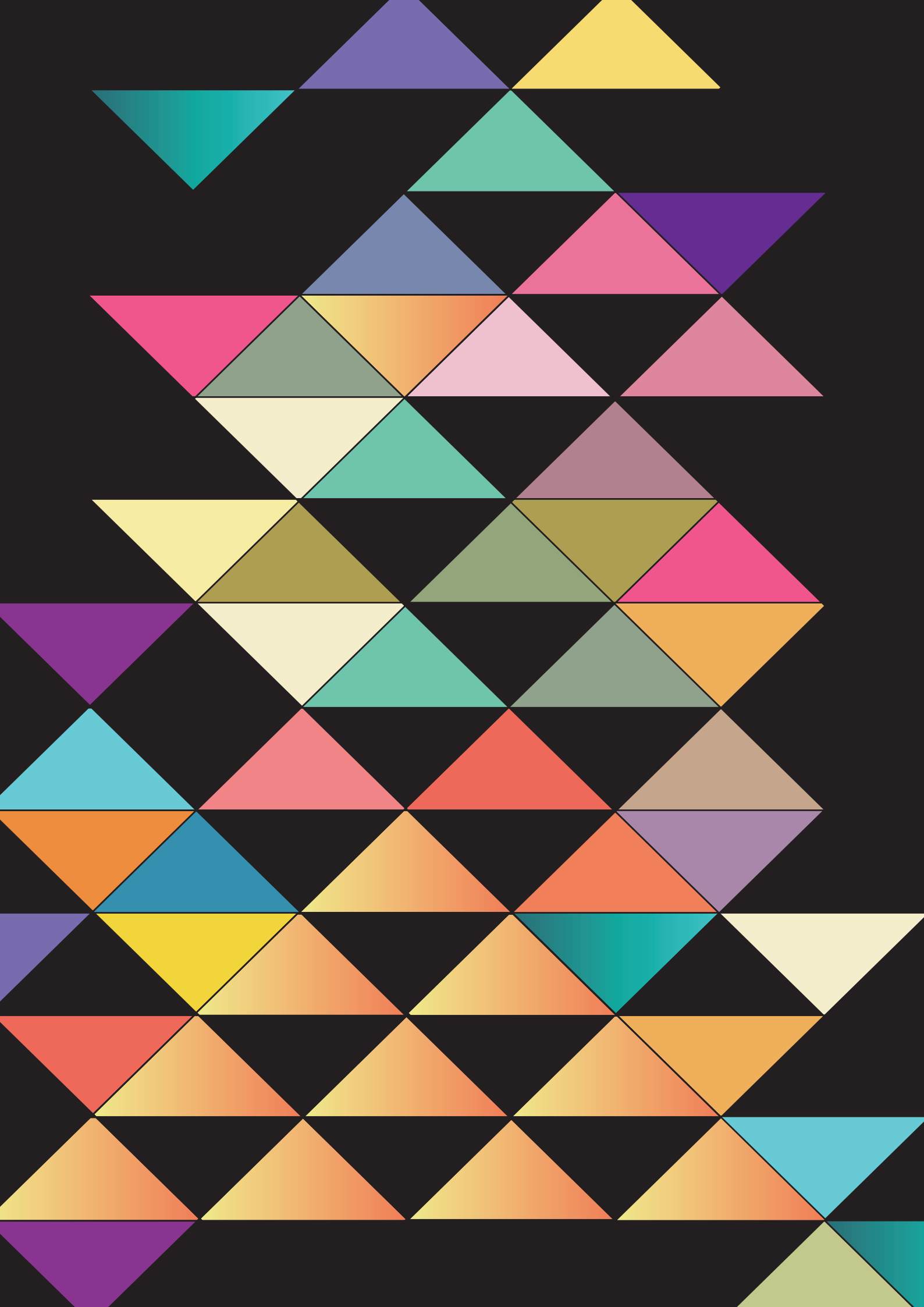


**DAVID (RAWIRI)  
WARU**



**JUDE  
PANI  
EXECUTIVE OFFICER**

Te  
Tatau  
o Te  
Arawa







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C H A P T E R T W O

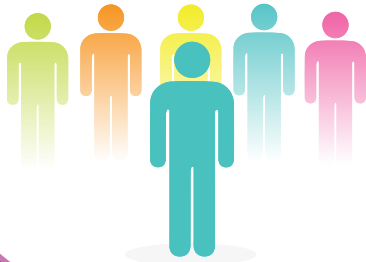
# VISION TO ACTION



# COMMUNITY ENGAGEMENT PROGRAMME

MORE THAN  
**1200**

PEOPLE VISITED INFO STANDS AT  
EVENTS, MARKETS AND PROJECT SITES



MORE THAN  
**240**

YOUTH GAVE FEEDBACK



VIA  
**18**

YOUTH WORKSHOPS  
AND FORUMS

To enable  
fully informed  
deliberation...

...on its Long Term Plan 2018-2028, Rotorua Lakes Council undertook an extensive community engagement programme from 5 March to 13 April 2018.

The Council provided multiple opportunities for members of the community to engage directly with elected members at publicised community conversations, hui-ā-iwi and targeted community forums held both in Rotorua city and around the district.

Elected members also participated in 28 'pop ups' at community events, local markets, Te Manawa and in the LTP container sessions at the Lakefront, Redwoods and Kuirau Park.

Other engagement, without formal elected member participation, occurred including 17 youth workshops and two in-council workshops with young people as well as LTP briefings that were held with various groups and organisations.

Finally, online engagement was also enabled through the Let's Talk / Kōrero Mai portal on Council's website and through social media.



**500**

PEOPLE GAVE VERBAL  
FEEDBACK AT:



**487**

PEOPLE GAVE FEEDBACK  
ONLINE, VIA FORMS,  
EMAIL AND POST

**15**

- HUI
- MEETINGS
- FEEDBACK  
SESSIONS

MORE THAN  
**1350**

INDIVIDUALS, GROUPS  
AND ORGANISATIONS  
PROVIDED FEEDBACK

The consultation document, an 84 page publication, set out the intended direction and the action to deliver over the next ten years under five clear themes.

1. Reviving our facilities
2. Environmental sustainability
3. Growing our district
4. Keeping the foot on the pedal of progress
5. Funding delivery and action

Our community responded very well to the topics within the consultation document. The infographics above summarise the level of engagement. Consideration of all submissions was undertaken on 16 and 17 May 2018. The final decisions of the Council is summaries in the following pages.

# OUR COMMITMENT:

Ensure our facilities are modern, safe, fit-for-purpose and meet our needs and our lifestyle

Since 2015 we have refurbished the library building on Haupapa Street, removed Community House, redeveloped the netball courts at Westbrook Park and made improvements to the iSite, including earthquake strengthening.

The Long-term Plan will focus on the Aquatic Centre, Rotorua Museum and the Sir Howard Morrison Performing Arts Centre with proposed overall investment of approximately \$53 million in these facilities.

In particular council consulted upon investment into the Aquatic Centre and the Rotorua Museum.

## THE AQUATIC CENTRE

Rotorua has the only outdoor heated 50m pool in the country (with natural geothermal resources used for heating purposes), attracting training camps and competitions.

The centre attracts 350,000 visitors per year and the learn to swim programme teaches more than 11,000 children annually.

However, the outdoor pool is 43 years old and the adjacent building 30 years old.

Several issues at the aquatic centre need to be addressed to bring the level of service back to what the community expects:

- The main pool is slumping
- The roof needs replacing
- The current pool entrance creates a wind tunnel which causes cool air to flow directly onto the pool, impacting on user experience and driving up costs;
- There is no dedicated learn-to-swim pool (lessons taught in English and Te Reo Maori are currently held in the main public pool which is disruptive and well below accepted best practice).

Council proposed a phased approach to the redevelopment of the Aquatic Centre. This is based upon Council undertaking the necessary first steps of the redevelopment to bring the facility up to the standard expected from our community and match existing needs. The first stage of investment is critical to serve our community and attract investor interest for subsequent stages.

Subsequent stages have the potential to include:

- Development of a café and gym to provide a wider recreation experience (and create complementary income streams);
- Outdoor water play area;
- Redevelopment of outdoor change rooms.
- Hydro slides;
- Dedicated pools for different age groups;
- Multi use conference facilities.

## DECISION-MAKING

Council has agreed to fund the initial stage of the redevelopment of the Aquatic Centre to broaden its range of uses and meet the needs of Rotorua residents and visitors including:

- Provision of a dedicated learn-to-swim pool;
- Upgrade of the outdoor pool and bring it up to national competition standards;
- Re-roof the indoor pool;
- Redesign the reception area and changing rooms;
- Adding more play structures to the indoor areas.

This investment of \$7.5 million will be spread over the first three years of this Long-term plan.

INVESTMENT SPREAD	
Year	Investment
Year 1	\$2.2 million
Year 2	\$3.3 million
Year 3	\$2.0 million
Year 4 onwards	Continued investment of \$300,000 per year from year 4 is set aside to replace existing assets in line with the asset management plan.

## OUR ICONIC MUSEUM

Our iconic museum was closed in November 2016 due to damage discovered following the Kaikoura earthquake. Since the building's closure, Council has been working to fully understand the work required to bring the building back to a safe standard and to look at options for restoration.

The museum is part of Rotorua's history, a national treasure and a facility our local community is very proud of; it is one of New Zealand's most photographed buildings. It is a place that tells the stories of Rotorua and of Te Arawa,

Investigations to assess the extent of damage to Rotorua Museum started in early 2017. Extensive testing and research was needed to fully understand the building, from initial construction in 1908 to 2011. Geotechnical testing, looking at the ground under and around the museum has also been conducted.

Because the museum has Category 1 heritage status (the most important category of heritage buildings) extreme care has been needed when conducting these tests to ensure the process doesn't damage the building further.

All of this work has been required to inform the development of the most appropriate plan to repair and strengthen the building.

In October 2017 Council agreed to progress to detailed costings for a preferred option to assist in deciding how to proceed.

Council proposed to undertake the necessary seismic strengthening of the building to bring it up to a minimum of 80% of the national building standards, to repair long term maintenance issues including water tightness, replace the roof, upgrade exhibitions content including digital engagement capability and repair damaged services from prolonged exposure to hydrogen sulphide.

## DECISION-MAKING

Rotorua's strengths of strong culture and diverse opportunities are reflected in Council's commitment to restore, maintain and provide a world renowned Museum. Restoring and re-opening our beloved Museum is considered vital to the vibrancy of Rotorua, both culturally and from a visitor attraction perspective.

Rotorua's history needs to continue to be told through the stories portrayed in the exhibitions and our culture needs to be preserved and relived through the experience offered at the Museum. The Bathhouse is seen as the most appropriate place to do this as it is history in itself and a major exhibition.

Restoration costs are expected to be in the order of \$30.5 million. This has been programmed across years one to three of the Long-term plan.

INVESTMENT SPREAD	
Year	Investment
Year 1	\$500,000
Year 2	\$15.0 million
Year 3	\$15.0 million

The significance of the building both historically and culturally means council anticipates significant external contribution towards the restoration. Council assumes approximately 1/2 of the project could be funded externally. If the level of funding assumed is not available the investment by Council will need to be further consulted upon within the community. Those options may include to continue the project with more investment by Council, or to scale back the project to match available funding, or to look at alternative funding sources.

## OUR COMMITMENT:

Enhance the environment that defines Rotorua; a unique volcanic landscape characterised by lakes, rivers, mountains and geothermal features.

Our focus for this Long-term Plan in terms of environmental sustainability is lakes water quality and waste management.

Council is committed to improving water quality in our lakes in partnership with Te Arawa Lakes Trust and Bay of Plenty Regional Council through the Rotorua Te Arawa Lakes Programme. Rotorua Lakes Council contributes through the provision of reticulated sewerage schemes and disposal methods to protect public health and improve water quality while respecting traditional cultural values and meeting broader community expectations. A number of projects have already been committed to in the previous long-term plan and the 2017/18 Annual Plan and will continue to be implemented over the course of this long-term plan. These include the upgrade to the in-town waste water treatment plant and the East Rotoiti/Rotomā/Rotoeheu sewerage scheme.

## TARAWERA SEWERAGE SCHEME

Tarawera residents and Council have established a Tarawera steering group following strong interest by the community to have a reticulated sewerage scheme for Tarawera. Options which would best serve the community and can be implemented in an affordable way are being investigated. The cost of a possible scheme could range from about \$15 million to \$19 million.

To date the community steering group has successfully secured \$6.5 million from the Ministry for the Environment.

Council have stated that they cannot afford to borrow the balance of the costs needed to construct this sewerage scheme and then collect the contributions over 25 years as has been done for other schemes. This would require households to source their capital contribution themselves. Council in signaling up-front payments in the first instance will work with the residents around other payment options if the up-front option is not financially achievable for individual residents.

If the level of funding assumed is not available Council will need to further consult the community on the affordability and any alternative funding options before going ahead with construction.

## DECISION-MAKING

Council is committed to improving and maintaining lakes water quality and will continue to work with the Tarawera community to develop a sewerage scheme that best meets their needs and affordability. Council will continue its contribution of \$1,500 per household with the individual capital contribution to be paid upfront in the year of construction. The balance between the total cost less subsidies would then need to be met directly by individual households.

Based on initial costings this would be approximately \$19,000 + GST per household.

A capital cost of \$17.8 million has been budgeted in the Long-term Plan with the assumption this will be fully funded by the properties that connect to the system.

INVESTMENT SPREAD	
Year	Investment
Year 5	\$8.9 million
Year 6	\$8.9 million

Council will continue to work with the community to source additional funding from external providers as has been done with East Rotoiti/Rotomā. In addition to this Council will also look into establishing a payment option for those residents that meet specified criteria (yet to be determined) to allow them to pay the \$19,000 + GST back over a specified number of years.



## WASTE MANAGEMENT

During the 2016/17 year Council introduced new waste management services including kerbside recycling, replacing paper rubbish bags with wheelie bins and implementing new contracts for kerbside collections and for the management of the landfill.

Waste collection services in Rotorua have not extended to some of our rural communities – there are about 1400 properties which receive no direct council-provided waste services.

When the 2017/18 Annual Plan was developed these rural communities signaled they also wanted waste collection services. The level of service has yet to be agreed. The Rural Community Board has continued to work with rural communities on a preferred service and level of cost for waste collection services.

Following further engagement with the rural community the Rural Community Board proposed that a kerbside collection of an equivalent service to that delivered in urban and lake collection areas be extended to all rural properties in the district who currently do not receive any direct service. The exception will be the areas of Ngakuru, Horohoro and Upper Atiamuri. Support for extending the full service to these three communities is yet to be achieved. If and when supported these areas can be added at a later stage.

## DECISION-MAKING

Council has agreed to the inclusion of an extension to the rural refuse kerbside collection into areas that are not currently serviced with the exclusion of Ngakuru, Horohoro and Upper Atiamuri. This includes, where practical a similar service to that provided to urban residents, consisting of a 140 litre rubbish wheelie bin (collected weekly), a 240 litre recycling wheelie bin and a 45 litre crate for glass (collected fortnightly).

Funding the extended service will introduce a new targeted rate for all households which will receive the service. A targeted rate of \$172.75 will be introduced from 1 July 2018 for this service.

## OUR COMMITMENT:

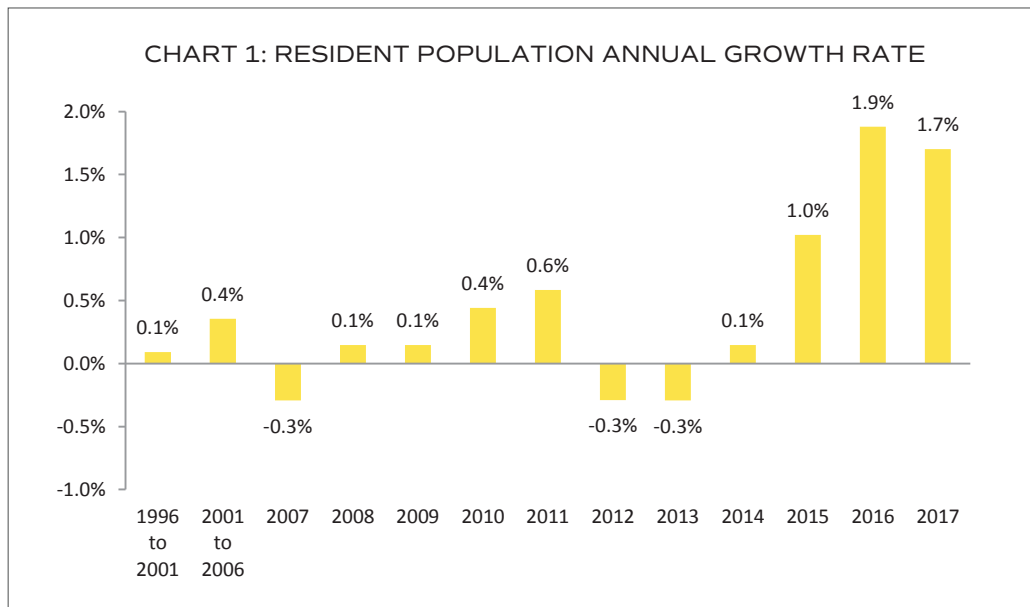
Increase the resilience and vibrancy of our communities and villages by ensuring our land, housing and infrastructure is in the best condition it can be to meet the present and future needs of growth

Rotorua's population is nearing 72,000 and this growth has seen the district become a 'newly-defined' medium growth area under the National Policy Statement for Urban Development Capacity (NPS-UDC).

Well-managed population and economic growth can be an opportunity for the district. Growth can improve the prosperity and wellbeing of the whole community. It can increase demand for goods and services, supporting our existing and new local businesses. It can bring new skills, ideas and wealth which in turn create a vibrant economy, and can help create thriving communities.

During the past few years we have seen the district progress and current indicators (see Infometrics quarterly economic reports on Council's website) point to continued growth and investment. The local economy is performing above the national average, unemployment has been dropping and sectors like tourism, retail and hospitality are doing well. It's important we keep that momentum going.

In the three years to June 2017 our resident population has increased at a compound annual growth rate (CAGR) of 1.5%. This is at a level not experienced in any of the previous 18 years (as shown in Chart 1).



The purpose of the NPS-UDC is to ensure local authorities enable, through their land-use planning and infrastructure, sufficient development capacity for housing and business. This ensures urban areas can grow and change in response to the needs of their communities. Council is already working towards the NPS-UDC purpose through the Draft Spatial Plan and signing of a Housing Accord with the Government.

This has identified land area requirements for future housing and business growth and set targets to address housing supply and affordability issues in the district. The Housing Accord sets targets of 200 to 300 dwelling consents annually between 2017/18 and 2020/21. Converting growth to population has been projected at 0.9% per annum in the rating revenue for 2018-2028.

In the short term, infrastructure can accommodate the growth we are experiencing because a variety of different land areas around Rotorua can support distributed growth and potentially delay infrastructure investment as existing capacity is used first.

This underpins our 30 Year Infrastructure Strategy. The expectation of distributed growth means growth infrastructure funding is identified every three years in the LTP and is not attributed to any specific asset type (e.g. roading, water supply, wastewater or stormwater) as growth in each catchment area has different existing capacity.

## FRAMEWORK FOR A DEVELOPMENT CONTRIBUTIONS POLICY

Based upon future growth projections and the question around who should pay for this additional growth we consulted on the development of a 'Sustainable Development Policy/Development Contribution Policy'. The intent is to ensure the costs of providing the growth component of infrastructure is repaid by those who benefit from it or create it.

The growth component is the additional infrastructure capacity needed to accommodate the demand arising from the development, for example upsizing of pipes, extensions of networks.

To do this correctly we need to work with sectors in our community like developers to formulate a framework and a set of principles for deriving this revenue and how it will be used.

## DECISION-MAKING

Council have supported the policy work to be undertaken in order to develop a proposed Sustainable Development Policy/Development Contribution Policy. This work will be undertaken in the first year of the Long-term Plan and will require a separate special consultative procedure. Based upon further consultation on a draft policy, it is expected that a policy would come into effect within the first three years of the 2018-2028 Long-term Plan.

Our initial thoughts on a framework include:

- Policy to apply only to projects where growth requires expansion of water supplies, wastewater systems and stormwater.
- Policy to apply only to new developments (for example for new subdivisions) and exclude subdividing an existing property as capacity exists for some infill.
- Detail at what stage the contribution is charged. Is it charged at the time subdivision consent is granted or at the time a building is completed? (Developer pays or the owner of a new house within a subdivision pays?)
- The contribution could be approximately \$4,000 per property.
- There is the possibility this could be extended to recreational works in the future.



## OUR COMMITMENT:

To plan for future progress by developing bold visions that continue to enhance our special district and position us for future investment based on our strengths: environment, lifestyle, culture, opportunities

The Rotorua Way identified "big moves" that would drive future progress and most importantly, enhance our strengths. These are significant projects that will require a substantial amount of funding. Council can't do it alone so will look for funding/project partners where appropriate.

# DEVELOPMENT OF A WORLD CLASS LAKEFRONT EXPERIENCE

A bold vision for the lakefront exists, to create a destination that meets and enhances where land meets lake. A plan is emerging to develop spaces for recreation, 4-5 star tourism accommodation, cultural experiences and entertainment zones. The plan is to develop our lakefront to tell our stories and present our unique cultural identity in a high quality environment, on a par with other internationally renowned waterfronts.

The Lakefront Reserve is an important recreation and economic resource for Rotorua and in 2006 was identified as an important component for the upgrade of the central city, with a view to creating a world class waterfront.

The initial stage for the development of the Lakefront is to lay out the area and get prepared for future development within an environment that is interwoven with elements of natural landscapes, art and culture. The plan includes removal of the Soundshell, enhanced landscaping, an interactive sculptural park that tells the cultural stories of Te Arawa, lake edge improvements including a boulevard style pathway for pedestrians and cyclists, roading changes including visitor and coach parking, and upgraded public toilets. The plan also includes creation of a building site or sites where investors could establish restaurants, cafés, kiosks and ticketing offices for lake activities. This stage is critical as it will provide the baseline leverage opportunity required to attract external investors. Subsequent stages include:

- Landscaping to better connect with the spa and hotel development
- A new Waka house, launching space and viewing platform
- Play spaces and jetty changes

A total lakefront masterplan project would cost about \$40 million. Council will invest initially in this masterplan providing opportunities to enhance the offering currently there and also sets the area up as an attractive opportunity for outside investors to contribute and take the lakefront development to the next level. Council is seeking match funding from the Government's Provincial Growth Fund (PGF) for the public spaces and to encourage private investment.

## DECISION-MAKING

Council has agreed to support the inclusion of the Lakefront development with a project budget of \$20 million. This level of investment by Council can then be leveraged to attract match funding externally to investment in future development. Council will undertake all of the outlined stages 1-4.

INVESTMENT SPREAD	
Year	Investment
Year 1	\$1.2 million
Year 2	\$3.0 million
Year 3	\$2.0 million
Year 4	\$3.0 million
Year 5	\$2.8 million
Year 6	\$3.0 million
Year 7	\$3.0 million
Year 8	\$2.0 million

## **CREATION OF A NEW COUNCIL CONTROLLED ORGANISATION - LAKEFRONT/CBD DEVELOPMENT COMPANY**

During consultation Council were considering the establishment of a new council controlled organisation for the Lakefront/CBD development. The purpose of a new CCO would be to leverage our great space at the lakefront to attract domestic and foreign investment and create a place for all people of Rotorua and visitors. For now an independent advisory board has been established that will set the vision and direction for the project, guide design and engagement and communication. While this advisory group undertakes this work it has been decided not to go ahead with establishing a CCO. It was proposed to fund this CCO by \$250,000 per year for three years via a targeted rate. This funding is at this point no longer required. If Council decides at a later point that the outcomes being sought from the advisory board might be best obtained through the establishment of a CCO, council will consult again with the community.

## **SKATEPARK**

The consultation document signaled that an inner city skate park could also be included into the overall design for the Kuirau Park masterplan. Support for an inner city skatepark has been well supported by the skating community. However, it is felt that further work with the skating community needs to be done to establish the best location and design. To progress this, an initial sum of \$750,000 has been included into year 2 of the plan. This will be used to finalise a design and location and to fundraise /attract sponsorship for construction.



# WHAKAREWAREWA FOREST + TE ARA AHI CYCLEWAY EXTENSION

Whakarewarewa Forest is well known locally and internationally as an outstanding recreation area for mountain biking, walking, and events. The majority of this recreation area is also a production forest and recreation uses fit around normal forest operations. A plan is developing to enhance the experience, to provide the feeling of arriving somewhere truly special and to promote the activities on offer in the forest.

Mountain biking and trail walking/running in the Tokorangi and Whakarewarewa forests are part of Rotorua's DNA. Since the late 1980s, Rotorua has worked alongside land owners, iwi representatives and users (who form the more recently established Rotorua Trail Trust) to strategically develop and leverage the district's natural assets. This activity has spawned a range of successful commercial entities and activities including the establishment of the global Crankworx event in 2015. The trails attract an estimated 230,000 people per year for mountain biking and between 600-800 thousand other visitors per year.

In recognition of user expectations for new frontier trails and the need to strategically plan for these, CNI Iwi Holdings Ltd (the vested land holders of Whakarewarewa) together with Rotorua Lakes Council have developed a masterplan for Tokorangi and Whakarewarewa forest blocks adjacent to the city.

The plan identifies key recreational, cultural and commercial development opportunities specifically in the Tokorangi forestry block with services supporting the users and visitors, the establishment of integrated trails, development of an outdoor event area, and the placement of interpretation information, lookouts, playgrounds and picnic areas.

Council's investment will focus initially on the Redwoods/Tokorangi visitor centre and Long Mile Road entrance. This will enhance road access and coach and public parking. Following that a hub will be created further up Tarawera Road to provide additional access to the forest and provide visitor infrastructure. It is envisaged these trails will be linked directly through to the CBD, making them readily accessible for locals and tourists alike. Work is also underway to improve the current national cycleway, Te Ara Ahi, and loop the trail around Whakarewarewa forest.

It is anticipated that once the foundations are laid, commercial investment interests will follow for the benefit of everyone in our region.

## DECISION-MAKING

Council has decided to pursue plans around future investment into the Tokorangi Triangle and Whakarewarewa forest. This investment is driven by strong evidence that supports strengthened economic development and tourism, not to mention the benefits of enhanced recreation opportunities.

Undertaking the project will significantly improve the quality of the public infrastructure and transform one of Rotorua's iconic destinations from great to superb. Identified as an important must do project through the Rotorua Way, commitment to this project will also provide future economic opportunities with external investment for added adventure tourism and recreation.

Total investment by Council has been set at \$7.5 million. Based upon this level of investment it is anticipated that match funding from the Government's Provincial Growth Fund (PGF) for the public spaces will provide the catalyst for further private investment and enhancements.

INVESTMENT SPREAD	
Year	Investment
Year 1	\$2.5 million
Year 2	\$2.5 million
Year 3	\$2.5 million

## IMPROVING KUIRAU PARK

Kuirau Park – an iconic family-friendly inner city park for locals that doubles as a must-do recreational, cultural and geothermal destination for tourists. Alongside the revived Aquatic Centre the enhanced park will strengthen our connectedness to environment, culture and lifestyle. Council also sees it as important to enhance the three main park areas (Kuirau, Lakefront and Government gardens) to further improve the appeal of the inner city and to encourage more accommodation and apartment development on the edge of the CBD facing these parks.

Kuirau Park has always been a drawcard for both locals and visitors, primarily because of its geothermal activity. It is the only geothermal inner-city park in the country and provides a safe, no cost, environment for locals and tourists to enjoy.

There have been many development plans over the years for Kuirau Park. Enhancements made to date have progressively lifted the park's value to our community. The investment proposed now is the next step in truly lifting the whole offering to our district and to our families. The timeline for this development is seen as timely, in conjunction with the proposed development of the Aquatic Centre.

Features that appear within the overall plan include construction of a geothermally-heated children's water play area, the relocation of the carpark and the Saturday Market to better utilise the park for the needs of the market and for future development, create a new outdoor community gathering area adjacent to the water play area and develop new toilets and changing room facilities.

## DECISION-MAKING

Council will continue its commitment to further enhancements within Kuirau Park. In committing to this, Council have decided to slow down the level of investment and the timing as indicated as preferred in some of the feedback that was received.

A commitment of \$5.5 million has been identified towards the enhancement and has been scheduled across the following years.

INVESTMENT SPREAD	
Year	Investment
Year 1	\$1.5 million
Year 3	\$1.5 million
Year 5	\$1.0 million
Year 6	\$1.5 million

# HOUSING CHALLENGES IN ROTORUA

Like many parts of the country, Rotorua is facing issues with housing availability and affordability. Although not unique, our challenges are serious in terms of looking towards the future and the needs of our communities.

Among the challenges is the increase in demand for social housing for older people. Council currently owns 152 pensioner units located across five Rotorua sites. Under the current model of delivery Council can not offer tenants the additional social services and advice they may need. Other organisations, for example social housing providers, can as they have access to government funds and expert service delivery. The government has also enabled approved social housing providers to access new government funding and income related rent subsidies. This means the providers can play a greater role in providing social housing to those that need it. Councils do not have access to this funding. Another challenge is the age and condition of many of the properties and what that means financially for the Council.

During 2017 Council undertook a review of its pensioner housing to ensure tenants are receiving the best possible service to meet their needs. The review identified issues with the Council's current pensioner housing, including the likelihood that substantial ratepayer investment would be required to cater for increased demand over the next two decades and changing expectations for modern housing quality. Reform of the social housing sector by government has resulted in local government not being eligible to access central government funding to improve or increase these facilities.

Since then Council has been considering the options available to them around providing for services that best meet the social housing demands within our district. Council considered selling the pensioner housing to a social housing provider to best ensure that

- Provision could be made for a much more financially viable and sustainable service could be identified
- Provide support services for vulnerable tenants;
- Optimise central government funding;
- Attract investment to improve the current assets;
- Grow the social housing asset for the benefit of the Rotorua community.

In negotiating with social housing providers it became clear that the market value of the current stock could not be achieved. This is due to the level of additional investment that has been signaled by the housing providers required to raise the standards of the housing stock.

# DECISION-MAKING

Council have reconsidered their initial proposal to sell the pensioner housing stock and to look at other models. Alternative models will need to increase the level of service to the tenants as per the objectives being sought and provide opportunities that will allow for growth of the housing stock in a pensioner housing capacity.

The sale of the asset was planned to repay debt, reducing the Council total debt by \$13 million. The result of this means an increase in debt in year one of \$13 million and will be carried through the Long-term Plan until such a time as another viable model is looked at. Work is already underway on alternative models which may include the partial sale of the assets to a community housing provider or other partnership options.

## OUR COMMITMENT:

Deliver a financial plan which, over 10 years, will contribute towards achieving the district's 2030 vision while balancing affordability and the need for service provision

The projects outlined earlier in this document are what Council plans to deliver over the next 10 years to drive the district towards achieving Vision 2030, complementing the services Council already provides. The challenge is to deliver the projects and services a financially prudent way; balancing the challenges of affordability for our district today while also preparing to meet demands for future progress.

To do this Council has reset its financial direction. In 2015 Council had a plan based on austerity. Today positive growth is driving us towards fulfilling our Vision 2030 and keeping the foot on the pedal of progress.

Council's 2018-2028 financial strategy is focused on:

- Achieving Vision 2030 in a financially prudent and sustainable way;
- Maintaining existing infrastructure so it is fit-for-purpose now and into the future;
- Providing infrastructure to accommodate a growing district;
- Investing in the future of the district;
- Keeping rates affordable and managing debt.

Council continues to focus on three key components to develop a prudent financial position - funding (revenue), capital spend and borrowing. Balancing these will help to ensure the future sustainability of services and finances.

## REVENUE + FUNDING

Revenue is made up of rates and other sources (fees and charges, subsidies, grants).

## FEES AND CHARGES

Revenue from fees and charges comes from things such as admission to and hiring rates for venues and facilities, liquor licences, dog registration, building and resource consents and parking management etc.

For a number of years revenue from fees and charges has been declining as a proportion of income. In 2015 rates provided 70% of revenue, increasing to 83% in 2018. This means the council is reliant on rates revenue to pay operating costs and this reliance on rates is high compared to other councils.

To achieve a better proportion of funding from other sources, all service areas where there is an element of fees and charges have been reviewed.

The aim has been to increase fees and charges so that those who directly generate a need for, and gain the highest benefit from, a service will pay for that service.

Council set a target of increasing fees and charges by \$2 million but due to the unforeseen closures of the Sir Howard Morrison Performing Arts Centre and Rotorua Museum, despite increases in animal control licence fees and parking revenue, this goal has not been achievable.

However, the goal remains the same and Council will continue to review additional sources of funding.

## RATING AND RATES

The level of rates is essentially the result of operating expenditure less other revenue, leaving the balance to be funded by rates. Rates must be set at a level that funds the maintenance and renewal of our assets and is sustainable in terms of servicing debt.

## RATES INCREASES

To provide certainty to ratepayers regarding their rates, increases will be at a rate that matches the increase to Council's cost base. Changes to this within the first five years of this plan are mainly driven by a commitment to the aspirations of Vision 2030 and to delivering the proposals identified in this plan ie reviving our facilities, environmental sustainability, positioning ourselves for growth and keeping our foot on progress.

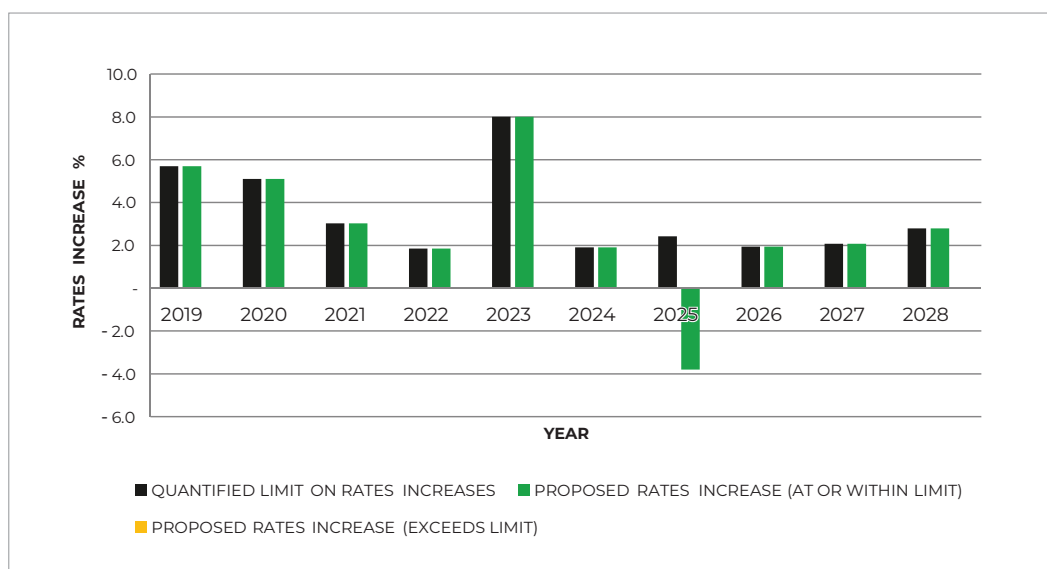
Therefore, overall rates increases excluding growth will be limited to:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Quantified limit on rates increases	5.70%	5.10%	3.03%	1.85%	*8.01%	1.91%	2.42%	1.94%	2.08%	2.79%

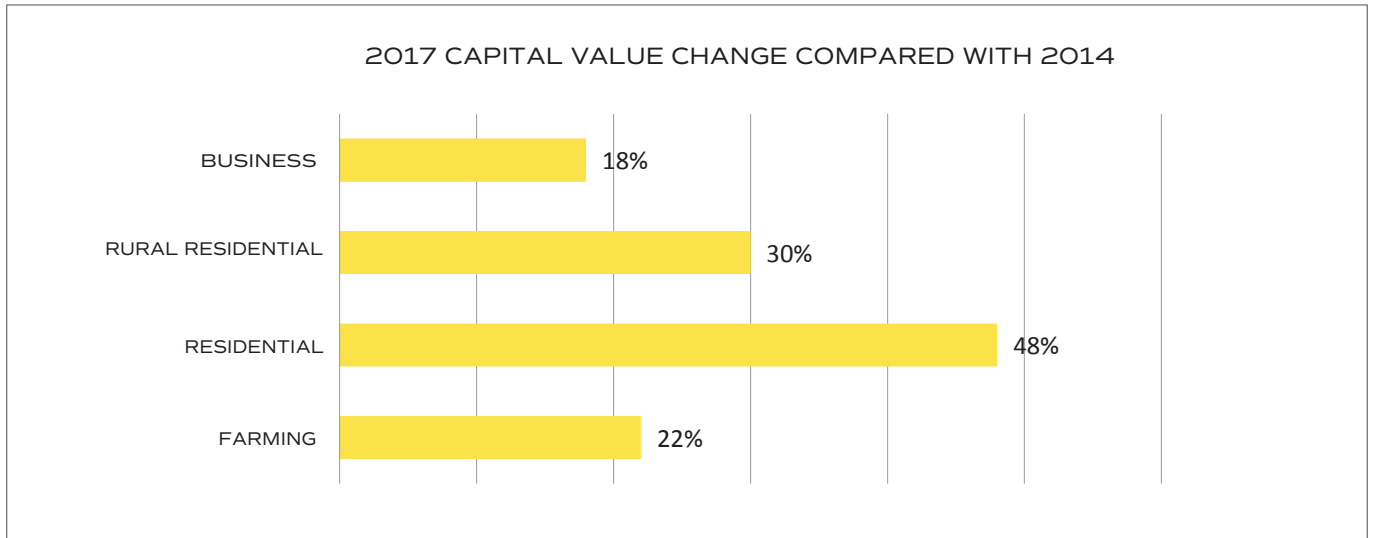
\*The increase of 8.01% in year five is due to the targeted rate for the Tarawera Sewerage Scheme being introduced. The underlying rating increase for year five less the target rate is 2.71%.

The rates limits are the average across existing ratepayers. Increases to individual ratepayers may be impacted by future changes to property valuations and the introduction of any new targeted rates such as those for new sewerage schemes.

Proposed rates increases over the 10-year plan have been developed in line with a predicted increase of 250 new households per year resulting from growth. These additions to the ratepayer base provide a mechanism to spread rates increases over a growing population to ensure rates affordability.








The rates decrease in year 7 (2025) reflects the removal of the Tarawera sewerage scheme target rate as a result of the scheme contribution being fully collected over year 4 and 5.



## OVERVIEW OF 2017 REVALUATIONS

### AVERAGE % INCREASE BY PROPERTY CATEGORY

AVERAGE RATES IMPACT	BUSINESS 	RESIDENTIAL 	FARM 	RESIDENTIAL RURAL 	AVERAGE TOTAL 
2018/19	0.96%	8.22%	1.42%	6%	5.7%

Movement in the valuation of household property values does not mean Council will collect more, or that your rates will go up by the same percentage. Council will still collect the total amount needed to fund its activities. What is likely to happen as a result of a revaluation is that the proportion of rates gathered from the different rating sectors may change.

Council assesses this to ensure that overall there is still a balance across all rating categories and that the rates per property are affordable. The current distribution of the general rate does not align with capital values and is skewed towards residential and business ratepayers. This is due to the level of Council's uniform annual general charge (UAGC) and the differentials applied to business and rural residential properties.

The sections below on rating differentials and the UAGC look at the mechanisms available to aim for a balance across rating categories in order to assist with the affordability of rates. This treatment to the differential and the UAGC only works by implementing the two together.

## DECISION MAKING

### RATING DIFFERENTIALS

A differential is where a multiplier is applied to the general rate so that some ratepayers will pay more or less of this rate. The main reason for applying a rates differential is to reflect differences in the levels of services received or used, and to reflect the different ability of groups of ratepayers to pay.

Council has decided to make a slight adjustment to the differentials. It will hold the business rate at 1.72 and raise the rural residential rate to 1.0. In doing this residential and rural residential sectors will pay the same. Many would argue the rural residential sector receives the same benefits and services as the residential sector and therefore should be treated equally.

### SETTING THE FIXED CHARGE UAGC FOR EACH PROPERTY

The uniform annual general charge (UAGC) is the fixed portion of rates that every ratepayer pays regardless of property value. A fixed charge ensures every ratepayer pays the same minimum contribution for council services. The amount of rates collected via the UAGC cannot exceed 30% of total rates income. Residential properties account for 73% of properties in the district and therefore pick up this share of rates collected via the UAGC.

The level at which the UAGC is set can affect the proportion of rates collected. The district's high proportion of residential properties and high UAGC has the effect of shifting more general rates to residential properties, in particular low to middle value properties. In reducing the UAGC we see general rates shift back to the proportions of our district's capital value.

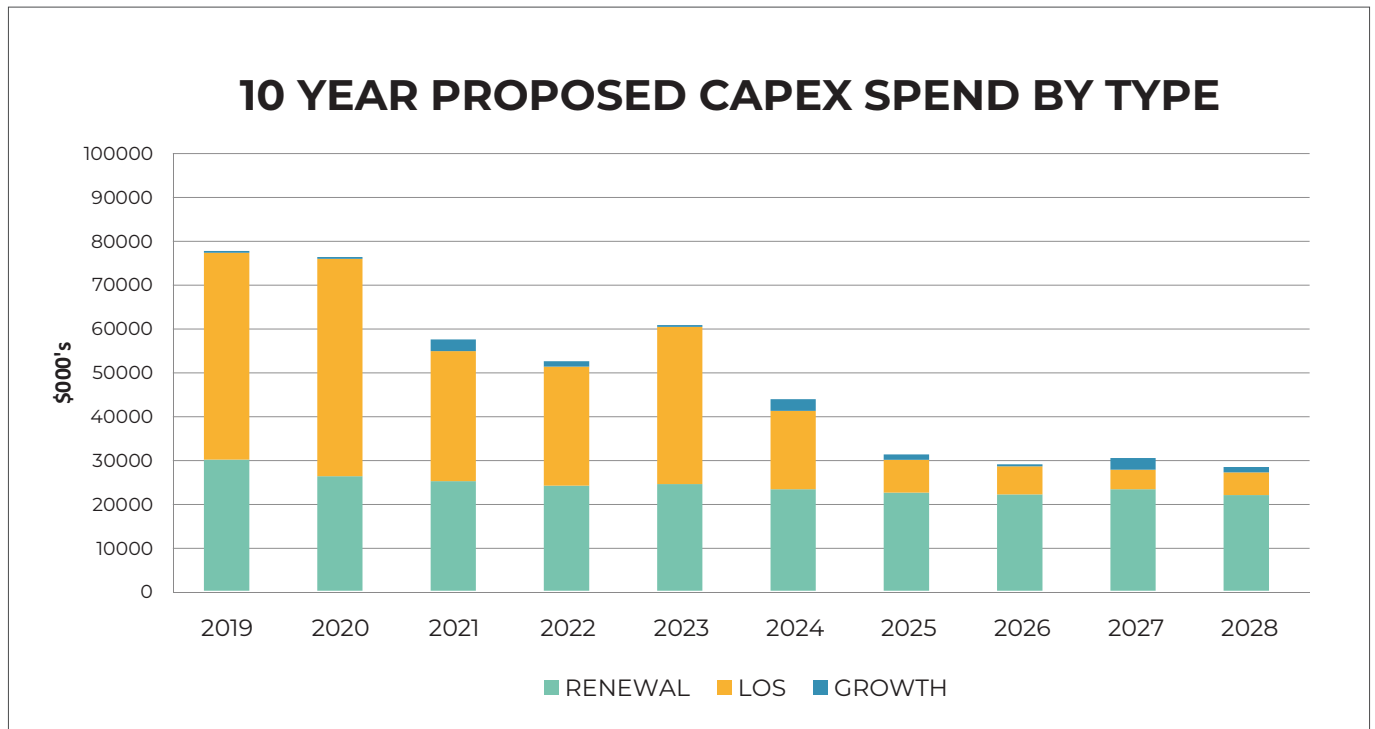
Council have decided to reduce the UAGC from \$570 to \$500. This change will see a greater proportion of general rates charged on capital value instead of as a fixed charge.

The values at which the uniform annual general charge and differentials are set do not impact on how much general rates Council collects but affects the distribution of the general rate across ratepayer types. Council believes these should be set at a level that does not overly distort the distribution of the general rate from the capital value base.



## CAPITAL SPEND 2018-28: REPLACING ASSETS AND NEW BUILDS

Capital spend is split into two areas, looking after existing assets and creating new ones. The new builds expenditure is investment into the creation of new assets and what is driving our capex programme, especially in the first five years. Renewals is expenditure to replace existing assets that have come to the end of their useful life



# Council's major projects

We will complete a total capex programme of \$486.937 million across the next 10 years.

## CAPITAL SPEND: ARTS + CULTURE

Rotorua Museum Enhancements	30,500,000
SHMPAC Enhancements	15,000,000
Energy Event Centre Renewals	7,022,426
Library Renewals	500,000
Public Art Funding	2,500,000
Rotorua Museum Renewals	1,650,000
SHMPAC Renewals	800,000
<b>TOTAL</b>	<b>\$57,972,426</b>

## CAPITAL SPEND: COMMUNITY LEADERSHIP

Civic Centre BMS	230,000
Civic Centre Refurbishment	3,975,000
Corporate Strategic Projects - New Initiatives Fund	800,000
Council Building Security Integration	240,000
Council Website Replacement	300,000
ERP Project	4,700,000
IT Enhancements (Including ABW)	2,737,000
OneCouncil Enhancements	249,740
Civic Centre Renewals (Including Geothermal)	2,000,000
Community Halls Renewals	1,300,000
Fleet Purchases	2,593,000
Infracore Buildings Renewals	1,000,000
IT Renewals	4,871,000
Pensioner Housing Renewals	1,150,000
Strategic Property Renewals	500,000
<b>TOTAL</b>	<b>\$26,645,740</b>

## CAPITAL SPEND: DISTRICT DEVELOPMENT

iSite Renewal	590,000
<b>TOTAL</b>	<b>\$590,000</b>

## CAPITAL SPEND: PLANNING AND REGULATORY

Animal Control Asset Renewals	456,000
<b>TOTAL</b>	<b>\$456,000</b>

## CAPITAL SPEND: ROADING AND FOOTPATHS

Cyways Enhancements	9,000,000
Minor Safety Improvements	5,700,000
Rural Seal Extensions	7,500,000
Town Centre Enhancements	600,000
Roading - Eat Street & Hinemoa Carpark Renewal	507,560
Storm Repairs	4,000,000
Transport Operation Renewal	66,826,000
<b>TOTAL</b>	<b>\$94,133,560</b>

## CAPITAL SPEND: SEWERAGE + SEWAGE

Waste Water Network Expansion	1,200,000
District Sewerage Scheme Enhancements	50,100,000
Rotorua Waste Water Treatment Plant Enhancements	35,000,000
Waste Water Network Renewals	59,000,000
<b>TOTAL</b>	<b>\$145,300,000</b>

## CAPITAL SPEND: STORMWATER + LAND DRAINAGE

Stormwater Network Expansion	2,400,000
Stormwater Network Enhancements	6,500,000
Stormwater Network Renewal	30,000,000
<b>TOTAL</b>	<b>\$38,900,000</b>

**CAPITAL SPEND:  
SPORTS, RECREATION + ENVIRONMENT**

Active Recreation Enhancement	1,500,000
Carpark Enhancements	370,000
Cemetery Developments and Improvements	137,000
Cremator Replacement	800,000
Devolved Funding	2,500,000
Event Signboards	140,000
International Stadium Enhancements	2,042,000
Kuirau Park	5,500,000
Lake Ramp and Jetty Enhancements	270,000
Lakefront Revitalisation	20,000,000
Lakes Infrastructure Enhancements	1,800,000
Neighbourhood Playground Enhancements	940,000
Neighbourhood Revitalisation	1,000,000
Public Toilets New	200,000
Reserves Erosion Control	300,000
Skate Park in Kuirau Park	750,000
Sports Facilities Funding	4,730,000
Whakarewarewa Forest	7,500,000
Aquatic Centre Asset Renewals	9,600,000
Government Gardens Renewals	127,000
International Stadium Renewals	1,424,687
Lake Reserve Renewal	115,000
Major Renewal - Hockey Turf	400,000
Park Structures Renewals	8,900,294
Public Toilet Renewals	2,000,000

Reserve Enhancements	1,830,000
Utility Buildings Renewals	218,413
Waikite Valley Thermal Pools Renewal	130,000
<b>TOTAL</b>	<b>\$75,224,394</b>

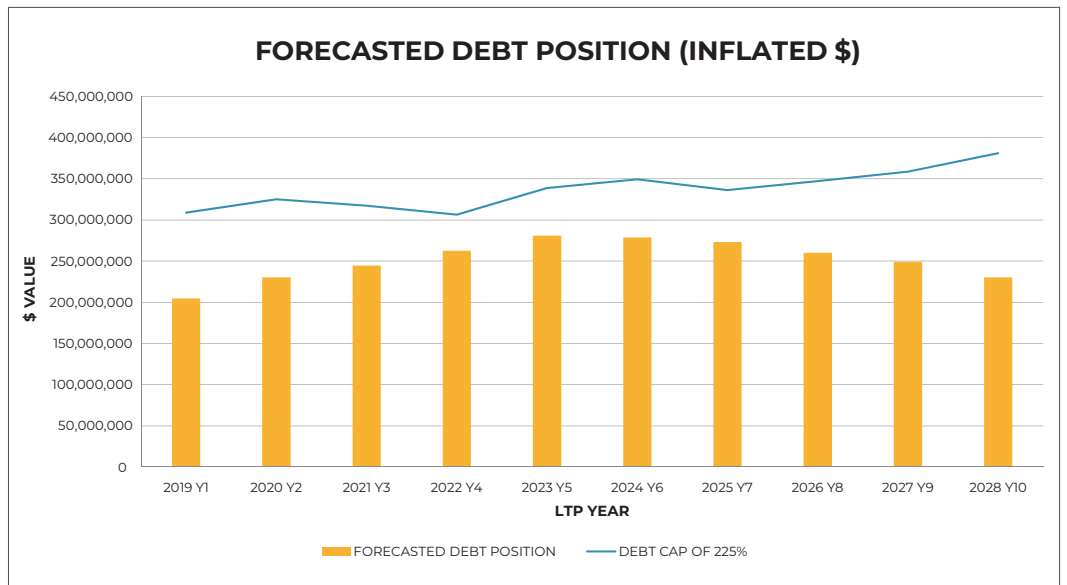
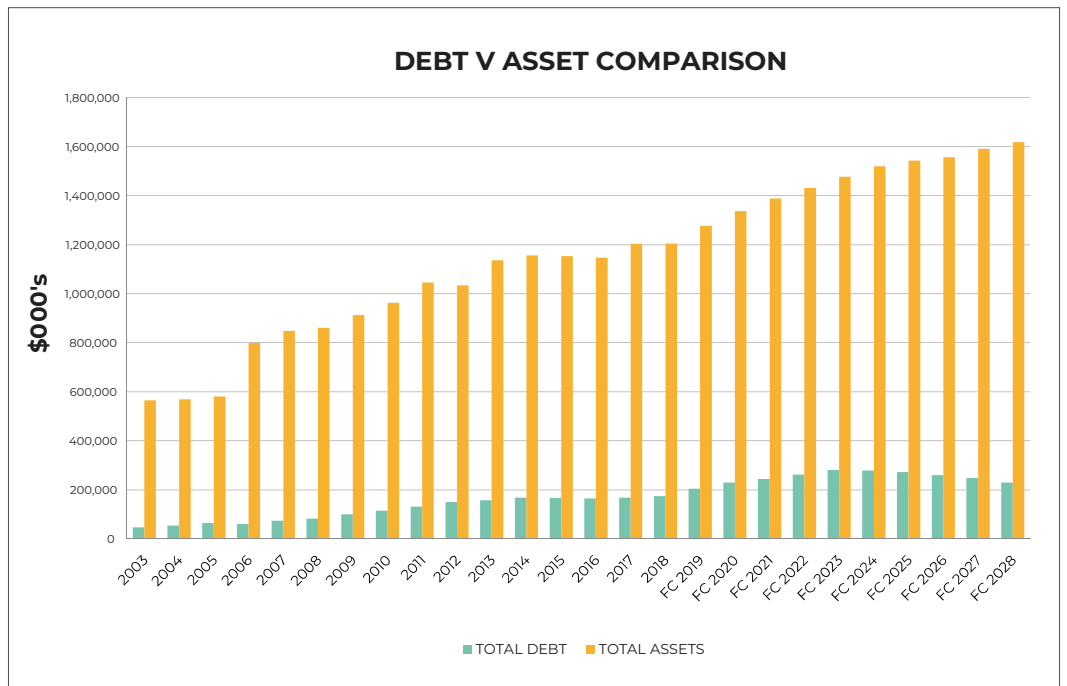
**CAPITAL SPEND: WATER SUPPLIES**

District Water Supply Expansion	9,765,000
District Water Supply Enhancements	7,500,000
District Water Supply Renewal	30,000,000
<b>TOTAL</b>	<b>\$47,265,000</b>
<b>GRAND TOTAL</b>	<b>\$ 486,487,120</b>

## BORROWING AND DEBT

Council does not borrow to renew existing facilities and infrastructure. Borrowings are used only to grow and improve on existing facilities and infrastructure. Unlike residential and business borrowing, which is secured against assets, Council’s borrowings are secured against its revenues, in particular its ability to rate.

The graph below shows that during the course of the 10-year plan we will have increased our assets by \$413.941 million to \$1.61 billion. During the same period our debt will increase by \$58.494 million. Despite the increase in debt we will still maintain on average 83% equity in our asset base during this time.



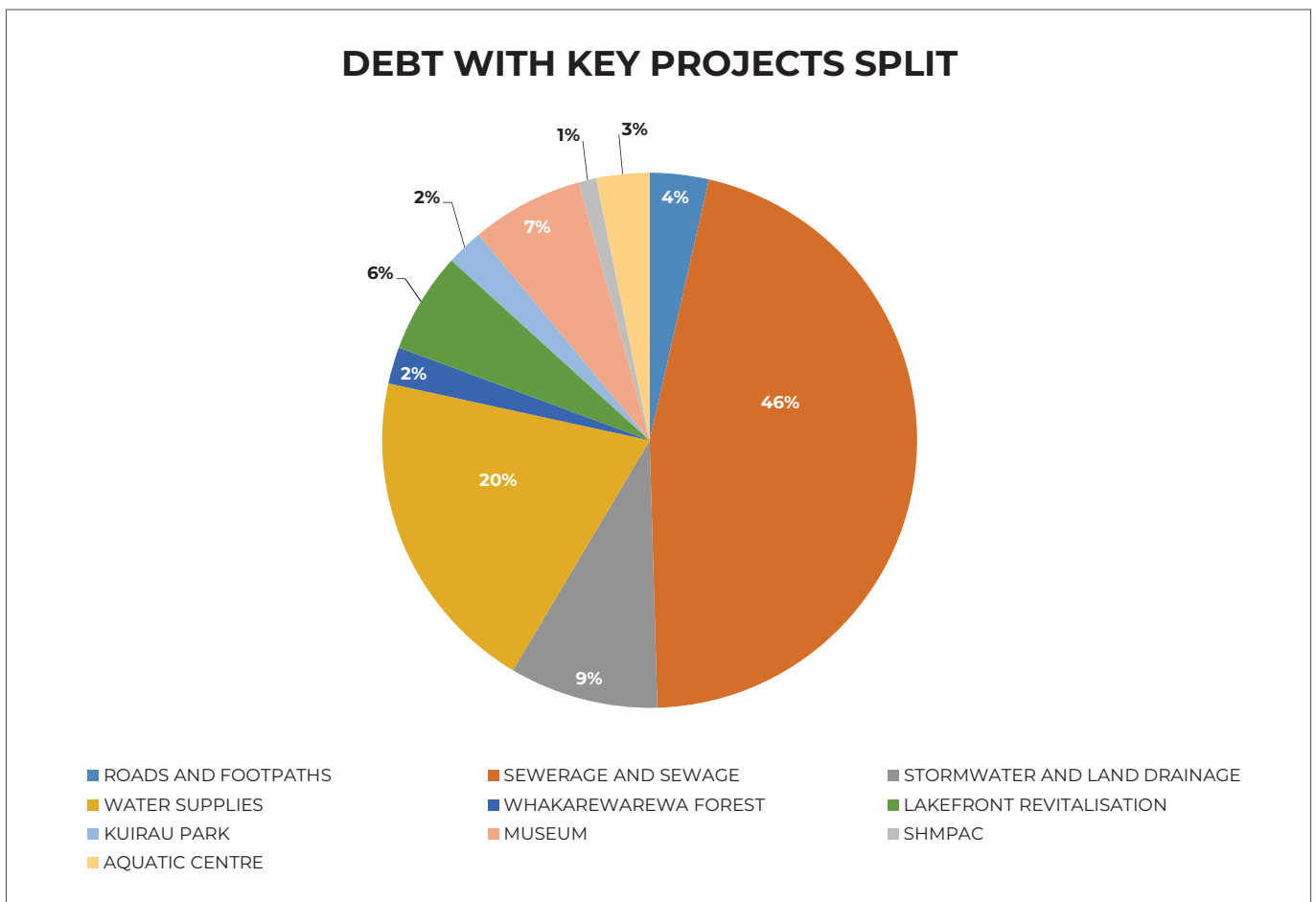
During the course of the ten years the increased borrowing will result in a debt profile that will peak at \$279 million.

This meets our debt limits

- Net debt to Total Revenue 186.5% against a limit of 225%
- Net interest to total revenue 8.9% against a limit of 20%
- Net interest to Annual Rates Income 11.47% against a limit of 25%

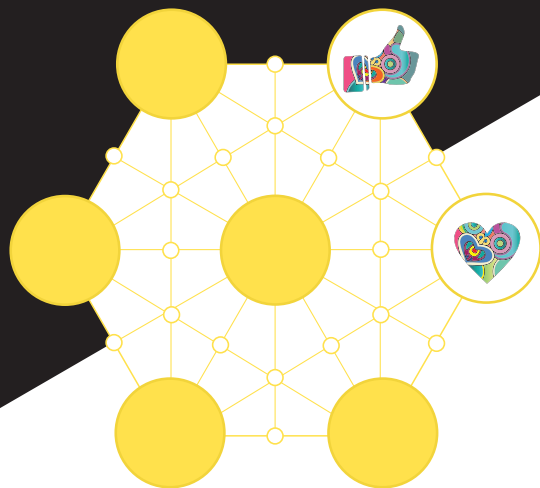
Council's debt level is determined by deciding on a prudent level of borrowing that can be serviced without putting pressure on Council's finances. Council has determined a prudent level based on a multiplier of 2.25 times (225%) revenue. This is an increase on the previous limit of 175% set in the previous Long-term Plan.

Council's debt forecast to revenue ratio as at 30 June 2018 is approximately 158% and is forecast to be at 141% in 10 years' time.



The increase in debt is driven by a number of large projects identified as contributing to the Vision 2030 goals and investment in core infrastructure. The graph shows the major Vision 2030 projects and core infrastructure that will lead to this increase over the next ten years.

# arts + culture



## WHY WE DO IT

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

- Work collaboratively to grow and enhance the Rotorua District the heart of Maori culture, understanding and expression in New Zealand.
- Nurture Rotorua as a destination known for its rich and vibrant arts and culture community.
- Support and grow a sense of belonging and identity.
- Help people find their place within our society (Museum, Library) - connecting communities, places and people

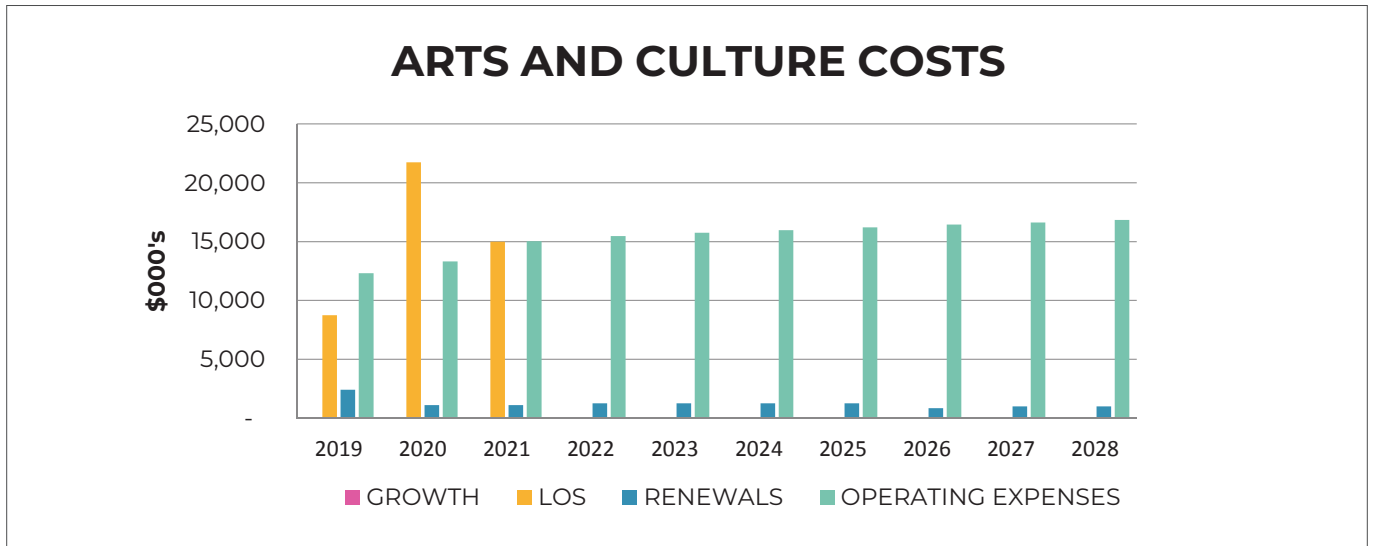
## ACTIVITIES INCLUDE:

- District Library
- Rotorua Museum
- Sir Howard Morrison Performing Arts Centre
- Energy Events Centre
- Markets, Events and Festivals

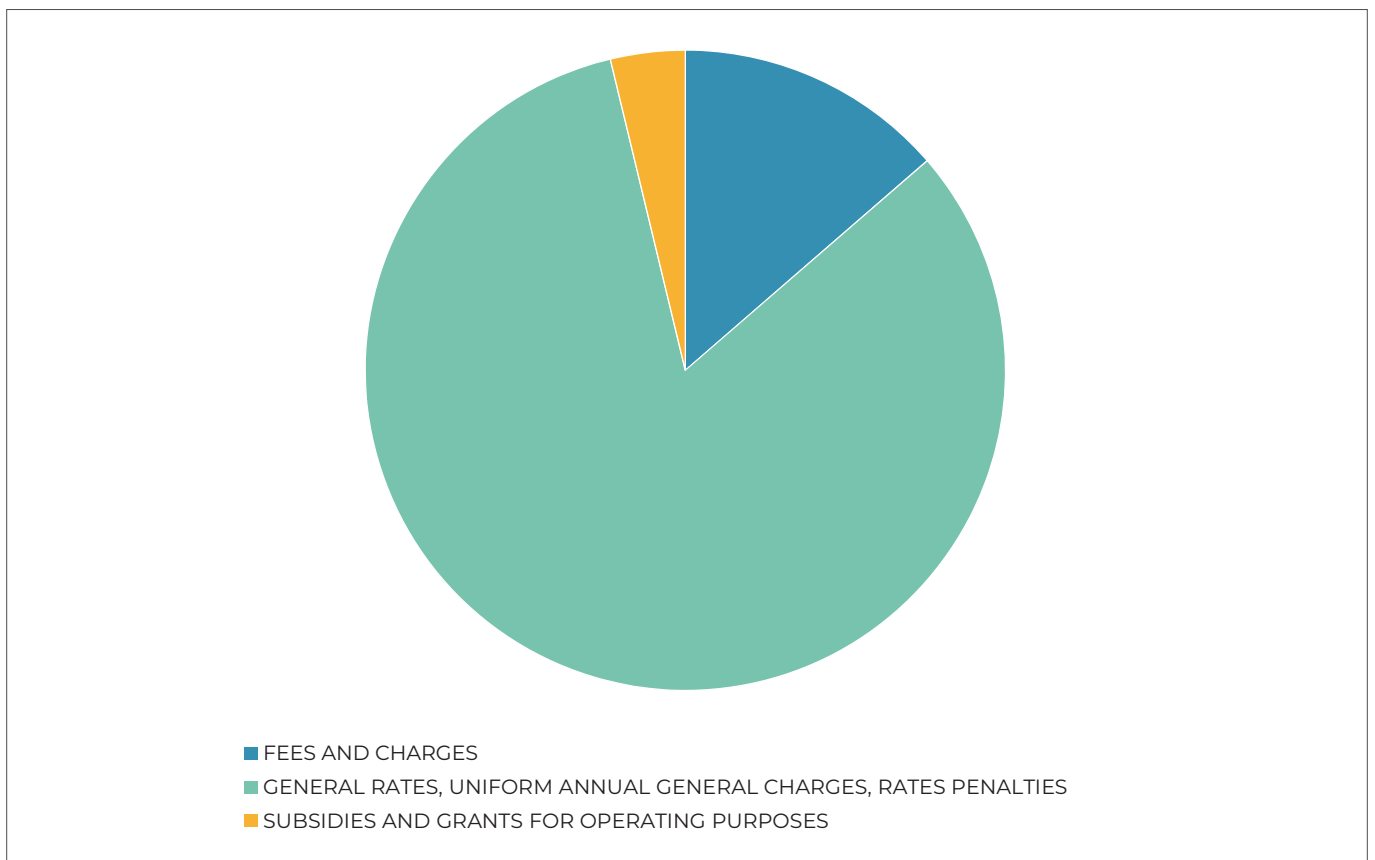
## WHAT YOU CAN EXPECT FROM US

ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Energy Events Centre	Utilisation	Community hire days of venues.	≥330	≥330	≥330	≥330	≥330	Booking System
Arts and Culture	Utilisation	Number of People visiting Arts and Culture Venues (Made up of figures from Library, Museum, SHMPAC, EEC)	New Measure	Establish Baseline	Greater than the baseline + SHMPAC being operational	Baseline + SHMPAC + Museum being operational	New baseline set based on all arts and culture venues being operational	Door and Ticket Count
	Customer satisfaction	Percentage of customers very/fairly satisfied with Arts and Culture Offerings	New Measure	Establish Baseline	Equal or greater than the baseline	Equal or greater than the baseline	Equal or greater than the baseline	Customer Survey
	Customer satisfaction	Percentage of customers very/fairly satisfied with quality of Markets, Events and Festivals	New Measure	Establish Baseline	Equal or greater than the baseline	Equal or greater than the baseline	Equal or greater than the baseline	Customer Survey
Library	Utilisation	Percentage increase of growth of the Maori collections issued within a year	New Measure	1.2%	1.3%	1.4%	1.5%	Loans System

THE COST TO DELIVER THIS ACTIVITY



HOW WE WILL FUND THIS ACTIVITY



continued...

## CAPITAL EXPENDITURE

### **Sir Howard Morrison Performing Arts Centre - Enhancing Cultural and Performing arts of the district**

Closure of the Sir Howard Morrison Performing Arts Centre due to the need for earthquake strengthening provided an opportunity to look at the future offering of the facility. Longer term use of the building has been discussed since 2014 when community engagement considered improvements to revitalise and increase use of the facility.

Council has signaled in its capital works programme a project value of \$15 million. Within this Council's role and responsibility will be the earthquake strengthening, of up to \$4.5 million, required to re-open the facility. Contributions from external investors will transform the facility from just a building to a facility capable of offering the range of services, shows and experiences expected from a performing arts centre.

The project so far has attracted financial support from Sir Owen Glenn and the Rotorua Energy Charitable Trust. Ongoing work continues to secure additional funding.

#### **Project Outcomes**

- Address opportunities to strengthen the cultural and performing arts offering by providing a venue that can showcase all forms of performance, create vibrancy and increase use of the centre.
- Upgrade the building for earthquake stability.
- Create a fit-for-purpose venue to encourage more users/promoters/presenters to offer more performing arts for Rotorua and visitors.

#### **Project Benefits**

- Enriched creative experiences for the community;
- Increased use of the facility by theatre groups;
- Alternative performance space for shows;
- Provide affordable performance space for local or smaller shows;
- Offer a variety of entertainment options for locals and visitors;
- Create a positive identity reflecting Rotorua's strong arts, performance and Māori culture.
- Support the Vision 2030 strand – strong culture, easy lifestyle and diverse opportunities.



<b>CAPITAL SPEND: ARTS + CULTURE</b>						
<b>Project</b>	<b>Project Type</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021-2028</b>	<b>Total Budget</b>
Rotorua Museum Enhancements	LOS	\$500,000	\$15,000,000	\$15,000,000	\$-	\$30,500,000
SHMPAC Enhancements	LOS	\$8,250,000	\$6,750,000		\$-	\$15,000,000
Energy Event Centre Renewals	Renewal	\$2,109,972	\$812,454	\$700,000	\$3,400,000	\$7,022,426
Library rRenewals	Renewal	\$50,000	\$50,000	\$50,000	\$350,000	\$500,000
Public Art Funding	Renewal	\$250,000	\$250,000	\$250,000	\$1,750,000	\$2,500,000
Rotorua Museum Renewals	Renewal				\$1,650,000	\$1,650,000
SHMPAC Renewals	Renewal			\$100,000	\$700,000	\$800,000
<b>Total</b>		<b>\$11,159,972</b>	<b>\$22,862,454</b>	<b>\$16,100,000</b>	<b>\$7,850,000</b>	<b>\$57,972,426</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

<b>ISSUE/RISK/NEGATIVE IMPACT</b>	<b>ACTION PLAN</b>
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.
Growth – potential for growing expectations regarding delivery of Arts and Culture activity, intensified by current closure of two arts and culture buildings.	As part of the Capability 2030 program for delivery of the vision there was a review of role of arts and culture in our district, and Council's role in this and appropriate model for delivery, resulting in the creation of the Arts and Culture Unit.
Perceptions of Rotorua not having a culturally rich and diverse arts scene. Stories of our history being lost.	Establish clear direction on the contribution that arts and culture can make to the future of our district and the role that Council has in this. Identify the most effective model of delivery. Consider collaboration, partnerships, new initiatives that contribute to the arts and culture scene in Rotorua.
Digital shift means that libraries may become less relevant, which may have significant social and economic negative impacts.	Library continually reviewing its offerings and methods of service delivery.

## ROTORUA LAKES COUNCIL FUNDING IMPACT STATEMENT FOR 2018-2028 FOR ARTS AND CULTURE

ARTS AND CULTURE	Annual Plan Budget 2017/18 (\$000)	LONG-TERM PLAN BUDGET									
		2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties		12,053	12,796	12,757	13,204	13,271	13,271	13,254	13,219	13,101	12,968
Targeted Rates		-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes		550	562	575	587	601	615	629	645	662	680
Fees and charges		1,991	2,677	5,119	5,404	5,597	5,806	6,037	6,294	6,581	6,902
Interest and dividends from investments		-	-	-	-	-	-	-	-	-	-
Internal charges and overheads recovered		16	17	18	18	19	20	21	22	23	24
Local authorities fuel tax, fines, infringement fees, and other receipts		-	-	-	-	-	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>N/A</b>	<b>14,611</b>	<b>16,052</b>	<b>18,468</b>	<b>19,214</b>	<b>19,488</b>	<b>19,711</b>	<b>19,941</b>	<b>20,179</b>	<b>20,367</b>	<b>20,573</b>
<b>Applications of operating funding</b>											
Payments to staff and suppliers		9,724	10,291	11,546	11,782	12,028	12,283	12,552	12,839	13,140	13,462
Finance costs		604	887	1,194	1,332	1,316	1,260	1,196	1,111	1,036	947
Internal charges and overheads applied		1,984	2,137	2,292	2,364	2,408	2,432	2,457	2,493	2,455	2,428
<b>Total applications of operating funding (B)</b>	<b>N/A</b>	<b>12,313</b>	<b>13,315</b>	<b>15,032</b>	<b>15,478</b>	<b>15,752</b>	<b>15,975</b>	<b>16,205</b>	<b>16,443</b>	<b>16,631</b>	<b>16,837</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>N/A</b>	<b>2,298</b>	<b>2,737</b>	<b>3,436</b>	<b>3,736</b>	<b>3,736</b>	<b>3,736</b>	<b>3,736</b>	<b>3,736</b>	<b>3,736</b>	<b>3,736</b>
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure		3,750	14,564	7,834	-	-	-	-	-	-	-
Development and financial contributions		-	-	-	-	-	-	-	-	-	-
(Increase) decrease in debt		5,098	6,050	5,532	(2,416)	(2,386)	(2,354)	(2,321)	(2,754)	(2,548)	(2,515)
Gross proceeds from sale of assets		-	-	-	-	-	-	-	-	-	-
Lump sum contributions		-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding		-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Capital Funding (C)</b>	<b>N/A</b>	<b>8,847</b>	<b>20,614</b>	<b>13,366</b>	<b>(2,416)</b>	<b>(2,386)</b>	<b>(2,354)</b>	<b>(2,321)</b>	<b>(2,754)</b>	<b>(2,548)</b>	<b>(2,515)</b>
<b>Applications of Capital Funding</b>											
Capital expenditure											
- to meet additional demand		-	-	-	-	-	-	-	-	-	-
- to improve the level of service		8,750	22,229	15,668	-	-	-	-	-	-	-
- to replace existing assets		2,395	1,122	1,134	1,319	1,350	1,382	1,415	982	1,188	1,221
Increase (decrease) of investments		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves		-	-	-	-	-	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>N/A</b>	<b>11,145</b>	<b>23,350</b>	<b>16,802</b>	<b>1,319</b>	<b>1,350</b>	<b>1,382</b>	<b>1,415</b>	<b>982</b>	<b>1,188</b>	<b>1,221</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>N/A</b>	<b>(2,298)</b>	<b>(2,737)</b>	<b>(3,436)</b>	<b>(3,736)</b>	<b>(3,736)</b>	<b>(3,736)</b>	<b>(3,736)</b>	<b>(3,736)</b>	<b>(3,736)</b>	<b>(3,736)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: Due to organisation realignment in 17/18 many activities have been regrouped into new groups of activities for the Long-term Plan. \*The re-grouping has been undertaken to align activity outcomes with Vision 2030 outcomes. As a result annual plan budgets for 17/18 are not provided as they do not provide meaningful comparisons.

“Rotorua has  
a soul that  
should be  
**celebrated**  
and enhanced.”





# community leadership

## 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

- This activity covers a range of specific functions and is also the home of corporate leadership and governance, civil defense and the technical and administrative support for Council's many services.
- Enable and support good decision making processes of the mayor, elected members, and committees
- Enable the organisation to deliver Vision 2030 to the district
- Enable and support organisational efficiency and decision-making through a strong business analysis approach, and the application of effective project management principles.
- Ensure business assurance, integrity and transparency.
- Nurture sustainable relationships that allow people to participate
- Support engagement between Council and Maori communities, marae, runanga, iwi, hapu and whanau, and facilitating Maori input into council decision-making.
- Provide leadership, advice, planning and resources to enable the community to respond to and recover from any significant disaster that could affect the area.
- 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.

## ACTIVITIES INCLUDE

- Chief Executive Group
- Communications
- Corporate planning
- Governance
- Customer Centre
- Finance (Financial services, rates, treasury, project management, risk and contract management)
- Information Services
- Emergency Management
- Kaitiaki Maori
- Organisational Development and Capability

## WHAT YOU CAN EXPECT FROM US

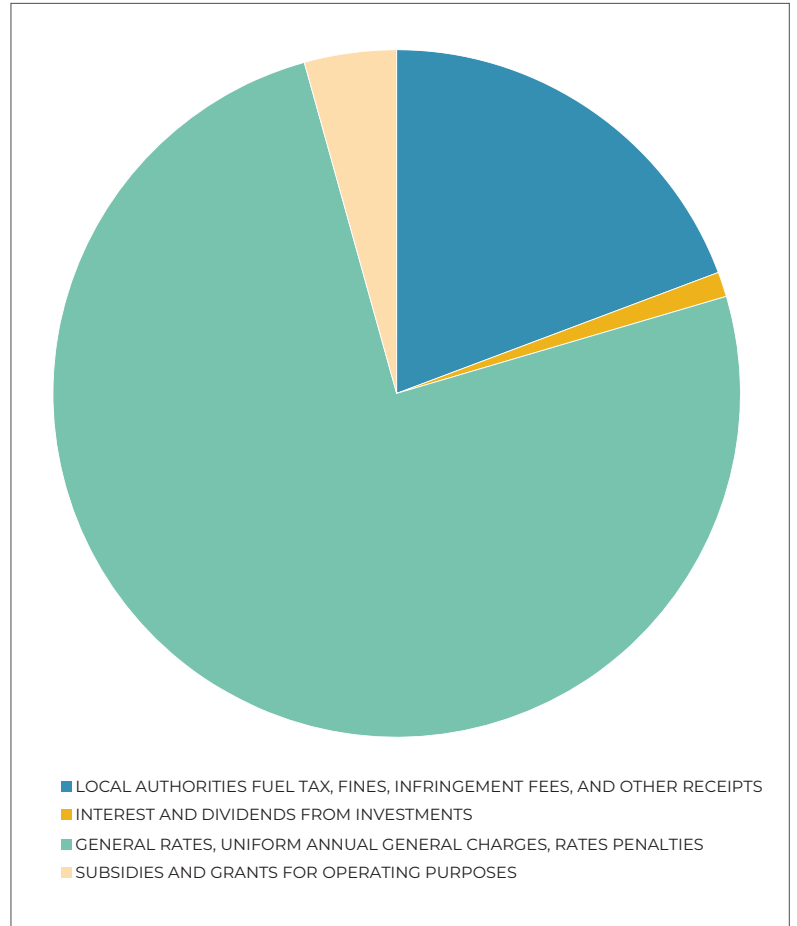
ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Governance	Satisfaction/ Value/ Reliability	Percentage of residents who are satisfied with the Let's Talk platform - quality and reliability, and value	New Measure	Establish Baseline	Baseline becomes the target for future years	Baseline becomes the target for future years	Baseline becomes the target for future years	Customer Survey
	Residents' confidence and engagement	Percentage of residents who feel they can participate in decision-making	>60%	>60%	>60%	>60%	>60%	Customer Survey
	Satisfaction	Percentage of residents who feel we are delivering and moving towards the 2030 goals.	New Measure	Establish Baseline	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	Rotorua 2030 report
Communications	Residents' confidence and engagement	Residents' (%) who agree that Council information is easy to access (via website, libraries, social media, newspaper etc)	New Measure	Establish Baseline	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	Customer Survey
	Residents' confidence and engagement	" % who feel Council keeps the community well informed "	New Measure	Establish Baseline	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	Customer Survey
Te Arawa Partnerships	Residents' confidence and engagement	Proportion of Maori groups who consider Council to be a good partner.	New Measure	Establish Baseline	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	Customer Survey
	Bilingual Rotorua	Residents (%) who feel that Māori culture and te reo is appropriately recognised and visible in the city	New Measure	Establish Baseline	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	Customer Survey
Civil Defence	Reliability/ Quality	Emergency Operation Centre staff capacity and capability is developed as measured through the professional capability matrix.	≥68%	85%	85%	85%	85%	Professional Capability Matrix

## THE COST TO DELIVER THIS ACTIVITY



continued...

HOW WE WILL FUND THIS ACTIVITY



## CAPITAL EXPENDITURE

<b>CAPITAL SPEND: COMMUNITY LEADERSHIP</b>						
<b>Project</b>	<b>Project Type</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021-2028</b>	<b>Total Budget</b>
Civic Centre BMS	LOS	\$230,000			\$-	\$230,000
Civic Centre Refurbishment	LOS	\$800,000	\$1,400,000	\$1,400,000	\$375,000	\$3,975,000
Corporate Strategic pProjects	LOS	\$80,000	\$80,000	\$80,000	\$560,000	\$800,000
Council Building Security Integration	LOS	\$240,000			\$-	\$240,000
Council Website Replacement	LOS			\$300,000	\$-	\$300,000
ERP Project	LOS	\$2,500,000	\$2,200,000		\$-	\$4,700,000
IT Enhancements (Including ABW)	LOS	\$120,000	\$413,000	\$263,000	\$1,941,000	\$2,737,000
OneCouncil Enhancements	LOS	\$15,247	\$117,247	\$117,246	\$-	\$249,740
Civic Centre Renewals (Including Geothermal)	Renewal	\$200,000	\$200,000	\$200,000	\$1,400,000	\$2,000,000
Community Halls Renewals	Renewal	\$200,000	\$200,000	\$200,000	\$700,000	\$1,300,000
Fleet Purchases	Renewal	\$460,000	\$125,000	\$96,000	\$1,912,000	\$2,593,000
Infracore Buildings Renewals	Renewal	\$100,000	\$100,000	\$100,000	\$700,000	\$1,000,000
IT Renewals	Renewal	\$262,000	\$262,000	\$547,000	\$3,800,000	\$4,871,000
Pensioner Housing Renewals	Renewal	\$115,000	\$115,000	\$115,000	\$805,000	\$1,150,000
Strategic Property rRenewals	Renewal	\$50,000	\$50,000	\$50,000	\$350,000	\$500,000
<b>Total</b>		<b>\$5,372,247</b>	<b>\$5,262,247</b>	<b>\$3,468,246</b>	<b>\$12,543,000</b>	<b>\$26,645,740</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

<b>ISSUE/RISK/NEGATIVE IMPACT</b>	<b>ACTION PLAN</b>
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.

## ROTORUA LAKES COUNCIL FUNDING IMPACT STATEMENT FOR 2018-2028 FOR COMMUNITY AND LEADERSHIP

COMMUNITY AND LEADERSHIP	Annual Plan Budget 2017/18 (\$000)	LONG-TERM PLAN BUDGET									
		2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties		8,663	8,720	8,736	8,740	8,740	8,719	8,680	8,626	8,503	8,354
Targeted Rates		-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes		499	510	522	533	545	558	571	585	601	617
Fees and charges		-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments		134	137	140	144	147	150	154	158	162	166
Internal charges and overheads recovered		22,607	23,894	25,192	25,973	26,423	26,734	26,979	27,361	27,268	27,248
Local authorities fuel tax, fines, infringement fees, and other receipts		2,219	2,268	2,318	2,369	2,423	2,479	2,539	2,602	2,670	2,742
<b>Total operating funding (A)</b>	<b>N/A</b>	<b>34,122</b>	<b>35,529</b>	<b>36,908</b>	<b>37,759</b>	<b>38,278</b>	<b>38,640</b>	<b>38,923</b>	<b>39,333</b>	<b>39,203</b>	<b>39,128</b>

<b>Applications of operating funding</b>											
Payments to staff and suppliers		22,040	22,458	22,896	23,354	23,833	24,332	24,855	25,414	25,130	25,435
Finance costs		1,221	1,252	1,171	1,000	824	617	372	81	640	626
Internal charges and overheads applied		8,533	9,027	9,523	9,823	9,986	10,094	10,172	10,302	10,256	10,235
Other operating funding applications		-	-	-	-	-	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>N/A</b>	<b>31,795</b>	<b>32,737</b>	<b>33,590</b>	<b>34,177</b>	<b>34,643</b>	<b>35,044</b>	<b>35,399</b>	<b>35,797</b>	<b>36,026</b>	<b>36,296</b>

<b>Surplus (deficit) of operating funding (A-B)</b>	<b>N/A</b>	<b>2,328</b>	<b>2,792</b>	<b>3,318</b>	<b>3,582</b>	<b>3,635</b>	<b>3,596</b>	<b>3,524</b>	<b>3,536</b>	<b>3,176</b>	<b>2,832</b>
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<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure		-	-	-	-	-	-	-	-	-	-
Development and financial contributions		-	-	-	-	-	-	-	-	-	-
(Increase) decrease in debt		808	(1,651)	(1,933)	(3,165)	(2,297)	(2,928)	(2,986)	(3,108)	(1,815)	(2,083)
Gross proceeds from sale of assets		2,000	4,000	2,000	1,400	800	1,000	1,000	1,000	1,000	1,000
Lump sum contributions		-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding		-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Capital Funding (C)</b>	<b>N/A</b>	<b>2,808</b>	<b>2,349</b>	<b>67</b>	<b>(1,765)</b>	<b>(1,497)</b>	<b>(1,928)</b>	<b>(1,986)</b>	<b>(2,108)</b>	<b>(815)</b>	<b>(1,083)</b>

<b>Applications of Capital Funding</b>											
Capital expenditure											
- to meet additional demand		-	-	-	-	-	-	-	-	-	-
- to improve the level of service		3,985	4,303	2,256	590	538	456	392	385	413	504
- to replace existing assets		1,150	838	1,129	1,227	1,600	1,212	1,146	1,044	1,949	1,245
Increase (decrease) of investments		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves		-	-	-	-	-	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>N/A</b>	<b>5,135</b>	<b>5,141</b>	<b>3,386</b>	<b>1,817</b>	<b>2,138</b>	<b>1,668</b>	<b>1,539</b>	<b>1,428</b>	<b>2,362</b>	<b>1,749</b>

<b>Surplus (deficit) of capital funding (C-D)</b>	<b>N/A</b>	<b>(2,328)</b>	<b>(2,792)</b>	<b>(3,318)</b>	<b>(3,582)</b>	<b>(3,635)</b>	<b>(3,596)</b>	<b>(3,524)</b>	<b>(3,536)</b>	<b>(3,177)</b>	<b>(2,831)</b>
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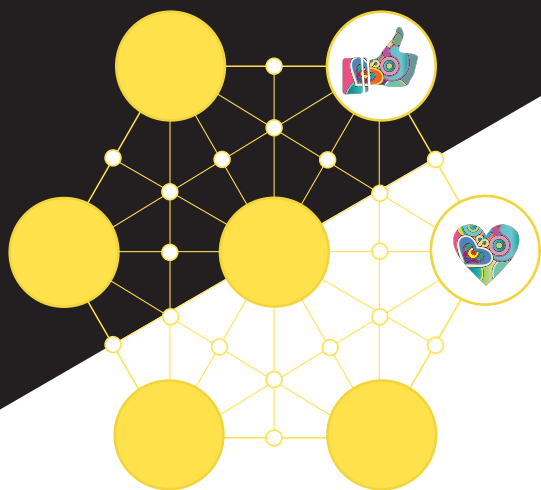
<b>Funding balance ((A-B)+(C-D))</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Note: Due to organisation realignment in 17/18 many activities have been regrouped into new groups of activities for the Long-term Plan. \*The re-grouping has been undertaken to align activity outcomes with Vision 2030 outcomes. As a result annual plan budgets for 17/18 are not provided as they do not provide meaningful comparisons.



“Matching the  
**community’s**  
**needs**  
with sound  
decision making  
towards 2030.”





# planning + regulatory

## WHY WE DO IT

We're involved in planning and regulatory services to contribute towards building resilient communities by minimising the risks to public health, security, personal safety and the environment and by working together to keep our district safe.

## WHAT WE DO

- Develop the District Plan that will support integrated solutions that encourage and support growth and investment
- Develop and align policy and bylaws to focus delivery of services towards achievement of the Rotorua 2030 vision
- Deliver efficient and effective consent process for all land development and building projects

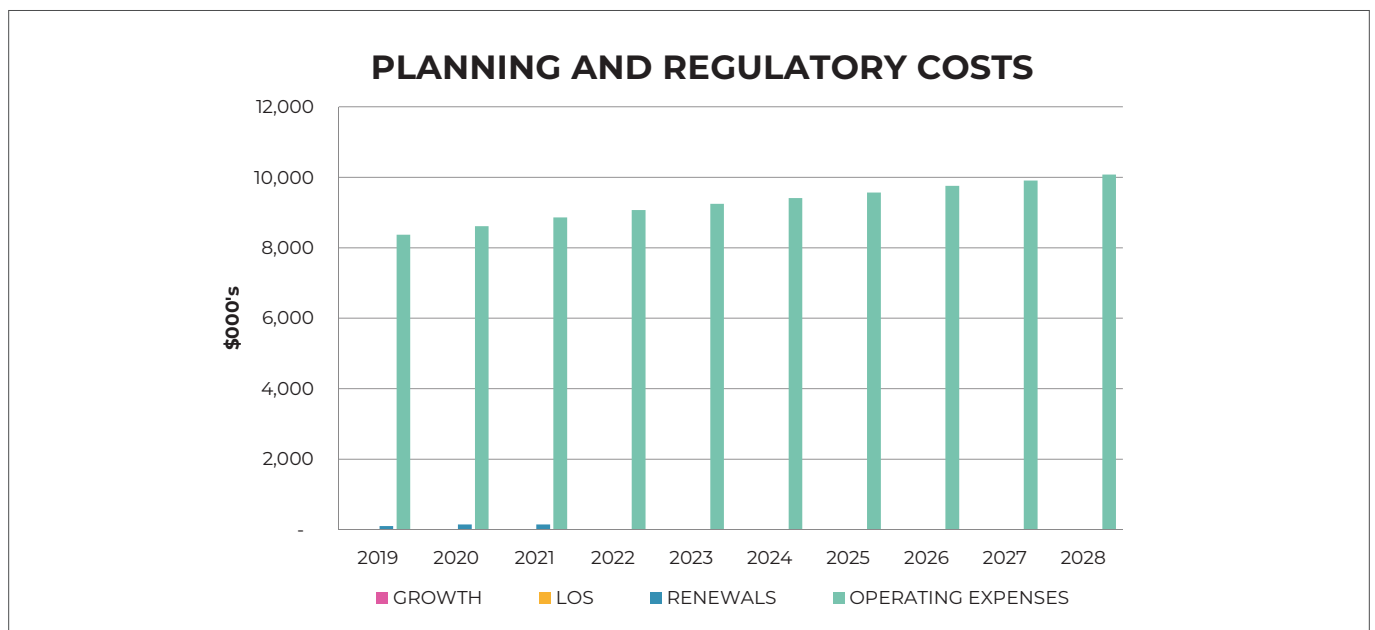
## ACTIVITIES INCLUDE

- Animal Control
- District Plan policy, development and implementation
- Inspection/Compliance
- Building Services – consenting, inspections
- Consenting – Resource Management Act

## WHAT YOU CAN EXPECT FROM US

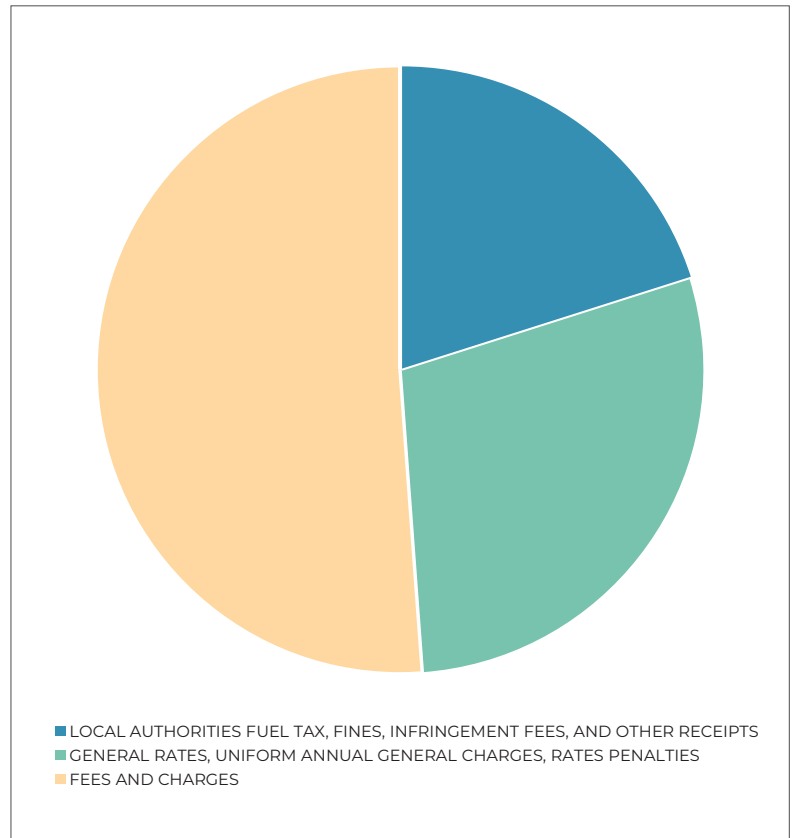
ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Animal Control	Compliance	100% of known dogs registered or served with a notice to register by 30 June annually.	100%	100%	100%	100%	100%	Dog Registration Database
Inspection	Compliance	100% of all licensed premises in the very high or high risk category are inspected under the Sale and Supply of Alcohol Act twice annually.	100%	100%	100%	100%	100%	Ozone premises inspection database and then OneCouncil after launch
	Compliance	100% of all licensed premises in the high risk category are inspected under the Food Act twice annually.	100%	100%	100%	100%	100%	Ozone premises inspection database
	Customer satisfaction	Percentage of noise control complainants very/fairly satisfied with the complaint handling process.	New Measure	90%	90%	90%	90%	Customer Survey
Planning/ Policy and Consenting	Timeliness	Percentage of consents processed within 15 working days. (Land Use)	≥60%	≥60%	≥60%	≥60%	≥60%	Ozone job tracking reports and then OneCouncil after launch
	Timeliness	Percentage of consents processed within 15 working days. (Subdivision)	≥25%	≥25%	≥25%	≥25%	≥25%	Ozone job tracking reports and then OneCouncil after launch
	Timeliness	Percentage of consents processed within 15 working days. (Building Consents)	≥60%	≥60%	≥60%	≥60%	≥60%	Ozone job tracking reports and then OneCouncil after launch
	Customer satisfaction	Percentage of customers very/fairly satisfied with the consenting process.	≥80%	≥80%	≥80%	≥80%	≥80%	Customer Survey

## THE COST TO DELIVER THIS ACTIVITY



continued...

## HOW WE WILL FUND THIS ACTIVITY



## CAPITAL EXPENDITURE

### **Animal Control Asset Renewals**

Funding constraints during recent years have seen some infrastructure not replaced or upgraded when it should have in some cases this has meant council deferred maintenance and only undertook essential repairs. In this long term plan as part of the theme of reviving our assets one project that will receive some much needed funding is our dog pound.

Some of the reasons for this investment are:

- There are currently 51 pens and puppy room and four portable kennels.
- Nearly 20% (2000 dogs) of the known dog population each year is impounded.
- All dogs are mandated to be kept for 7 days unless claimed earlier.
- Over 700 dogs annually are held then euthanized.
- When a dog owner is being prosecuted for an attack and they wish to defend themselves including appeal has seen us having to keep the dog/s for up to 12 months.
- Pound regularly sits at 85% full meaning from Wednesday each week we have to manage what gets impounded. Not unusual to impound over 10 dogs via the weekend services

- When managing the nearly 500 high risk and unregistered dogs, we can't impound when a breach is detected as no capacity at the pound meaning the dog remains at the address.
- Government new legislation on high risk dogs will mean we will have to have a more active role in managing these in our community.
- Rehoming function of dogs that would be suitable is constrained due to availability of pens.

### Project Outcomes

- Future proofed site, fit for purpose.
- Cost saving by combining all requirements into a programme of works.

### Project Benefits

- Council staff can accommodate dogs in pens rather than standalone units
- Security fencing will be appropriate and compliant for an operation and purpose.

CAPITAL SPEND: PLANNING + REGULATORY						
Project	Project Type	2018/19	2019/20	2020/21	2021-2028	Total Budget
Animal Control Asset Renewals	Renewal	\$100,000	\$150,000	\$150,000	\$56,000	\$456,000
<b>Total</b>		<b>\$100,000</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$56,000</b>	<b>\$456,000</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

ISSUE/RISK/NEGATIVE IMPACT	ACTION PLAN
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.
Resource consent decisions, development and delivery of information on District Plan can have a significant effect on the social, cultural, economic and environmental wellbeing of the community.	Council addresses this by ensuring that staff have adequate access to all relevant information and are appropriately trained/ qualified to make robust decisions to ensure that effects are kept to a minimum.
The cumulative effects of subdivision, land use and development can have significant negative environmental and social effects.	Preparing a new Spatial Plan in conjunction with a review of District Plan and making it operative through the RMA process. Including appropriate objectives, policies and rules to promote sustainable management of natural and physical resources. Monitoring growth trends and resource management issues regularly and responding to those issues as appropriate. Monitoring national, regional and local trends and environmental policy initiatives in order to provide high quality advice to the organisation.
The costs of city growth must be met by existing ratepayers.	Monitoring the growth of the city, developing infrastructure plans to address provision and costs of growth and applying this information to the development of a Development Contributions Policy under the LGA 2002. Working closely with other key public agencies, such as NZTA, and private sector developers on efficient methods of infrastructure delivery and funding.

## ROTORUA LAKES COUNCIL FUNDING IMPACT STATEMENT FOR 2018-2028 FOR PLANNING AND REGULATORY

PLANNING AND REGULATORY	Annual Plan Budget 2017/18 (\$000)	LONG-TERM PLAN BUDGET									
		2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties		2,393	2,500	2,615	2,689	2,714	2,730	2,728	2,745	2,713	2,685
Targeted Rates		-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes		-	-	-	-	-	-	-	-	-	-
Fees and charges		4,261	4,355	4,451	4,549	4,653	4,760	4,875	4,996	5,126	5,265
Interest and dividends from investments		-	-	-	-	-	-	-	-	-	-
Internal charges and overheads recovered		59	61	62	63	65	66	68	70	72	73
Local authorities fuel tax, fines, infringement fees, and other receipts		1,673	1,710	1,747	1,786	1,827	1,869	1,914	1,962	2,013	2,067
<b>Total operating funding (A)</b>	<b>N/A</b>	<b>8,386</b>	<b>8,626</b>	<b>8,875</b>	<b>9,086</b>	<b>9,259</b>	<b>9,426</b>	<b>9,585</b>	<b>9,773</b>	<b>9,924</b>	<b>10,091</b>

<b>Applications of operating funding</b>											
Payments to staff and suppliers		6,221	6,335	6,455	6,581	6,712	6,849	6,992	7,145	7,305	7,475
Finance costs		3	8	15	19	20	21	21	21	21	22
Internal charges and overheads applied		2,147	2,267	2,390	2,472	2,512	2,541	2,557	2,592	2,582	2,579
Other operating funding applications		-	-	-	-	-	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>N/A</b>	<b>8,371</b>	<b>8,611</b>	<b>8,860</b>	<b>9,072</b>	<b>9,244</b>	<b>9,411</b>	<b>9,570</b>	<b>9,758</b>	<b>9,909</b>	<b>10,076</b>

<b>Surplus (deficit) of operating funding (A-B)</b>	<b>N/A</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
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<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure		-	-	-	-	-	-	-	-	-	-
Development and financial contributions		-	-	-	-	-	-	-	-	-	-
(Increase) decrease in debt		85	138	142	(6)	(6)	(6)	(6)	(6)	(5)	(5)
Gross proceeds from sale of assets		-	-	-	-	-	-	-	-	-	-
Lump sum contributions		-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding		-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Capital Funding (C)</b>	<b>N/A</b>	<b>85</b>	<b>138</b>	<b>142</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(5)</b>	<b>(5)</b>

<b>Applications of Capital Funding</b>											
Capital expenditure											
- to meet additional demand		-	-	-	-	-	-	-	-	-	-
- to improve the level of service		-	-	-	-	-	-	-	-	-	-
- to replace existing assets		100	153	157	9	9	9	9	9	10	10
Increase (decrease) in reserves		-	-	-	-	-	-	-	-	-	-
Increase (decrease) of investments		-	-	-	-	-	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>N/A</b>	<b>100</b>	<b>153</b>	<b>157</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>10</b>

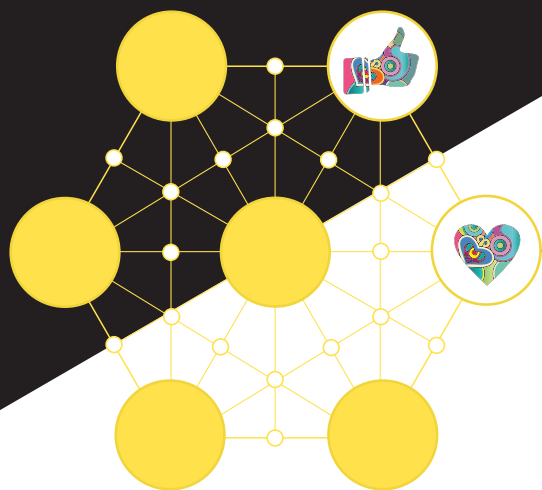
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>N/A</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>
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<b>Funding balance ((A-B)+(C-D))</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Note: Due to organisation realignment in 17/18 many activities have been regrouped into new groups of activities for the Long-term Plan. \*The re-grouping has been undertaken to align activity outcomes with Vision 2030 outcomes. As a result annual plan budgets for 17/18 are not provided as they do not provide meaningful comparisons.

“Council will  
contribute to a  
**safe and fair**  
community.”





# 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

We work with external agencies to develop and improve the local economy and to bring visitors to Rotorua by strengthening local market brand and targeting growth markets.

This activity includes the work done by our Council Controlled Organisations; the Rotorua Regional Airports and Rotorua Economic Development.

## ACTIVITIES INCLUDE:

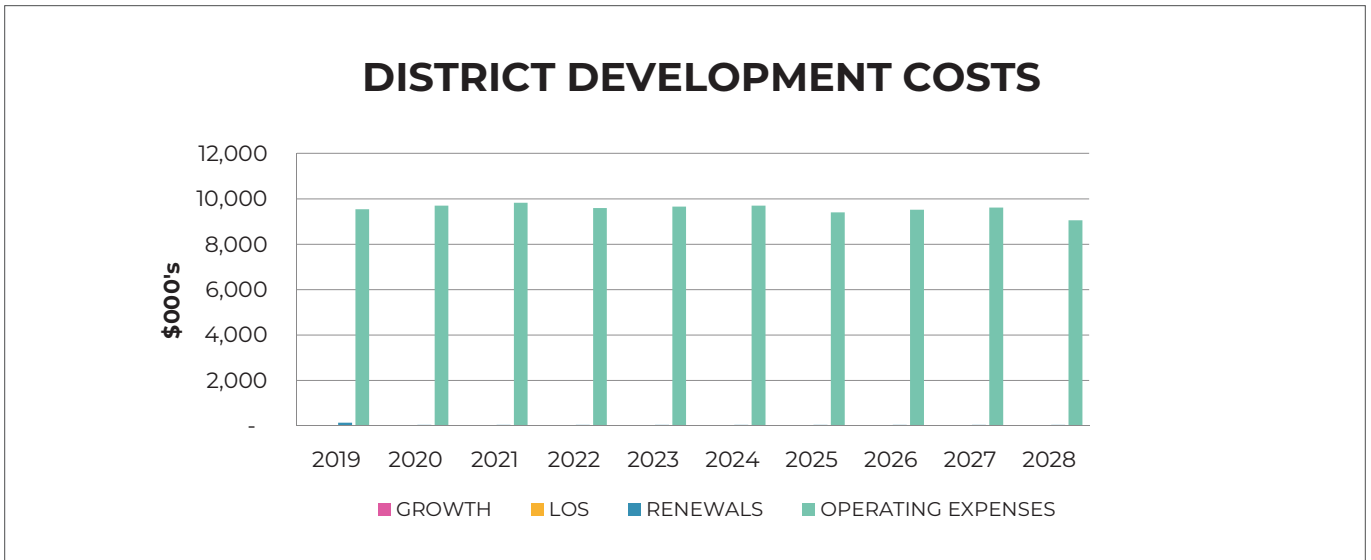
- Big move/key project planning linked to Rotorua Vision 2030
- Tourism
- Economic Development
- Airport

## WHAT YOU CAN EXPECT FROM US

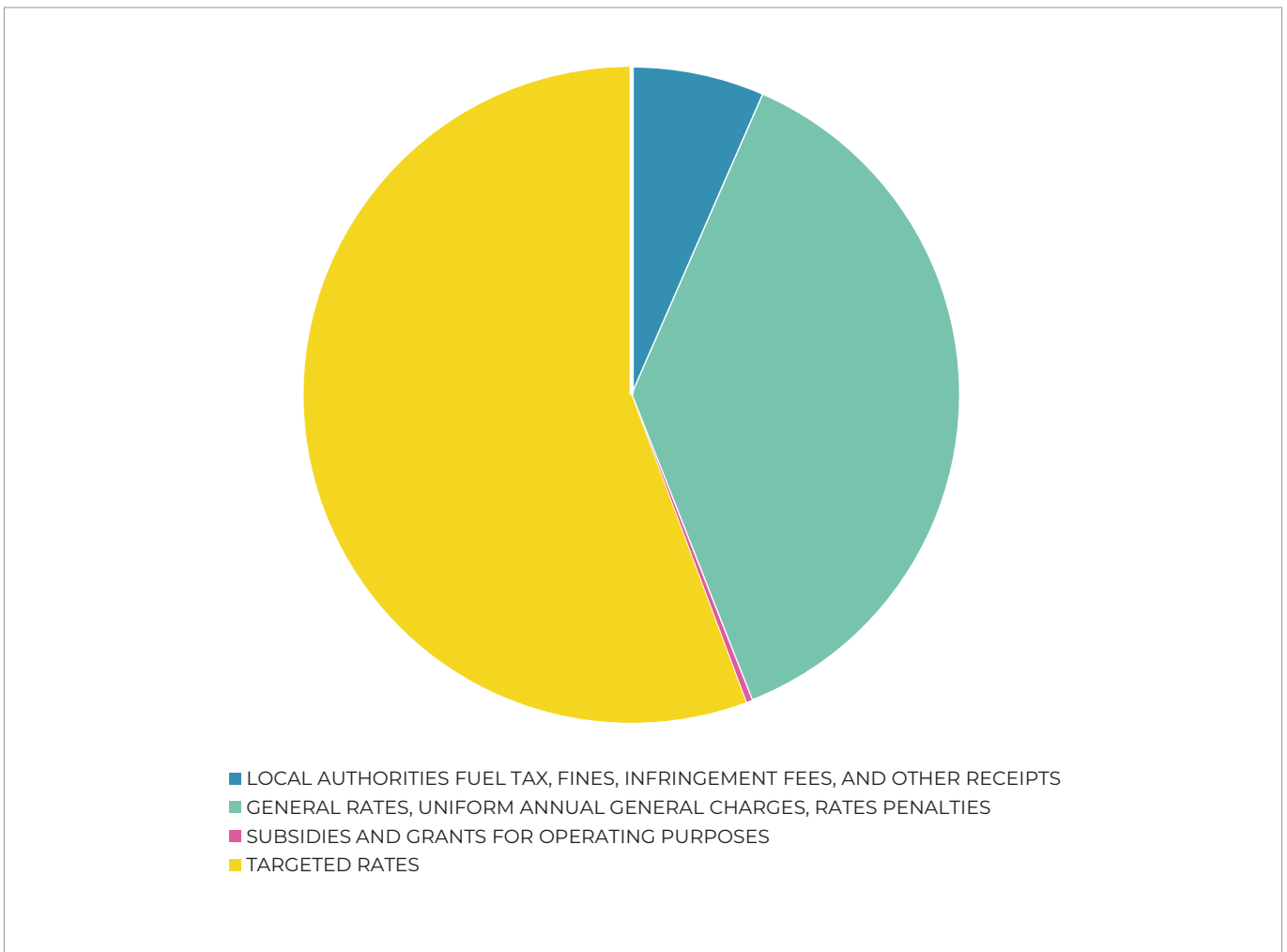
ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Airport	Utilisation	Number of passenger movements at the Rotorua Airport	New Measure	242,664	242,664	242,664	242,664	Business Plan Report
Economic Development	Prosperity	Rotorua's GDP growth is above the average GDP growth of New Zealand.	Achieved	Achieved	Achieved	Achieved	Achieved	Infometrics Report
	Satisfaction	The business confidence within the Rotorua district is above the average business confidence across New Zealand.	Achieved	Achieved	Achieved	Achieved	Achieved	Infometrics Report
	Utilisation	Number of Retail and Office spaces not tenanted in the CBD	New Measure	130	130	130	130	Telfer Young
	Utilisation	Number of electronic transactions in the CBD	New Measure	Establish Baseline	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	Marketview Report



## THE COST TO DELIVER THIS ACTIVITY



## HOW WE WILL FUND THIS ACTIVITY



continued...

## CAPITAL EXPENDITURE

<b>CAPITAL SPEND: DISTRICT DEVELOPMENT</b>						
<b>Project</b>	<b>Project Type</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021-2028</b>	<b>Total Budget</b>
iSite Renewal	Renewal	\$140,000	\$50,000	\$50,000	\$350,000	\$590,000
<b>Total</b>		<b>\$140,000</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$350,000</b>	<b>\$590,000</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

<b>ISSUE/RISK/NEGATIVE IMPACT</b>	<b>ACTION PLAN</b>
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.
Increased economic development can have significant social and environmental negative effects.	Ensuring support for economic development has regard for social and environmental sustainability.

ROTORUA LAKES COUNCIL FUNDING IMPACT STATEMENT FOR 2018-2028 FOR DISTRICT DEVELOPMENT

DISTRICT DEVELOPMENT	Annual Plan Budget 2017/18 (\$000)	LONG-TERM PLAN BUDGET									
		2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	5,471	3,703	3,918	4,011	4,048	4,120	4,192	4,536	5,136	5,732	6,625
Targeted Rates	5,798	5,505	5,558	5,626	5,441	5,504	5,588	5,337	5,443	5,544	5,063
Subsidies and grants for operating purposes	29	29	30	30	31	32	33	33	34	35	36
Fees and charges	1,697	-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads recovered	53	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	30	648	669	642	562	489	384	325	256	188	132
<b>Total operating funding (A)</b>	<b>13,078</b>	<b>9,886</b>	<b>10,175</b>	<b>10,309</b>	<b>10,082</b>	<b>10,145</b>	<b>10,197</b>	<b>10,231</b>	<b>10,868</b>	<b>11,500</b>	<b>11,856</b>

<b>Applications of operating funding</b>											
Payments to staff and suppliers	11,101	8,981	9,104	9,197	8,944	8,990	9,030	8,729	8,835	8,941	8,385
Finance costs	995	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	1,144	560	596	632	652	662	669	673	681	675	671
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>13,240</b>	<b>9,542</b>	<b>9,700</b>	<b>9,829</b>	<b>9,596</b>	<b>9,652</b>	<b>9,699</b>	<b>9,402</b>	<b>9,515</b>	<b>9,616</b>	<b>9,057</b>

<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(162)</b>	<b>345</b>	<b>475</b>	<b>480</b>	<b>487</b>	<b>493</b>	<b>498</b>	<b>830</b>	<b>1,353</b>	<b>1,884</b>	<b>2,800</b>
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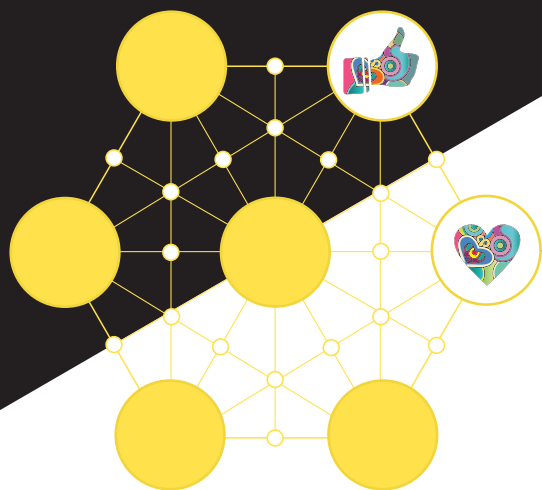
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
(Increase) decrease in debt	-	(805)	(424)	(2,429)	(2,433)	(2,438)	(2,943)	(773)	(4,095)	(1,824)	(4,938)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Capital Funding (C)</b>	<b>-</b>	<b>(805)</b>	<b>(424)</b>	<b>(2,429)</b>	<b>(2,433)</b>	<b>(2,438)</b>	<b>(2,943)</b>	<b>(773)</b>	<b>(4,095)</b>	<b>(1,824)</b>	<b>(4,938)</b>

<b>Applications of Capital Funding</b>											
Capital expenditure											
- to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
- to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
- to replace existing assets	-	140	51	52	53	55	56	57	59	60	62
Increase (decrease) in reserves	-	(600)	-	(2,000)	(2,000)	(2,000)	(2,500)	-	(2,800)	-	(2,200)
Increase (decrease) of investments	(162)	-	-	-	-	-	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(162)</b>	<b>(460)</b>	<b>51</b>	<b>(1,948)</b>	<b>(1,947)</b>	<b>(1,945)</b>	<b>(2,444)</b>	<b>57</b>	<b>(2,741)</b>	<b>60</b>	<b>(2,138)</b>

<b>Surplus (deficit) of capital funding (C-D)</b>	<b>162</b>	<b>(345)</b>	<b>(475)</b>	<b>(481)</b>	<b>(487)</b>	<b>(493)</b>	<b>(499)</b>	<b>(830)</b>	<b>(1,353)</b>	<b>(1,884)</b>	<b>(2,800)</b>
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<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Note: Due to organisation realignment in 17/18 many activities have been regrouped into new groups of activities for the Long-term Plan. \*The re-grouping has been undertaken to align activity outcomes with Vision 2030 outcomes. As a result annual plan budgets for 17/18 are not provided as they do not provide meaningful comparisons.



# sports, recreation + environment

## 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.

## ACTIVITIES INCLUDE:

- Garden's, Reserves and Sportsgrounds
- Aquatic Centre

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.

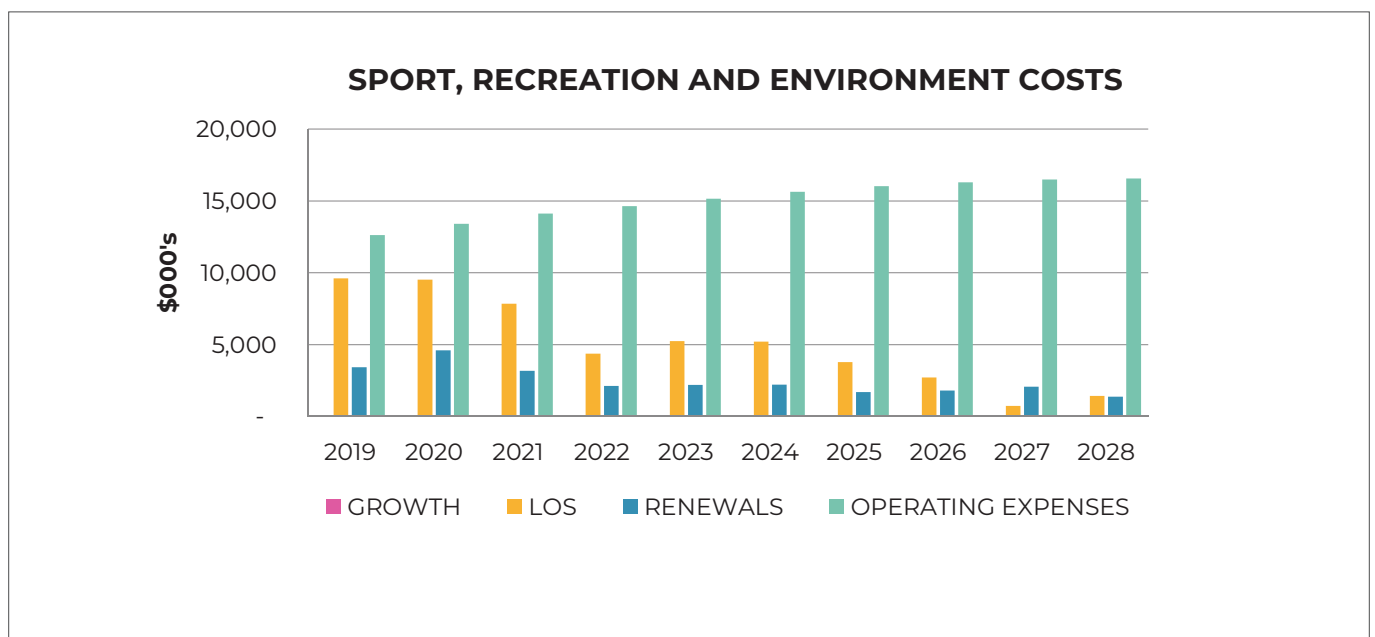
The council is responsible for maintenance of walking and mountain bike trails in the Tokorangi Forest, famous for the magnificent stands of towering Californian Coastal Redwoods. The tracks in the adjacent Whakarewarewa Forest are maintained by volunteer track sponsors. The council is charged with maintaining and enhancing the landscape, recreational potential and aesthetic value of the forest as a significant backdrop to Rotorua.

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, outrigger (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.

## WHAT YOU CAN EXPECT FROM US

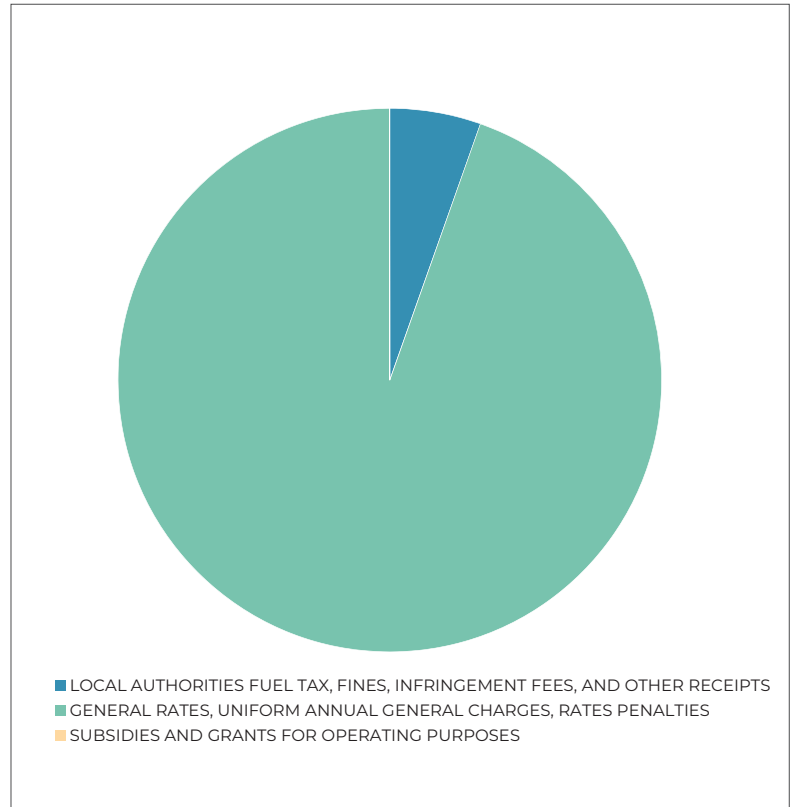
ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Gardens, Reserves and Sportsgrounds	Utilisation	The number of Gardens, Reserves and Sportsgrounds bookings	≥1,650	≥1,650	≥1,650	≥1,650	≥1,650	Booking System
	Customer satisfaction	Percentage of customers very/fairly satisfied with Gardens, Reserves and Sportsgrounds.	New Measure	85%	85%	85%	85%	Customer Survey
Aquatic Centre	Utilisation	Number of visitors to the aquatic centre per year.	≥350,000	≥350,000	≥350,000	≥350,000	≥350,000	Counter Intelligence system
	Customer satisfaction	Percentage of customers very/fairly satisfied with Aquatic Centre.	≥70	70%	75%	80%	80%	Customer Survey
	Utilisation	Number of lessons in Learn to Swim School programmes per term	≥11,000	≥11,000	≥11,000	≥11,000	≥11,000	Enrolment records
	Customer satisfaction	Percentage of users that are satisfied with the swim school level of service	≥80%	≥80%	≥80%	≥80%	≥80%	Customer Survey

## THE COST TO DELIVER THIS ACTIVITY



continued...

HOW WE WILL FUND THIS ACTIVITY



## CAPITAL EXPENDITURE

### Skate Park

First signaled through the 2015 Long-term plan process Council received a number of submissions from local skateboarders asking for the current skate park offering in the central city at the Sheaf Park site to be upgraded and extended. In response to the submissions Council resolved that staff work with the community to determine the design, location, costs and funding sources.

An advisory group was set up as a result of this to investigate development of this facility. The advisory group in conjunction with Council staff have identified the following:

- The design should integrate/complement the existing locality and features;
- A facility that caters for a variety of users and abilities is essential;
- Inclusion of skate-able art features and sense of place attributes that reflect Rotorua's uniqueness;
- Design should provide for events at both a community and national level;
- Landscape features such as shelter, seating, lawn areas and planting and parking.

### Project Outcomes

- Invest in quality facilities that are uniquely Rotorua and match community expectations.
- Opportunities to increase participation in sport & recreation by targeted low participation groups.

### Project Benefits

- Increased opportunities for the community to be active.
- Improved satisfaction with our recreational facilities and public toilets.

The Skate Park was initially signaled through the 2018 LTP consultation as being undertaken within the overall plans for Kuirau Park upgrades. Following discussion Council have signaled a new inner skate park as its own project and have set aside \$750,000 in year two to undertake consultation on the location, costs and funding sources. Emphasis has been placed upon being ready to start construction in year two.

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

ISSUE/RISK/NEGATIVE IMPACT	ACTION PLAN
The cost of establishing and maintaining facilities versus the number of the participants in each code.	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.
Increased traffic congestion around peak activity periods.	Better traffic management procedures. Also relocating big events and informing the community, to manage expectations better.
Increased noise pollution around sporting/recreation events.	Event management and meeting planning rules as required.
Asset failure due to aged facilities, and backlog of renewals which were not undertaken.	A new asset management plan has been prepared. LTP funding proposed to meet needs. Match maintenance and replacement programme so that existing assets are regularly monitored.
Public/private partnerships to fund future developments at the Aquatic Centre are not secured.	Improving level of service to make investment attractive with public/private partners. External funding applications are being submitted and LTP investment identified.
Events managed, facilitated or assisted by Council may have significant negative effects on the environmental wellbeing of non-participants. Such negative effects include increased noise, increased traffic congestion, and restricted access to public facilities.	Council works with event managers and affected parties to minimise these negative effects wherever possible.
Increasing demand on boat ramps, jetties and associated facilities such as car parking surrounding these facilities.	Regularly review existing and new sites to assess potential for expansion. Work with partners to manage demand.

<b>CAPITAL SPEND: SPORT, RECREATION AND ENVIRONMENT</b>						
<b>Project</b>	<b>Project Type</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021-2028</b>	<b>Total Budget</b>
Active Recreation Enhancement	LOS	\$150,000	\$150,000	\$150,000	\$1,050,000	\$1,500,000
Carpark Enhancements	LOS	\$160,000			\$210,000	\$370,000
Cemetry Develoments and Improvements	LOS	\$10,000	\$30,000	\$10,000	\$87,000	\$137,000
Cremator Replacement	LOS	\$800,000			\$-	\$800,000
Devolved Funding	LOS	\$250,000	\$250,000	\$250,000	\$1,750,000	\$2,500,000
Event Signboards	LOS	\$140,000			\$-	\$140,000
International Stadium Enhancements	LOS	\$400,000	\$815,000	\$227,000	\$600,000	\$2,042,000
Kuirau Park	LOS	\$1,500,000		\$1,500,000	\$2,500,000	\$5,500,000
Lake Ramp and Jetty Enhancements	LOS				\$270,000	\$270,000
Lakefront Revitalisation	LOS	\$1,200,000	\$3,000,000	\$2,000,000	\$13,800,000	\$20,000,000
Lakes Infrastructure Enhancements	LOS	\$787,500	\$587,500	\$425,000	\$-	\$1,800,000
Neighbourhood Playground Enhancements	LOS	\$50,000	\$500,000	\$100,000	\$290,000	\$940,000
Neighbourhood Revitalisation	LOS	\$250,000	\$250,000		\$500,000	\$1,000,000
Public Toilets New	LOS	\$200,000			\$-	\$200,000
Reserves Erosion Control	LOS	\$100,000	\$100,000	\$100,000	\$-	\$300,000
Skate Park in Kuirau Park	LOS		\$750,000		\$-	\$750,000
Sports Facilities Funding	LOS	\$1,110,000	\$593,000	\$593,000	\$2,434,000	\$4,730,000
Whakarewarewa Forest	LOS	\$2,500,000	\$2,500,000	\$2,500,000	\$-	\$7,500,000
Aquatic Centre Asset Renewals	Renewal	\$2,200,000	\$3,300,000	\$2,000,000	\$2,100,000	\$9,600,000
Government Gardens Renewals	Renewal	\$127,000			\$-	\$127,000
International Stadium Renewals	Renewal	\$52,063	\$90,761	\$118,691	\$1,163,171	\$1,424,687
Lake Reserve Renewal	Renewal	\$115,000			\$-	\$115,000
Major Renewal - Hockey Turf	Renewal				\$400,000	\$400,000
Park Structures Renewals	Renewal	\$310,000	\$1,018,313	\$861,409	\$6,710,572	\$8,900,294
Public Toilet Renewals	Renewal	\$200,000	\$200,000	\$200,000	\$1,400,000	\$2,000,000
Reserve Enhancements	Renewal	\$125,000			\$1,705,000	\$1,830,000
Utility Buildings Renewals	Renewal	\$171,160	\$2,720		\$44,533	\$218,413
Waikite Valley Thermal Pools Renewal	Renewal	\$130,000			\$-	\$130,000
<b>Total</b>		<b>\$13,037,723</b>	<b>\$14,137,294</b>	<b>\$11,035,100</b>	<b>\$37,014,277</b>	<b>\$75,224,394</b>



ROTORUA LAKES COUNCIL FUNDING IMPACT STATEMENT FOR 2018-2028 FOR SPORT, RECREATION AND ENVIRONMENT

SPORT, RECREATION AND ENVIRONMENT	Annual Plan Budget 2017/18 (\$000)	LONG-TERM PLAN BUDGET									
		2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties		14,016	15,631	17,128	18,244	19,031	19,874	21,185	22,204	23,104	24,445
Targeted Rates		-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes		3	3	3	3	3	3	3	3	3	3
Fees and charges		-	-	-	-	-	-	-	-	-	-
Interest and dividends from investments		-	-	-	-	-	-	-	-	-	-
Internal charges and overheads recovered		7	8	10	11	12	13	15	16	18	20
Local authorities fuel tax, fines, infringement fees, and other receipts		801	818	835	852	871	891	912	934	956	981
<b>Total operating funding (A)</b>	<b>N/A</b>	<b>14,827</b>	<b>16,460</b>	<b>17,975</b>	<b>19,110</b>	<b>19,917</b>	<b>20,782</b>	<b>22,114</b>	<b>23,158</b>	<b>24,082</b>	<b>25,449</b>

<b>Applications of operating funding</b>											
Payments to staff and suppliers		10,523	10,732	10,953	11,181	11,424	11,682	11,947	12,230	12,521	12,841
Finance costs		1,239	1,770	2,226	2,502	2,759	2,962	3,073	3,039	2,940	2,689
Internal charges and overheads applied		869	901	933	959	976	991	1,002	1,018	1,027	1,038
Other operating funding applications		-	-	-	-	-	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>N/A</b>	<b>12,631</b>	<b>13,402</b>	<b>14,112</b>	<b>14,642</b>	<b>15,158</b>	<b>15,635</b>	<b>16,021</b>	<b>16,287</b>	<b>16,489</b>	<b>16,569</b>

<b>Surplus (deficit) of operating funding (A-B)</b>	<b>N/A</b>	<b>2,196</b>	<b>3,057</b>	<b>3,863</b>	<b>4,468</b>	<b>4,760</b>	<b>5,147</b>	<b>6,093</b>	<b>6,871</b>	<b>7,593</b>	<b>8,881</b>
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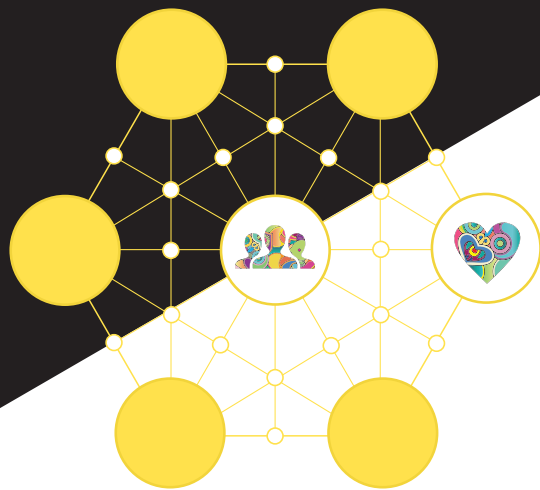
<b>Sources of capital funding</b>											
Subsidies and grants for capital expenditure		375	1,022	344	-	-	-	-	-	-	-
Development and financial contributions		-	-	-	-	-	-	-	-	-	-
(Increase) decrease in debt		10,419	10,302	7,246	2,406	3,278	3,070	112	(1,661)	(4,263)	(5,470)
Gross proceeds from sale of assets		-	-	-	-	-	-	-	-	-	-
Lump sum contributions		-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding		-	-	-	-	-	-	-	-	-	-
<b>Total Sources of Capital Funding (C)</b>	<b>N/A</b>	<b>10,794</b>	<b>11,324</b>	<b>7,590</b>	<b>2,406</b>	<b>3,278</b>	<b>3,070</b>	<b>112</b>	<b>(1,661)</b>	<b>(4,263)</b>	<b>(5,470)</b>

<b>Applications of Capital Funding</b>											
Capital expenditure											
- to meet additional demand		-	-	-	-	-	-	-	-	-	-
- to improve the level of service		9,608	9,719	8,183	4,649	5,699	5,799	4,306	3,158	890	1,756
- to replace existing assets		3,382	4,663	3,270	2,225	2,338	2,418	1,899	2,052	2,440	1,655
Increase (decrease) in reserves		-	-	-	-	-	-	-	-	-	-
Increase (decrease) of investments		-	-	-	-	-	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>N/A</b>	<b>12,990</b>	<b>14,382</b>	<b>11,453</b>	<b>6,874</b>	<b>8,037</b>	<b>8,217</b>	<b>6,205</b>	<b>5,210</b>	<b>3,330</b>	<b>3,411</b>

<b>Surplus (deficit) of capital funding (C-D)</b>	<b>N/A</b>	<b>(2,196)</b>	<b>(3,058)</b>	<b>(3,863)</b>	<b>(4,468)</b>	<b>(4,759)</b>	<b>(5,147)</b>	<b>(6,094)</b>	<b>(6,871)</b>	<b>(7,593)</b>	<b>(8,880)</b>
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<b>Funding balance ((A-B)+(C-D))</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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Note: Due to organisation realignment in 17/18 many activities have been regrouped into new groups of activities for the Long-term Plan. \*The re-grouping has been undertaken to align activity outcomes with Vision 2030 outcomes. As a result annual plan budgets for 17/18 are not provided as they do not provide meaningful comparisons.



# roads + 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.

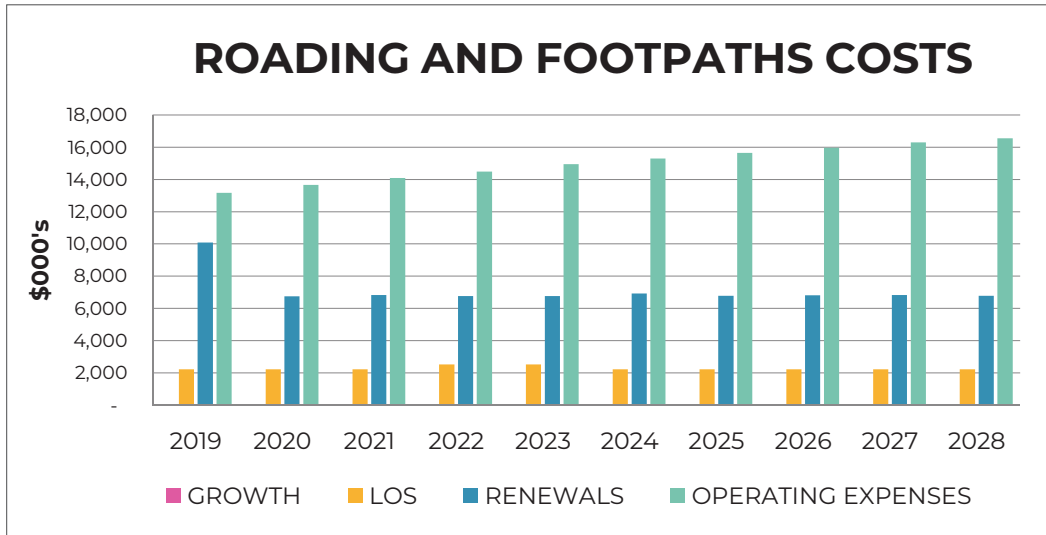
## ACTIVITIES INCLUDE:

This activity includes development and management of the roading network, including public transport infrastructure, safety programmes, alternative transport modes and Long-term planning. Roding 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.

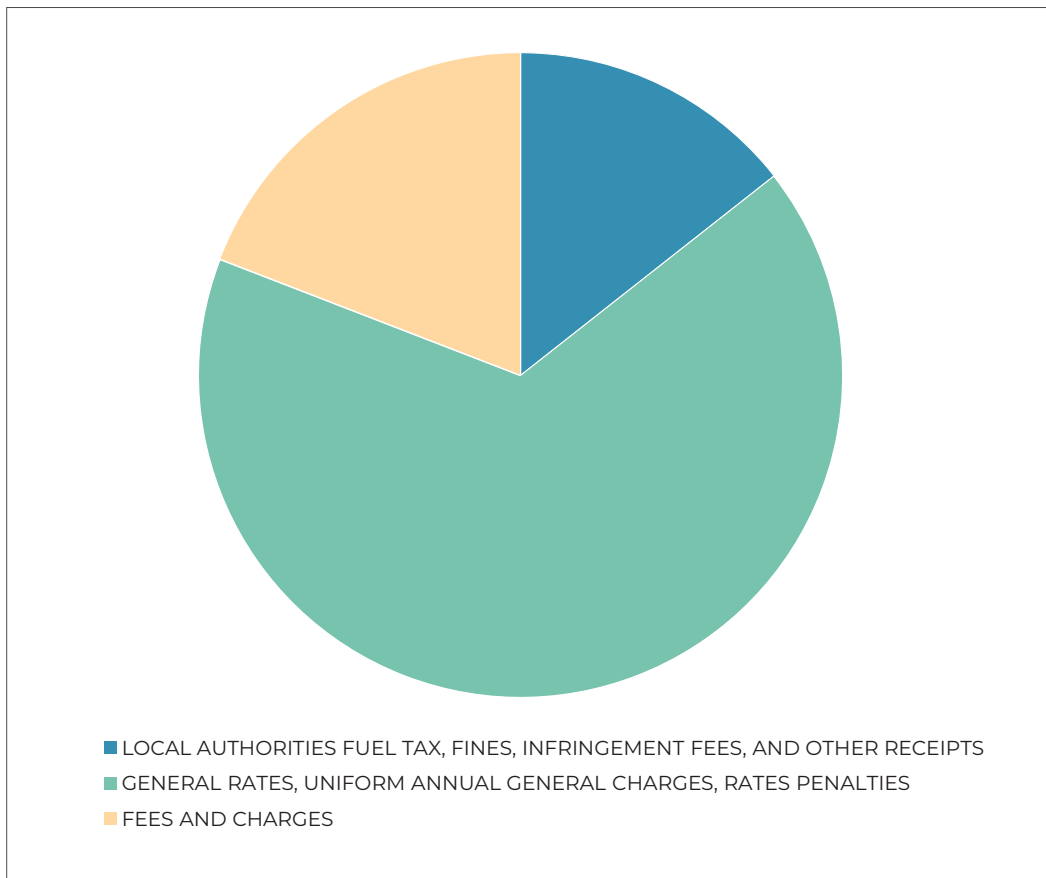
## WHAT YOU CAN EXPECT FROM US

ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Roads and Footpaths	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.	≤ -1	≤ -1	≤ -1	≤ -1	≤ -1	Accident Database
	Condition	The average quality of ride on a sealed local road network, measured by smooth travel exposure.	≥75%	≥75%	≥75%	≥75%	≥75%	RAM Management System
	Maintenance	The percentage of the sealed local road network that is resurfaced.	≥8%	≥8%	≥8%	≥8%	≥8%	RAM Management System
	Condition	The percentage of footpaths that are condition four (4) or better.	≥98%	≥98%	≥98%	≥98%	≥98%	RAM Management System and Request for Service Database
	Response time	The percentage of customer service requests relating to roads and footpaths which are responded to within five (5) working days.	≥90%	≥90%	≥90%	≥90%	≥90%	RAM Management System
Utilisation	Number of Cyways users (Average Daily use)	New Measure	Establish Baseline	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	"Equal or greater than the baseline"	CBD Counters

THE COST TO DELIVER THIS ACTIVITY



HOW WE WILL FUND THIS ACTIVITY



continued...

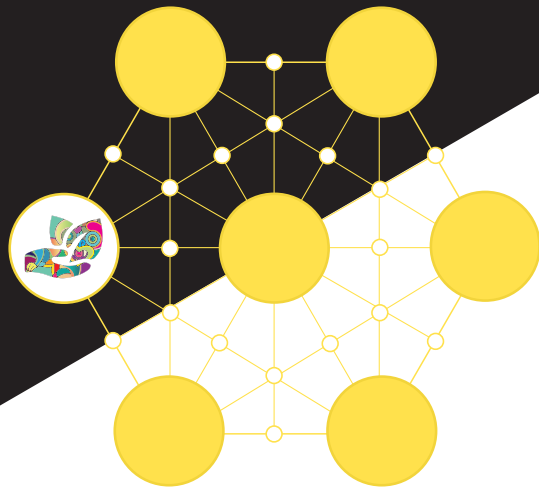
## CAPITAL EXPENDITURE

<b>CAPITAL SPEND: ROADING AND FOOTPATHS</b>						
<b>Project</b>	<b>Project Type</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021-2028</b>	<b>Total Budget</b>
Cycleway Enhancements	LOS	\$900,000	\$900,000	\$900,000	\$6,300,000	\$9,000,000
Minor Safety Improvements	LOS	\$570,000	\$570,000	\$570,000	\$3,990,000	\$5,700,000
Rural Seal Extensions	LOS	\$750,000	\$750,000	\$750,000	\$5,250,000	\$7,500,000
Town Centre Enhancements	LOS				\$600,000	\$600,000
Roading - Eat Street & Hinemoa Carpark Renewal	Renewal	\$40,400		\$76,670	\$390,490	\$507,560
Storm Repairs	Renewal	\$4,000,000	\$-	\$-	\$-	\$4,000,000
Transport Operation Renewal	Renewal	\$6,040,000	\$6,754,000	\$6,754,000	\$47,278,000	\$66,826,000
<b>Total</b>		<b>\$12,300,400</b>	<b>\$8,974,000</b>	<b>\$9,050,670</b>	<b>\$63,808,490</b>	<b>\$94,133,560</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

<b>ISSUE/RISK/NEGATIVE IMPACT</b>	<b>ACTION PLAN</b>
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.





# sewerage + 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.

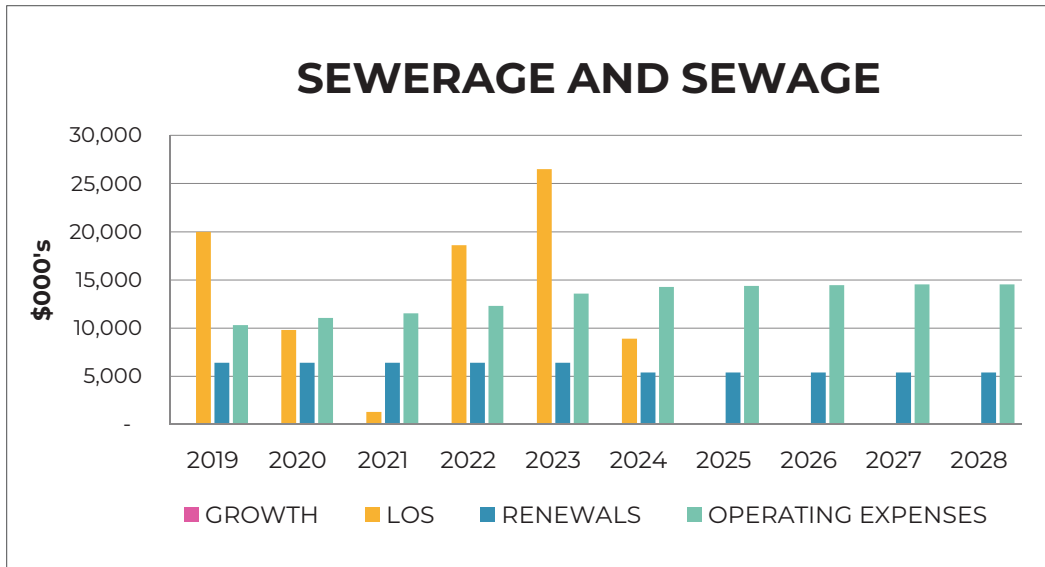
## ACTIVITIES INCLUDE:

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.

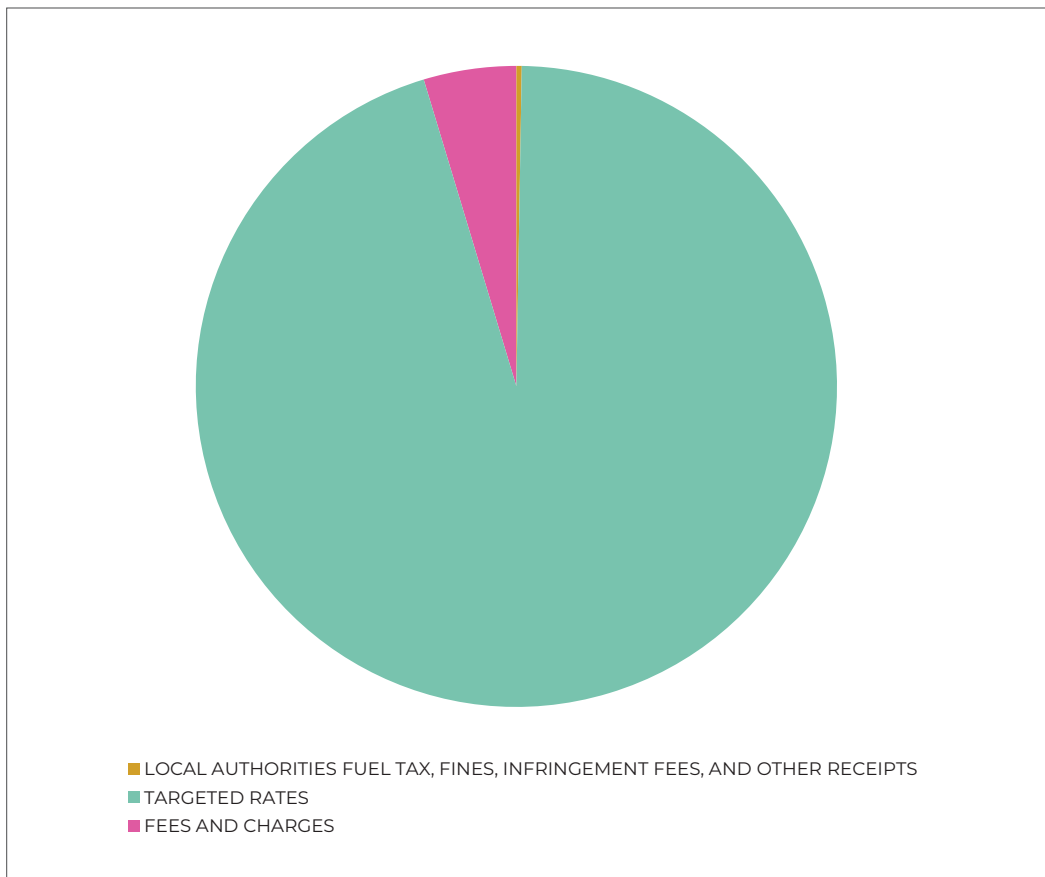
## WHAT YOU CAN EXPECT FROM US

ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Sewerage and sewage	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.	≤ 5 / 1000 connections	≤ 5 / 1000 connections	≤ 5 / 1000 connections	≤ 5 / 1000 connections	≤ 5 / 1000 connections	SQL Reports from Hansen and Ozone Data
	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."	0	0	0	0	0	Resource Consent Database
	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.	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	SQL Reports from Hansen
	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 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.	≤ 180 minutes	≤ 180 minutes	≤ 180 minutes	≤ 180 minutes	≤ 180 minutes	SQL Reports from Hansen
	Customer satisfaction	"The total number of complaints received by the territorial authority about any of the following: · sewerage 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"	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections	Resource Consents Database

## THE COST TO DELIVER THIS ACTIVITY



## HOW WE WILL FUND THIS ACTIVITY



continued...

## CAPITAL EXPENDITURE

### East Rotoiti/Rotoma Sewerage Scheme

Council committed in the 2017/18 Annual Plan to a reticulated sewerage scheme for East Rotoiti/Rotomā following engagement with the community during the past few years and with significant support from the community to proceed with the scheme.

There are about 700 properties in the proposed service area for this scheme, which will replace current septic tanks.

Properties will connect to a stand-alone wastewater treatment plant which will treat wastewater to a very high standard before it is discharged to land. The total estimated capital cost of the scheme is \$35.3 million which will largely be covered by subsidies from:

- Ministry of Health - \$4.46 million
- Bay of Plenty Regional Council - \$8.6 million
- Ministry for Environment - \$11.6 million
- Rotorua Lakes Council - \$1.15 million

The balance (\$9.4 million) will initially be funded by Rotorua Lakes Council and repaid by ratepayers receiving the service through targeted rates. Individual households will make an upfront payment of \$14,100 (GST inclusive) or pay \$1,080 (GST inclusive) per annum over 25 years.

For Rotomā this will be in 2018/2019 and for Rotoiti in 2019/2020. Properties connected to the scheme as at 1 July 2018 will be charged the pan charge, the same as everyone in the district. Upon completion of the entire scheme, property owners will be required to contribute their capital contribution.

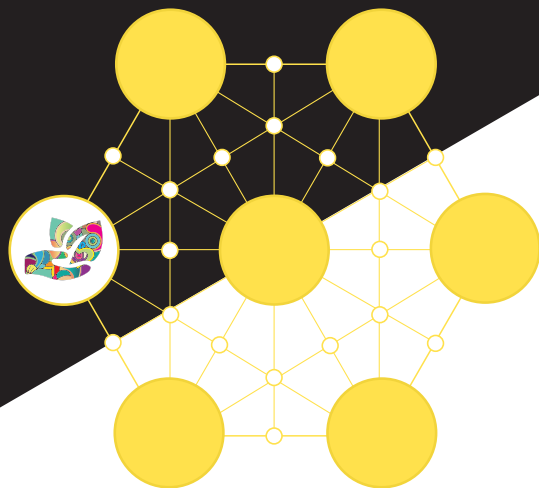
CAPITAL SPEND: SEWERAGE + SEWAGE						
Project	Project Type	2018/19	2019/20	2020/21	2021-2028	Total Budget
Waste Water Network Expansion	Growth	\$120,000	\$120,000	\$120,000	\$840,000	\$1,200,000
District Sewerage Scheme Enhancements	LOS	\$19,000,000	\$9,300,000	\$1,000,000	\$20,800,000	\$50,100,000
Rotorua Waste Water Treatment Plant Enhancements	LOS	\$1,000,000	\$500,000	\$300,000	\$33,200,000	\$35,000,000
Waste Water Network Renewals	Renewal	\$6,400,000	\$6,400,000	\$6,400,000	\$39,800,000	\$59,000,000
<b>Total</b>		<b>\$26,520,000</b>	<b>\$16,320,000</b>	<b>\$7,820,000</b>	<b>94,640,000</b>	<b>\$145,300,000</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

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.







# stormwater + 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.

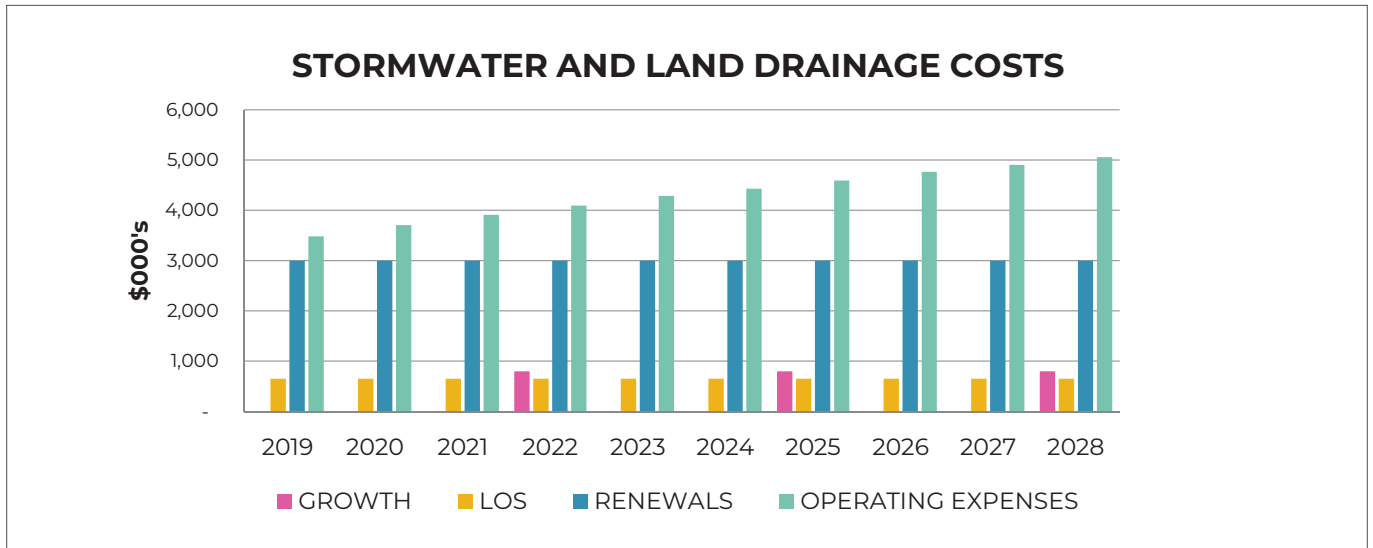
## ACTIVITIES INCLUDE:

- 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.

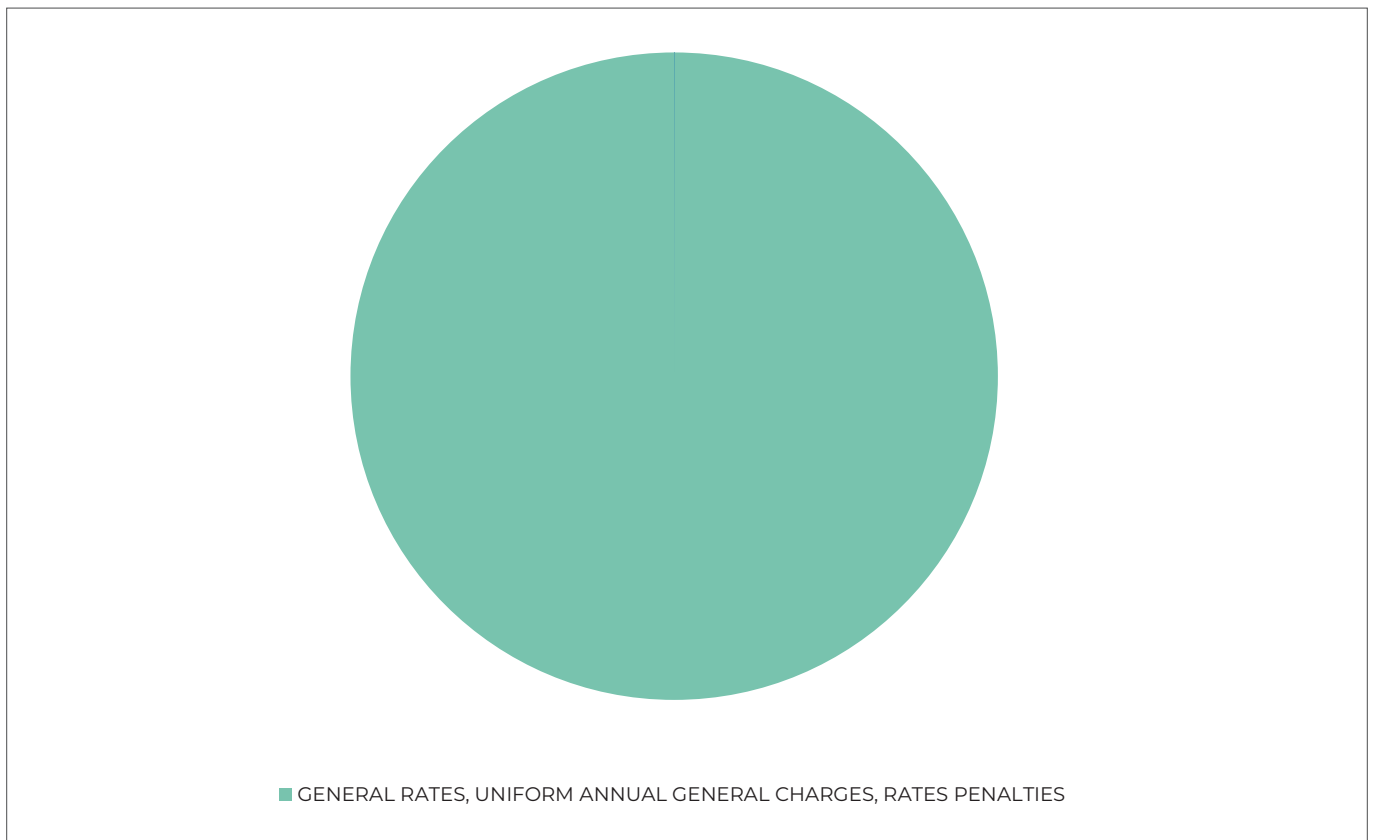
## WHAT YOU CAN EXPECT FROM US

ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Stormwater Operations	System adequacy	The number of flooding events that occur in a territorial authority district.	≤ 2	≤ 2	≤ 2	≤ 2	≤ 2	SQL reports from Hansen
	System adequacy	For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system).	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	SQL reports from Hansen
	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."	0	0	0	0	0	Resource consent database
	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.	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	SQL reports from Hansen
	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.	"≤ 20 / 1000 rated properties"	"≤ 20 / 1000 rated properties"	"≤ 20 / 1000 rated properties"	"≤ 20 / 1000 rated properties"	"≤ 20 / 1000 rated properties"	Request for Service Database

## THE COST TO DELIVER THIS ACTIVITY



## HOW WE WILL FUND THIS ACTIVITY



continued...

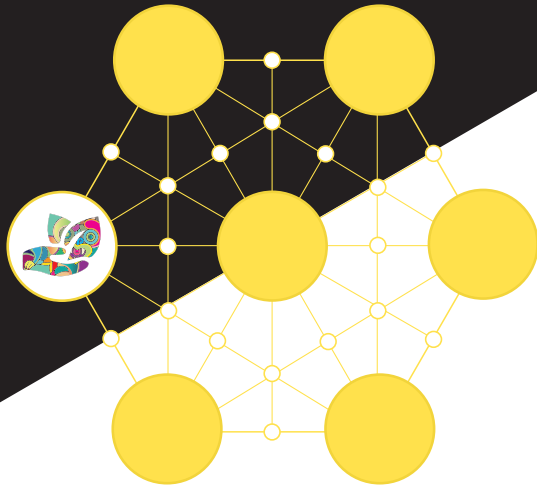
## CAPITAL EXPENDITURE

CAPITAL SPEND: STORMWATER + LAND DRAINAGE						
Project	Project Type	2018/19	2019/20	2020/21	2021-2028	Total Budget
Stormwater Network Expansion	Growth				\$2,400,000	\$2,400,000
Stormwater Network Enhancements	LOS	\$650,000	\$650,000	\$650,000	\$4,550,000	\$6,500,000
Stormwater Network Renewal	Renewal	\$3,000,000	\$3,000,000	\$3,000,000	\$21,000,000	\$30,000,000
<b>Total</b>		<b>\$3,650,000</b>	<b>\$3,650,000</b>	<b>\$3,650,000</b>	<b>\$27,950,000</b>	<b>\$38,900,000</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

ISSUE/RISK/NEGATIVE IMPACT	ACTION PLAN
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.
Climate change is anticipated to affect rainfall patterns and the ground water levels. The inflow of stormwater and infiltration of groundwater into the wastewater network does now and will continue to exceed design allowances resulting in escalating frequencies of untreated or partially treated wastewater overflows	The management of inflow and infiltration is a critical factor in the performance of the network and is an ongoing response consideration. As the assets have long lives, predicted rainfall effects and best practice are being included in the design standards to maximise the optimised replacement of assets. This should assist with the future proofing of wastewater services.
Increased capacity demand due to the growth, intensification and infill development	Main trunks in these areas will need to be assessed for capacity augmentation in advance of actual development to ensure that pollution risk is contained.
Increasing expectations from the public, Government and the Regional Authority regarding water quality.	Significant future planning for the possible collection and treatment of stormwater runoff is required with associated water quality protection costs.  On-going participation in the development of such standards to ensure realistic objectives are been set. Programmes to gather water quality information through sampling and contaminant monitoring.
Where stormwater networks are designed to meet 1:100 year event may now not meet the frequency and intensity of weather events	Collection of information on events and incidences to ensure that through ongoing maintenance and renewal of assets property and infrastructure is protected appropriately. Investigate options for enhanced/optimised asset renewals in accordance with prudent financial management





# waste management

## WHY WE DO IT

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

## ACTIVITIES INCLUDE:

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.

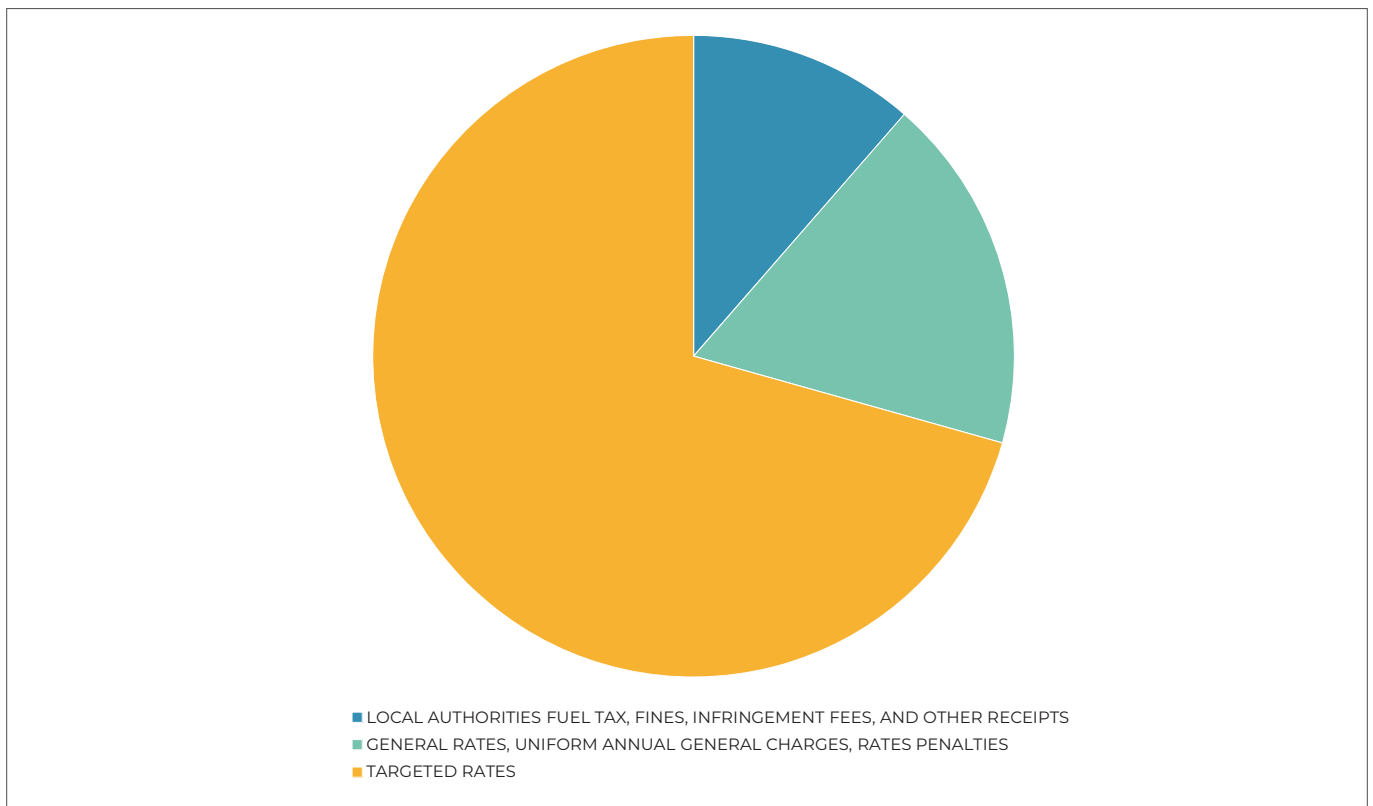
## WHAT YOU CAN EXPECT FROM US

ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Waste Management	Sustainability	Number of tonnes per annum of green + wood waste recovered.	≥7,000 tonnes	≥7,000 tonnes	≥7,000 tonnes	≥7,000 tonnes	≥7,000 tonnes	Waste Database
	Sustainability	Number of tonnes per annum of concrete waste recovered.	≥1,500 tonnes	≥1,500 tonnes	≥1,500 tonnes	≥1,500 tonnes	≥1,500 tonnes	Waste Database
	Sustainability	Increasing number of tonnes per annum of recycled material recovered.	≥4,700 tonnes	≥5,000 tonnes	≥5,500 tonnes	≥6,000 tonnes	≥6,000 tonnes	Waste Database
	Sustainability	Reduce the amount of rubbish/waste that is collected from kerbside collection per household.	≤ 330 kg / household - Per Year	≤ 320 kg / household - Per Year	≤ 310 kg / household - Per Year	≤ 300 kg / household - Per Year	≤ 300 kg / household - Per Year	Waste Database
	Customer satisfaction	% residents very/fairly satisfied with Waste Management Systems	New Measure	90%	90%	90%	90%	Customer Survey
	Compliance	Compliance with resource consent conditions at the landfill	New Measure	100%	100%	100%	100%	Consents Database

### THE COST TO DELIVER THIS ACTIVITY



### HOW WE WILL FUND THIS ACTIVITY



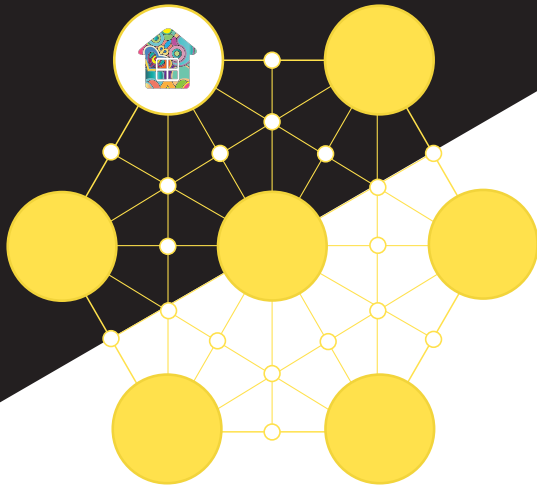
### SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

ISSUE/RISK/NEGATIVE IMPACT	ACTION PLAN
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









# water supplies

## WHY WE DO IT

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

## ACTIVITIES INCLUDE:

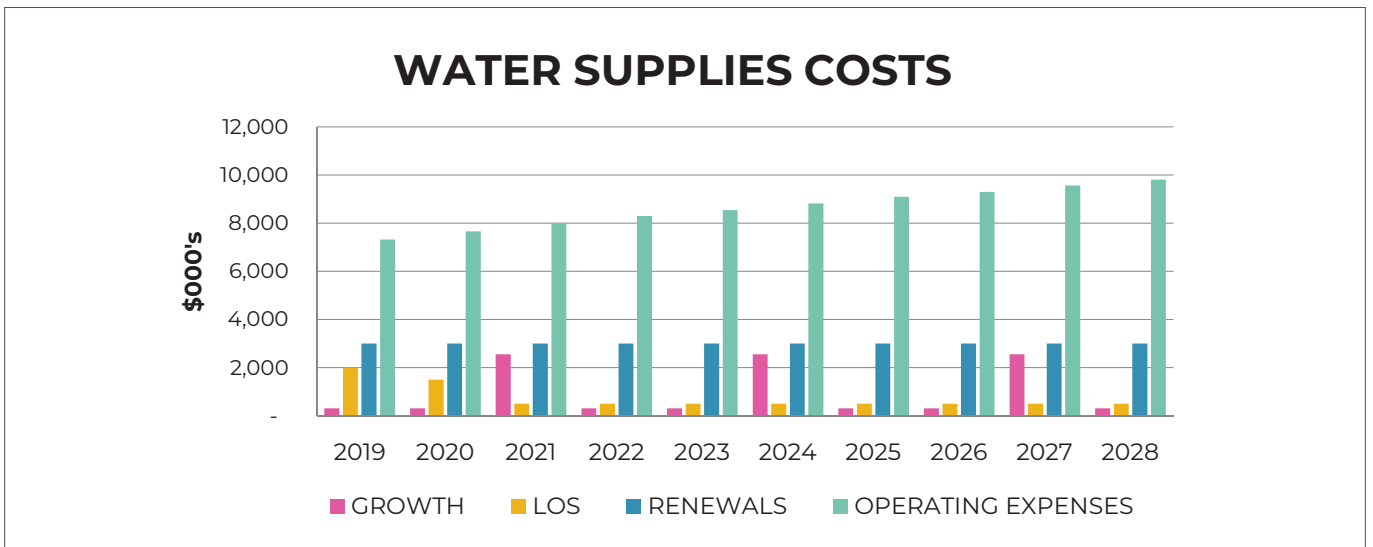
The water supplies activity comprises the provision of potable water to three urban supply areas, five rural residential supply areas and two farming supply areas.

## WHAT YOU CAN EXPECT FROM US

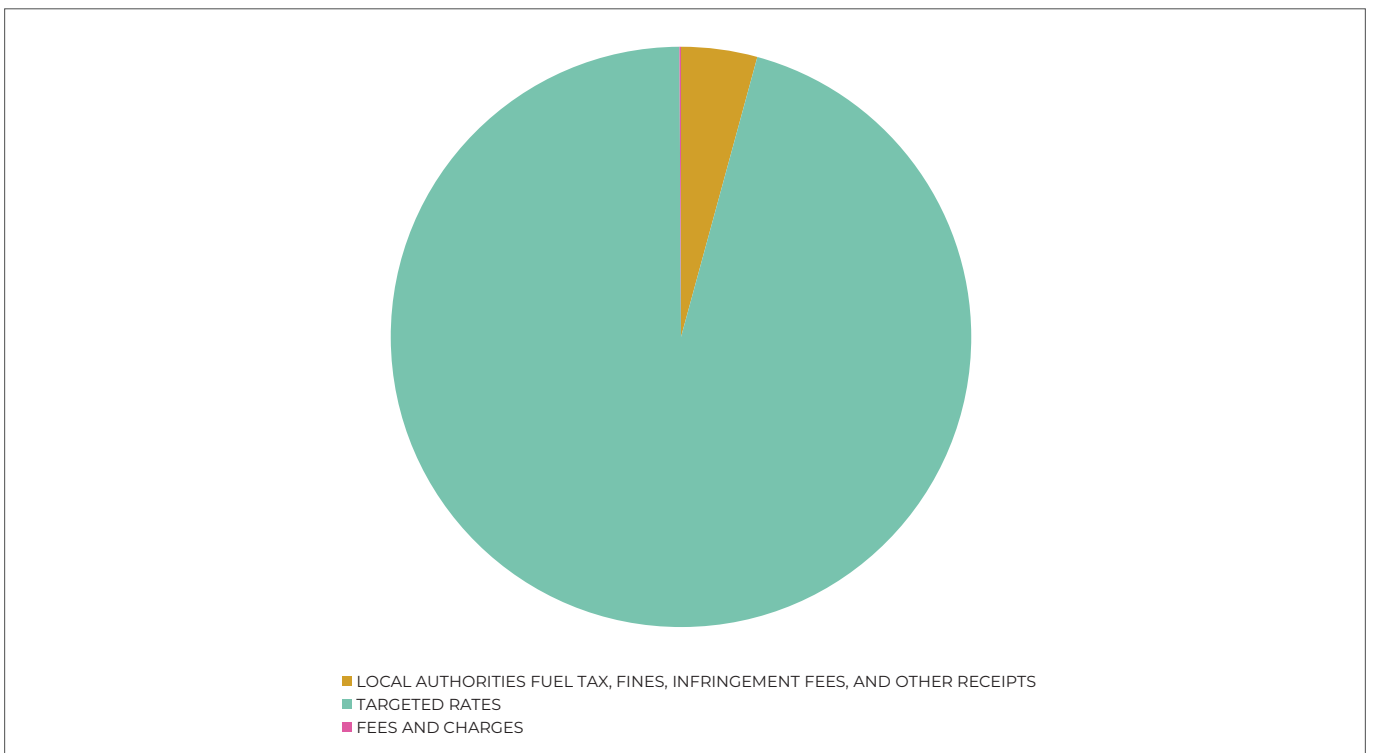
ACTIVITY	LEVEL OF SERVICE	HOW WILL IT BE MEASURED?	CURRENT TARGET	2018/19 TARGET	2019/20 TARGET	2020/21 TARGET	2021 - 2028 TARGET	DATA SOURCE
Water Supply	Safety of drinking water	Compliance with: <ul style="list-style-type: none"> <li>· part 4 of the drinking-water standards (bacteria compliance criteria), and</li> <li>· part 5 of the drinking-water standards (protozoal compliance criteria)</li> </ul>	Achieved for all supplies	Achieved for all supplies	Achieved for all supplies	Achieved for all supplies	Achieved for all supplies	MOH National WINZ database
	Maintenance of the reticulation network	The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).	≤ 25%	≤ 25%	≤ 25%	≤ 25%	≤ 25%	Supply bulk meter readings, Consumption from Water Billing
	Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the median response times measured: <ul style="list-style-type: none"> <li>attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site</li> </ul>	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	SQL reports from Hansen
	Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: <ul style="list-style-type: none"> <li>resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.</li> </ul>	≤ 210 minutes	≤ 210 minutes	≤ 210 minutes	≤ 210 minutes	≤ 210 minutes	SQL reports from Hansen
	Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: <ul style="list-style-type: none"> <li>attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site</li> </ul>	≤ 1 day	≤ 1 day	≤ 1 day	≤ 1 day	≤ 1 day	SQL reports from Hansen
	Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: <ul style="list-style-type: none"> <li>resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.</li> </ul>	≤ 3 days	≤ 3 days	≤ 3 days	≤ 3 days	≤ 3 days	SQL reports from Hansen
	Customer satisfaction	The total number of complaints received by the local authority about any of the following: <ul style="list-style-type: none"> <li>· drinking water clarity</li> <li>· drinking water taste</li> <li>· drinking water odour</li> <li>· drinking water pressure or flow</li> <li>· continuity of supply, and</li> <li>· the local authority's response to any of these issues</li> </ul> expressed per 1000 connections to the local authority's networked reticulation system.	"≤ 10 / 1000"	"≤ 10 / 1000"	"≤ 10 / 1000"	"≤ 10 / 1000"	"≤ 10 / 1000 connections"	Request for Service Database
	Demand management	The average consumption of drinking water per day per resident within the territorial authority district.	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day

continued...

THE COST TO DELIVER THIS ACTIVITY



HOW WE WILL FUND THIS ACTIVITY



## CAPITAL EXPENDITURE

<b>CAPITAL SPEND: WATER SUPPLIES</b>						
<b>Project</b>	<b>Project Type</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021-2028</b>	<b>Total Budget</b>
District Water Supply Expansion	Growth	\$300,000	\$300,000	\$2,555,000	\$6,610,000	\$9,765,000
District Water Supply Enhancements	LOS	\$2,000,000	\$1,500,000	\$500,000	\$3,500,000	\$7,500,000
District Water Supply Renewal	Renewal	\$3,000,000	\$3,000,000	\$3,000,000	\$21,000,000	\$30,000,000
<b>Total</b>		<b>\$5,300,000</b>	<b>\$4,800,000</b>	<b>\$6,055,000</b>	<b>\$31,110,000</b>	<b>\$47,265,000</b>

## SIGNIFICANT EFFECTS OF PROVIDING THIS ACTIVITY

<b>ISSUE/RISK/NEGATIVE IMPACT</b>	<b>ACTION PLAN</b>
High cost of water abstraction.	All water schemes are paid for by users.
Water quality does not comply with drinking water standards	We provide water that is safe to drink and hygienic to use which meets the drinking water standards. The New Zealand Drinking Water Standards are monitored by the Ministry of Health as a national standard for public safety. We report this quarterly in our Non-Financial Performance Indicators.





# 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 ECONOMIC DEVELOPMENT

## INTRODUCTION

Rotorua Economic Development Ltd (RED) is a Council Controlled Organisation (CCO), 100% owned by Rotorua Lakes Council (RLC).

RED is the Economic Development Agency (EDA) and Regional Tourism Organisation (RTO) for the Rotorua district. RED's key trading activities and brands are Destination Rotorua, i-Site, rotoruanz.com and Famously Rotorua.

RED is led by a Chief Executive and governed by an independent board of directors; the CCO reports to RLC's economic growth advisory group.

## NATURE AND SCOPE OF ACTIVITIES

RED Limited's primary outcome focus is to create value for the Rotorua community. This is achieved through the Rotorua Lakes Council investment in the CCO's activities in partnership with the Rotorua business and investment community and by being recognised as a key influencer in contributing to the economic transformation components of the Rotorua 2030 vision.

RED's ultimate function is the management or kaitiaki of Rotorua as a destination to live, work, study and play - for visitors, businesses, investors, employees, students, residents and more.

This means:

Taking a leadership and advocacy role for Rotorua businesses and operations on a local, national and international stage.

The effective and efficient management and development of Rotorua as a destination for all businesses, operations, employees and investment.

Supporting existing businesses to achieve growth.

Developing effective intelligence to identify potential challenges and opportunities, and implementing strategies in order to leverage and address these.

Facilitating connections and conversations between local, national and international partners and stakeholders, and empowering businesses and organisations to create new opportunities.

Protecting, managing and growing Rotorua's brand in all aspects, and developing and leveraging the district's unique selling propositions.

## PERFORMANCE MEASURES - ROTORUA ECONOMIC DEVELOPMENT

KPM	Measure	2016/17 actual	2017/18 forecast	2018/19 target	2019/20 target	2020/21 target
<b>Grow the visitor economy</b>						
<b>Promote and develop Rotorua as a national and international visitor and business events destination</b>	I-Site trading revenue increase by 5%	New Measure	New Measure	+5%	+5%	+5%
	I-Site gross ticket sales of operator product increase by 5%	New Measure	New Measure	+5%	+5%	+5%
	i-Site number of customers satisfied with visitor information centre services (customer radar measure)	89%	94%	90%	90%	90%
	Business event bid win/loss ratio (based on wins divided by wins + losses)	New Measure	New Measure	60%	60%	60%
	Business Events - Value of bids won in financial year	New Measure	New Measure	\$5M	\$5M	\$5M
	Business Events – National market share of multi-day business events (CAS data)	11%	9.5%	9.8%	9.8%	9.8%
	Trade – Direct tourism impact – international expenditure data Rotorua (based on MBIE statistics, accommodation & recreational services and dining)	\$200M	\$218M	\$225M	\$239M	\$253M
	Trade – Strategic partner direct investment	New Measure	New Measure	\$0.1M	\$0.1M	\$0.1M
	Trade – industry participation in key Destination led initiatives (including roadshows, key trade initiatives Explore and Trenz)	New Measure	New Measure	50	50	50
	Consumer – Impact, total domestic expenditure data Rotorua (based on MBIE statistics)	\$430M	\$450M	\$470M	\$490M	\$490M
<b>Investment Attraction</b>						
<b>Deliver insights, advice and leverage strategic networks to support initiatives to attract and develop investment in the destination</b>	Support delivery of RLC major moves through providing investment acumen and advice including RFP management and engagement with relevant networks including central government investment	New Measure	New Measure	4 opportunities profiled for investors	4 opportunities profiled for investors	4 opportunities profiled for investors
	Provide relevant Destination insights in target sectors to support investment and reinvestment decision making by business. Actively support the growth of key industries including visitor economy, forestry, education, Maori land utilization and energy. RED works with partners to develop strategies critical to deliver on RLC Big Moves	New Measure	New Measure	Region (2), Industries (4), Big Moves (2)	Region (2), Industries (4), Big Moves (2)	Region (2), Industries (4), Big Moves (2)
	Enhance framework of market analyses in key sectors to accelerate opportunity engagement including tourism sector market intelligence	New Measure	New Measure	+10%	+10%	+10%
	Maintain key influencer database to develop Rotorua investor ecosystem to accelerate opportunity identification and conversion	New Measure	New Measure	20 key influencers in CRM, 2 events	21 key influencers in CRM, 2 events	22 key influencers in CRM, 2 events

KPM	Measure	2016/17 actual	2017/18 forecast	2018/19 target	2019/20 target	2020/21 target
<b>Business development and growth</b>						
<b>Lifting the bar to support growth, intelligence and Rotorua destination development presenting Rotorua in a unified way, reliable, good networks, right people, good information, confident that Rotorua can deliver</b>	Investment readiness coaching aftercare beyond ACCELERATE program	New Measure	5 businesses	5 businesses	5 businesses	5 businesses
	Local businesses receive targeted support	New Measure	16 accelerate	10 accelerate	10 accelerate	10 accelerate
	Provide practical support to targeted organisations to ensure their presence in the region and ability to catalyse long term growth e.g. BOP Connect, Education, Forest, Energy, Regional Business Program	New Measure	New Measure	5 memberships, 2 sector leads	5 memberships, 2 sector leads	5 memberships, 2 sector leads
<b>Brand Custodian: Build Rototua's brand and identity</b>						
<b>Promote and develop Rotorua as a national and international visitor, business and study destination. Support attraction and retention of a skilled workforce and talent.</b>	Famously campaign – achieve an equivalent advertising value ratio of greater than \$1 : \$1.50	\$1:\$1.40	\$1 : \$2.0	\$1 : \$2.0	\$1 : \$2.0	\$1 : \$2.0
	Domestic consumer perception change in key target markets of AKL and one new market on increase in "intend to go" (loyalist + considerers based on Delve research)	AKL:52%, CHCH:23%	AKL: 53%, CHCH: 25%, WTN: 52%	AKL:54%, CHCH:26%, WTN: 53%	AKL:54%, CHCH:26%, WTN: 53%	AKL:54%, CHCH:26%, WTN: 53%
	Growth in value of international student spend in Rotorua	New Measure	New Measure	New Measure	New Measure	New Measure
	Total visits to www.rotoruaNZ.com	997,943	1,050,000	1,100,000	1,150,000	1,200,000

# INFRACORE

## INTRODUCTION

InfraCore Limited is a Council Controlled Organisation (CCO) that is 100% council owned. InfraCore was originally formed under the name Rotorua Contracting Limited, with the name being changed to InfraCore Limited in February 2017.

InfraCore's Board of Directors is appointed by council, and is responsible for the direction and control of the company's activities. The primary objective of the board is to build long-term shareholder value with due regard to other stakeholder interests.

Maintaining and improving the service delivery to Rotorua Lakes Council remains a priority for the business, A future priority is to also put a strategic focus on consciously growing the business.

InfraCore's current base of operations is in Rotorua and from this base is carries out work across both the Rotorua district and the surrounding districts. The company also sells a range of plants through its Nursery operations to a range of local authority entities around the country. While a large proportion of the Company's current activities are currently focused in and around Rotorua it is anticipated that as the company grows most of the growth will come from outside of the Rotorua region. In particular the business will be focusing on new business in the wider Bay of Plenty, Central North Island, Gisborne, Hawkes Bay and Waikato regions.

## NATURE AND SCOPE OF ACTIVITIES

InfraCore is in the business of maintaining, managing and constructing infrastructure and facility assets. The company's main service offerings are:

- Maintaining and constructing parks infrastructure, including but not limited to public gardens, reserves, playgrounds, sports fields and tree surgeon services.
- Maintaining and constructing water, wastewater and storm-water infrastructure.
- Civil construction and maintenance work associated with footpath, paving and street furniture type assets.
- Janitorial, street cleaning and maintenance services for public and park infrastructure assets.
- Cemetery and Crematorium management and operation services.
- Nursery services, including plant propagation, sale, lease and care services.

At a high level the purpose of InfraCore is to play its part in helping the Rotorua community achieve its long term vision by contributing to delivering the Rotorua 2030 strategic outcomes set out by the shareholder Rotorua Lakes Council. As such InfraCore's purpose is to work in partnership with Council to deliver the best experience for the community and visitors around the infrastructure we maintain and operate. As well as develop a diversified income base through the development of new and extension of existing business, particularly outside of the Rotorua District. As well as extend employment and training options for those in Rotorua.

## PERFORMANCE MEASURES - INFRACORE

	Performance measure	Target for the 2018/19 year
<b>Financial</b>		
1	Net Profit Before Tax (NPBT) as a percentage of turnover	NPBT (excluding any budgeted "one off" items) divided by actual turnover is between 2-8%. (budgeted result for 2018-19 = 4%)
2	Growth in turnover (excluding discontinued services)	Total turnover increase by 5% or more (budgeted result for 2018-19 = 5%)
3	Percentage of income not from core O&M services provided to RLC or plants sold or leased to RLC	% of income is greater than 15% (budgeted result for 2018-19 = 20%)
<b>Customer</b>		
4	Meeting customer's service needs. Average satisfaction ratings from clients for the year that show the business is performing at or above satisfactory levels.	Meeting customer's service needs. Average satisfaction ratings from clients for the year that show the business is performing at or above satisfactory levels.
5	Cost to serve	Total charges for core O&M services to Council, on a like for like basis, year on year, that show costs move by CPI or less. ie less than 1.5% increase over 2018-19.
6	Charges to Council for core Operations and Maintenance (O&M) services in dollars per head of population.	\$ value per head of population averages \$152/head or less. (Budget result for 2018-19 = \$149/head based on an assumed 2019 population of 72,600)
<b>Internal processes</b>		
7	Ability to win project work	Company tenders for and wins at least 3 pieces of contract project work, with a total combined value in excess of \$1.5m for the year. (both attributes must be met, or exceeded, to achieve this)
8	Delivery of project work	Achieving both. All projects delivered with timeframes agreed with clients. Project direct costs as % of income across the full project portfolio for the year is equal to, or better (lower) than, the average % targeted for that work in tendering.
9	Targeting achieving a ZeroHarm workplace by reducing the company's Lost Time Injury Frequency Rate (LTIFR) and having no serious harm injuries.	Achieving both. A LTIFR (per 200,000 hours worked) of 1.5 or less. No serious Harm injuries.
<b>Organisational capacity</b>		
10	Improving staff engagement	Deliver an overall improvement in the externally measured staff engagement score for the company versus the score for the 2016/17 year. (Note: 2016-17 survey completed in June 2017 results to be published in August 2017)
11	Reducing value of employee benefit liabilities as a measure of work/life balance	Total value of staff benefit liabilities on the balance sheet reduced to <\$680k.
12	Number staff completing formal work related qualifications	10+ staff involved in further education sponsored by the company.

# ROTORUA REGIONAL AIRPORT LTD

## INTRODUCTION

RRAL are responsible for ongoing Airport capital development, infrastructure maintenance and operations. Airport operations are important supporters of the tourism sector and Rotorua air travelers. The Airport is an essential infrastructure asset for Rotorua and has a key role to play in the economic performance, growth and development of the region. This includes being an enabler to help RLC deliver on its 2030 goals.

RRAL is 100% owned by RLC. RRAL has an independent skills-based Board of four Directors including a Chairperson and employs its own Chief Executive and staff.

## NATURE AND SCOPE OF ACTIVITIES

RRAL's vision is "to be the best regional airport in New Zealand". RRAL's prime purpose is to maintain a safe and efficient Airport operation whilst optimising the use of its assets, as well as facilitating and growing tourism and trade, Airport profitability and other commercial activity. RRAL is responsible for the ongoing capital development and maintenance of the Airport assets and ownership of the core infrastructure.

## PERFORMANCE MEASURES - ROTORUA REGIONAL AIRPORT LTD

Measure	2019	2020	2021
<b>Aircraft</b>			
Aircraft movements	6,421	6,646	6,878
<b>Passengers</b>			
Domestic	251,136	259,925	269,023
<b>Financial</b>			
Domestic	251,136	259,925	269,023
Total Revenue	\$5,071,471	\$5,201,219	\$5,334,552
Total Expenses	\$5,026,777	\$5,337,446	\$5,394,469
NPAT (note1)	\$44,694	-\$136,227	-\$59,917
Capital expenditure	\$4,400,000	\$2,200,000	\$700,000
Shareholders' funds to total assets (note 2)	65%	65%	69%
<b>Customer</b>			
Customer service and facility rating	Suspend due to capital works	8.0 out of 10 (target increased as a result of capital works)	8.0 out of 10
<b>Operational</b>			
Number of controllable safety incidents	0	0	0
<b>Team</b>			
Number of employee injuries (days off work)	1	1	1
<b>Project Performance</b>			
Build non-aviation revenue and optimise existing assets, including unlocking the potential of the unused airport land	Final Masterplan	Stage 1	Stage 2
Support Rotorua Reorua (Bi-Lingual Rotorua)	Introduce bi-lingual signage as soon as practicable	Work with local iwi on signage to tell their story	Work with local iwi on signage to tell their story

Note 1: The Company's tax losses carried forward from previous years have been projected to be fully utilised by FY2019 and from FY2020, a tax provision of 28% has been included in the financial forecast. Note 2: Total assets represent the Company's total assets, both intangible and tangible. Shareholders' funds represent net equity of the shareholder. This includes issued share capital, capital reserves and retained earnings. There is currently no intention to distribute any of these funds to shareholders.

# TERAX LIMITED PARTNERSHIP AND TERAX 2013 LTD

## INTRODUCTION

Rotorua Lakes Council (RLC) and the New Zealand Forest Research Institute Ltd (Scion) created The Terax Limited Partnership (TLP) with Terax 2013 Ltd as General Partner in 2013.

The Terax Limited Partnership was formed under the Limited Partnership Act with RLC and Scion as Limited Partners providing investment funding (the Investors). Terax 2013 Limited, a limited liability company, is the General Partner accountable to its shareholders and the Limited Partners.

Shares in Terax 2013 Ltd are owned in the same proportion as the investment in the Limited Partnership with 50% being held by RLC, an entity subject to the Local Government Act (2002) (LGA). The Terax Limited Partnership and Terax 2013 Ltd are therefore both subject to the LGA and classified as a Council Controlled Organisations (CCO).

## NATURE AND SCOPE OF ACTIVITIES

The purpose of the Terax Limited Partnership is to commercialise the TERAX® waste conversion technology ("TERAX®") and thereby generate returns to its Investors.

The Terax Limited Partnership generates revenue from TERAX® waste conversion and utilisation through commercialisation. Terax 2013 Ltd acts as General Partner to implement the Business Plan of the Terax Limited Partnership and manage the day-to-day business operations of the Terax Limited Partnership.

TERAX® destroys waste water treatment plant sludge and other organic wastes that are typically landfilled. It combines hydrothermal and biological processes to break down complex organic materials into simpler molecules. The benefit of this process is the conversion of the organic solids content of the feed material into recovered products that would otherwise go to landfill.

RLC and Scion have both invested in maturing this process over a number of years through an Unincorporated Joint Venture formed 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 was successfully completed and the design of a commercial application to a waste water treatment plant has now been finished in preparation for a full-scale plant to be built.

## PERFORMANCE MEASURES - TERAX LIMITED PARTNERSHIP AND TERAX 2013 LTD

KPI	MEASURE	TIMING
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.	30th June 2018
Maximize the value of the Limited Partners' investment and minimize their on-going costs.	Secure Series "B" investment from a strategic investor and operating partner that bridges medium-term operating revenue shortfalls.	30th December 2018
Completion of Plant Build	First plant In operation.	30th December 2019
Domestic Sales	1 contracted sale	30 June 2019
International Sales	Sales Channels in 3 key territories established. 1 new international customer signed.	30th December 2018
Compliance	The Audit of Terax 2013 Ltd does not highlight any material issues.	Annually
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

TARGET	METHOD	MEASURE
Procurement		
Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	The Procurement Specialist has developed standard regional procurement policies, templates and procedures and provided training in each council by the end of the financial year.  New suppliers are awarded 10 contracts through a competitive tender process.
Collaborative Projects		
Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	The focus is on shared services which will benefit all councils.	A minimum of three priority projects for collaboration are identified per annum.  If considered of value, business cases are developed for approval by the Board, and the projects are implemented.
Existing WLASS Contracts		
Existing contracts are managed and renegotiated as required.	Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.	The WLASS Contracts Register is maintained and managed.  Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.
Cashflow		
The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly, and the WLASS Board reviews the financial statements quarterly.	The WLASS Board reviews the financial statements at least quarterly.
Cost Control		
Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.
Reporting		
Six monthly reports provided to Shareholders.	The Chief Executive prepares a written report for the WLASS Board every meeting.  One 6-monthly and one Annual Report are prepared for shareholders.	The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months.  Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the WLASS are being adhered to.
Waikato Mayoral Forum		
The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.	Mayoral Forum projects shall be managed financially through the WLASS.	Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.
Shared Valuation Data Services (SVDS)		
The SVDS is reliable, well maintained and available to all users.	A Contract Manager is appointed for SVDS.  The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.  Risks associated with the SVDS are well managed.  The long-term provision of SVDS services is achieved.	The SVDS is available to users at least 99% of normal working hours.  The SVDS Advisory Group meets at least 6-monthly.  The Annual Business Plan is accepted by the Advisory Group by 31 March 2019, and includes consideration of strategic and operational risks, a disaster recovery plan, and a business continuity plan.  The timetable and milestones for implementing the long-term provision of SVDS Services (as agreed by the Board), are being achieved.
Insurance		
Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.	The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.	Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.  The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.

<p>RATA</p>		
<p>Deliver better data for decision making across the Waikato Region, enabling more consistent best practice</p> <p>Lead engagement and increase capability within the sector</p>	<p>Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.</p> <p>Data supplied by contractors is of good quality and meets all of the participating councils' requirements.</p> <p>Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.</p> <p>Leadership: Lead engagement and increase capability within the sector.</p>	<p>Reports are presented to stakeholders in October/January/ April and July each year.</p> <p>Reports on progress presented to WLASS Board as at 30 December and 30 June.</p> <p>All data are reviewed for compliance and all good practice requirements are met.</p> <p>Procurement of services complies with WLASS and NZTA's procurement requirements.</p> <p>Present to a national conference on RATA innovations at least once per year.</p> <p>At least two RATA guidance documents detailing good practice are produced each year.</p> <p>RATA Forums are held 2-monthly to share learnings and experience.</p>
<p>Waikato Regional Transport Model (WRTM)</p>		
<p>The WRTM is reliable, well maintained and available to all users.</p>	<p>RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).</p> <p>RATA reports quarterly to the WRTM Project Advisory Group.</p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>
<p>Waikato Building Consent Group</p>		
<p>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</p> <p>Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> <li>• Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to-end management and communication, measured by customer surveys and systems comparisons.</li> <li>• People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 -11.</li> <li>• Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys.</li> <li>• Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection.</li> <li>• Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes.</li> </ul> <p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ul style="list-style-type: none"> <li>i. Full participation in WBCG projects and programmes</li> <li>ii. Audits demonstrating implementation and compliance with the agreed QA systems</li> <li>iii. Consistency in service delivery, measured by customer surveys. Risk management is visible through regular reviews of the Risk Register.</li> </ul> <p>All funding requirements are met by each of the participating councils.</p> <p>Minimum of two reports presented to the WLASS Board on the Group's activities.</p>

Future Proof		
<p>Planning for growth in the subregion is co-ordinated and collaborative.</p> <p>The Future Proof budget is well managed and monitored. Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.</p>	<p>Joint preparation and input into Phase 2 of the Strategy update. Bi-monthly reports presented to Waikato Plan and Future Proof Chief Executive Group, and six monthly and annual reports to WLASS Board.</p> <p>Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.</p>	<p>Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2018. The overall Future Proof work programme is delivered within the approved budget. Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.</p>
Aligned Resource Consent Planning Project		
<p>Implementation of the Aligned Resource Consent Planning project is underway during 2018/19</p>	<p>Progress on implementation of common forms and other initiatives is reported to shareholders on a regular basis.</p>	<p>Common forms are in place for all Councils involved by December</p>
Shareholder Survey		
<p>Shareholders are satisfied with the performance of WLASS.</p>	<p>An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>
Review of Benefits		
<p>Shareholders are informed of the benefits being provided to shareholding councils by WLASS.</p>	<p>The benefits of WLASS (including financial and nonfinancial achievements) are regularly analysed and reported to shareholders.</p>	<p>Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.</p> <p>The WLASS website is regularly maintained and updated.</p>

# **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 be 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

TARGET	HOW	MEASURE
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration.	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Provide support to BOPLASS councils that are managing or investigating Shared Services projects.	BOPLASS to provide 0.25 FTE resource and expertise to assist councils in Shared Services developments and projects.	Quarterly satisfaction reviews with participating councils. Resource assignment measured from project job tracking.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of listed projects to increase by 20% per year. Number of Team Sites to increase by 20% per year. Portal is operational outside of the LASS groups with a minimum of ten additional councils or local government related organisations having utilised the portal.
Ensure appointed vendors remain competitive and continued best value is returned to shareholders.	Manage and/or renegotiate existing contracts.	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors.
Review governance performance and structure to ensure it supports BOPLASS' strategic direction.	Perform review of BOPLASS governance.	Affirmative feedback received from shareholding councils at least annually.
Communicate with each shareholding council at appropriate levels.	Meeting with each Executive Leadership Team.	At least one meeting per year.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding.	Performance against budgets reviewed quarterly. Company remains financially viable.





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C H A P T E R T H R E E

# STRATEGY



# Council's Long-term plan aims to deliver the following:

- Achieving the Vision 2030 in a financially prudent and sustainable way
- Maintaining existing infrastructure so it is fit for purpose now and into the future
- Providing infrastructure to accommodate a growing district
- Investing in the future of the district
- Keeping rates affordable and managing debt

# The financial strategy is underpinned by the following key elements:

- Maintain affordable rates levels
- Utilise debt to fund key projects that improve the district
- Maintain debt below 225% of revenue



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 managed over the next 10 years.

## FEES AND CHARGES

Revenue from fees and charges comes from things such as admission and hiring rates for venues and facilities, liquor licences, dog registration, building and resource consents and parking management etc.

For a number of years revenue from fees and charges has been declining as a proportion of income. In 2015 rates provided 70% of revenue whereas by 2018 this proportion was 80%. At this point Council is reliant on rates revenue to pay operating costs and this reliance on rates is high compared to other councils.

A target has been set to over the course of the Long-term Plan increase fees and charges so that they return to proportions similar to that of 2015. For the 2018/19 year this would have resulted in a target of a \$2 million increase in fees and charges. This target is not achievable at the present time due to the closure of the Sir Howard Morrison Performing Arts Centre and the Rotorua Museum. When these facilities recommence generating revenue the target will be reassessed.

The main aim is to increase fees and charges so that those who directly generate a need for, and gain the highest benefit from, a service will pay for that service.

## RATES

The council intends to provide certainty to ratepayers over their rates bills.

Rate increases will be at a rate that matches the increase to our cost base. Changes to Council's cost base are mainly driven by inflation and increases to interest expenses and depreciation resulting from the investment into capital expenditure over the 10 year plan.

Overall rates increases (after allowing for growth in the rating base) will be limited to:

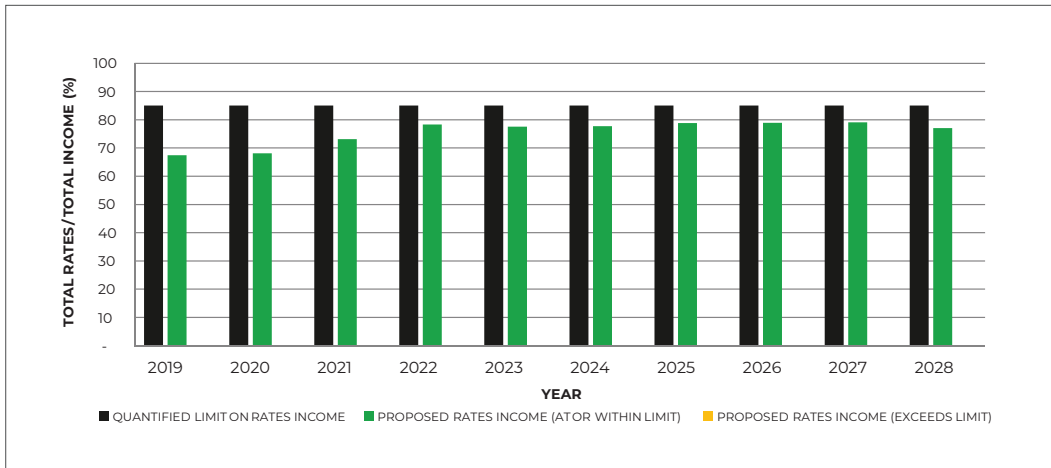
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Quantified limit on rates increase	5.70%	5.10%	3.03%	1.85%	*8.01%	1.91%	2.42%	1.94%	2.08%	2.79%

\*The increase of 8.01% in year five is due to the targeted rate for the Tarawera Sewerage Scheme being introduced. The underlying rating increase for year five less the target rate is 2.71%.

The rate limits are the average across existing ratepayers. Increases to individual ratepayers may be impacted by property revaluation changes and the introduction of new targeted rates such as those for new sewerage schemes.

Council will limit total rates as a proportion of total revenue to less than 85%. Council has had to increase this limit from 80% to 85% for two reasons. Firstly, to reflect the revenues lost due to temporary closure of the Museum and Performing Arts Centre. Secondly, Council's increased expenditure in community facilities and infrastructure will increase the finance and depreciation costs for activities which are funded predominately from the general rate or targeted rates.

Below outlines quantified limit on rate income as a percentage of total revenue for each year of the 10 year plan.

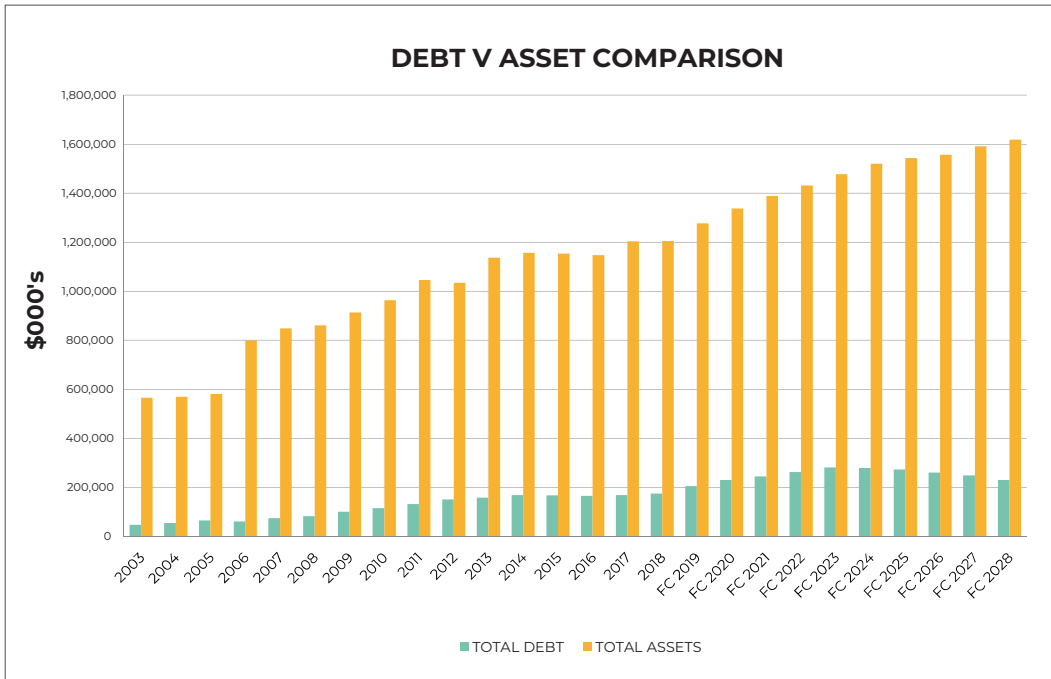


## BORROWING

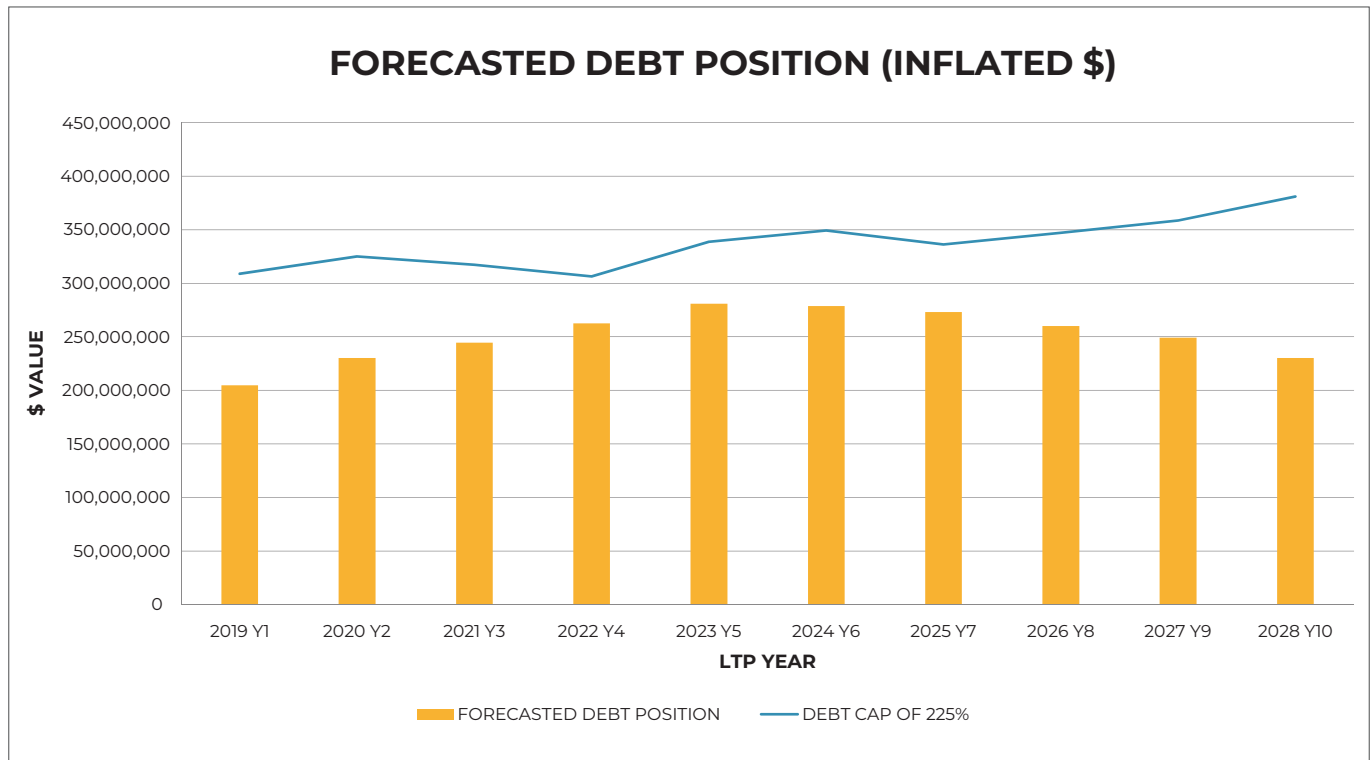
Council does not borrow to renew existing facilities and infrastructure. Borrowings are only used to grow and improve on existing facilities and infrastructure.

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.

The graph below shows that over the course of the ten years we will have increased our assets by \$438.16 million to \$1.61 billion. During the same period our debt will increase by \$55.9 million. Despite the increase in debt we will still maintain on average 83% equity in our asset base during this time.



During the course of the ten years the increased borrowing will result in a debt profile that will peak at \$279 million.



This meets our debt limits

- Net debt to Total Revenue 186.5% against a limit of 225%
- Net interest to total revenue 8.9% against a limit of 20%
- Net interest to Annual Rates Income 11.47% against a limit of 25%

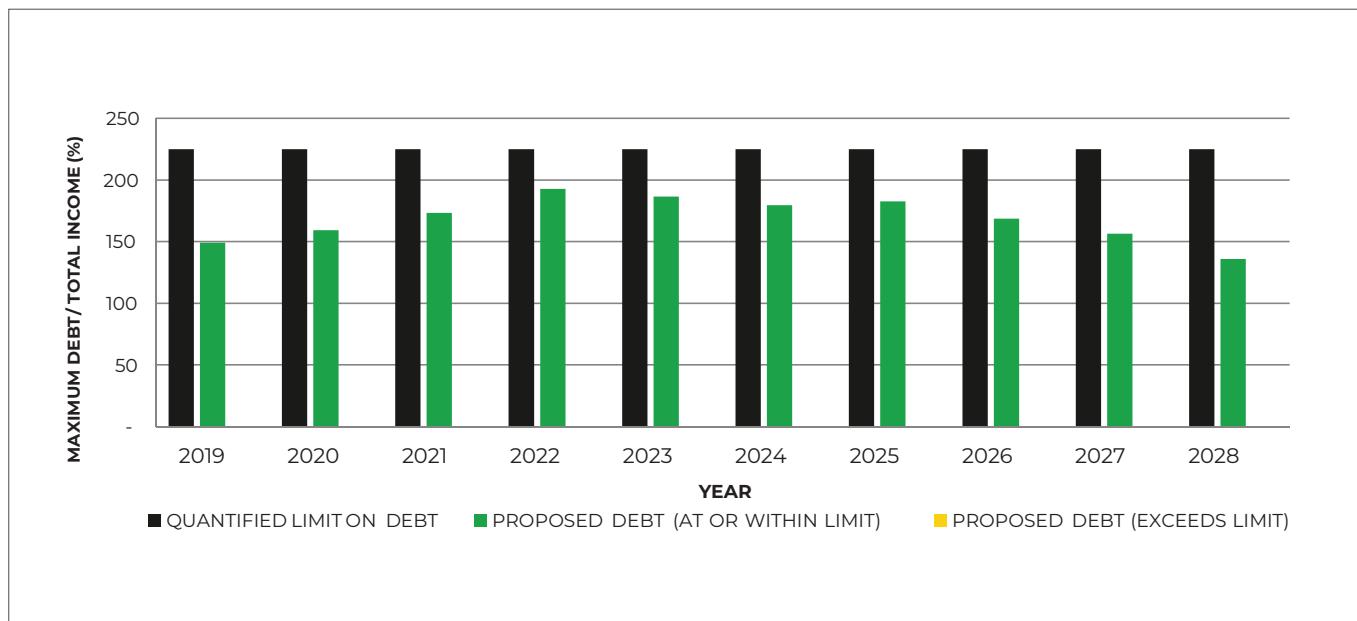
Council's debt level is determined by deciding on a prudent level of borrowing that can be serviced without putting pressure on Council's finances. Council has determined a prudent level based on a multiplier of 2.25 times (225%) revenue. This is an increase on the previous limit of 175% set in the previous Long Term Plan.

Council's debt forecast to revenue ratio as at 30 June 2018 is approximately 143% and is forecast to be at 139% in 10 years' time.

The increase debt is being driven by a number of large projects identified as contributing to the Vision 2030 goals and growth.

The pie graph below shows the projects and how much those projects are predicted to increase the debt by within the next 10 years.





## ASSET SALES

The Council is investigating selling some assets in order to reduce levels of debt. Council has budgeted for sales of approximately \$2.0 million year 1; \$4.0 million year 2; \$2.0 year 3; \$1.4 million year 4; \$800,000.00 year 5 and then \$1.0 million in year 6-10. 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

Managing growth over the period of this plan and beyond is challenging. Rotorua is currently experiencing strong growth, in the three years to June 2017 our population grew at a compound annual growth rate of 1.5% (compared to 0.2% for the preceding 18 years). Growth is positive for Rotorua because it means people want to live here and we are attracting businesses and investment into our district.

With growth comes the need to investment in infrastructure. It is very expensive to put in new infrastructure and also look after existing infrastructure. Managing the demands for growth and balancing the opportunities for future ratepayers against affordable rates and debt levels for current ratepayers is a significant challenge for our district.

Rotorua Councils growth assumption for LTP 2018-28 project our population to grow from 72,365 in 2018 to 78,905 in 2028. This is based on achieving the Rotorua Housing Accord target of 250 additional dwellings per annum, this equates to 0.9% compound annual growth. Population projections have been used to help prepare demand forecast for Councils Infrastructure Strategy and the related capital expenditure programme for the 10 year plan.

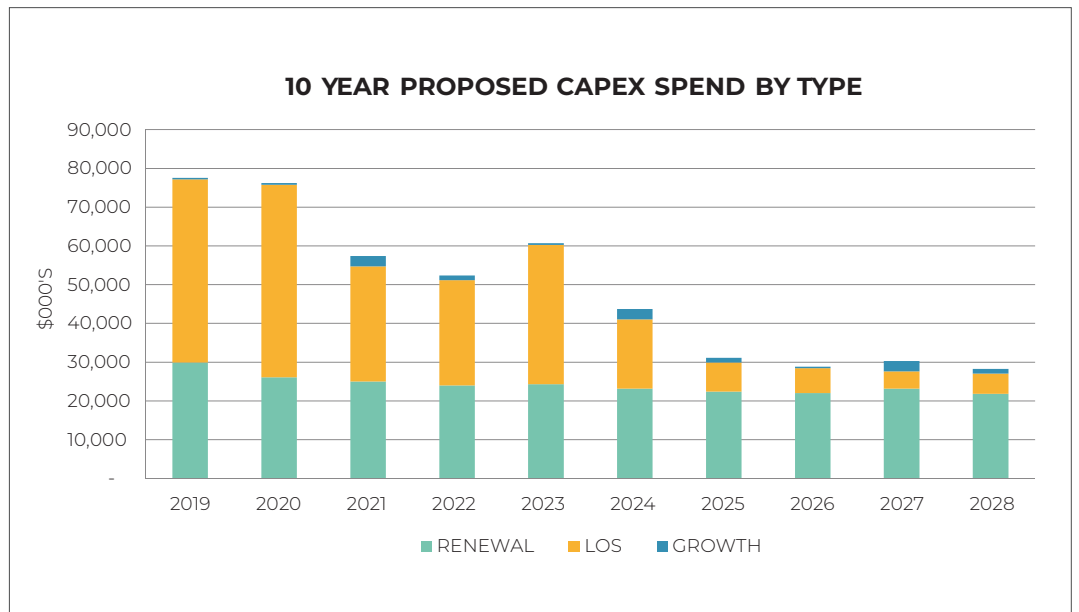
In the short term, infrastructure can accommodate the growth we are experiencing as we have capacity in our existing networks and the way growth is expected to be geographically distributed.

## FUNDING OF CAPITAL EXPENDITURE

To curb increases in debt borrowing we will pay for more of our asset spending from rates and operating surpluses. Council believes it is prudent to utilise operating surpluses to fund capital expenditure in the future, to ensure debt levels are controlled. Rates and other revenues are set to fund capital expenditure relating to the replacement of existing infrastructure, with external subsidies and borrowing used to fund capital expenditure relating to improving levels of service and growth.

## CAPITAL EXPENDITURE

The Long-term plan provides for \$486,487 million of funding for the replacement of existing assets that are near the end of their economic lives, and new assets required to improve 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.



2018-2028 10 YEAR PLAN			
Activity by group	Growth \$000's	Level of Service \$000's	Renewals \$000's
Sewerage	1,200	85,100	59,000
Stormwater	2,400	6,500	30,000
Transport	-	22,800	71,334
Water supply	9,765	7,500	30,000
Other	-	109,211	51,678
All activity groups	13,365	231,111	242,011

The above table shows the total cost of projects over the period of the 10 year plan categorised by type of expenditure. Growth expenditure provides new or improved assets enabling more residents to live in our city; capital expenditure to improve service levels is where we create new assets to service the existing population; and renewals restore our existing assets to their original function or capacity.

Council is contributing a moderate amount to growth infrastructure and is looking to introduce development contributions in the coming years. Development contributions will provide third party funding to Council from residents and businesses that create growth demand on our infrastructure.

Council is contributing a significant amount to improve the levels of service of existing facilities and infrastructure. It is also seeking \$50,326 million of external funding to enhance key assets and complete new projects. This external funding and the risks around the security of the funding and projects are contained within Council's significant forecasting assumptions.

There are additional operating costs associated with adding new assets including depreciation. These costs will be funded by increases to rates.

## POLICY ON SECURITIES

In order to borrow money the Council has to offer our lenders some security, just like 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
Rotorua Economic Development Limited	100%	Economic Development	Nil
Rotorua Regional Airport Limited	100%	Economic Development	Nil
Infracore Limited	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 \$40 million of facilities available 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.

Underground 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 "maximum probable loss" approach rather than reinstatement value for all assets. Maximum probable loss is the anticipated value of the biggest monetary loss that might result from a catastrophe, whether natural or otherwise. External expertise is used to complete scenario modelling and provide recommendations on the level of cover.

# Infrastructure strategy

## Document Control

RLC Document No.  
Document Owner Chief Executive Officer

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Opus International Consultants  
1105 Arawa  
Rotorua 3010  
PO Box 1245  
Rotorua 3010  
T +64 7 343 1400  
www.opus.co.nz

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## Document History and Status

REVISION	DATE	DESCRIPTION	BY	REVIEW	APPROVED
A	15 Dec 2017	70% Draft Deliverable		AP	GM
B	2 Feb 2018	90% Draft Deliverable	AP	RA	GM
C	9 Feb 2018	100% Draft Deliverable	AP	PMF	GM
D	14 Feb 2018	100% Final Deliverable	AP	RA	GM
E		Water Manager Endorsed			
F		General Manager Endorsed			
G		Executive Management Team Endorsed			
H		Council Endorsed			

# PROLOGUE

## A: PREFACE

This Infrastructure Strategy was developed by Opus International Consultants on behalf of Rotorua Lakes Council. This Infrastructure Strategy is in alignment to the ISO5000 suite of the International Standard for Asset Management and Institute of Public Works Engineering Australasia's (IPWEA) International Infrastructure and Management Manual.

This Infrastructure Strategy is a component of the RLC Asset Management Framework consisting of the documents listed in the Table below.

DOCUMENT	ABBREVIATION
Long Term Financial Plan FY17/18	LTFP
Asset Management Policy 2017	AM Policy
Transport Supply Asset Management Plan	TSAMP
Water Supply Asset Management Plan	WSAMP
Wastewater Asset Management Plan	WWAMP
Stormwater Asset Management Plan	SWAMP
Parks & Reserves Asset Management Plan	PRAMP
Buildings & Land Asset Management Plan	BLAMP
Corporate Risk Matrix	CRM
Strategic Asset Management Plan	SAMP

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## D: ACRONYMS & ABBREVIATIONS

ABBREVIATION	DEFINITION
AMP	Asset Management Plan
IIMM	International Infrastructure Management Manual
IPWEA	Institute of Public Works Engineering Australasia
IS	Infrastructure Strategy
LGA	Local Government Act 2002 (amendment Act 2012)
LOS	Levels of Service
LTP	Long Term Plan
RLC	Rotorua Lakes Council
SAMP	Strategic Asset Management Plan
WWTP	Waste Water Treatment Plant

## E: DEFINITIONS

TERM	DESCRIPTION
Asset	An item or thing that is a resource owned or controlled by the council and which potential or actual value that can be measured and can be expressed in dollars.
Asset Management	The combination of management, financial, economic, and engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner.
Asset Management Plan	Documented information specifies the management of one or more infrastructure assets and services that combines multi-disciplinary management techniques (including financial and technical), resources, activities, and time scale over the life cycle of the asset in the most cost-effective manner to provide a specified level of service. A significant component of the plan is a long-term financially informed projection of the activities and objectives.
Audit	An official and comprehensive inspection held routinely.
Compliance	Adherence to the requirements of laws, industry and organizational standards and code, principles of good governance and accepted community and ethical standards.
Condition Monitoring	A programmed maintenance activity that monitors and detects condition changes which signal that a fault is developing.
Current Replacement Cost	The cost of replacing the asset for equivalent like for like in today's dollars.
Depreciation	An amount in dollars per annual year that represents the wearing out, consumption or other loss of value of an asset whether arising from use, passing of time or obsolescence through technological and market changes. It is accounted for by the allocation of the cost (or re-valued amount) of the asset less its residual value over its useful life.
Fair Value	Previously referred to as Market Value, the amount in dollars that the asset is worth now, today.
Infrastructure Strategy	A strategy document prepared to address the requirements of CI101B of the Local Government Act. The Infrastructure Strategy is required to cover a period of at least 30 consecutive financial years. The purpose of the infrastructure strategy is to: Identify significant infrastructure issues for the local authority over the period covered by the strategy; and Identify the principal options for managing those issues and the implications of those options.
Long Term Plan	A plan prepared to address the requirements of CI93 of the Local Government Act. The Long-Term Plan is required to cover a period of not less than 10 consecutive financial years. The purpose of a long-term plan is to: Describe the activities of the local authority. Describe the community outcomes of the local authority's district or region. Provide integrated decision-making and co-ordination of the resources of the local authority. Provide a long-term focus for the decisions and activities of the local authority. Provide a basis for accountability of the local authority to the community.
Maintenance	Any activity performed on an asset with a view to ensuring that it is able to deliver an expected level of service until it is scheduled to be renewed, replaced or disposed of.
Maintenance Tactics	Maintenance tactics are the method and strategy applied to maintaining assets. These tactics are categorised as run to fail (reactive), preventative maintenance, predictive maintenance and condition monitoring.
New / Upgrade	The creation of a new asset or expansion of an existing asset to provide an increased capacity of service.
Operations	Operation refers to timely and daily operation of the components of an asset system for the functioning on the system.
Policy	A document which describes the principles, rules, and guidelines adopted by an organization to reach its long-term goals.
Renewal	Restore, rehabilitate or replace an existing asset to its original capacity e.g. complete building replacement or major component replacement e.g. roof, cladding, plumbing /sewer systems.
Risk	A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive risk mitigation.

Risk Management Framework	Set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization. Elements include mandate and commitment, people and system capability, measurement and review of risk, communication and consultation, risk management process, risk governance, roles and responsibilities.
Remaining Useful Life	A measure in years of remaining time until an asset ceases to provide the required service level or economic usefulness.
Stakeholder	Person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.
Strategic Asset Management Plan	A plan containing the long-term goals and strategies relating to assets that specifies the road map of how council objectives are to be converted into asset and service management objectives.
Useful Life	A measure of the period in years which an asset is expected to provide the acceptable level of service before reaching a major intervention, failure or unacceptable level of service.
Value	Assets exists to provide tangible, non-tangible, financial or non-financial benefits to council and community in accordance with council objectives

## EXECUTIVE SUMMARY

### 1.1 PURPOSE OF THE STRATEGY

This Infrastructure Strategy (IS) sets the strategic direction for Rotorua Lakes Council's (RLC) management of its infrastructure assets, as required in the Local Government Act (LGA) Section 101B.

It aims to achieve a balanced approach and an investment programme, which keeps existing infrastructure in reliable service mode, maintains good asset condition, as well as allowing for investment in new infrastructure to meet expected growth. The strategy covers a period of thirty years and includes an overview of major infrastructure issues and trends that will have an impact on RLC's infrastructure services over this period. It also outlines key assumptions and how RLC proposes to respond to these issues, as well as the risks and costs associated with RLC's investment in infrastructure over that time.

### 1.2 SCOPE

The Infrastructure Strategy includes the following assets:

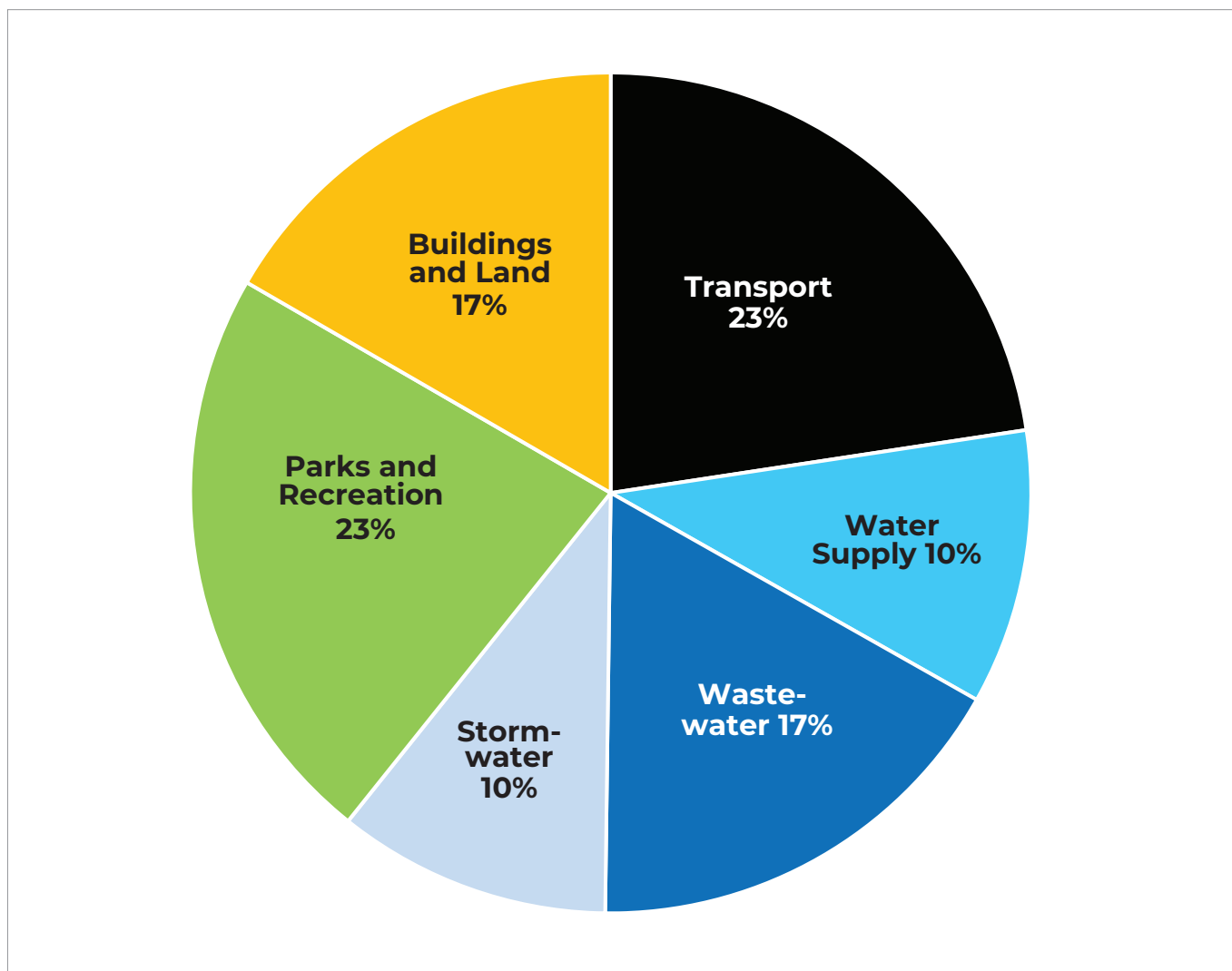
- Transportation; roads, pavements, kerb and channels, traffic signs, traffic systems, bridges, street lighting and pathways.
- Water Supply; reservoirs, treatment plants, underground pipe networks and all ancillary assets.
- Water treatment; treatment plants, underground pipe networks and all ancillary assets.
- Stormwater; major culverts, pipe network and ancillary assets.

Table 1 provides a high level breakdown of assets owned by RLC, whilst Figure 1 summarises the major infrastructure assets value by portfolio.

**Table 1: Asset Portfolio Financial Summary (NZD millions)**

ASSET PORTFOLIO	CRC	FAIR VALUE	DEP P.A.	CONSUMPTION
Transport	\$437.1	\$326.7	\$7.5	75%
Water Supply	\$204.7	\$111.9	\$2.7	43%
Wastewater	\$329.1	\$184.8	\$5.8	44%
Stormwater	\$203.6	\$106.1	\$2.8	48%
Parks and Recreation*	\$437.2	\$326.7	\$1.9	75%
Buildings and Land*	\$322.0	\$276.7	\$5.6	83%
Total	\$1,860	\$1,287	\$26.4	

Note\* = Parks and Recreation and Buildings and Land are not covered by the IS and are included for context purposes only. Total is exclusive of Parks and Recreation and Buildings and Land

**Figure 1: Asset Value by Portfolio**

### 1.3 STRATEGIC CHALLENGES

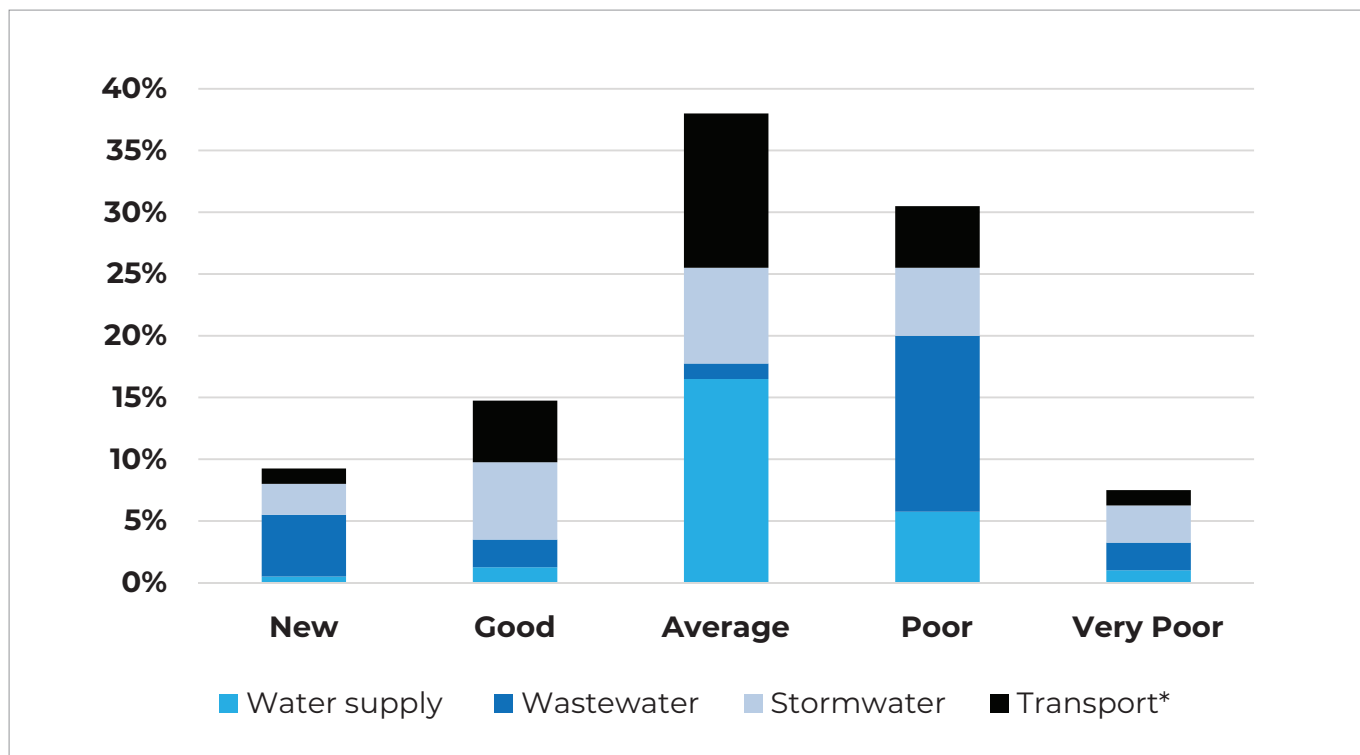
RLC is faced with a number of strategic challenges that affect all asset portfolios. These strategic challenges are:

- Ensuring stable assets condition and protect historical investment (Ageing Infrastructure.)
- Enabling growth potential through capacity, quality and resiliency building (Growth and Demand.)
- Maintaining reliable levels of service for all communities including protection of public health and environment and maximise resilience of infrastructure (Level of Service, Public Health and Environment, Asset Resilience.)

**(a) Ensuring stable assets condition and protect historical investment (Ageing Infrastructure)**

The majority of the assets covered by this IS are in average condition and the IS proposes to implement an appropriate and evidence based asset renewal programmes to improve the assets condition to a good stable level.

**Figure 2: General conditions of the assets**



The IS allocates sufficient financial resources to improve the overall assets condition to a good stable level. This is implemented through an optimised asset renewal programme whereby, the aged portion of the networks is renewed while also making allowance for new components to incorporate additional capacity for future demand. Although the renewal programme is based on the known asset ages, specific prioritisation is undertaken based on available information on asset condition and risks. Specific sectors for renewal within each asset group are decided annually through an assessment of criticality of the sector.

Table 2 shows the renewal funding proposed for the next 30 years which equals to \$550.4M or an average of \$18.3M per annum.

**Table 2: Renewal funding**

ASSET CLASS	TOTAL RENEWAL FUNDING OVER 30 YEARS
Stormwater supply	\$ 90,0 Million
Wastewater	\$ 167,0 Million
Water	\$ 90,0 Million
Transport	\$ 203,4 Million
TOTAL	\$ 550,4 Million



## (b) Enabling growth potential through capacity, quality and resiliency building (Growth and Demand)

Rotorua District's demand is primarily derived from population and tourism growth. The population is estimated to grow from 70,500 to 80,370 (14%) over the next 30 years whilst tourism visitors are forecasted to double from 10,000 visitors per day to 20,000. The RLC's Draft Spatial Plan is currently in its consultation phase. The Draft Spatial Plan predicts significant growth happening in certain areas within the district. It is estimated that a fully realised Spatial Plan will increase the district's population to 100,000 people.

RLC's infrastructure future growth demand calculations have been based on the Draft Spatial Plan and the varied capacity enhancement requirements of our networks are incorporated into this Infrastructure Strategy. The projected growth assumptions contain a degree of timing risk. However, growth projections have been calculated on the best available information currently with Council. The actual growth trends will be monitored and investment timing reviewed at 3 yearly intervals.

Several projects have been included in this IS to increase capacity of the infrastructure to respond to growth.

Table 3 shows the growth projects and corresponding funding for the next 30 years which equals to \$42.85 million, or an average of \$1.4 million per annum.

**Table 3: Growth Projects**

ASSET TYPE	COMMENTARY REGARDING GROWTH PROGRAMMES	ESTIMATED COST OVER 30 YEARS
Stormwater	The limitations of current piped stormwater capacity have been identified and programme of capacity enhancements has been incorporated into this strategy to reinforce both the piped system as well as secondary flow paths.	\$ 13,9M
Wastewater	The current piped network includes appropriate capacity for future demand however, extensive treatment capacity enhancement projects are incorporated in the Strategy, such as: <ul style="list-style-type: none"> <li>• Rotorua Wastewater Treatment Plant</li> <li>• Rotoiti/Rotomā Wastewater Reticulation Scheme</li> <li>• Tarawera Wastewater Reticulation Scheme</li> <li>• Mamaku Wastewater Reticulation Scheme</li> </ul> These projects in addition to providing capacity enhancement will also provide for higher wastewater treatment to meet our district's 2030 strategy where the quality of water in our lakes is of pre-eminent importance.	\$ 3,6M
Water Supply	Significant water supply network expansion allowance has been made in the term of this strategy. It includes: <ul style="list-style-type: none"> <li>Network expansion (new pipes/storage/pumps)</li> <li>Security of water supply (consents) and storage</li> <li>Treatment of water supply (UV and chlorination)</li> </ul>	\$ 25,35M
Transport	Broadly capacity enhancements are required on the key East, West and Central transport corridors. These are state highway corridors and a programme of gradual capacity creation is underway in collaboration with the NZ Transport Agency.	\$ Nil
Total		\$ 42.85M

Where the assumed timing of growth and land development deviates from the assumptions made in the IS, the programmes will be reviewed every three years and adjusted as necessary. However, the renewal programmes contain sufficient flexibility to allow re-prioritisation for short term emerging growth trends to be addressed through refocusing of the optimised renewal programmes.

## (c) Maintaining reliable levels of service for all communities including protection of public health and environment and maximise resilience of infrastructure (Level of Service, Public Health and Environment, Asset Resilience)

### Current Performance/ Levels of Service

Assets are generally performing very well and targeted levels of service have been generally met. This is reflected in the latest Community Satisfaction Level Survey as shown in Table 4.

**Table 4: Community Satisfaction Level Survey**

SERVICE TYPE	COMMUNITY SATISFACTION LEVEL SATISFIED/ VERY SATISFIED
Roads in District	80%
Footpaths in District	80%
Cycling Facilities	80%
Sewerage Services	95%
Water Supply Services	95%
Stormwater Services	85%

RLC's transport system, for all modes, enjoys a high level of resident satisfaction. There is little evidence of poor accessibility or user limitations to the chosen mode of transport. Transport users known concerns about congestion relate mainly to the State Highway network which currently is undergoing significant capacity improvement assessment and a development of capacity enhancement intervention programmes.

The district's sewerage services enjoy high levels of satisfaction and service reliability perception with very limited spills and/or uncontrolled discharges. All resource consent conditions under the RMA are adhered to.

RLC's water supply system also enjoys high user satisfaction rates with limited concerns about water supply reliability and water quality.

While the district experiences occasionally some localised surface flooding as a result of severe storms, there is little evidence of significant adverse effects such as extensive property damage and/or community isolation.

The IS proposes that the high levels of resident satisfaction linked to service reliability will be maintained through the implementation of Level of Service improvement projects and the application of appropriate planned and reactive service maintenance programmes. These maintenance programmes will continue to be focussed on the critical parts of the networks for preventive maintenance while effective reactive repairs programmes will be applied to less critical segments of the networks.

### **Protection of Public Health and Environment**

RLC is mandated by the LGA to maintain or improve public health and environmental outcomes or to mitigate adverse effects on them. These primary drivers relate to providing clean drinking water and ensuring waste is removed and treated, roads are safe and functional, with stormwater management protecting against flooding whilst working to reduce the harmful effects of urban activity on the natural environment.

RLC strategy is to protect public health and environment with the following initiatives:

- Upgraded wastewater treatment plant with a design capacity to cater for growth and increased wet weather events. Wastewater network renewals are also planned to reduce infiltration into the system. Both of these initiatives will mitigate wastewater overflows into the environment.
- Backflow prevention devices will be applied district wide to water supply service connections to reduce the risk of contamination.
- Stormwater hydrology study with flood modelling
- Climate change forecasts are being monitored and stormwater designs being revised to cater for increased predicted rain events.
- Sustainable transport initiative via promoting modal changes thus reducing emissions and heavy metals into waterways.
- Transport projects scheduled for improving public health via increased user safety and improved journey experience.

### **Maximise Resilience of Infrastructure**

Rotorua is exposed to a variety of natural disasters, including earthquake, landslides, flooding, volcanic eruption and storms. These natural disasters can cause significant damage to infrastructure assets. Although natural disasters may not be frequent, the overall risk is high due to the extreme consequence. In addition, restoration and recovery process can take a long time when a disaster happens.

Water supply and wastewater are most at risk, particularly exposed to earthquake; pipelines are brittle and break and susceptible to liquefaction around lake margins where many pump stations are present. The transport network resilience is also required for critical routes for connectivity or alternate routes.

A seismic vulnerability study will identify risk exposure of the assets to seismic events.

Table 5 shows the projects for RLC to maintain a reliable level of service for its communities (including initiatives to protect public health and environment and maximise resilience of infrastructure.)

RLC is funding \$193.70 million in level of service projects for the next 30 years, or an average of \$6.5 million per annum.

**Table 5: Levels of Service Projects**

ASSET CLASS	PROJECT DESCRIPTION	ESTIMATED COST OVER 30 YEARS \$M
Stormwater	- Catchment Modelling - Flood mitigation	\$ 19,50M
Wastewater	- Rotorua Wastewater Treatment Plant upgrade - Rotomā/Rotoiti Sewerage Scheme - All other rural wastewater schemes	\$ 85.10M
Water supply	- Loss reduction programmes - Back flow prevention - Taniwha Spring relocation - Seismic vulnerability study	\$ 17,50M
Transport	- Various road extension - Rural seal extension	\$ 74,10M
<b>Total</b>		<b>\$ 196.20M</b>

## 1.4 INVESTMENT STRATEGY

The total cumulative budget forecasts for covering the 30-year period, financial years 2018/19 to 2047/48 including renewals, levels of service, and growth is shown below in Figure 3:

**Figure 3: 30 Year Infrastructure Investment Forecast**

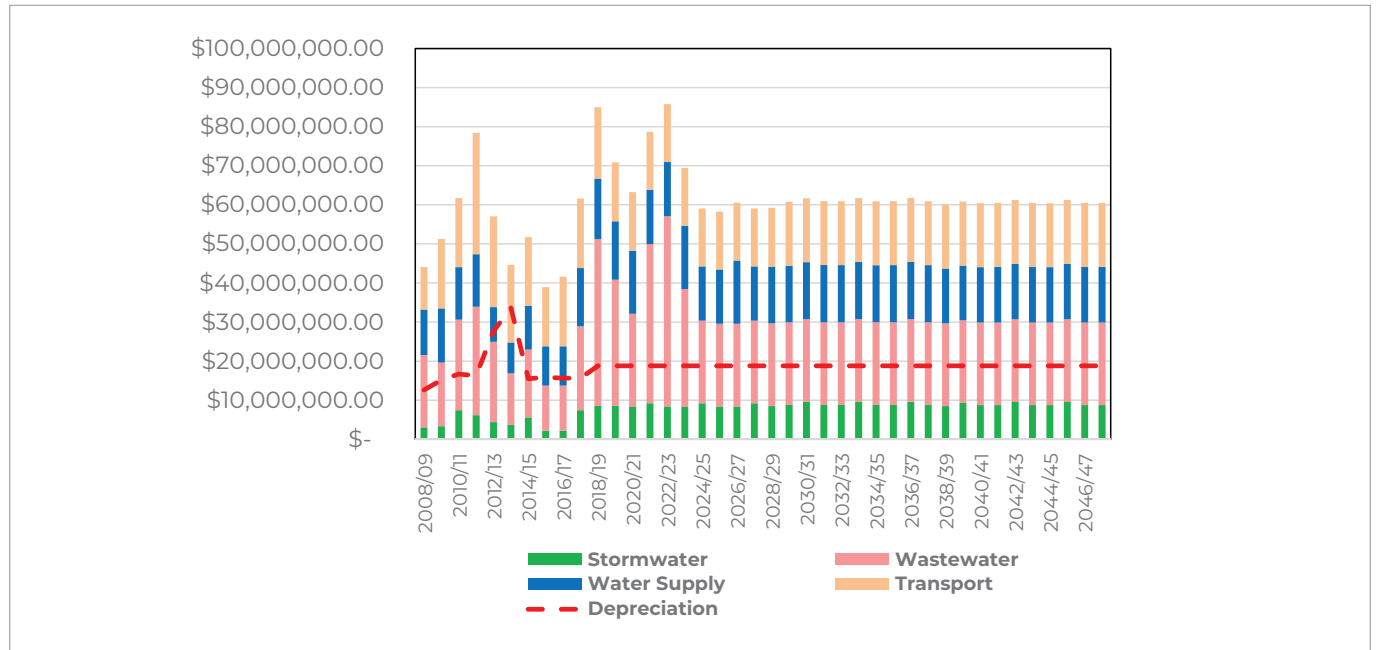
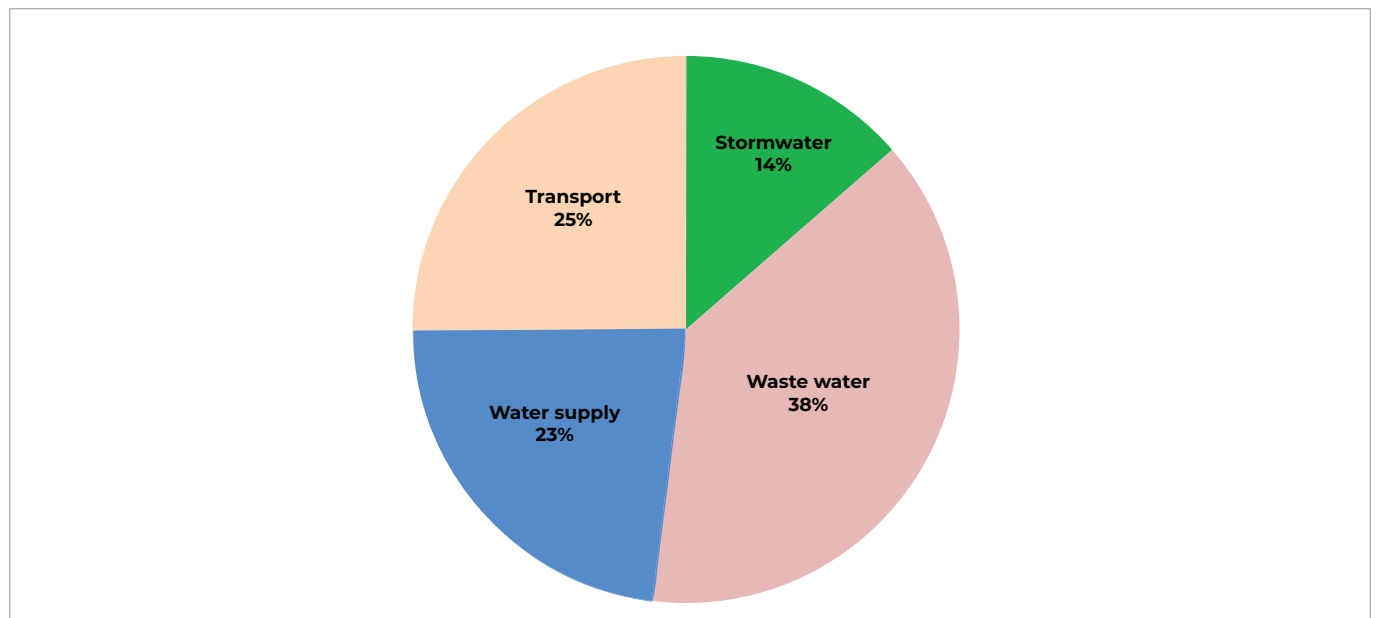


Table 6 and Figure 4 summarises 30-year investment forecast via asset portfolio with Table 7 and Figure 5 summarised by costs category.

**Table 6: Asset Portfolio Investment Summary**

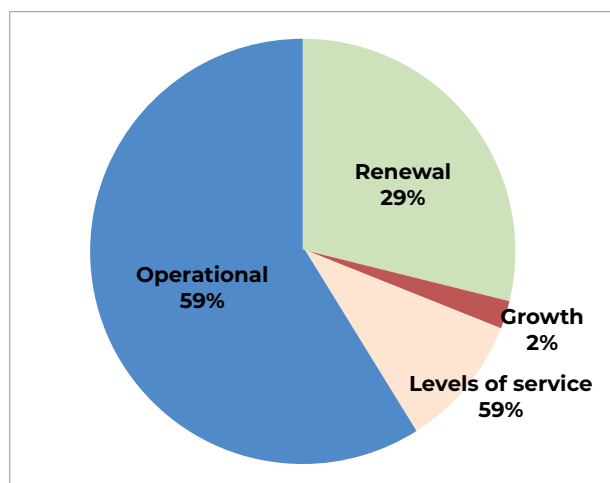
30 YEAR INVESTMENT (MILLIONS)	2018/19	2019/2	2020/21	2018/28	2018/48
	Year 1	Year 2	Year 3	10 Years	30 Years
<b>Stormwater</b>	\$ 8.5	\$ 8.5	\$ 8.4	\$ 86.6	\$ 266.0
<b>Wastewater</b>	\$ 42.7	\$ 32.3	\$ 23.7	\$ 302.8	\$ 725.9
<b>Water Supply</b>	\$ 15.5	\$ 14.9	\$ 16.1	\$ 148.5	\$ 435.8
<b>Transport</b>	\$ 18.3	\$ 15.1	\$ 15.0	\$ 152.0	\$ 477.1
<b>TOTAL</b>	<b>\$ 84.9</b>	<b>\$ 70.8</b>	<b>\$ 63.2</b>	<b>\$ 689.9</b>	<b>\$1,904.8</b>

**Figure 4: Investments Distribution**



**Table 7: Expenditure by Category**

COST EXPENSE CATEGORY	30 YEAR INVESTMENT (MILLIONS)
Renewal	\$550.4
Growth	\$42.9
Levels of Service	\$ 196.2
Operational	\$ 1,115.3
Total	\$1,904.8

**Figure 5: Expenditure by Category %**

## 1.5 INFRASTRUCTURE ASSETS MANAGEMENT IMPROVEMENT PROGRAMMES

RLC's Asset Management Plans identify a number of strategies and improvements required across all asset portfolios. These aim (during the life of this Strategy) to address issues in the current asset management environment and to position Council to reach its desired state of asset management practice.







These strategies include:

- Improving the maturity of asset information
- Systematic conditioning assessment to improve our evidence based knowledge on the condition of buried piped networks which currently is not as advanced as that of surface assets
- Improving targeted maintenance tactics
- Enhancing works management systems to maximise efficiencies
- Improving renewal modelling for future budgeting

In summary, the Infrastructure Strategy aims to ensure continued service reliability, stable asset conditioning, prudent growth provision, maximising operational efficiencies and the enhancement of asset management practice based on evidence.

## 2.0 GOALS AND VISION

RLC's strategic community objectives and community outcomes are:

	A resilient community: To become a resilient community which is inclusive, safe, liveable neighbourhood and induces the community to be involved and connected.
	Homes that match needs: To ensure the quality, affordability, safety, warmth and availability of homes for the growing community in the region.
	Outstanding places to play: The city will thrive to promote the recreational facilities to be the part of the lifestyle and to be participatory thus generating economic activities based on sports and events.
	Vibrant city heart: To make the heart of the city and lakeside areas as the unique heritage of the region and the pristine part of the region. Boast a diversified and sustainable economy strengthened by the abundance of natural resources and innovative people skills.
	Employment choices: To integrate the region as a prosperous, connected community with growing education, training and employment opportunities.
	Enhanced environment: To promote the region as a global leader in terms of cleanliness, built environment, air quality and healthy lakes.

This Infrastructure Strategy summarises how RLC intends to manage infrastructure assets to achieve its strategic objectives for its communities and provide services in a cost-effective manner, both now and into the future. In order to transform the region to a world class tourist destination and centre for cultural and economic activity, RLC has envisaged a number of long term strategies.

The goals of the Infrastructure Strategy are:

- Comply with legislation. Refer Appendix A.
- Targeted levels of service are achieved.
- Enable growth.
- Outlines the key infrastructure issues and their management.
- Provide a Long-term strategies and directions for sustainable infrastructure asset management.

Table 4 summaries the asset portfolio Community Outcomes for each infrastructure asset portfolio.

**Table 4: RLC Asset Portfolio Community Outcomes**

ASSET CLASS	SERVICES
Water Supply	Safe drinking water. Healthy Whanau, healthy communities. Sufficient water for firefighting. Water for industry. Efficient use of water.
Wastewater	The collection, conveyance, treatment and disposal of sewer. Improving health for community. Environmental protection of air, land, water resources from sewer effects.
Stormwater	Provide protection from flooding and weather events. Minimising the adverse effects of stormwater discharges in the lakes, streams and other water bodies of the District. Protect transport assets from flooding and rain events.
Transport	Sustainable transportation systems for economic growth and community connectivity including roads and paths for private travel, public transport, cycling and walking. Safety and efficient movement of goods and services. Regional transport node linking national state highway transport network.

### 3.0 ASSET MANAGEMENT FRAMEWORK

RLC has developed and mandated via its asset management policy the asset management framework. The asset management framework is developed in alignment to International Standards ISO55000 suite Asset Management System, the International Infrastructure Management Manual (IIMM) published by the Institute of Public Works Engineering Australia's and the LGA.

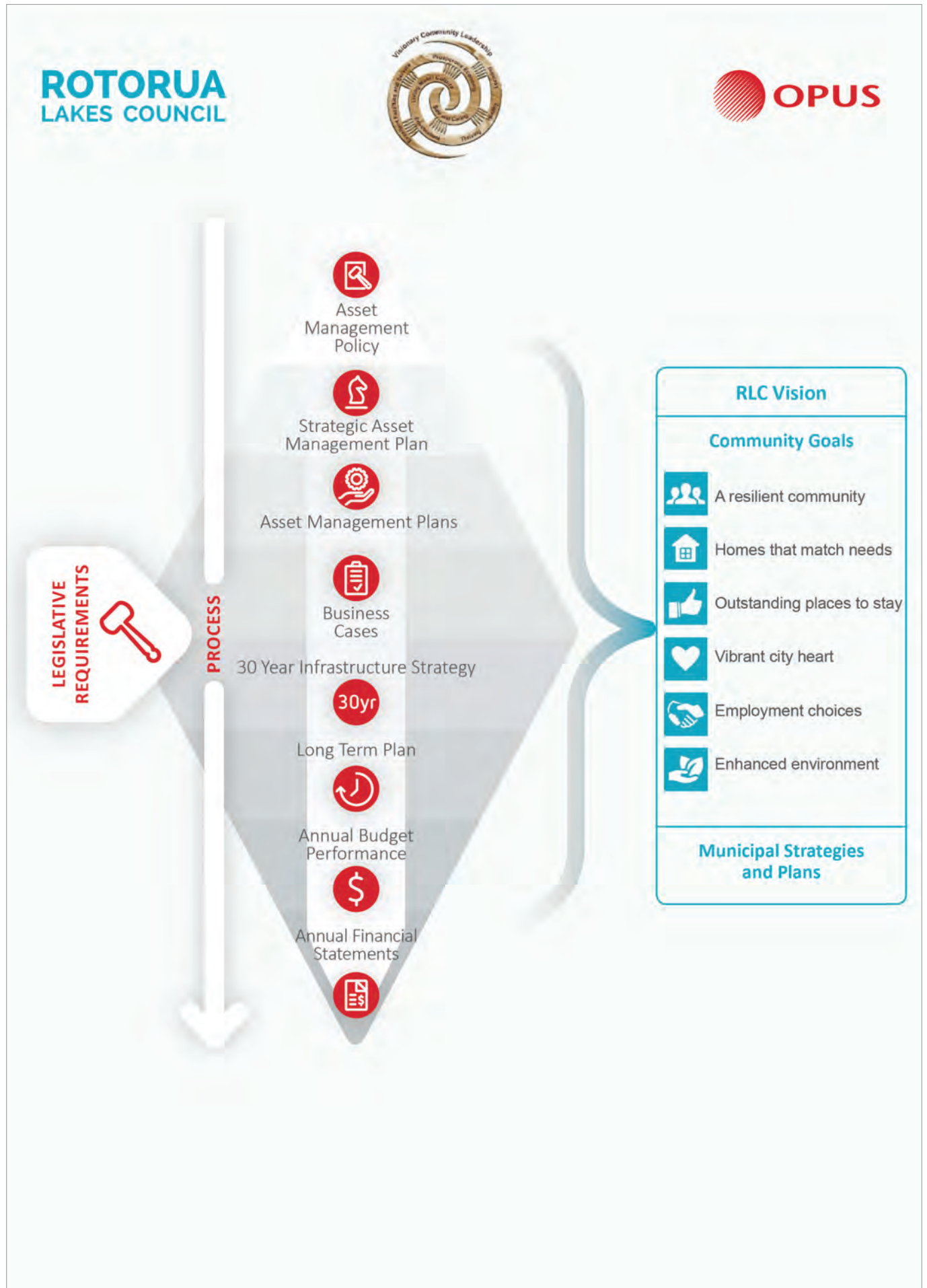
The asset management framework is the structure of major linked asset management elements in a process. The framework supports RLC's objectives and serves as the organisation's outlining mechanism for asset management.

The framework is guided by statutory requirements and primarily focuses on implementing good integrated management practices. The framework is also aligned with stakeholder requirements and expectations.

The asset management framework illustrated in Figure 5. The elements of the asset management framework are:

- Legislative Requirements; laws required to comply with relevant legislation, these includes prescribed laws, regulations, by-laws and interwoven requirements.
- Community Goals; RLC's strategic community objectives and community outcomes.
- District Strategies and Plans; important Council documents that provide strategic planning.
- Asset Management Policy; Establishes the asset management rules and governance. Provides high level direction as to how all the Council's assets are to be managed as part of a specific asset management system policy, contains the principles, requirements and responsibilities for asset management, linked to the organisations strategic objectives.
- Strategic Asset Management Plan (SAMP); defines strategy and sets out asset management improvements to achieve short term and long-term cost savings and increased value.
- Asset Management Plans (AMPs); Business/Activity Plans and Performance Standards covering asset services descriptions, service levels, demand forecasts, lifecycle activities, policies, processes and budgets. There are asset management plans are prepared for each asset portfolio; water supply, wastewater, stormwater, transport, parks & recreation, buildings & land. These are revised every three years.
- Business cases; justification for a proposed project or undertaking on the basis of its expected benefit, mitigation of risk and cost.
- 30-year Infrastructure Strategy; sets the strategic direction for RLC long term infrastructure strategy and plan, revised every three years.
- Long Term Plan; the 10-year financial strategy and plan for RLC, revised every three years.
- Annual Budgets; Annual Budgets: annual financial endorsed budgets.
- Annual Financial Statements; annual financial statements reporting on post year financial performance.

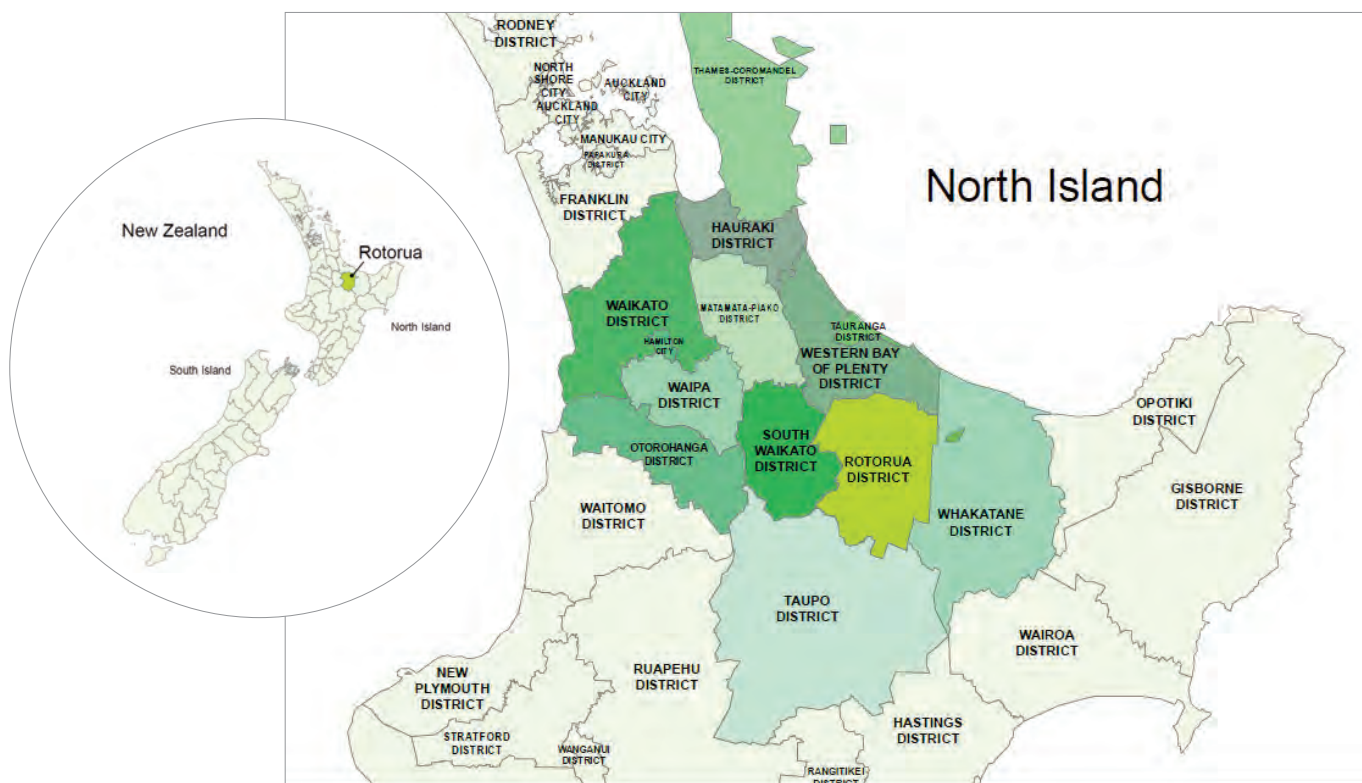
Figure 6: RDC Strategic Planning Framework





## 4.0 ROTORUA BACKGROUND

Rotorua is a tourist city located in the Bay of Plenty Region of New Zealand's North Island. See Figure 6. Rotorua District has a population of 70,500 making it the 10th largest in New Zealand. Rotorua is famous for its geothermal activity with hot springs, mud pools, geysers and strong Maori culture attracting national and international tourists. The Rotorua district has 17 lakes popular for fishing, water-skiing and swimming.

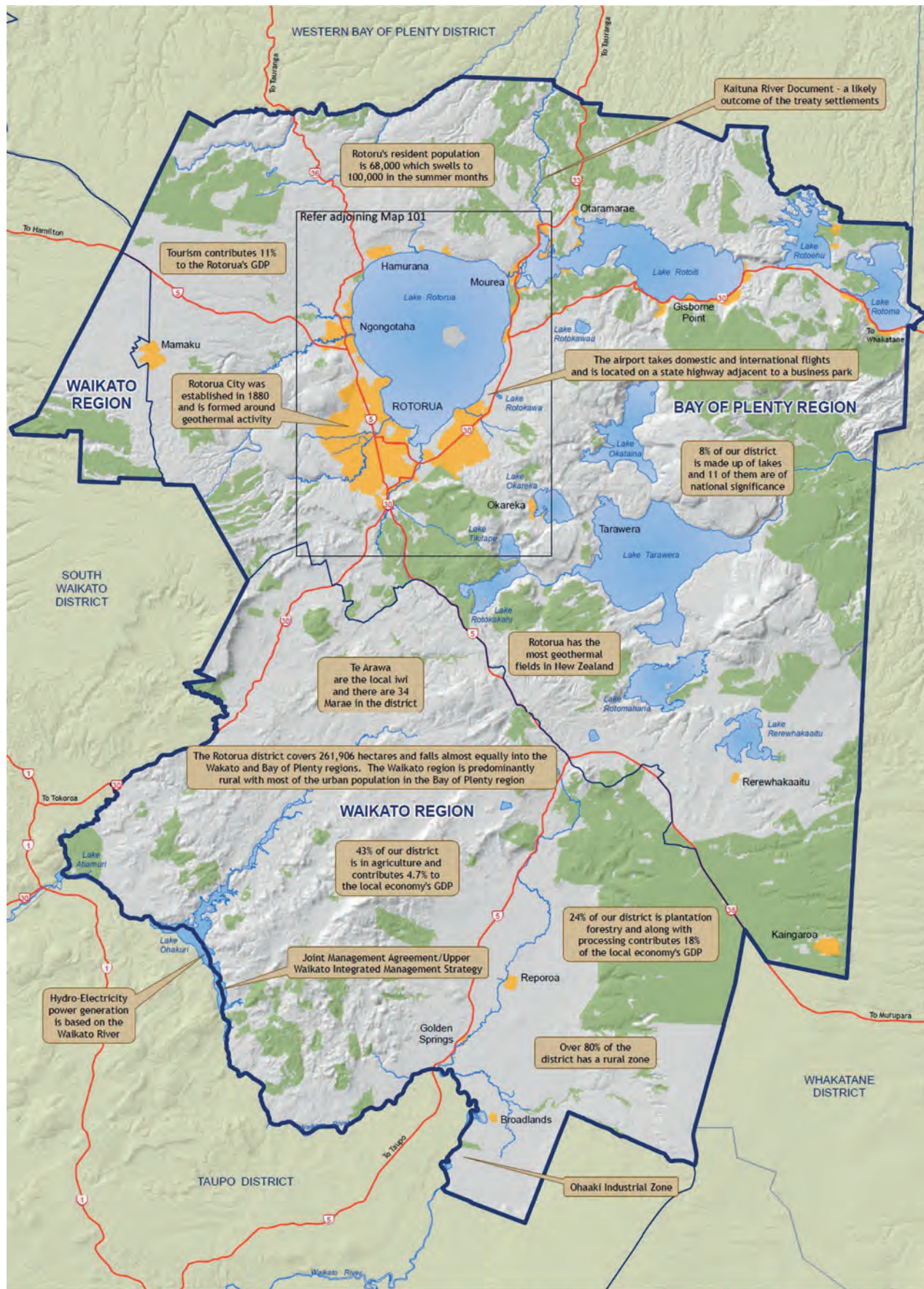


**Figure 7: Rotorua Lakes Council Locality**

The total size of the Rotorua District is 261,906 hectares made up of 41% forest, 43% agriculture and 8% lakes, refer Figure 7 which details the Rotorua District at a glance.

RLC is responsible for managing assets that deliver services to communities within the district as legislated under the Local Government Act, Health Act, Resource Management Act and Land Transport Management Act (excluding highways). Moreover, the community expects that Council will ensure, through strategies and sound planning, that these services will continue to be available to areas of the District in which growth and development is expected.

Figure 8: District at a Glance



## 5.0 INFRASTRUCTURE ISSUES AND MANAGEMENT STRATEGIES

A critical component of the Infrastructure Strategy is to identify the strategic issues for infrastructure assets and provide an outline of strategies to manage these. These strategic issues have been identified through the development of asset portfolio AMPs, the SAMP and this Infrastructure Strategy. The issues and strategies have incorporated the Auditor General's and Internal Affairs' findings with their listed 10 questions local governments should address. Refer Appendix B: Top 10 Questions Audit NZ 2017.

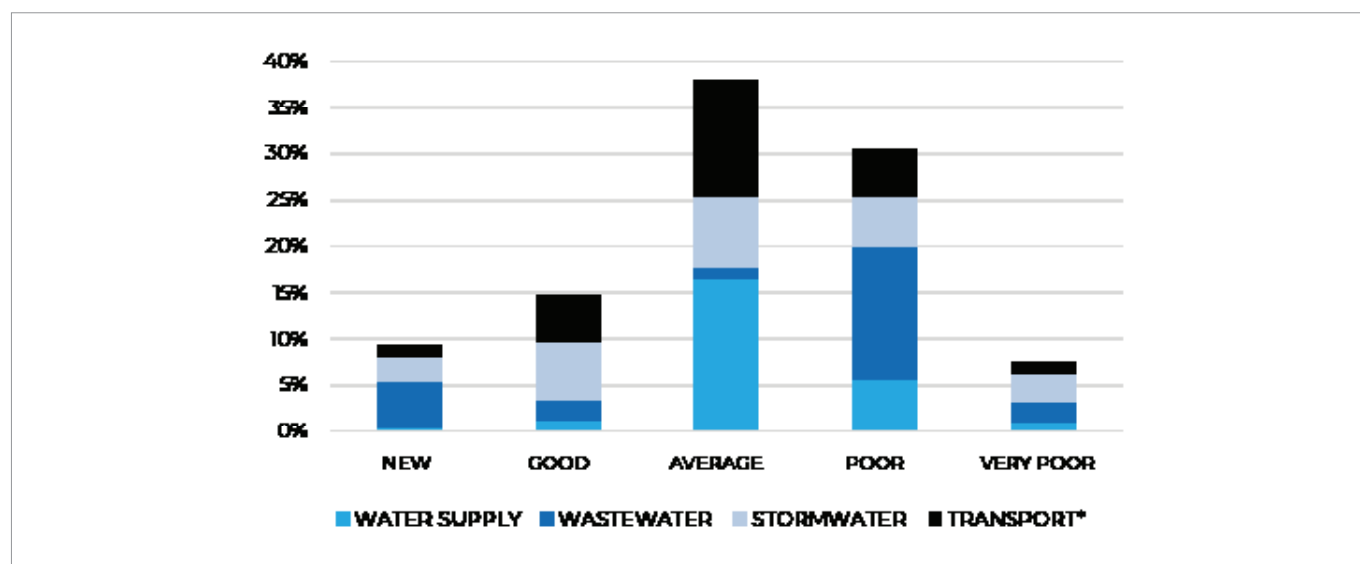
RLC is faced with a number of strategic challenges that affect all asset portfolios, i.e.:

- Ensuring stable assets condition and protect historical investment (Ageing Infrastructure.)
- Enabling growth potential through capacity, quality and resiliency building (Growth and Demand.)
- Maintaining reliable levels of service for all communities including protection of public health and environment and maximise resiliency of infrastructure (Level of Service, Public Health and Environment, Asset Resilience.)

### 5.1 AGING INFRASTRUCTURE

The majority of the assets covered by this IS are in average condition and the IS proposes to implement an appropriate and evidence based asset renewal programmes to improve the assets condition to a good stable level. RLC's asset portfolio condition distribution is illustrated in Figure 8.

**Figure 9: Infrastructure Condition Distribution**



The IS allocates sufficient financial resources to improve the overall assets condition to a good stable level. This is implemented through an optimised asset renewal programme whereby, the aged portion of the networks is renewed while also making allowance for new components to incorporate additional capacity for future demand. Although the renewal programme is based on the known asset ages, specific prioritisation is undertaken based on available information on asset condition and risks. Specific sectors for renewal within each asset group are decided annually through an assessment of criticality of the sector.

### 5.2 DEMAND AND GROWTH

Rotorua District's demand is primarily derived from population and tourism growth. The population is estimated to grow from 70,500 to 80,370 (14%) over the next 30 years whilst tourism visitors are forecasted to double from 10,000 visitors per day to 20,000. The RLC's Draft Spatial Plan is currently in its consultation phase. The Draft Spatial Plan predicts significant growth happening in certain areas within the district. It is estimated that a fully realised Spatial Plan will increase the district's population to 100,000 people.

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Several projects have been included in this IS to increase capacity of the infrastructure to respond to growth. RLC is funding \$42.85 million in growth projects over the next 30 years; an average of \$1.4 p.a.

### 5.3 LEVELS OF SERVICE

The services provided by infrastructure assets support the achievement of community outcomes and Council's strategic goals with target levels or service based on community expectation and statutory requirements. RLC's process for establishing and monitoring levels of service is outlined in Figure 10.

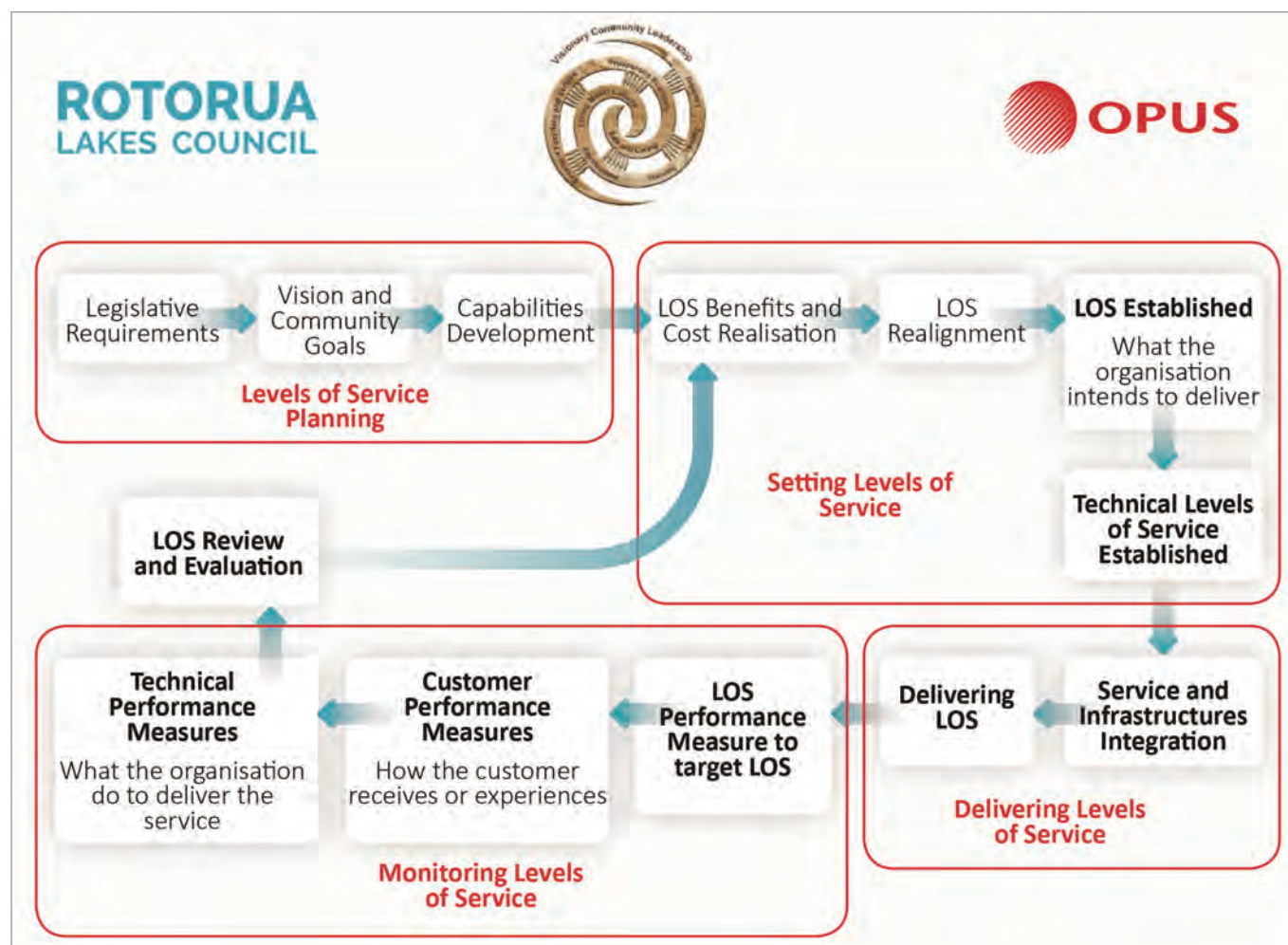
Levels of service (LOS) are essentially used to:

- Balance service performance against cost when establishing customer service standards.
- Deliver the specified levels of service whilst taking into consideration Council's current and long-term financial position.

The LOS Framework process develops customer service levels and technical levels of service key performance targets which are measured and recorded in the relevant AMPs by senior management and asset managers.

Assets are generally performing very well and targeted levels of service have been generally met. This is reflected in the latest Community Satisfaction Level Survey as shown in Table 4.

**Figure 10: Levels of Service Framework**



**Table 4: Community Satisfaction Level Survey**

SERVICE TYPE	COMMUNITY SATISFACTION LEVEL: SATISFIED/VERY SATISFIED
Roads in District	80%
Footpaths in District	80%
Cycling Facilities	80%
Sewerage Services	95%
Water Supply Services	95%
Stormwater Services	85%

RLC's transport system, for all modes, enjoys a high level of resident satisfaction. There is little evidence of poor accessibility or user limitations to the chosen mode of transport. Transport users known concerns about congestion relate mainly to the State Highway network which currently is undergoing significant capacity improvement assessment and a development of capacity enhancement intervention programmes.

The district's sewerage services enjoy high levels of satisfaction and service reliability perception with very limited spills and/or uncontrolled discharges. All resource consent conditions under the RMA are adhered to.

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While the district experiences occasionally some localised surface flooding as a result of severe storms, there is little evidence of significant adverse effects such as extensive property damage and/or community isolation.

The IS proposes that the high levels of resident satisfaction linked to service reliability will be maintained through the implementation of Level of Service improvement projects and the application of appropriate planned and reactive service maintenance programmes. These maintenance programmes will continue to be focussed on the critical parts of the networks for preventive maintenance while effective reactive repairs programmes will be applied to less critical segments of the networks.

## 5.4 PUBLIC HEALTH AND ENVIRONMENT ENVIRONMENTAL SUSTAINABILITY

RLC is mandated by the LGA to maintain or improve public health and environmental outcomes or to mitigate adverse effects on them. These primary drivers relate to providing clean drinking water and ensuring waste is removed and treated, roads are safe and functional, with stormwater management protecting against flooding whilst working to reduce the harmful effects of urban activity on the natural environment.

RLC strategy is to protect public health and environment with the following initiatives:

- Upgraded wastewater treatment plant with a design capacity to cater for growth and increased wet weather events. Wastewater network renewals are also planned to reduce infiltration into the system. Both of these initiatives will mitigate wastewater overflows into the environment.
- Backflow prevention devices will be applied district wide to water supply service connections to reduce the risk of contamination.
- Stormwater hydrology study with flood modelling
- Climate change forecasts are being monitored and stormwater designs being revised to cater for increased predicted rain events.
- Sustainable transport initiative via promoting modal changes thus reducing emissions and heavy metals into waterways.
- Transport projects scheduled for improving public health via increased user safety and improved journey experience.

## 5.5 ASSET RESILIENCE

Rotorua is exposed to a variety of natural hazards including earthquake, landslides, flooding, volcanic eruption and storms. These natural disasters can cause considerable damage to infrastructure assets and affect delivery of service.

Rotorua's exposure to earthquakes is highlighted by 1987 Edgecumbe Earthquake which occurred in the neighbouring Whakatane District. This earthquake had an intensity of 6.6 Magnitude on the Richter scale.

Rotorua is also exposed to volcanic activity being part of the Taupo Volcanic Zone, a geothermal field extending from White Island off the Bay of Plenty Coast to Mt Ruapehu far to the south. One of the most significant disasters in Rotorua happened in 1886 when Mt Tarawera woke and rumbled into life.

The major types of natural disaster in the Rotorua region are presented in Figure 10.



**Figure 11: Natural Disasters Categories**

Natural hazards are not the only phenomena imposing risks to the urban and rural assets. Infrastructure and the services that they provide can also be affected by rural bush fire, animal disease outbreak, man-made hazards, including terrorism, hazardous material release, transport accidents, infection epidemics and potential failure of lifelines.

Historically the risk of natural disasters was not taken into account when infrastructure was installed. The quality of life, health and wellbeing of the community depend on the infrastructure. Occurrence of disasters can significantly affect the community and lifelines and impose inevitable expenses to repair and replace the assets. Loss of lifeline services such as water supply system, in turn, can affect and threaten inhabitants' lives and expose them to adverse consequences and secondary disasters.

The Rotorua Geothermal Field is a shallow high enthalpy geothermal reservoir lying directly beneath the Rotorua city. The geothermal activity creates heat, hot water, steam, gases & muds, (especially hydrogen sulphide gas and its condensate sulphuric acid) which are a major influencer to asset condition and life. Ultimately the effect on underground assets is that gas and heat speed up material decomposition whilst metal above ground assets are effected by the corrosive gases. As a result, asset lives are reduced by as much as 50%.

Climate change is projected to increase droughts putting pressure on RLC water supply. Climate change is also projected to increase the frequency and intensity of heavy rainfall events which would result in increased stormwater capacity requirements and increase the potential of transport system flooding. Heavy rainfall events would also increase infiltration into the wastewater network, so the new central waste water treatment plant has been designed to cater for this.

Climate change poses challenges to the Rotorua District with mid-range projections by the National Institute of Water and Atmospheric Research (NIWA) forecasting the Rotorua District to obtain:

- Temperature increase in 2040 of 1.2C, by 2090 an increase of 2.7C to 3.6C.
- Increased storm events; a current 1-in-50-year rain event of 200mm rainfall will increase in 2040 to 1-in-33 and by 2090 increase to 1-in-18.

The RLC impacts of these forecasts are summarised in Table 5.

**Table 5: Infrastructure Impacts of Climate Change on Rotorua**

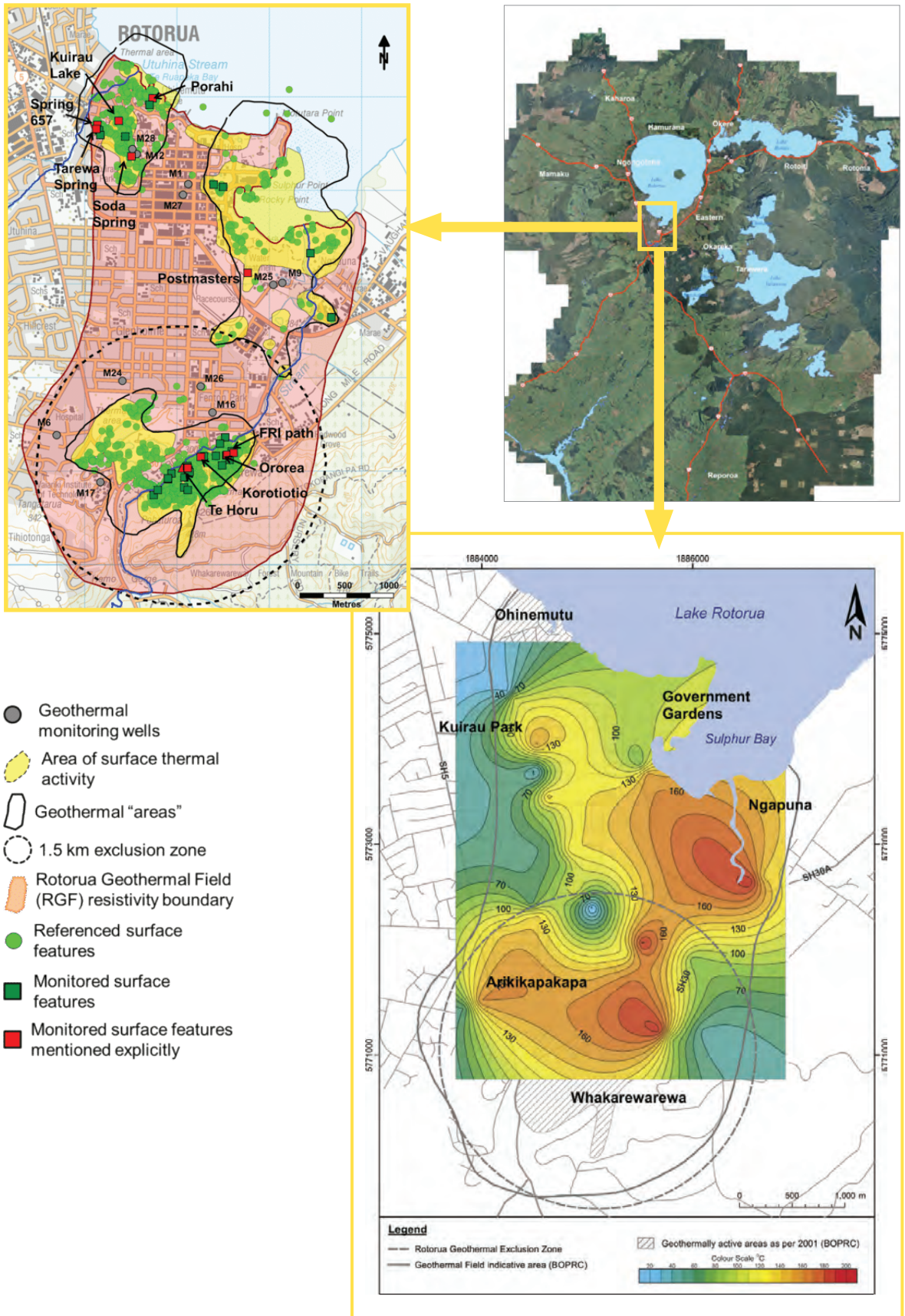
ISSUE	LIKELY IMPACT
Stormwater	More frequent intense winter rainfalls are expected; a current 1-in-50-year rain event of 200mm rainfall will increase in 2040; 1-in-33 by 2090; 1-in-18. This means that stormwater capacity will need to be increased. Estimated cost to upgrade may be in the order of \$200m over 70 years or \$2.8 p.a.
Water Supply	Water demand will be increased due to longer summers with higher temperatures resulting in hotter, dry summers.  Water supply capacity will need to be increased due to drier summers.
Wastewater	Increased infiltration from storms with heavy rain events would increase potential for overflows.
Transport	Increased rainfall will likely increase slips and landslides.  Pavement seals lives would be a reduced due to increased temperatures and rainfall.

Rotorua is closely monitoring climate change via the Regional Council.

RLC aims to maximise the resilience of infrastructure by minimizing the impact of the probable natural disasters on them and minimize the restoration and recovery time. The following projects are planned to improve resilience:

- Vulnerability and mitigation studies for water supply, waste water and stormwater.
- Seismic vulnerability mitigation programme for water supply.
- Stormwater hydrology study and flood modelling.
- Updating the RLC emergency and business continuity plans response plans.
- Updating asset criticality registers.
- Updating the corporate risk register via the Integrated Risk Management Framework (IRMF).
- Reviewing asset critical spares.
- Constant improvement of asset criticality, critical spares and asset condition.
- Introducing improved and higher resilient material in building new infrastructure.
- Improved procurement processes are being developed for improved design, delivery and build brought about by wastewater treatments project for improved efficiency, effectiveness and risk management.
- Seismic vulnerability studies for water supply, wastewater, stormwater and transport.
- Water supply seismic mitigation programs.

Figure 12: Rotorua Geothermal Activity Maps



## 6.0 INFRASTRUCTURE INVESTMENT

This section of the Infrastructure Strategy presents the significant infrastructure planned over the next 30-year period. The infrastructure investment plan consists of:

- Significant capital projects and programs illustrated in timeline with costs.
- Financial summary analysis.
- Investment strategy for each asset portfolio; water supply, wastewater, stormwater, transport, park and recreation, detailing;

### KEY SERVICES

Levels of service performance  
 Renewal Model  
 Asset condition  
 Key assets

### MAJOR ISSUES / RISKS

Practical options for managing the issues  
 Implications of options for managing issues  
 Recommended option for managing issues  
 Funding strategy

## 6.1 FINANCIAL SUMMARY

Financial estimates are provided for the 30-year period from financial years 2018/19 to 2047/48. Financial statement and projections are segmented into four categories. These categories are:

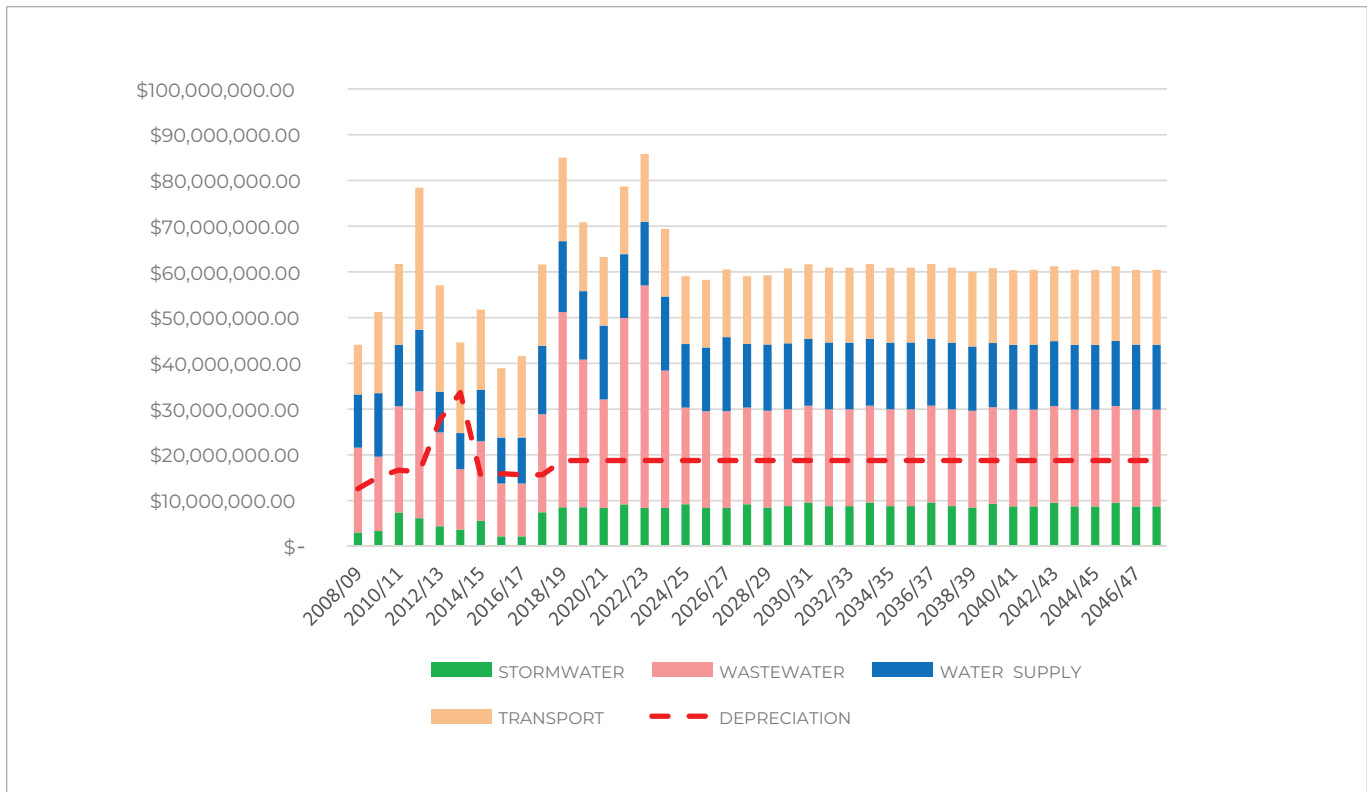
- Operational Budget; all costs incorporated under operations and maintenance.
- Renewal Budget; all capital renewals cost.
- Levels of Service Budget; all capital costs related to projects that improve current levels of service.
- Growth Budget; all capital cost associated to projects related to increasing capacity.

The estimates are developed on the following premise:

- 7 years of historical financial data trending
- 30 years of future financial forecasts with:
  - Forward 1st year is to ±10% accuracy.
  - Forward years 2-3 are to ±20% accuracy.
  - Forward years 4-10 are to ±30% accuracy.
  - Forward years 10-30 are to ±40% accuracy.
- Key assumptions (as defined in Section 7).

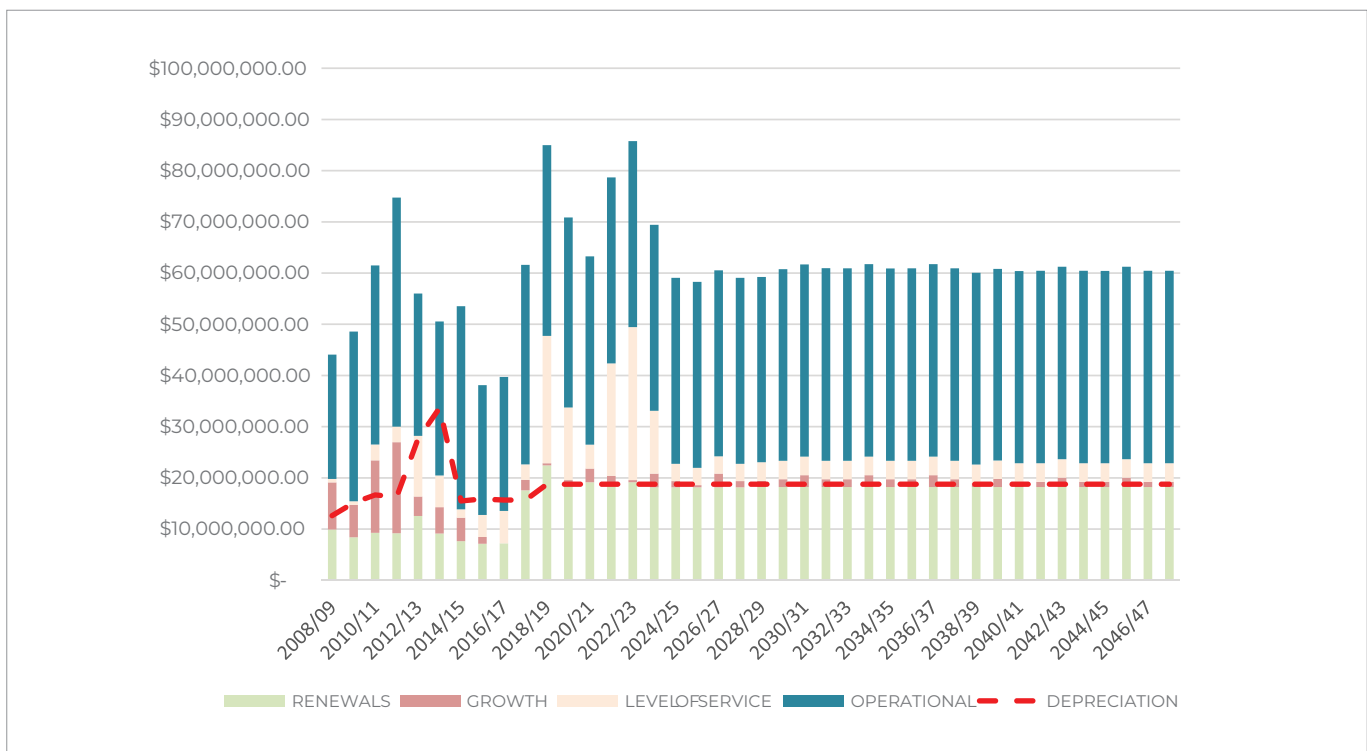
The total cumulative budget forecasts covering the 30-year period are summarised in Figure 13 categorising asset portfolio expenditure and denoting total depreciation by the brown dotted line.





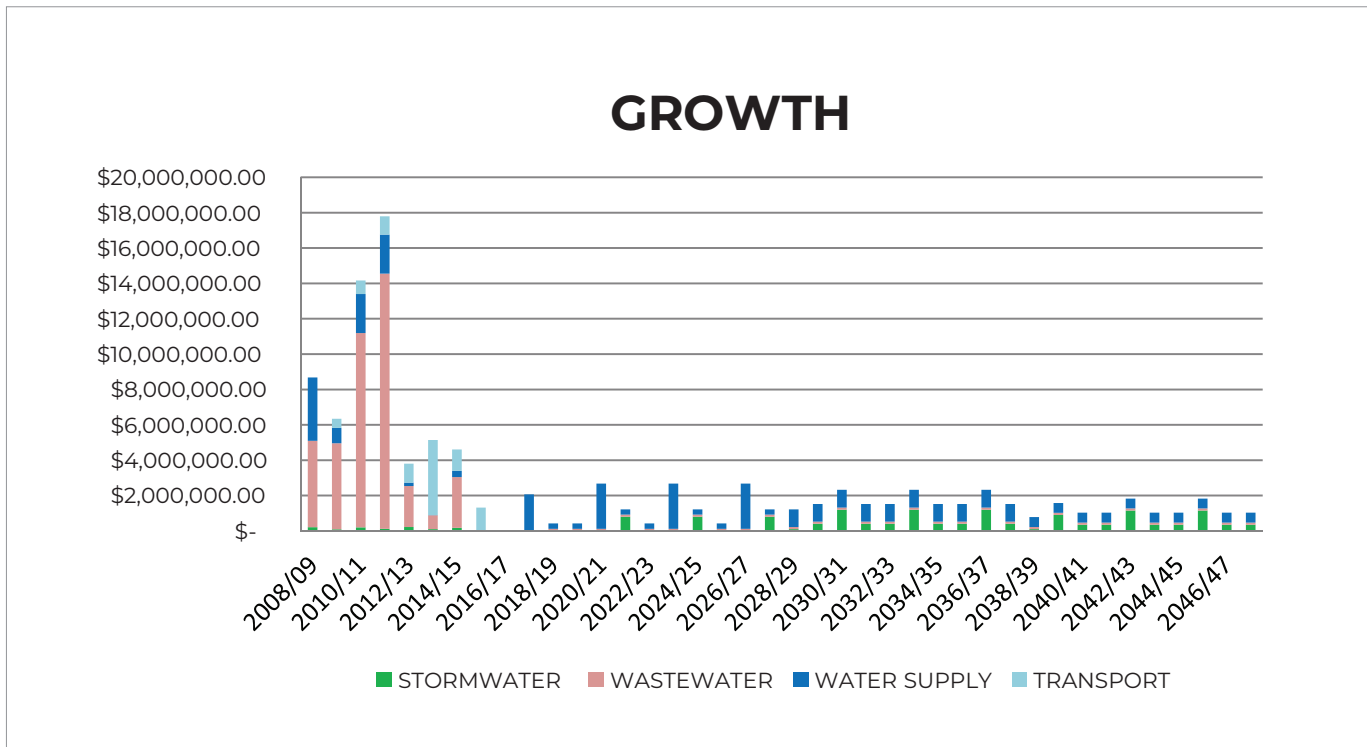
**Figure 13: 30 Year Infrastructure Investment Forecast by Asset Portfolio**

The spiked increases in 2018/19 and 2019/20 is increased mostly due to the central wastewater treatment plant. Refer Figure 14 for 30-year infrastructure investment forecast categorised by cost category.



**Figure 14: 30 Year Infrastructure Investment Forecast by Costs Category**

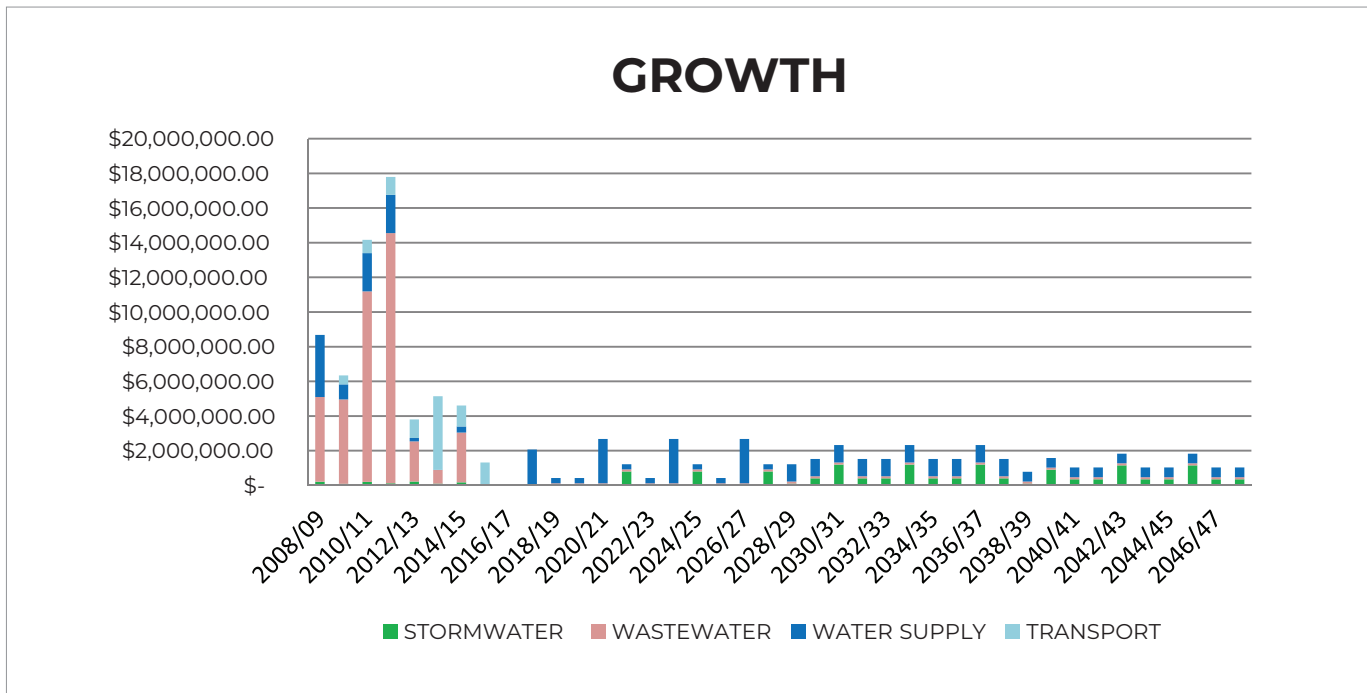
Refer Figure 15 for 30-year growth only infrastructure investment categorised by asset portfolio.



**Figure 15: 30 Year Infrastructure Investment Forecast by Growth**

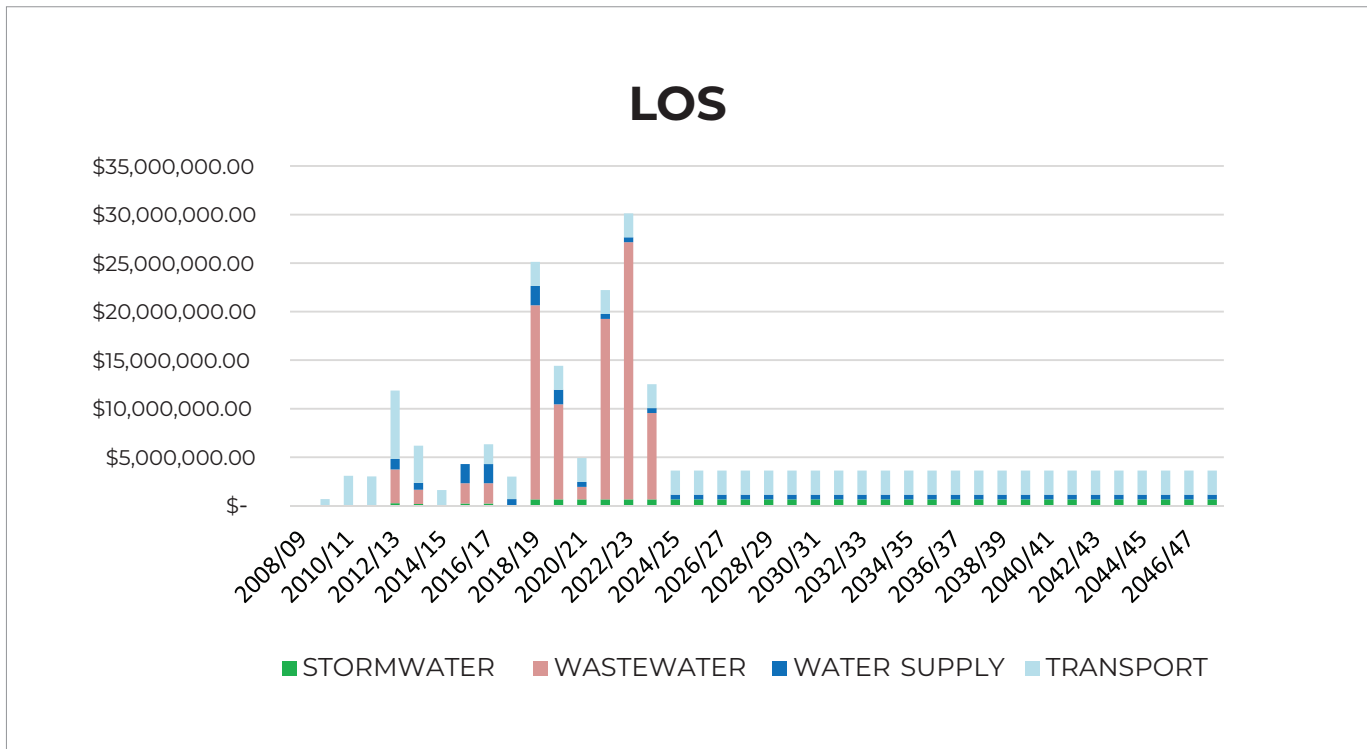
A key objective of the Infrastructure Strategy is to sustainably fund renewal demand. RLC is increasing its renewal investments for water supply, waste water and stormwater compared to historical expenditure whilst transport renewal expenditure is relatively constant.

The three waters renewal investment plan has been established via preliminary renewal demand modelling and addresses the renewal gap (deferred renewals) and strives to fully fund consumption (depreciation) over the long term around a 60-year horizon. This is a renewal straight line method applied to eliminate spikes by bringing some projects forward and pushing others back. Figure 16 shows the 30-year infrastructure renewal only investment forecast categorised by asset portfolio.



**Figure 16: 30 Year Infrastructure Investment Forecast by Renewal**

Levels of service investment over the next 30-years is to be sustained in alignment to historical improvement investment. Figure 17 shows the 30-year infrastructure investment forecast categorised by levels of service.



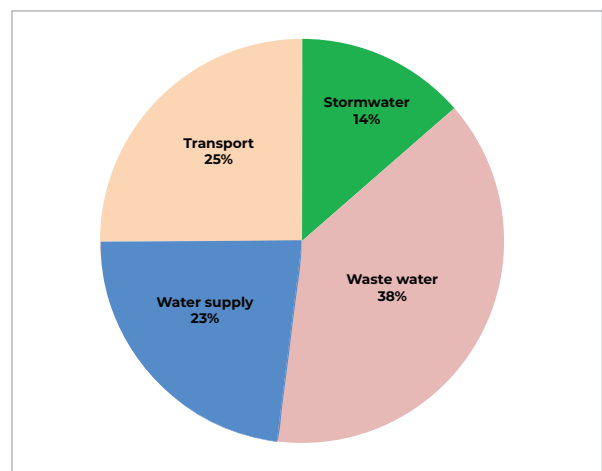
**Figure 17: 30 Year Infrastructure Investment Forecast by Levels of Service**

The 30-year investment forecast via asset portfolio is detailed in Table 6 and whilst Table 7 and Figure 25 summarise the investment forecast via cost category.

**Table 6: Asset Portfolio Investment Summary**

30 YEAR INVESTMENT (MILLIONS)	2018/19	2019/2	2020/21	2018/28	2018/48
	YEAR 1	YEAR 2	YEAR 3	10 YEARS	30 YEARS
Stormwater	\$8.5	\$8.5	\$8.4	\$86.6	\$266.0
Wastewater	\$42.7	\$32.3	\$23.7	\$302.8	\$725.9
Water Supply	\$15.5	\$14.9	\$16.1	\$148.5	\$435.8
Transport	\$18.3	\$15.1	\$15.0	\$152.0	\$477.1
<b>Total</b>	<b>\$84.9</b>	<b>\$70.8</b>	<b>\$63.2</b>	<b>\$689.9</b>	<b>\$1,904.8</b>

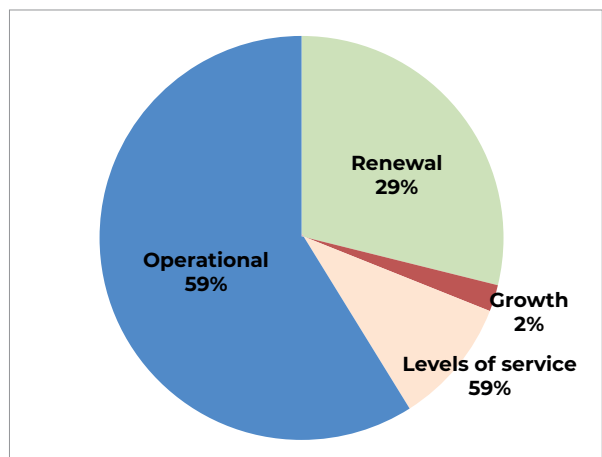
**Figure 18: Levels of Service Spend**



**Table 7: Expenditure by Category**

COST EXPENSE CATEGORY	30 YEAR INVESTMENT (MILLIONS)
Renewal	\$550.4
Growth	\$42.9
Levels of Service	\$196.2
Operational	\$1,115.3
<b>Total*</b>	<b>\$1,904.8</b>

**Figure 19: Expenditure by Category %**



The total combined investment forecast is summarised in Table 8. This table details investment forecasts for each asset portfolio with costs categories in yearly estimates for first three years, the total first 10-year period and total 30-year period.

**Table 8: Major Investment on Infrastructure Assets**

ALL NUMBERS (MILLIONS)	2018 /19	2019 /2	2020/21	2018/28	2018/48
	YEAR 1	YEAR 2	YEAR 3	10 YEARS	30 YEARS
Stormwater	\$8.5	\$8.5	\$8.4	\$86.6	\$266.0
Operational	\$4.9	\$4.9	\$4.7	\$47.7	\$142.6
Renewal	\$3.0	\$3.0	\$3.0	\$30.0	\$90.0
Levels of Service	\$0.7	\$0.7	\$0.7	\$6.5	\$19.5
Growth	\$0.0	\$0.0	\$0.0	\$2.4	\$13.9
Wastewater	\$42.7	\$32.3	\$23.7	\$302.8	\$725.9
Operational	\$16.2	\$16.0	\$15.9	\$157.5	\$470.2
Renewal	\$6.4	\$6.4	\$6.4	\$59.0	\$167.0
Levels of Service	\$20.0	\$9.8	\$1.3	\$85.1	\$85.1
Growth	\$0.1	\$0.1	\$0.1	\$1.2	\$3.6
Water Supply	\$15.5	\$14.9	\$16.1	\$148.5	\$435.8
Operational	\$10.2	\$10.1	\$10.1	\$101.2	\$302.9
Renewal	\$3.0	\$3.0	\$3.0	\$30.0	\$90.0
Levels of Service	\$2.0	\$1.5	\$0.5	\$7.5	\$17.5
Growth	\$0.3	\$0.3	\$2.6	\$9.8	\$25.4
Transport	\$18.3	\$15.1	\$15.0	\$152.0	\$477.1
Operational	\$6.0	\$6.1	\$6.0	\$59.0	\$199.5
Renewal	\$10.0	\$6.8	\$6.8	\$70.8	\$203.4
Levels of Service	\$2.2	\$2.2	\$2.2	\$22.2	\$74.1
Growth	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total*	\$84.9	\$70.8	\$63.2	\$689.9	\$1,904.8
Depreciation	\$18.8	\$18.8	\$18.8	\$187.6	\$562.9
Stormwater	\$2.8	\$2.8	\$2.8	\$27.5	\$82.5
Wastewater	\$5.8	\$5.8	\$5.8	\$57.9	\$173.7
Water Supply	\$2.8	\$2.8	\$2.8	\$27.7	\$83.0
Transport	\$7.5	\$7.5	\$7.5	\$74.6	\$223.7

\*Not inclusive of depreciation

## 6.2 WATER SUPPLY

### General

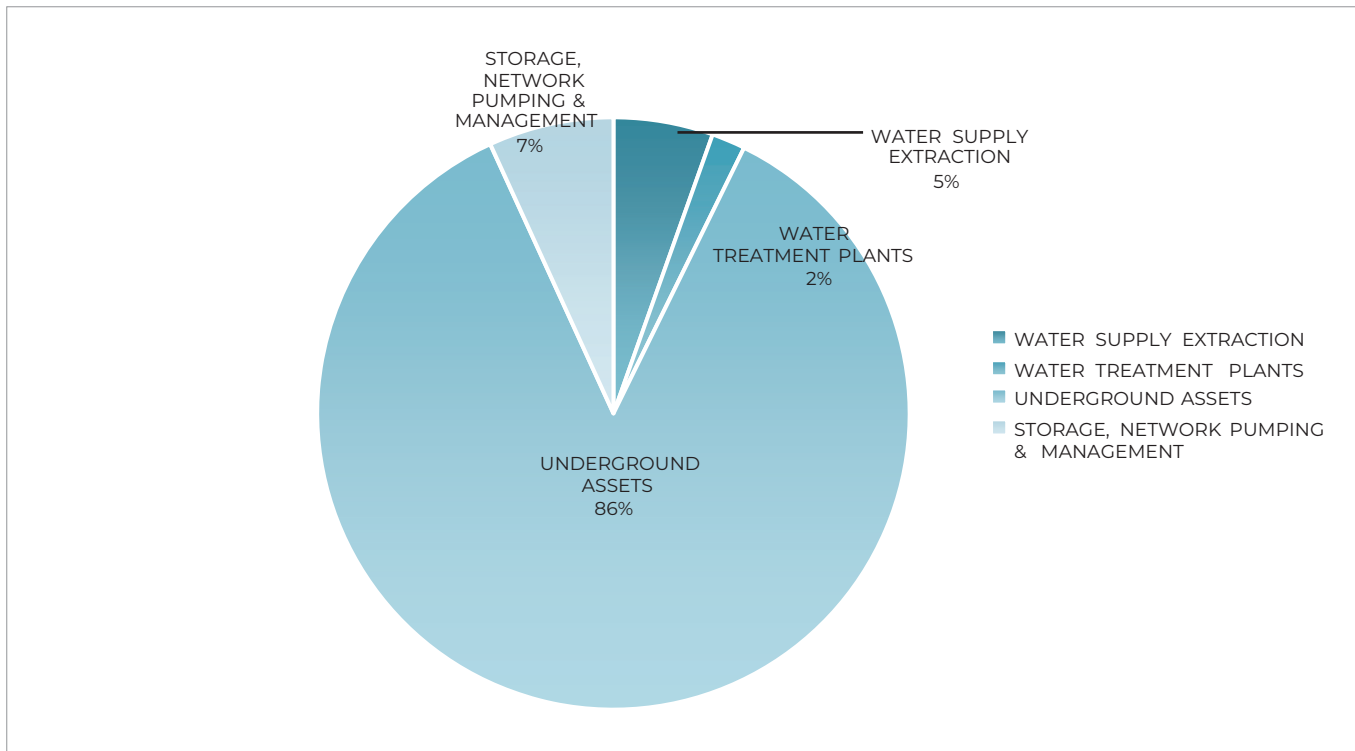
A summary of the water supply services area is illustrated in Appendix D: Water Supply Services Area and Key Facilities Map. RLC is responsible for supplying clean and safe water to communities within the district as legislated under the Local Government Act, Health Act and Resource Management Act. Providing water services includes extraction, treating, storing and distributing clean and safe potable water for use by individuals, households, commerce, industry and firefighting across the communities.

The water supply assets have a total replacement value of approximately \$204.7 million based on valuation as of 30 June 2015. Table 9 and Figure 26 provides a high-level breakdown of water supply assets owned by RLC. Underground pipes make 86% of all assets.

**Table 9: Rotorua Water Supply Asset Valuation**

CURRENT REPLACEMENT COST	FAIR VALUE	USEFUL LIFE	AGE (AVG)	DEPRECIATION P.A.	CONSUMPTION
\$204.7m	\$111.9m	52 avg	20 avg	\$2.7m	43%

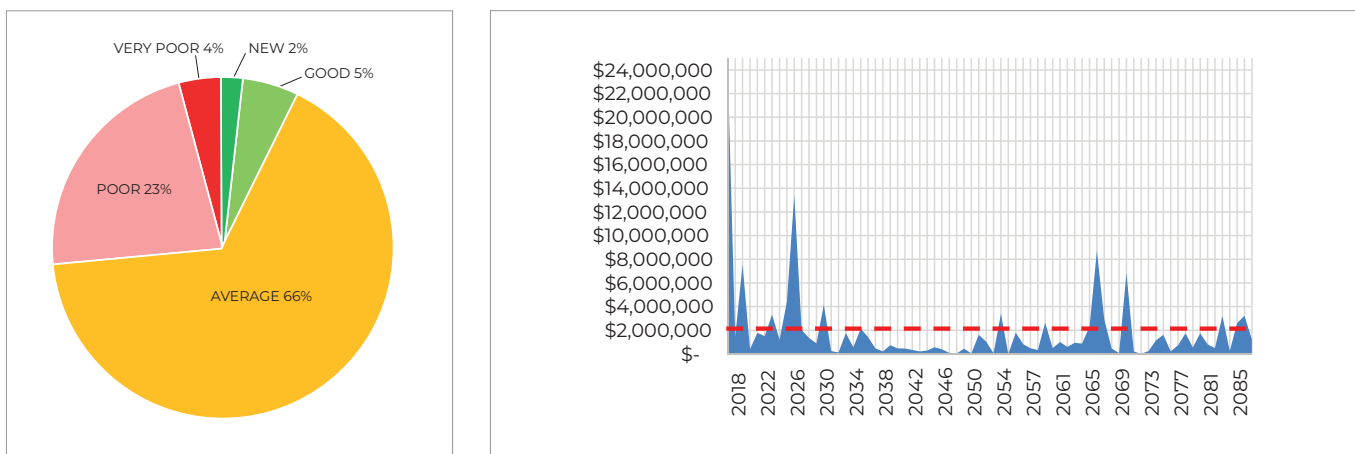
The water supply network delivers some 14 billion litres of water a year through the network. The RLC water supply system is made up of ten (10) water supply schemes, three of which are urban supplies – the Central scheme which accounts for 67% of all District water supply, Eastern 16%, and Ngongotaha 8%. These three urban schemes supply a total of 91% of all water demand, whilst the rural water supplies include seven systems; Mamaku, Rotoiti, Rotoma, Kaharoa, Reporoa, Hamurana and Okareka.



**Figure 20: Water Supply Major Asset Components By CRC**

**Ageing Assets**

The water supply network is relatively young and generally in average condition. Around 4% of assets have already reached the end of their expected life. As the assets continue to age they will deteriorate and require replacement. Figure 29 indicates the assumed distribution of condition and the expected renewal demand profile. A condition assessment programme is being implemented to gain information on the actual condition of assets which will lead to refinement of the renewals profile.



**Figure 21: Condition Summary Analysis & Renewal Demand Profile**

The key renewal strategy for water supply is the replacement of mains pipes. This accounts for 90% of all water supply renewal totalling \$81million over the 30-year period.

## Demand & Growth

There are no current demand issues. With the medium growth scenario forecasting RLC’s population to grow by 14% over the next 30 years. Growth in accordance with the draft Spatial Plan will require the water supply network to be extended and capacity increased to meet the projected demand.

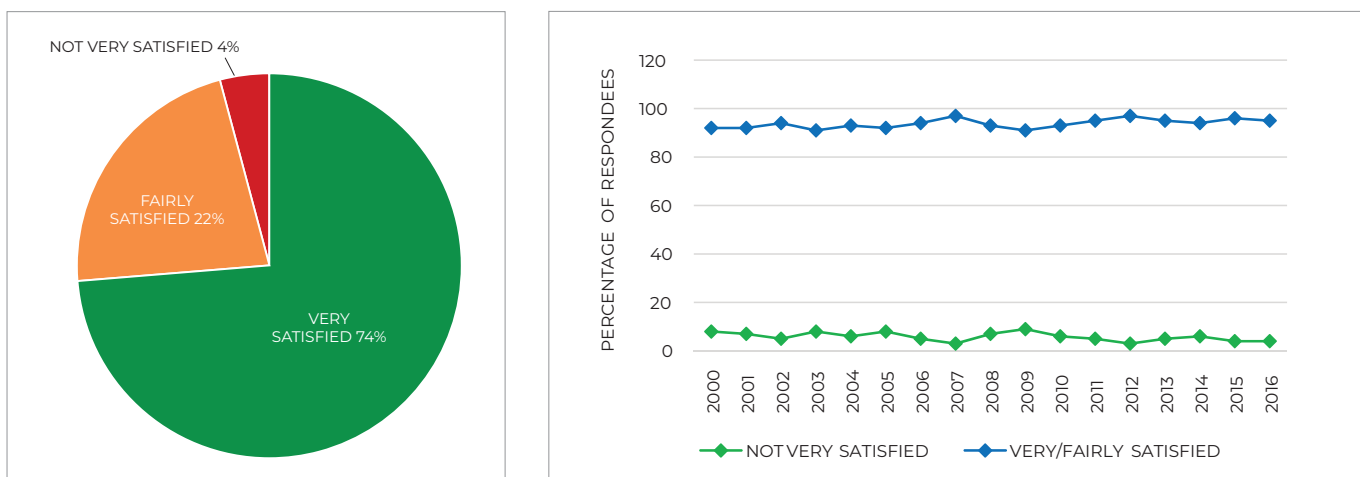
The water infrastructure growth demand calculations have been based on the draft Spatial Plan and the required capacity upgrades are incorporated into the Infrastructure Strategy.

If the draft Spatial Plan is fully realised, the required water infrastructure capacity upgrade programme will require a total funding of \$25.40 million over the 30 year period.

The projected growth assumptions contain a degree of timing risk. Where the assumed timing of growth and land development deviates from the assumptions made in the Infrastructure Strategy, the programmes will be reviewed every three years and adjusted as necessary.

## Level of Service

From the levels of service perspective, water supply is generally performing very well and targeted levels of service are being met. In terms of community expectations water supply is the third highest scoring performing service provided by RLC. Water supply satisfaction in the 2016 surveys resulted in 74% very satisfied, 22% fairly satisfied and 4% not satisfied. Customer satisfaction and overall satisfaction trending is illustrated in Figure 28.



**Figure 22: Water Supply Customer Satisfaction 2016 & Historical Trend**

The level of service targets are:

- Compliance to drinking water standards; these are the minimum targets set by legislated and reflect maintaining the current level of service through existing treatment systems and plants.
- Fault response times; set at levels achievable through available resources and current level of service.
- Customer satisfaction; these are the minimum targets set by legislated and reflect maintaining the current level of service through existing treatment systems and plants.

The Infrastructure Strategy proposes that the high level of satisfaction linked to service reliability will be maintained through the implementation of level of service improvement projects and the application of appropriate planned and reactive service maintenance programmes.

## Public Health & Environment

There has been no breaches of consents or water quality non-compliances issued to RLC. As consents expire, they require re-application and with pressure from land owners, Iwi and the regional pressures on shared water resources, Council’s continued use of the spring sources is not guaranteed.

RLC has planned water conservation programs to promote reduced water consumption and reporting of leaks.

Currently there are 25,479 customers supplied RLC and 81% are unmetered. Water loss is estimated between 15% to 35% with RLC setting the target of 15%. RLC will investigate the feasibility of rolling out a program to install metres on all unmetered properties. Every three years a business case with cost benefit analysis is developed to re-assess feasibility incorporating new and emerging technologies.

## Asset Resilience

The water supply network is vulnerable to structural damage from earthquakes. RLC are undertaking activities to better understand vulnerability. Emergency response plans are being developed. A seismic vulnerability study is planned with a mitigation programme of scheduled in 2018 to 2028 at a cost of \$2.8m in total.

Where capital works are identified to improve resilience these will be incorporated with other network improvements to avoid the need for separate additional investment.

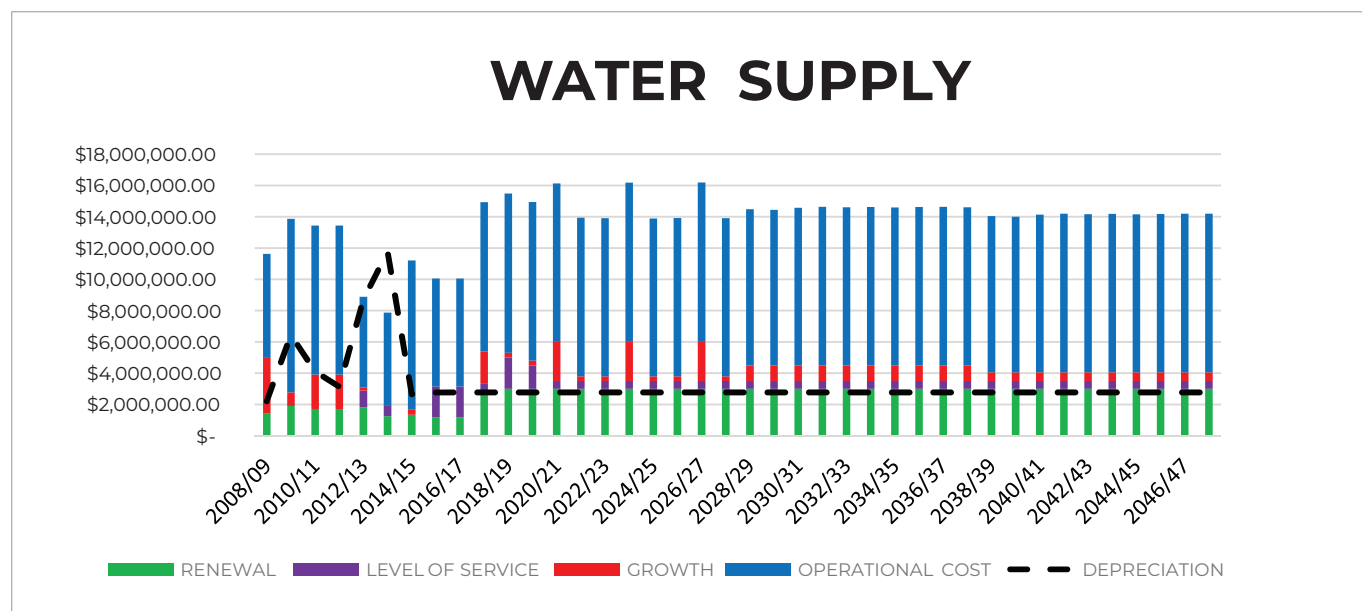
Climate change is likely to increase the intensity and frequency of drought events with longer and hotter summers, these effects will be monitored and incorporated into the water supply strategy.

Planned level of service projects including protection of public health and asset resilience with a total of \$17.5 million projects to protect public health and the environment include:

- The water loss reduction program applied district wide running from 2019-2028
- Taniwhā spring relocation scheduled for development in 2018-20
- Backflow prevention applied district wide to reduce contamination or pollution due to backflow scheduled for development in 2019-2028

## Investment

The total cumulative budget forecasts covering the 30-year period, financial years 2018/19 to 2047/48 are summarised in Figure 23. Table 14 shows the water supply financial summary over the next 30 years. Table\_\_ shows the water supply significant expenditure decisions.



**Figure 23: Water Supply 30 Year Infrastructure Investment Forecast**

**Table 10: Water Supply Financial Summary**

ALL NUMBERS (1,000,000S)	2018 /19	2019 /20	2020 /21	2018/28	2018/48
	YEAR 1	YEAR 2	YEAR 3	10 YEARS	30 YEARS
Operational	\$10.2	\$10.1	\$10.1	\$101.2	\$302.9
Depreciation	\$2.8	\$2.8	\$2.8	\$27.7	\$83.0
Renewal	\$3.0	\$3.0	\$3.0	\$30.0	\$90.0
Levels of Service	\$2.0	\$1.5	\$0.5	\$7.5	\$17.5
Growth	\$0.3	\$0.3	\$2.6	\$9.8	\$25.4
Total Capital	\$5.3	\$4.8	\$6.1	\$47.3	\$132.9
Total*	\$15.5	\$14.9	\$16.1	\$148.5	\$435.8

Note: \* Exclusive of depreciation a noncash expense.

**Table 11: Water Supply Significant Expenditure Decisions**

PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Aging Assets				
<p>ISSUE</p> <p>As the assets continue to age they will deteriorate and require replacement.</p> <p>1. Fully fund renewal demand as per straight line renewal demand modelling Cost = \$3.0 p.a., 30-year; \$90.0m Implication = reduced risk of asset failures, non-build-up of unfunded renewals renewal backlog. Target renewals will also improve capacity and resilience and reduce the risk overflows or service interruptions.</p> <p>2. Fund all historical unfunded renewal immediately. Cost = year 1 \$24m, 30-year; \$90.0m Implication: 2018/19 budget peak, unlikely to able to physically deliver works in 1-year. (or fund that level of investment)</p> <p>3. Fund 80% fund renewal demand as per straight line renewal demand modelling Cost = \$2.4m, 30-year; \$72.0m Implication = unfunded renewal backlog of \$18m, increased risk of asset failure(s)</p> <p>4. Do nothing Cost = \$0 Implication = asset failures likely, unfunded renewal backlog of \$90.0m</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Fully fund renewal demand as per straight line renewal demand modelling Cost: \$3.0p.a., 30-year; \$90.0m</p> <p>Justification: The rate of asset renewal is intended to maintain the overall condition of the asset system at a standard that ensures the community's investment is maintained over the long term achieving full financial sustainability.</p> <p>Targeting those assets with the highest consequence of failure (typically the larger pipes or pipes where failure could result in significant service interruption) and those with the highest likelihood of failure (older assets and pipes in geothermal areas). Renewals are also being targeted where they will address capacity or resilience issues.</p> <p>Implication = improved asset sustainability, reduced risk of asset failure(s), non-build-up of unfunded renewals renewal backlog</p> <p>Cost / Timing and Projects over the 30-year period:</p> <ul style="list-style-type: none"> <li>• Main renewals; 90% of water renewals; \$81.0million</li> <li>• Plant renewals; 7% of water renewals; \$6.3million</li> <li>• Meter renewals; 1.3% of water renewals; \$1,170,000</li> <li>• Valve, backflow and miscellaneous renewals; 1% of water renewals; \$900,000</li> </ul>	✓		
Issue / Risk: Maintaining / Improving Levels of service				
<p>ISSUE</p> <p>There are some urban areas have water supply interruptions and reduced head pressure. Some areas are requesting water supply service not previously connected. Improving resilience. Improving and maintaining levels of service.</p> <p>OPTIONS</p> <p>1. Minimally improve levels of service Cost = \$0.525m p.a., 30-year; \$17.5m Implication = Improve water quality, resilience, reduce water losses improve water supply reliability.</p> <p>2. Maintain levels of service Cost = \$0 Implication = no reliability improvement, decreased in community levels of service satisfaction.</p> <p>3. Reduce level of service Cost = reduce operational budget, amount to be determined. Implication = understanding the limits of which cost could be reduced would require careful management or reduced water supply reliability, potential public health issues with injury(s) due to poor water quality, potential breach in legislation could result.</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Minimally improve levels of service Cost: \$0.525m p.a., 30-year; \$17.5m</p> <p>Justification: The rate of levels of service improvement is intended to maintain legislated water quality requirements with incremental improvements.</p> <p>Implication = maintain current levels of service with some minimal improvements. Improve reliability of water supply and water.</p> <p>Cost / Timing and Projects over the 30-year period:</p> <p>Water loss reduction; district wide; 2019-2028; \$4,209,000 Water treatment programme; district wide; 2019-2020; \$150,000 Seismic vulnerability mitigation; district wide; 2018-2028; \$2,805,000 Pump relocation; Taniwhā spring; 2019-2020; \$2,422,000 Miscellaneous network upgrades; district wide; 2019-2028; \$600,000 Sectorisation of network; district wide; 2019; \$135,000 Backflow prevention; district wide; 2019-2028; \$2,125,000</p>		✓	✓



PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Demand and Growth				
<p>ISSUE</p> <p>Growth in accordance with the draft Spatial Plan will require the water supply network to be extended and will increase demand. Some schemes over the next 30-years may reach demand capacity.</p> <p>OPTIONS</p> <p>1. Invest to meet growth demand Cost = \$0.85m p.a. on average, 30-year; \$25.4m Implication = Growth in accordance with the draft Spatial Plan will require the waste supply network to be extended and will increase water demand. Increase storage capacity, obtain additional water services invest in growth as planned in the spatial plan</p> <p>2. Partially (50%) invest in growth Cost = \$0.42m p.a. on average, 30-year; \$12.7m Implication = not all growth will be enabled.</p> <p>3. Don't invest in growth Cost = \$0 Implication = no growth is enabled; supply interruptions, peak demand may not be met.</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Invest to meet growth demand Cost: \$0.85m p.a., 30-year; \$25.4m</p> <p>Justification: The rate of growth improvement is intended to maintain legislated water quality requirements with planned for growth as defined in the spatial plan and demand forecasts. Network upgrade expenditure will focus on targeted projects to address key network deficiencies and demand management. Incremental capacity increases to the schemes as needed to ensure demand does not exceed supply.</p> <p>Implication = Enable growth as per the Spatial Plan.</p> <p>Cost / Timing and Projects over the 30-year period:</p> <ul style="list-style-type: none"> <li>• New sub division; Te Waerenga – Unsworth; 2023; \$300,000</li> <li>• Additional water source; Hamurana; 2022-2023; \$645,000</li> <li>• Water storage upgrade; Ngongotaha; 2021 &amp; 2025; \$2,200,000</li> <li>• Additional water source; Western supply; 2025; \$1,500,000</li> <li>• Storage upgrade; Central; 2019-2020 &amp; 2025; \$4,800,000</li> <li>• New sub division; Hall and Spence zones; 2019; \$500,000</li> <li>• New sub division; Wharenui Rd, Brent Block; 2021-2023; \$2,800,000</li> <li>• Additional water source; Eastern supply; 2027-2028; \$4,730,000</li> <li>• UV treatment; Hemo Springs; 2021-2023; \$5,875,000</li> <li>• Other subdivisions; district wide; 2028; \$2,050,000</li> </ul>		✓	✓

## 6.3 WASTEWATER

### General

A summary of RLC wastewater services area is illustrated in Appendix E: Wastewater Services area and Key Facilities. RLC is responsible for delivering wastewater services to the community as legislated under the Local Government Act, Health Act and Resource Management Act.

The wastewater service incorporates the conveyance of wastewater from households, industries and commercial facilities, to treatment plants with the provision of treatment that meets environmental and health standards as embodied in resource consent conditions.

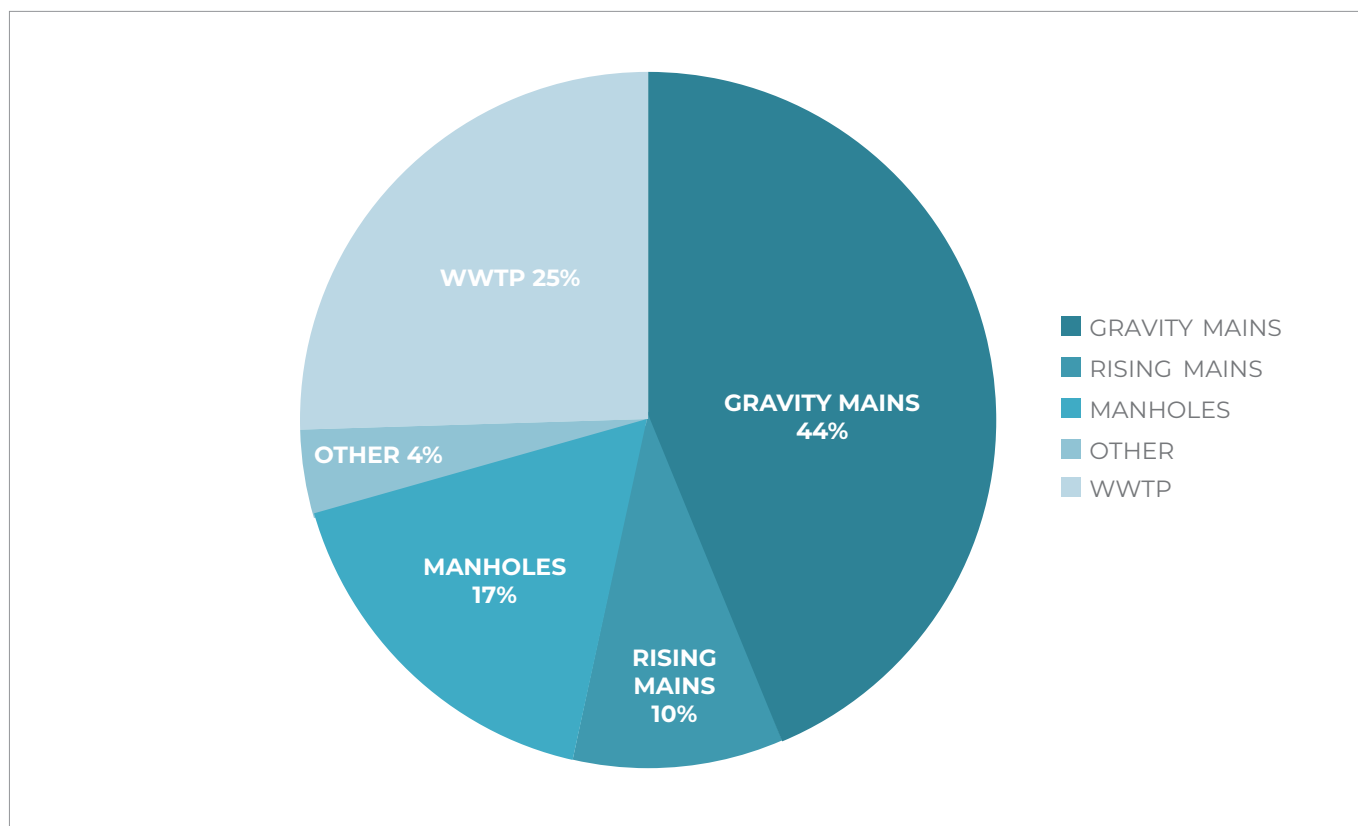
There is one wastewater scheme system servicing the district, with one central waste water treatment plant (WWTP) which treats an average of 20 million litres per day and fourteen pump stations serving the significant catchments in Rotorua District.

The wastewater assets have a total replacement value of approximately \$329.1 million based on valuation as of 30 June 2015. Table 12 and Figure 30 provides a high-level breakdown of wastewater assets. The wastewater network primary assets are pipes for conveyance and waste water treatment plants.

**Table 12: Rotorua Wastewater Asset Valuation**

CURRENT REPLACEMENT COST	FAIR VALUE	USEFUL LIFE	AGE (AVG)	DEPRECIATION P.A.	CONSUMPTION
\$329.1m	\$184.80m	75	28	\$5.8m	44%

**Figure 24: Wastewater Major Asset Components By CRC**

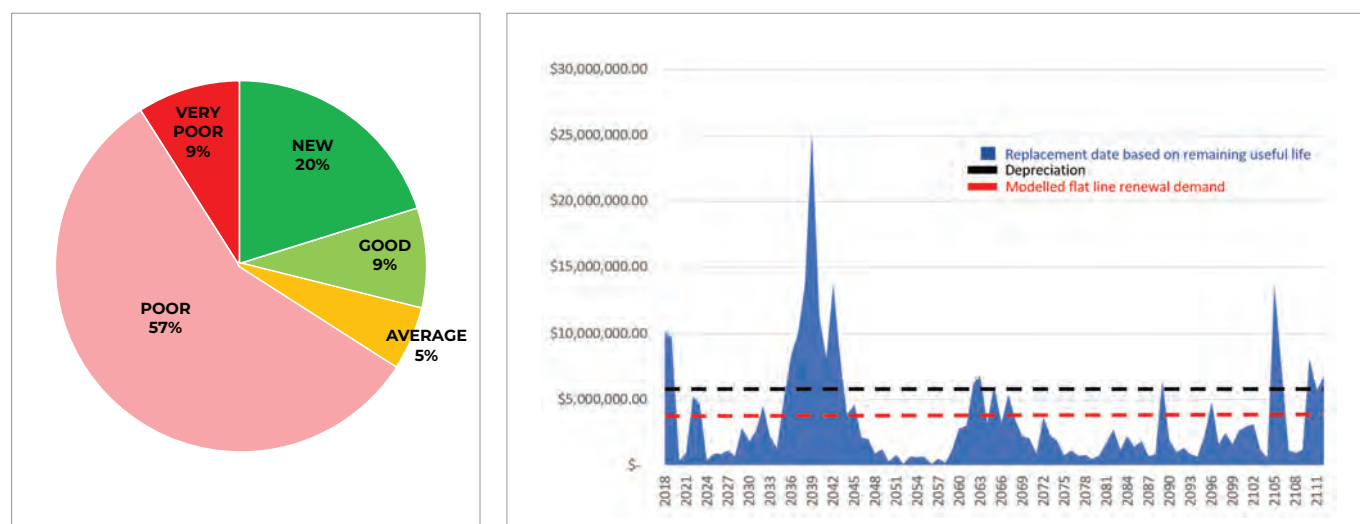


### Ageing Assets

The waste water network is relatively older and generally past halfway through its life. Approximately 9% of assets have reached the end of their expected life. As the assets continue to age they will deteriorate and require replacement.

Figure 25 illustrates the assumed distribution of condition and the expected renewals profile. A condition assessment programme is being implemented to gain information on the actual condition of assets which will lead to refinement of the renewals profile.

**Figure 25: Condition Summary Analysis & Renewal Demand Profile**



The wastewater pipe network in Rotorua dates from the late 1890's with the bulk of urban type reticulation and treatment occurred during the 1970's and the 1980's. 2010 saw the more recent expansions into lakeside communities. Anticipated network renewals in late 2030-40s highlight these renewal demand peaks after their 50 year theoretical lives. With aggressive soil and geothermal conditions in parts of Rotorua these expected lives may also vary.

Wastewater major renewals planned over the 30-year period with a total estimate of \$167.0million include:

- The Replacement of gravity main pipes accounting for 51% of all renewal expenditure
- Waste water treatment plant renewals accounting for 28% of all renewal expenditure
- Replacement of Pump stations accounting for 9% of all renewal expenditure

### Demand & Growth

There are no current demand issues. With the medium growth scenario forecasting RLC's population to grow by 14% over the next 30 years. Growth in accordance with the draft Spatial Plan will require the wastewater network to be extended and capacity increased to meet the projected demand. The existing system capacity is able to handle growth with the upgrades included in the optimised network renewals.

The wastewater infrastructure growth demand calculations have been based on the draft Spatial Plan and the required capacity upgrades are incorporated into the Infrastructure Strategy.

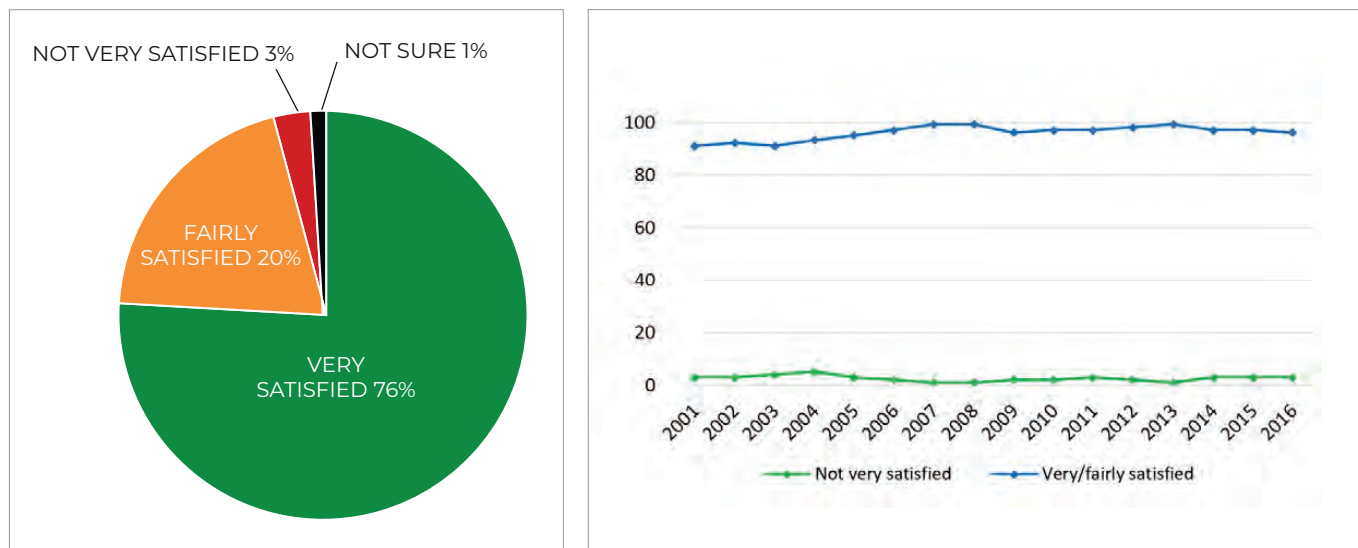
If the draft Spatial Plan is fully realised, the required wastewater infrastructure capacity upgrade programme will require a total funding of \$3.6M over the 30 year period.

The projected growth assumptions contain a degree of timing risk. Where the assumed timing of growth and land development deviates from the assumptions made in the Infrastructure Strategy, the programmes will be reviewed every three years and adjusted as necessary.

### Level of Service

From the levels of service perspective, wastewater is generally performing very well and targeted levels of service are being met. In terms of community expectations, wastewater is the highest scoring performing service provided by RLC. Wastewater satisfaction in the 2016 surveys resulted in 76% very satisfied, 20% fairly satisfied and 3% not satisfied. Customer satisfaction and overall satisfaction trending is illustrated in Figure 26.

**Figure 26: Wastewater Customer Satisfaction 2016 & Historical Trend**



The Infrastructure Strategy proposes that the high level of satisfaction linked to service reliability will be maintained through the implementation of level of service improvement projects and the application of appropriate planned and reactive service maintenance programmes.

**Public Health & Environment**

The wastewater asset portfolio is a major influencer to public health and the environment. The disposal of untreated or poorly treated wastewater in the natural environment produces pollution that is catastrophic for biodiversity and the quality of water resources.

There has been very limited spills and/or uncontrolled discharges from the wastewater network. All resource consent conditions were adhered to.

The upgrading of the central waste water treatment plant, will significantly reduce nitrogen, phosphorus and pathogens entering streams (tributaries) that feed the lake, improving the environment and lake quality. The increased capacity of the treatment plant will also cater for demand even during heavy rain events, thus mitigating overflows.

Public health risks will be also mitigated by no longer spraying and irrigating the forest via the previous treatment system. This will reduce the potential of airborne pathogens.

All of the sewerage schemes listed above will replace existing septic tanks. These schemes will contribute towards the improvement of lake water quality and mitigate public health risk.

**Asset Resilience**

The wastewater network is vulnerable to structural damage from earthquakes. RLC are undertaking activities to better understand vulnerability. Emergency response plans are being developed. A seismic vulnerability study is planned.

Where capital works are identified to improve resilience, these will be incorporated with other network improvements to avoid the need for separate additional investment.

Climate change is likely to increase the demand due to infiltration of rainwater and ground water that seeps into the sewerage system through defective pipes and joints. The increased treatment plant capacity and implementation of inflow/infiltration initiatives as part of the optimised network renewal program will minimise this risk.

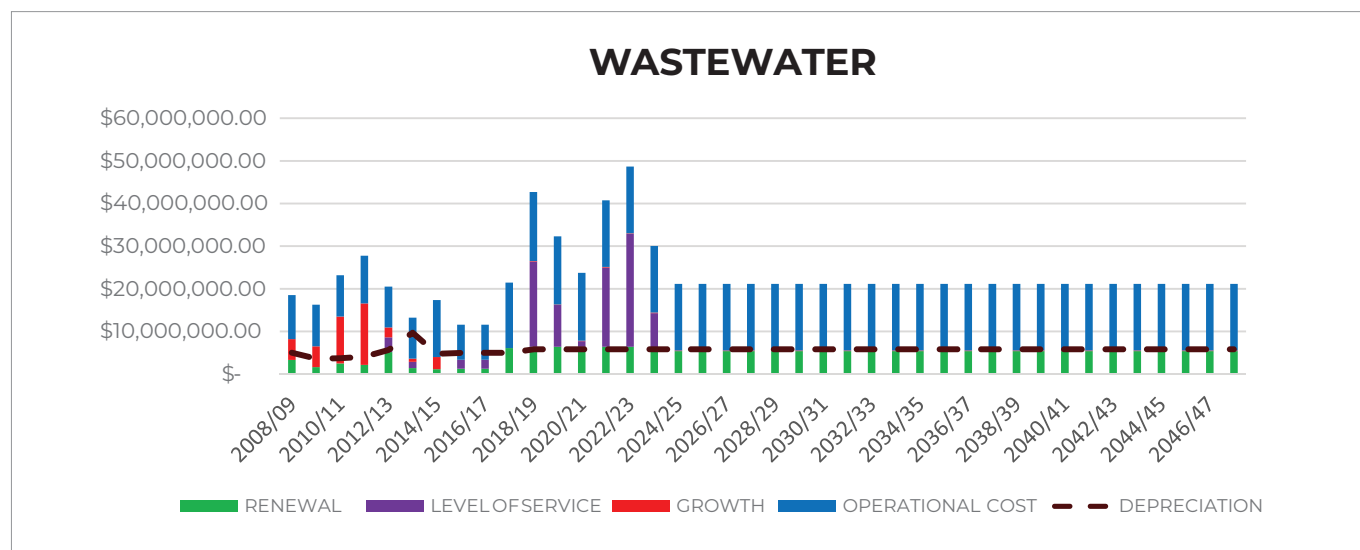
The level of service related projects over the next 30 years with a total budget of \$82.6million include:

- Upgrade of the existing Rotorua Wastewater Treatment Plant to a higher level of treatment that will improve lake water quality. The development of this project was strongly supported by the community.
- Rotorua/Rotoiti sewerage scheme that will replace existing septic tanks from the Rotoma and Rotoiti communities and improve lake water quality. The development of this project was strongly supported by the communities.
- Other community sewerage schemes (Rotoehu, Tarawera and Mamaku) that will replace existing septic tanks and improve lake water quality.

## Investment

For the total cumulative budget forecasts for wastewater covering the 30-year period, financial years 2018/19 to 2047/48 refer Figure 27 and Table 13. The budget has been developed to reduce peaks and troughs via adjustment of sequencing of major projects.

**Figure 27: Wastewater 2018-2048 Projected Capital Expenditure**



**Table 13: Financial Summary (Wastewater)**

ALL NUMBERS (1,000,000S)	2018 /19	2019 /20	2020 /21	2018/28	2018/48
	YEAR 1	YEAR 2	YEAR 3	10 YEARS	30 YEARS
Operational	\$16.2	\$16.0	\$15.9	\$157.5	\$470.2
Depreciation	\$5.8	\$5.8	\$5.8	\$57.9	\$173.7
Renewal	\$6.4	\$6.4	\$6.4	\$59.0	\$167.0
Levels of Service	\$20.0	\$9.8	\$1.3	\$85.1	\$85.1
Growth	\$0.1	\$0.1	\$0.1	\$1.2	\$3.6
Total Capital	\$26.5	\$16.3	\$7.8	\$145.3	\$255.7
Total*	\$42.7	\$32.3	\$23.7	\$302.8	\$725.9

Note: \* Exclusive of depreciation a noncash expense.

Key water supply significant expenditure decisions are summarised in Table 14.

**Table 14: Wastewater Significant Expenditure Decisions**

PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Aging Assets				
<p>ISSUE</p> <p>As the assets continue to age they will deteriorate and require replacement.</p> <p>OPTIONS</p> <p>1. Fully fund renewal demand as per straight line renewal demand modelling Cost = \$5.6 p.a., 30-year; \$167.0m Implication = reduced risk of asset failures, non-build-up of unfunded renewals renewal backlog. Target renewals will also improve capacity and resilience and reduce the risk overflows or service interruptions.</p> <p>2. Fund all historical unfunded renewal immediately. Cost = year 1 \$10.1m, 30-year; \$167.0m Implication: 2018/19 budget peak, unlikely to able to physically deliver works in 1 -year. (or fund that level of investment)</p> <p>3. Fund 80% fund renewal demand as per straight line renewal demand modelling Cost = \$4.5m, 30-year; \$133.6m Implication = unfunded renewal backlog of \$33.4m, increased risk of asset failure(s),</p> <p>4. Do nothing Cost = \$0 Implication = asset failures likely, unfunded renewal backlog of \$167.0m</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Fully fund renewal demand as per straight line renewal demand modelling Cost: \$5.6 p.a., 30-year; \$167.0m Justification: The rate of asset renewal is intended to maintain the overall condition of the asset system at a standard that ensures the community's investment is maintained over the long term achieving full financial sustainability. Targeting those assets with the highest consequence of failure (typically the larger pipes or pipes where failure could result in significant service interruption) and those with the highest likelihood of failure (older assets and pipes in geothermal areas). Renewals are also being targeted where they will address capacity or resilience issues. Implication = improved asset sustainability, reduced risk of asset failure(s), non-build-up of unfunded renewals renewal backlog Cost / Timing and Projects over the 30-year period:</p> <ul style="list-style-type: none"> <li>• Gravity main; 51% of renewals; \$85.17M</li> <li>• WWTP renewals; 28% of renewals; \$46.76M</li> <li>• Pump station renewals; 9% of renewals; \$15.03M</li> <li>• WWTP MBR renewals; 5% of wastewater renewals; \$8.35M</li> <li>• Other renewals; 7% of total wastewater renewals; \$11.69M</li> </ul>	✓	✓	
Issue / Risk: Maintaining / Improving Levels of service				
<p>ISSUES</p> <p>Sewerage scheme enhancements, e.g. Lakeside communities not previously connected. Increased pressure to reduce nutrients in effluent to lake.</p> <p>OPTIONS</p> <p>1. Improve levels of service Ave cost = \$2.8m p.a., 30-year; \$82.6m Implication = maintain current levels of service with some minimal improvements. Improve reliability and resilience of water supply and water.</p> <p>2. Maintain levels of service Cost = \$0 Implication = no reliability improvement, decreased in community levels of service satisfaction.</p> <p>3. Reduce level of service Cost = reduce operational budget, amount to be determined. Implication = understanding the limits of which cost could be reduced would require careful management or reduced water supply reliability, potential public health issues, potential environmental damage due to overflows, potential breach in legislation could result.</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Minimally improve levels of service Cost: \$2.8m p.a., 30-year; \$82.6m Justification: The rate of levels of service improvement is intended to improve the LOS of wastewater through implementation of community schemes and upgrading of the WWTP. Implication = Improve environmental impact of wastewater on the environment. Cost / Timing and Projects over the 30-year period: WWTP upgrade; Central; 2019-2021; \$35,000,000 Sewer schemes; Rotomā, Tarawera, Rotoehu and Mamaku; 2019-2022; \$62,700,000</p>		✓	✓

PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Demand and Growth				
<p>ISSUE</p> <p>Growth in accordance with the draft Spatial Plan will require the water supply network to be extended and will increase demand.</p> <p>OPTIONS</p> <p>1. Invest to meet growth demand Cost = \$0.1m p.a. on average, 30-year; \$3.6m Implication = maintain current levels of service with some minimal improvements. Improve reliability of water supply and water.</p> <p>2. Don't invest in growth Cost = reduce operational budget Implication. Implication = understanding the limits of which cost could be reduced would require careful management or reduced water supply reliability, potential injury(s) due to poor water quality, potential breach in legislation could result.</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Invest to meet growth demand Cost: \$0.1m p.a. on average, 30-year; \$3.6m</p> <p>Justification: Network upgrade expenditure will focus on targeted projects to address key network deficiencies and demand management.</p> <p>Implication = enable growth as per the Spatial Plan. Increase capacity of treatment plant.</p> <p>Cost / Timing and Projects over the 30-year period: Seismic vulnerability mitigation; district wide; 2019-2021; \$400,000 Miscellaneous network upgrades; district wide; 2019-2028; \$3,200,000</p>		✓	✓

## 6.4 STORMWATER

### General

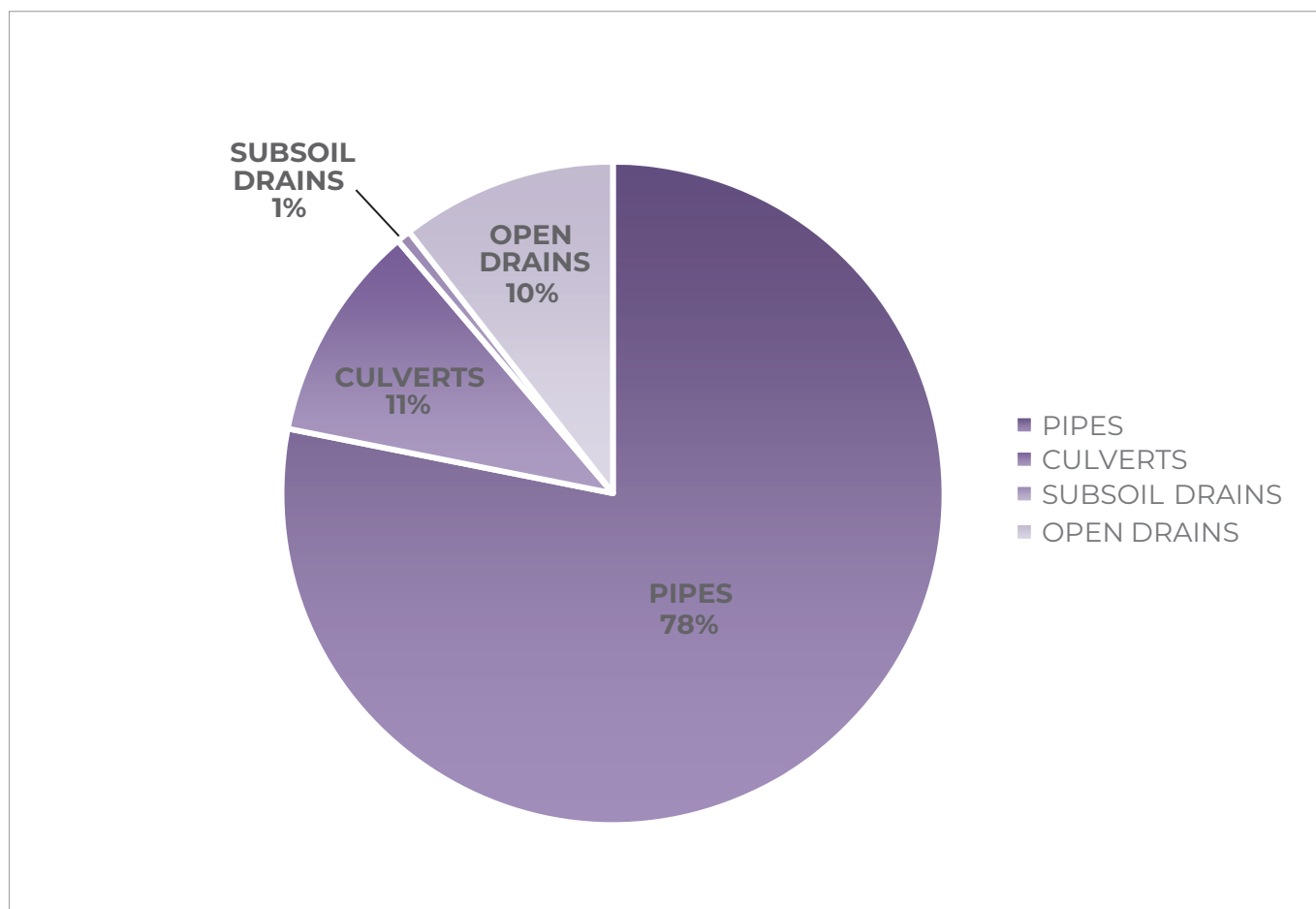
A summary of the stormwater services area is illustrated in Appendix F: Stormwater Services Area and Key Facilities. Stormwater service provides protection from flooding and wet weather events, while minimising the adverse effects of stormwater discharges to the lakes, streams and other water bodies of the District. 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.

The stormwater assets have a total replacement value of approximately \$203.6 million based on valuation as of 30 June 2015. Table 15 and Figure 34 outlines a high-level breakdown of Land Drainage and Stormwater asset owned by RLC via categorisation, quantities and financial data.

**Table 15: Rotorua Stormwater Valuation**

CURRENT REPLACEMENT COST	FAIR VALUE	USEFUL LIFE	AGE (AVG)	DEPRECIATION P.A.	CONSUMPTION
\$203.6m	\$106.1m	52 avg	35 avg	\$2.8m	48%

**Figure 28: Stormwater Major Asset Components By CRC**



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 onto the community’s wellbeing and property.

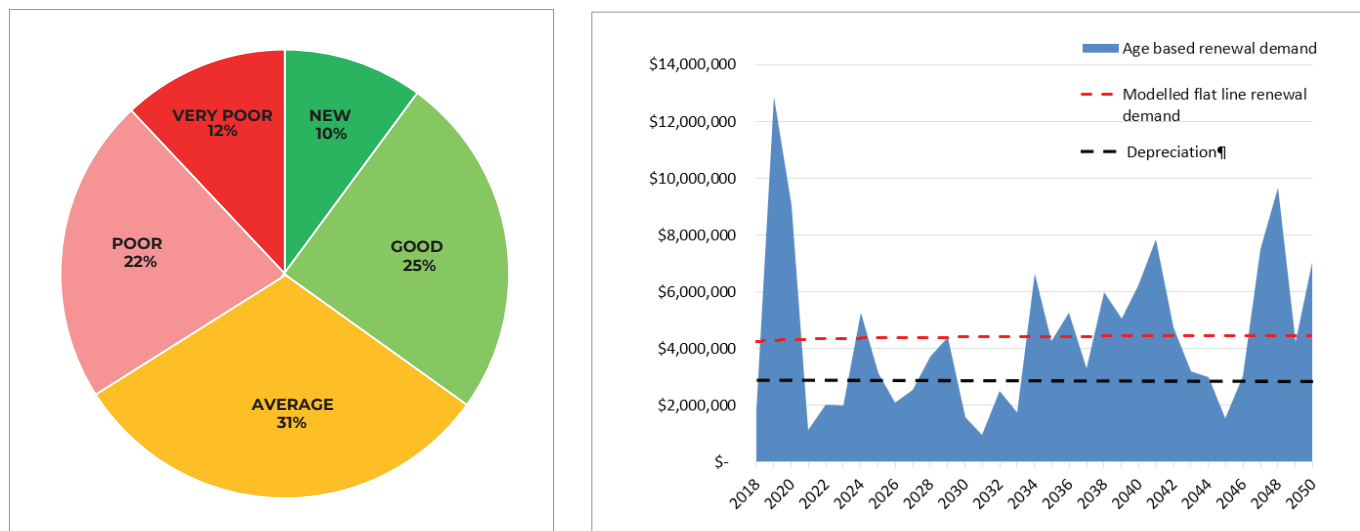
Not all flooding risk can be mitigated but the risks can be reduced. Flooding under extreme rainfall conditions cannot be reasonably avoided.

### Ageing Assets

The stormwater network is generally in average condition. 18% of assets have already reached the end of their expected life. As the assets continue to age they will deteriorate and require replacement. Figure 29 shows the assumed distribution of condition and the expected renewals profile based on age. A condition assessment programme is being implemented to gain information on the actual condition of assets which will lead to refinement of the renewals profile.



**Figure 29: Condition Summary Analysis & Renewal Demand Profile**



Stormwater network renewals planned over the 30- year period equals \$90.0 million, or an average of \$3.0 million per annum.

**Demand & Growth**

There are no current demand issues. With the medium growth scenario forecasting RLC’s population to grow by 14% over the next 30 years. Growth in accordance with the draft Spatial Plan will require the stormwater network to be extended and capacity increased to meet the projected demand.

The stormwater infrastructure growth demand calculations have been based on the draft Spatial Plan and the required capacity upgrades are incorporated into the Infrastructure Strategy.

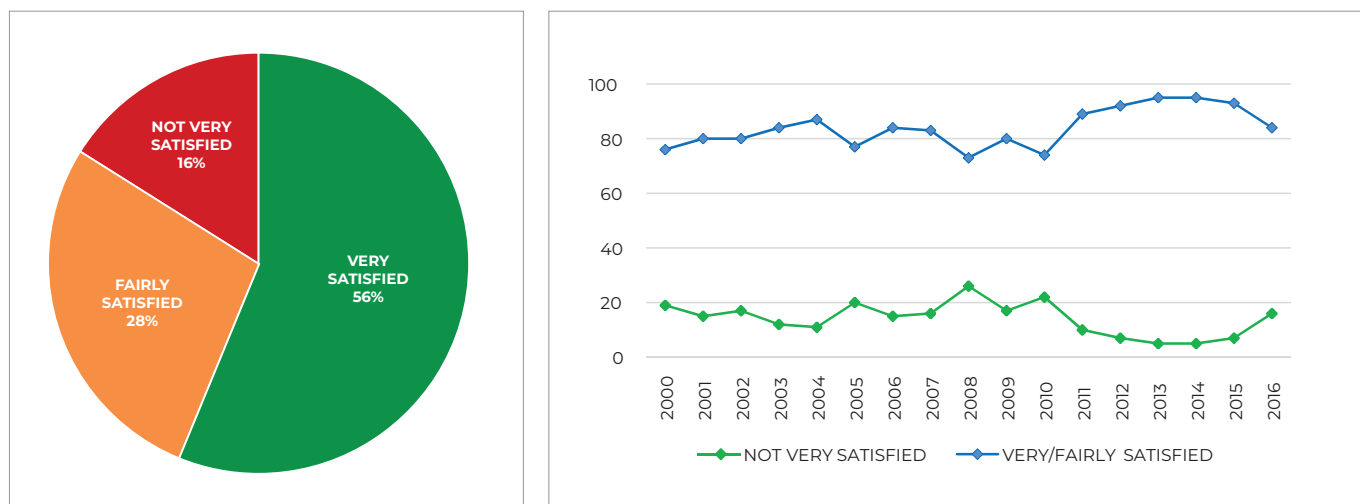
If the draft Spatial Plan is fully realised, the required stormwater infrastructure capacity upgrade programme will require a total funding of \$13.9 million over the 30 year period.

The projected growth assumptions contain a degree of timing risk. Where the assumed timing of growth and land development deviates from the assumptions made in the Infrastructure Strategy, the programmes will be reviewed every three years and adjusted as necessary.

**Levels of Service**

From a community satisfaction perspective, stormwater is generally performing well. Stormwater satisfaction in 2016 surveys indicated that 56% of customers are very satisfied, 28% fairly satisfied and 16% not satisfied. Customer satisfaction and overall satisfaction trending is also illustrated in Figure 36.

**Figure 28: Stormwater Major Asset Components By CRC**



**Figure 30: Stormwater Customer Satisfaction 2016 & Historical Trend**

The stormwater network has been developed over time during which design standards have nationally and internationally changed as the accepted level of risk exposure has been raised. The risk of flooding varies across the urban areas of the District, hence 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 in conjunction with the renewal programme. In the interim, better identification of surface flow paths will continue to be carried out to address the highest risks identified and where the appropriate early intervention will be implemented

Over the next few years hydraulic models of the stormwater catchments will be developed. These will enable RLC to drill down to the level of detail needed to make more informed capital investment and planning decisions.

The overall 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).

### Public Health & Environment

A comprehensive resource consent application for all urban stormwater discharges, has been submitted. It is likely that over time stricter water quality conditions will be enforced for discharges into the lakes and other receiving environments. However, at this stage it is expected that these changes can be accommodated without significant cost by including improvements into other planned works.

### Asset Resilience

The stormwater network is vulnerable to structural damage from earthquakes. In areas where liquefaction might occur pipes may be extensively damaged and liquefaction material may block pipes. Ash fall out from a volcanic event could block the stormwater system. RLC are undertaking activities to better understand vulnerability. Emergency response plans are being developed. Where capital works are identified to improve resilience, these will be incorporated with other network improvements to avoid the need for separate additional investment.

Climate change is likely to increase the intensity and frequency of heavy rainfall events. RLC has historically been affected by floods, e.g.; August 2012, August 2014 and recently in December 2017 rural and urban areas in the District were affected by floods in which a number of properties and various roads were flooded.

With climate change, heavy intense winter rainfalls are expected. The effect of climate change to the stormwater network need to be established and appropriate initiatives be identified in the next 3 years.

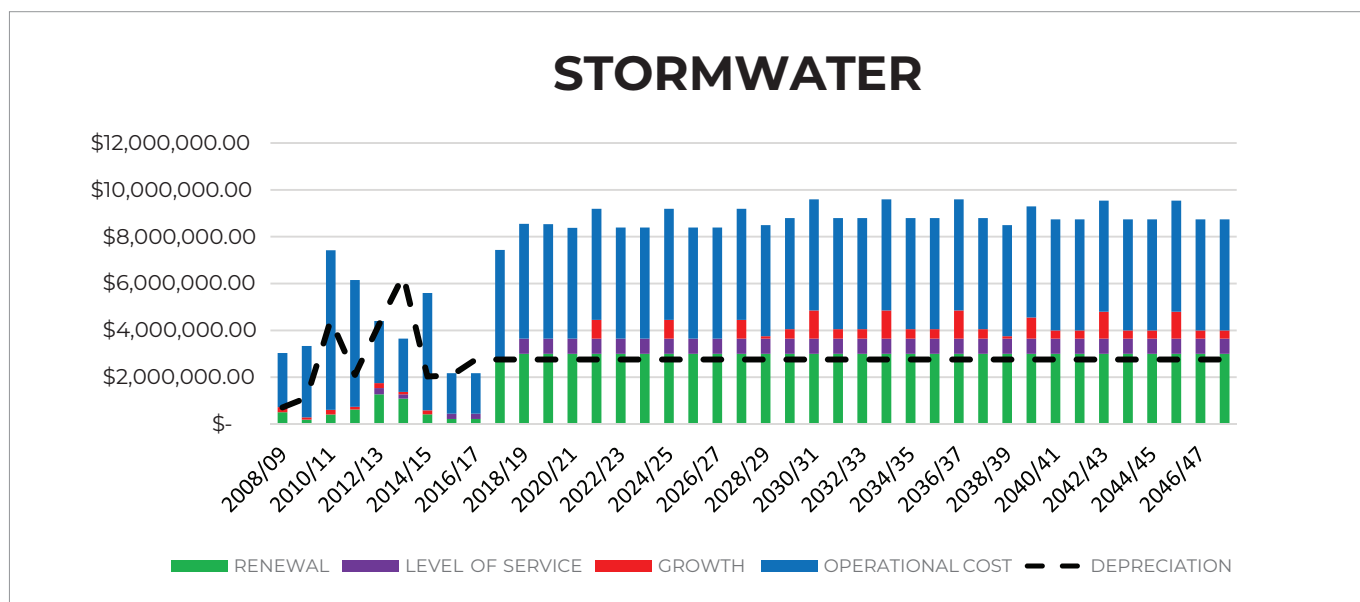
The level of service related projects over the next 30 years with a total budget of \$19.5million include:

- Catchments modelling
- Flood mitigation works
- Seismic vulnerability mitigations projects

### Investment

The financial forecast summary for investment on the stormwater network is shown in Figure 31 and Table 16. The budget has been developed to reduce peaks and troughs via adjustment of sequencing of key stormwater projects.

Figure 31: Stormwater 2018-2048 Projected Capital Expenditure



**Table 16: Stormwater Financial Summary**

ALL NUMBERS (1,000,000S)	2018 /19	2019 /20	2020 /21	2018/28	2018/48
	YEAR 1	YEAR 2	YEAR 3	10 YEARS	30 YEARS
Operational	\$4.9	\$4.9	\$4.7	\$47.7	\$142.6
Depreciation	\$2.8	\$2.8	\$2.8	\$27.5	\$82.5
Renewal	\$3.0	\$3.0	\$3.0	\$30.0	\$90.0
Levels of Service	\$0.7	\$0.7	\$0.7	\$6.5	\$19.5
Growth	\$0.0	\$0.0	\$0.0	\$2.4	\$13.9
<b>Total Capital</b>	<b>\$3.7</b>	<b>\$3.7</b>	<b>\$3.7</b>	<b>\$38.9</b>	<b>\$123.4</b>
<b>Total*</b>	<b>\$8.5</b>	<b>\$8.5</b>	<b>\$8.4</b>	<b>\$86.6</b>	<b>\$266.0</b>

Note\* Exclusive of depreciation a noncash expense.

Key water supply significant expenditure decisions are summarised in Table 17.

**Table 17: Stormwater Strategic Improvement Plan**

PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Aging Assets				
<p>ISSUE</p> <p>As the assets continue to age they will deteriorate and require replacement.</p> <p>OPTIONS</p> <ol style="list-style-type: none"> <li>Fully fund renewal demand as per straight line renewal demand modelling Cost = \$3.0m p.a., 30-year; \$90.0m Implication = improved asset sustainability, resilience, reduced risk of asset failure(s), non-build-up of unfunded renewals renewal backlog.</li> <li>Fund all historical unfunded renewal immediately. Cost = year 1 \$12.7m, 30-year; \$90.0m Implication: 2018/19 budget peak, unlikely to able to physically deliver works in 1-year. (or fund that level of investment)</li> <li>Fund 80% fund renewal demand as per straight line renewal demand modelling Cost = \$2.4m, 30-year; \$72.0m Implication = unfunded renewal backlog of \$18m, increased risk of asset failure(s).</li> <li>Do nothing Cost = \$0 Implication = asset failures likely, unfunded renewal backlog of 90.0m</li> </ol>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Fully fund renewal demand as per straight line renewal demand modelling Cost: \$3.0 p.a, 30-year; \$90.0m</p> <p>Justification: The rate of asset renewal is intended to maintain the overall condition of the asset system at a standard that ensures the community's investment is maintained over the long term achieving full financial sustainability.</p> <p>Implication = improved asset sustainability, reduced risk of asset failure(s), non-build-up of unfunded renewals renewal backlog</p> <p>Cost / Timing and Projects over the 30-year period: Stormwater network renewals; \$90.0m</p>	✓		
Issue / Risk: Maintaining / Improving Levels of service				
<p>ISSUE:</p> <p>There are some urban areas that are prone to surface flooding in heavy rain events, due to constrictions in the piped network or open watercourses. Improving resilience. Maintaining and improving levels of service.</p> <p>OPTIONS</p> <ol style="list-style-type: none"> <li>Progressively improve levels of service by upgrading assets when they require renewal and undertaking targeted capacity improvements. Cost = \$0.65 p.a., 30-year; \$19.5m Implication = maintain current levels of service, focussing capacity improvements on areas where flooding will have the greatest impact and those sections of the network which are due for renewal. Improvements under this option will target protection of residential buildings from flooding in a 1 in 50-year event. Flooding will still occur in other areas.</li> <li>Maintain levels of service Cost = \$0 Implication = no reliability improvement, decreased in community levels of service satisfaction.</li> <li>Reduce level of service Cost = reduce operational budget, amount to be determined. Implication = Doing nothing will result in a higher level of flood risk than the community considers appropriate.</li> </ol>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Minimally improve levels of service Cost: \$0.65m p.a., 30-year; \$19.5m</p> <p>Justification: The rate of levels of service improvement is intended to maintain legislated water quality requirements with incremental reliability improvements.</p> <p>Implication = maintain current levels of service with some minimal improvements. Improve reliability of water supply and water.</p> <p>Cost / Timing and Projects over the 30-year period: Selwyn-Larcy Rd Open Drain upgrades; 2018; \$80,000 Resource consent renewals; 2018; \$25,000 Stormwater catchment modelling; 2018 to 2028; \$250,000 Flood mitigation projects; 2018 to 2028; \$6,090,000 Seismic vulnerability mitigation programme; 2018 to 2021; \$60,000.</p>		✓	✓

PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Demand and Growth				
<p>ISSUE</p> <p>Growth in accordance with the draft Spatial Plan will require the stormwater network to be extended and will increase flows. Some sections of the existing network may not be able to accommodate the increased flows. The frequency and extent of flooding will increase if these sections are not upgraded.</p> <p>OPTIONS</p> <p>1. Invest to meet growth demand Cost = \$463,000 p.a. on average, 30-year; \$13.9m Implication = stormwater infrastructure will be in place to accommodate growth envisaged in draft Spatial Plan</p> <p>2. Partially (50%) invest in growth Cost = \$232,000 30-year; \$6.95m Implication = some areas may not be able to be developed. If development does proceed there may be an increased risk of flooding in downstream areas.</p> <p>3. Don't invest in growth Cost = reduce operational budget Implication. Implication = areas may not be able to be developed. If development does proceed there may be an increased risk of flooding in downstream areas.</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Invest to meet growth demand</p> <p>Network upgrade expenditure will focus on targeted projects to address key network deficiencies and demand management.</p> <p>Cost: \$463,000 p.a. on average, 30-year; \$13.9m</p> <p>Justification: Incremental capacity increases in accordance to Spatial plan to new developments. Upgrades to stormwater schemes at bottle necks and critical nodes. Network upgrade expenditure will focus on targeted projects to address key network deficiencies and demand management.</p> <p>Implication = Enable growth as per the Spatial Plan. Increase capacity of treatment plant.</p> <p>Cost / Timing and Projects over the 30-year period</p> <p>Selwyn-Larcy Road Stormwater management system; 2018; \$400,000</p> <p>Collie Drive Subdivision; 2018 to 2020; \$930,000</p> <p>Refurbishment of existing bund or Upgrade by raising at Linton Park Detention Pond; 2020; \$50,000</p> <p>Potential issues with Western Road subdivision; 2018-19; \$100,000</p> <p>Three new subdivision at Te Waeranga- Unsworth and Vaughan RD- Vaughan RD- Lake Front; 2018 to 2020; and Te Waeranga- Unsworth; 2020; \$687,500</p> <p>Hydraulic modelling of a variety of catchments and flood mitigation works; 2018 to 2048; 3,798,000</p> <p>Peka Block SW system development; 2020-21; \$150,000</p> <p>New ponds, pipes, and drains; 2021 to 2028; \$7,000,000</p>		<p>✓</p>	<p>✓</p>

## 6.5 TRANSPORT

### General

RLC is responsible for transport infrastructure to communities within the district as legislated under the Local Government Act and Land Transport Management Act (exclusive of highways). RLC provides a transport service focused on delivering safe, effective and efficient movement of people and goods. This includes roads and paths for private travel, public transport, cycling and walking.

Rotorua is a key transport node in the central North Island, connecting industry, and commercial business with the Port of Tauranga. Rotorua is a major tourist destination with approximately 10,000 visitors per day, and provides tourism links to Taupo, Waikato and Auckland.

RLC assets associated with transport infrastructure include:

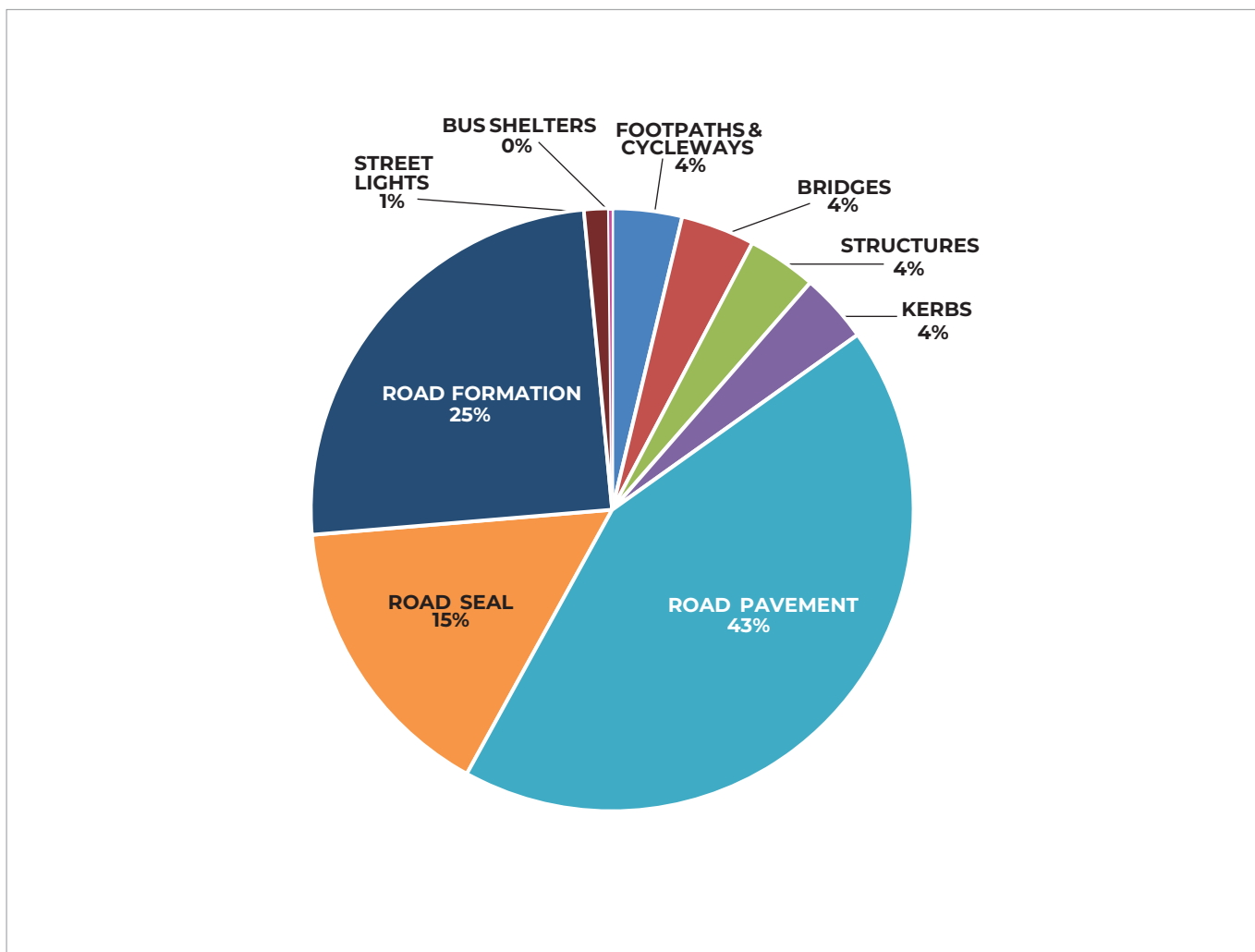
- 1,003km of roads (134km unsealed).
- 3,500 culverts.
- 5,000 streetlights
- Retaining walls.
- 86 bridges.
- 666km of footpaths and cycleways.

The transport assets have a total replacement value of approximately \$437.1 million based on valuation exclusive of land as of 30 June 2015. Table 15 and Figure 38 outlines a high-level breakdown of Transport asset owned by RLC via categorisation, quantities and financial data.

**Table 18: Rotorua Stormwater Valuation**

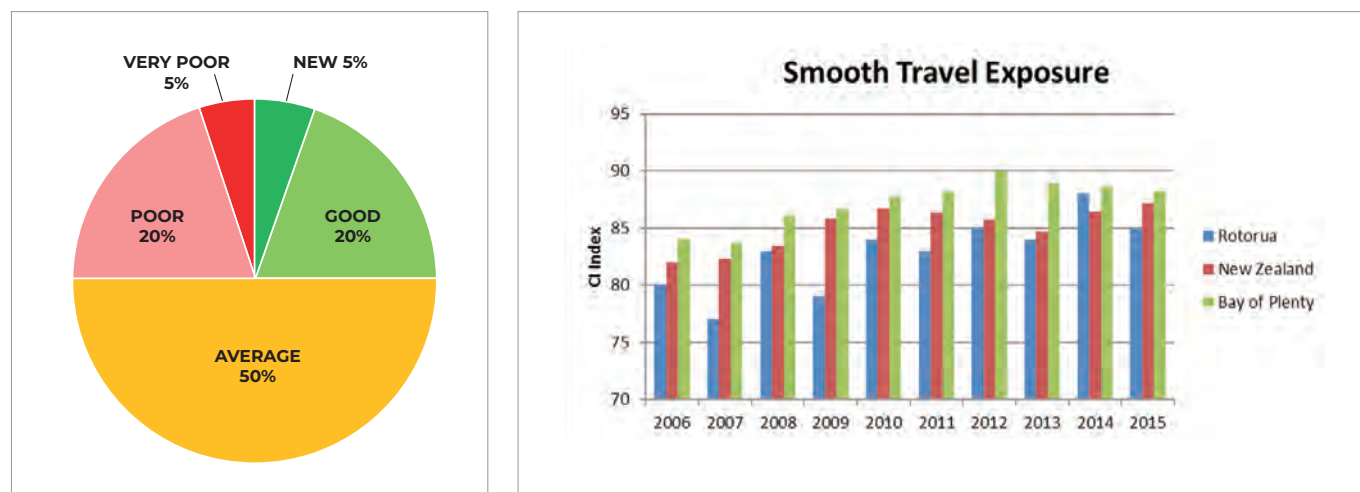
CURRENT REPLACEMENT COST	FAIR VALUE	USEFUL LIFE	AGE (AVG)	DEPRECIATION P.A.	CONSUMPTION
\$437.1m	\$326.7	variable	variable	\$7.5m	75%

**Figure 32: Transport Major Asset Components by Current Replacement Cost**



## Ageing Assets

The transport network is generally in average condition when compared nationally. As the assets continue to age they will deteriorate and require replacement. Figure 29 shows the indicative distribution of condition the and condition index of pavements. A condition index is a national measure of the general condition of a pavement. The NZTA performance target is >98%. RLC's performance is better than the specified target and consistent with peer group performances.



**Figure 33: Transport Asset Condition & Smooth Travel Exposure**

Other NZTA national measures indicate that Rotorua is performing above all target limits.

RLC will continue to instigate regular condition surveys and implement an appropriate and evidenced based renewal programme to ensure the transport assets are maintained, replaced or developed over the long term to meet required delivery standards and foreseeable future needs at reasonable cost.

## Demand & Growth

The existing local road transport network is in general capable of managing the expected growth. However, linkages to the existing network for new development as currently approved in the District Plan and likely to be required in the draft Spatial Plan currently under consultation will require funding and it is essential that funding is available to support various development proposals as they are implemented.

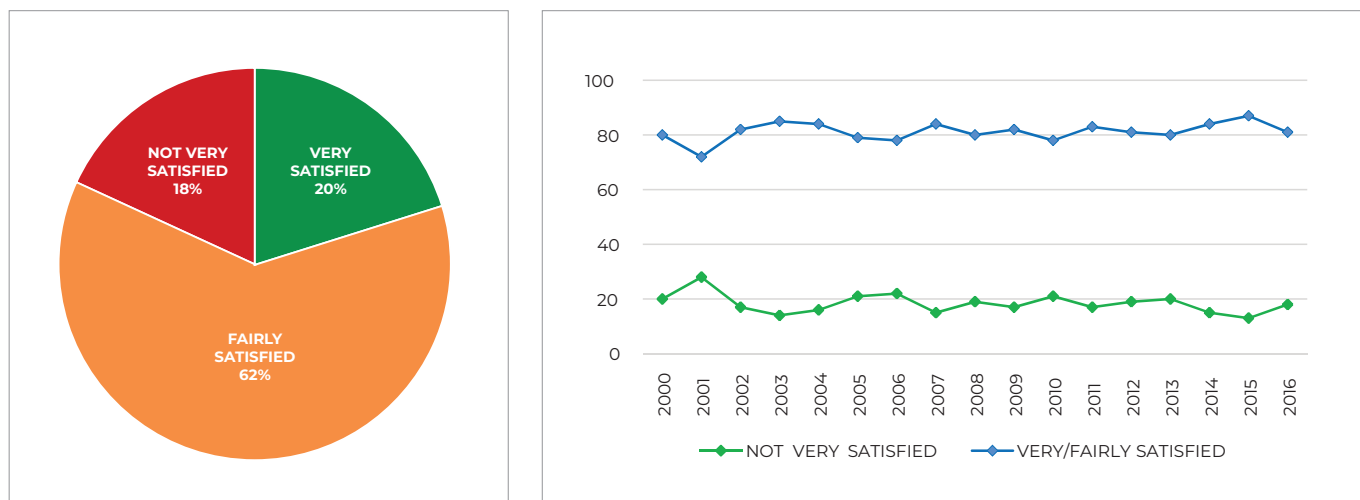
Impacts of new development will be assessed using the Rotorua Traffic Model. The model will be updated in detail following the release of census data and adoption of the draft Spatial Plan.

Growth projects planned in this Infrastructure Strategy are focussed on 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. The funding of these transport growth projects will be taken from the Long Term Plan Central Capital Funding Pool of the RLC. These projects therefore were not included in the financial investment summary of this IS.

### Level of Service

From the levels of service perspective, transport is generally performing at an acceptable level with targeted levels of service being met in 2016/17. Roothing satisfaction in 2016 surveys resulted in 20% very satisfied, 62% fairly satisfied and 18% not satisfied. Customer satisfaction and overall satisfaction trending is illustrated in Figure 34. Overall satisfaction is stable.

**Figure 34: Transport Customer Satisfaction 2016 & Historical Trend**



The roll out of the national One Network Road Classification (ONRC) measures for road customer and road asset standards along with performance reporting realigns levels of service measures with increased focus on safety. Improvements are planned to improve safety particularly at crash risk zones. Refer to Appendix G: Transport Levels of Service Safety – Crash Data.

The level of service related projects over the next 30 years with a total budget of \$74.1million include:

- Rural street improvement and seal extensions
- Urban street improvements and underground services
- Amenity lighting
- Maori Roadlines and unformed roads
- Malfroy / Old Taupo Road improvements

### Public Health & Environment

Sustainable transport initiatives are underway to promote greater use of walking and cycling as an alternative mode of transport in addition to activities to promote greater use of public transport with the upgrade of bus shelters.

Upgrade projects are planned for key intersections to improve safety and reduce traffic congestion whilst seal road extensions will improve safety and reduce dust suppression for identified unsealed roads.

Maintenance and renewals of sealed roads will improve roughness and reduce defects and improve journey experience.

### Asset Resilience

Transport resilience is focused on preserving and restoring access quickly to the transport network during unexpected disruptive events. The current response plan will be reviewed taking into consideration lessons learned from the 2016 Kaikoura earthquake that resulted in the township being cut off and severe disruption to State Highway 1 the primary South Island freight route. This is critically important considering that the RLC road network provides a key detour route for State Highways within the district when they may be unavailable.

RLC in general has a resilient network that provides alternative transport corridors should an incident or event result in road closure. The one corridor with no alternative route, that potentially could impact on a considerable number of people, is Tarawera Road serving Lake Okareka and Lake Tarawera communities.

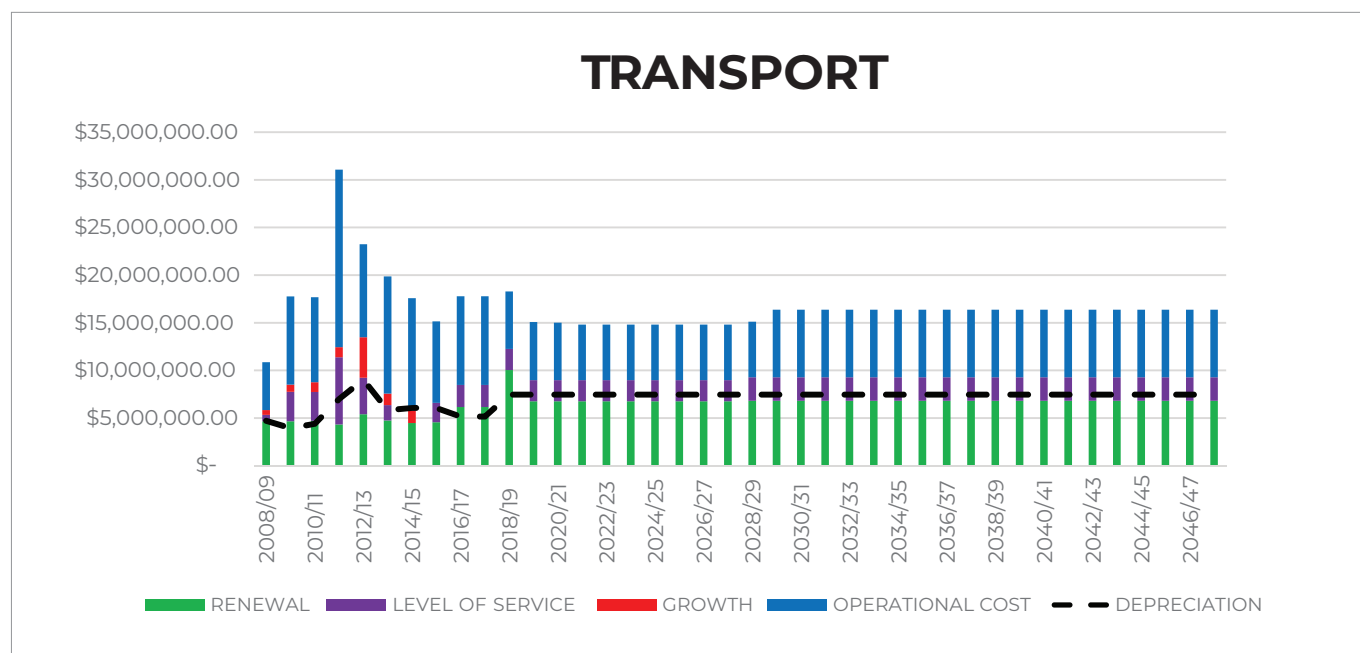
Transport drainage including surface water channels, kerbs, culverts and sumps are affected by climate change projections. As stated in the stormwater section, climate change projections predict heavy intense winter rainfalls to occur more frequently in the next 30 years. This means that that transport drainage may likely require upgrades. The stormwater flood study and catchment modelling will inform future plans.



## Investment

The total cumulative budget forecasts for transport covering the 30-year period, financial years 2018/19 to 2047/48 are summarised in Figure 35 and Table 23.

**Figure 35: Long Term Financial Plan (Transport)**



**Table 19: Financial Summary (Transport)**

ALL NUMBERS (1,000,000'S)	2018 /19	2019 /20	2020 /21	2018/28	2018/48
	YEAR 1	YEAR 2	YEAR 3	10 YEARS	30 YEARS
Operational	\$6.0	\$6.1	\$6.0	\$59.0	\$199.5
Depreciation	\$7.5	\$7.5	\$7.5	\$74.6	\$223.7
Renewal	\$10.0	\$6.8	\$6.8	\$70.8	\$203.4
Levels of Service	\$2.2	\$2.2	\$2.2	\$22.2	\$74.1
Growth	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Capital	\$12.3	\$9.0	\$9.0	\$93.0	\$277.5
Total*	\$18.3	\$15.1	\$15.0	\$152.0	\$477.1

Note\* Exclusive of depreciation a noncash expense.

Key transport supply significant expenditure decisions are summaries in Table 24.

**Table 20: Transport Significant Expenditure Decisions**

PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Aging Assets				
<p>ISSUE</p> <p>As the assets continue to age they will deteriorate and require replacement.</p> <p>OPTIONS</p> <ol style="list-style-type: none"> <li>Fully fund renewal demand as per straight line renewal demand modelling Cost = \$6.8 p.a, 30-year; \$203.4m Implication = improved asset sustainability, resilience, reduced risk of asset failure(s), non-build-up of unfunded renewals renewal backlog.</li> <li>Fund all historical unfunded renewal immediately. Cost = year 1 estimated at \$15.5m, 30-year; \$203.4m Implication: 2018/19 budget peak, unlikely to able to physically deliver works in 1 -year. (or fund that level of investment)</li> <li>Fund 80% fund renewal demand as per straight line renewal demand modelling Cost = \$5.4m, 30-year; \$162.7m Implication = unfunded renewal backlog of \$40.7m, increased risk of asset failure(s),</li> <li>Do nothing Cost = \$0 Implication = asset failures likely, unfunded renewal backlog of \$203.4m</li> </ol>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Fully fund renewal demand as per straight line renewal demand modelling Cost: \$6.8m p.a, 30-year; \$203.4m</p> <p>Justification: The rate of asset renewal is intended to maintain the overall condition of the asset system at a standard that ensures the community’s investment is maintained over the long term achieving full financial sustainability.</p> <p>Implication = improved asset sustainability, reduced risk of asset failure(s), non-build-up of unfunded renewals renewal backlog</p> <p>Cost / Timing and Projects over the 30-year period:</p> <ul style="list-style-type: none"> <li>Road Pavement Reseals; 2018-28; \$89.4m</li> <li>Road Pavement Rehabilitations; 2018-28; \$60.3m</li> <li>Drainage Systems (Culverts, kerbs and sumps); \$8.3m</li> <li>Footpaths; 2018-28; \$15m</li> <li>Bridges (and structures); 2018-28; \$8.4m</li> <li>Streetlights; 2018-28; \$8.2m</li> </ul>	✓		
Issue / Risk: Maintaining / Improving Levels of service				
<p>ISSUE</p> <p>Community survey results indicate that community levels of service expectation are not high for roads, parking and pathways. Improving journey experience and safety. Improving asset resilience. Maintaining and improving levels of service.</p> <p>OPTIONS</p> <ol style="list-style-type: none"> <li>Minimally improve levels of service Cost = \$2.5m p.a., 30-year; \$74.1m Implication = maintain current levels of service with some minimal improvements. Improve safety and journey experience.</li> <li>Maintain levels of service Cost = \$0 Implication = no levels of service improvement, decreased in community levels of service satisfaction over time. No safety improvement.</li> <li>Reduce level of service Cost = reduce operational budget, amount to be determined. Implication = understanding the limits of which cost could be reduced would require careful management or reduced water supply reliability, potential safety issues with injury(s).</li> </ol>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Minimally improve levels of service Cost: \$2.5m p.a., 30-year; \$74.1m</p> <p>Justification: The rate of levels of service improvement is intended to minor incremental improvement with focus on safety.</p> <p>Implication = maintain current levels of service with some minimal improvements. Improve reliability of water supply and water.</p> <p>Projects over the 30-year period:</p> <p>Various improvements; Road, intersection, traffic light, parking and pathways upgrades to mitigate congestion and improve safety.</p> <p>Rural Seal extensions to improve safety.</p>		✓	✓

PRACTICAL OPTIONS	IMPLICATIONS / DECISION (COST AND TIMING)	RENEWAL	LOS	GROWTH
Issue / Risk: Demand and Growth				
<p>OPTIONS</p> <p>1. Invest to meet growth demand\            Cost = \$0.5 p.a. on average, 30-year; \$15.0m*            Implication = Growth in accordance with the draft Spatial Plan will require the transport network to be extended and upgraded. Some sections of the existing road network may not be able to accommodate the increased traffic resulting in potential increase safety risks and or congestion.</p> <p>2. Partially (50%) invest in growth            Cost = \$0.25m, 30-year; \$7.5m            Implication = no reliability improvement, decreased in community levels of service satisfaction.</p> <p>3. Don't invest in growth            Cost = reduce operational budget Implication.            Implication = understanding the limits of which cost could be reduced would require careful management or reduced water supply reliability, potential injury(s) due to poor water quality, potential breach in legislation could result.</p>	<p>RECOMMENDED OPTION</p> <p>Option: 1: Invest to meet growth demand            Network upgrade expenditure will focus on targeted projects to address key network deficiencies and demand management.            Cost: \$0.5 p.a. on average, 30-year; \$15.0m*            Justification: Incremental capacity increases in accordance to Spatial plan to new developments. Network upgrade expenditure will focus on targeted projects to address safety.</p> <p>Implication = Enable growth as per the Spatial Plan. Increase capacity of treatment plant.</p> <p>Cost / Timing and Projects over the 30-year period:            Various urban improvements; road, intersection, traffic light, parking and pathways upgrades to mitigate congestion and public health risk.            Various rural improvements; road, intersection, traffic light, parking and pathways upgrades to mitigate congestion and public health risks</p> <p><b>*The funding of these transport growth projects will be taken from the Long Term Plan Central Capital Funding Pool of the RLC. These projects therefore were not included in the financial investment summary of this IS</b></p>		✓	✓

## Assumptions

DESCRIPTION	ASSUMPTION	RISK* *(BASED ON INFRASTRUCTURE STRATEGY REVISED IN 3 YEARS' TIME)
Asset lives	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.	<p>Level of Uncertainty: Low</p> <p>Potential Impact: Asset require renewal either earlier or later than planned resulting in either increased or decreased renewal investment requirements.</p> <p>Risk Level: Likelihood: likely, Consequence: Major, Overall Risk: Medium</p> <p>Mitigation: Undertaking condition assessments and robust renewal modelling.</p>
Asset Revaluations	No revaluation changes are applied, no allowance has been made for depreciation increases.	<p>Level of Uncertainty: Low</p> <p>Potential Impact: Asset may be under or over estimated in value and depreciation. Thus renewal demand may be inaccurate. No allowance has been allowed for new assets increasing depreciation.</p> <p>Risk Level: Likelihood: Almost certain, Consequence: Major, Overall Risk: High.</p> <p>Mitigation: LTP will require depreciation modelling increases.</p>
Climate change	The impacts of climate change are modelled on the medium forecast estimates.	<p>Level of Uncertainty: Low.</p> <p>Potential Impact: There effects of climate change are much greater than anticipated resulting in earlier than planned infrastructure upgrades.</p> <p>Risk Level: Likelihood: Possible, Consequence: Low, Overall Risk: Minor</p> <p>Mitigation: Engineering studies to examine extent of impacts for planning.</p>
Funding Strategy	<p>Derived from AMP's 7 years of historical financial data trending. 30 years of future financial forecasts with:</p> <ul style="list-style-type: none"> <li>• Forward 1st year is to ±10% accuracy.</li> <li>• Forward years 2-3 are to ±20% accuracy.</li> <li>• Forward years 4-10 are to ±30% accuracy.</li> <li>• Forward years 10-30 are to ±40% accuracy.</li> </ul>	<p>Level of Uncertainty: Medium</p> <p>Potential Impact: Funding strategy inaccurate.</p> <p>Risk Level: Likelihood: Possible, Consequence: Medium, Overall Risk: Medium.</p> <p>Mitigation: Implementation of budgeting framework and process.</p>
Growth	Growth is projected based on the median growth scenario.	<p>Level of Uncertainty: Low.</p> <p>Potential Impact: Demand and growth is higher than planned resulting in growth projects being brought forward earlier than scheduled.</p> <p>Risk Level: Likelihood: possible, Consequence: low, Overall Risk: Minor</p> <p>Mitigation: Monitor growth and revise predations.</p>
Inflation	No inflation has been applied.	<p>Level of Uncertainty: Low.</p> <p>Potential Impact: Expenditure strategy is underestimated due to no inflation allowance; funding's requirements will increase, but will be largely offset by rates resulting in likely minimal consequence.</p> <p>Risk Level: Likelihood: almost certain, Consequence: minor, Overall Risk: Minor.</p> <p>Mitigation: LTP will require inflation application.</p>
Levels of Service	Investment in infrastructure will be set at a level that retains and maintains existing levels of service and meet demand from growth.	<p>Level of Uncertainty: Low.</p> <p>Potential Impact: The investment for levels of service project and operational expenses are higher or lower than expected.</p> <p>Risk Level: Likelihood: Unlikely, Consequence: Minor, Overall Risk: Low</p> <p>Mitigation: LOS changes are managed via the LOS Framework.</p>
Local natural disasters	There will be no significant natural disaster.	<p>Level of Uncertainty: High.</p> <p>Potential Impact: There could be a significant natural disaster that is in Rotorua or close enough to Rotorua to have a major impact on our levels of service and expenditure.</p> <p>Risk Level: Likelihood: possible, Consequence: extreme, Overall Risk: Very High</p> <p>Mitigation: Resilience projects and programmes. RLC self-insured / insured?</p>

## Assumptions (continued)...

DESCRIPTION	ASSUMPTION	RISK* *(BASED ON INFRASTRUCTURE STRATEGY REVISED IN 3 YEARS' TIME)
National Standards	The infrastructure standards, regulation and legislation will remain constant with no major changes.	<p>Level of Uncertainty: Medium</p> <p>Potential Impact: New standards, regulation and legislation requirement increased investment in infrastructure.</p> <p>Risk Level: Likelihood: Likely, Consequence: Minor, Overall Risk: Moderate</p> <p>Mitigation: Monitoring of industry for trends for early detection.</p>
Resource consents	All necessary consents will be granted when required with reasonable conditions.	<p>Level of Uncertainty: High</p> <p>Potential Impact: Consents will take longer to be granted than planned. Conditions 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.</p> <p>Risk Level: Likelihood: Likely, Consequence: Medium, Overall Risk: Moderate</p> <p>Mitigation: Plan consent renewal well in advance with key stakeholders.</p>
Structure of local government	There are no clear or agreed scenarios within the Bay of Plenty Regional Council. No change is assumed.	<p>Level of Uncertainty: Medium</p> <p>Potential Impact: The structure of the RLC may change with potential amalgamation or boundary changes and or shared services agreements could be entered. If this occurred investments strategies will change. Even discussion of potential changes can alter investment strategies.</p> <p>Risk Level: Likelihood: Unlikely, Consequence: Medium, Overall Risk: Low</p> <p>Mitigation: Monitoring of local government for trends for early detection and regular communication with Regional Council.</p>
Spatial Plan	The Spatial Plan advises the priority for investment in new infrastructure growth. No change to the Spatial Plan or growth defined in it. Growth for infrastructure needs are defined.	<p>Level of Uncertainty: High.</p> <p>Potential Impact: Growth funding strategies are inaccurate.</p> <p>Risk Level: Likelihood: Possible, Consequence: High, Overall Risk: High.</p> <p>Mitigation: Monitoring of local government for trends for early detection.</p>
Subsidies and grants	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.	<p>Level of Uncertainty: Medium.</p> <p>Potential Impact: 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.</p> <p>Risk Level: Likelihood: Possible, Consequence: Medium, Overall Risk: Moderate</p> <p>Mitigation: Monitoring of for trends for early detection, long term financial planning.</p>

## 8.0 INFRASTRUCTURE ASSET MANAGEMENT IMPROVEMENT PROGRAMME

An independent review of Council's Asset Management Practice was conducted in November 2015 (refer to Appendix C: Asset Management Maturity Assessment). The assessment established that RLC's Infrastructure Asset Management maturity is at core competence level. This indicates that RLC is meeting its statutory reporting requirements.

RLC is committed to a continuous asset management improvement and maintain its core maturity level in the short term with an aspiration to progress to an advanced level in the long term.

RLC's Asset Management Plans identify a number of strategies and improvement required across all asset portfolios. The aim is (during the life of this Strategy) to address issues in the current asset management environment and to position Council to reach its desired state of asset management practice.

These strategies include:

- Improving the maturity of asset information
- Systematic conditioning assessment to improve our evidence based knowledge on the condition of buried piped networks which currently is not as advanced as that of surface assets
- Improving targeted maintenance tactics
- Enhancing works management systems to maximise efficiencies
- Improving renewal modelling for future budgeting

The details of the improvement projects and their corresponding implementation costs are identified in the asset management plans.

Funding of the identified improvement projects are included in the operational costs for each asset class.

## 9.0 APPENDIX

### Appendix A: IS Legislative / Audit Requirements and Relevant Sections

A long-term Infrastructure Strategy is a legislative requirement. Refer Table 22 for the Department of Internal Affairs fact sheet on essential prerequisites for infrastructure strategies.

**Table 21: IS Legislative / Audit Requirements and Relevant Sections**

LEGISLATIVE / AUDIT REQUIREMENTS (MAJOR POINTS)	IS REFERENCE SECTIONS
Identify infrastructure issues of the council	Section 1.0 & 5.0
Specify the options for managing the infrastructure issues over the period	Section 6.0
Specify the level of infrastructure investment to provide for growth in the community	Section 6.0
Specify the timing of investment for growth, to avoid constraints on growth	Section 6.0
Address the limitations of the infrastructure capacity while minimising the costs to the community of under utilised infrastructure capacity	Section 6.0
Specify the level of investment is needed to replace, renew or upgrade existing assets	Section 6.0
Specify the level of investment needed to improve the level of service provided by the infrastructure assets	Section 6.0

### Appendix B: Top 10 Questions Audit NZ 2017

Reflecting on the findings from Audit NZ work, they believe that there are ten questions that every senior manager and member of a governing body needs to know the answer to. For organisation who owns and operates a significant asset base, or service delivery is highly reliant on assets, they think you should ask these questions:

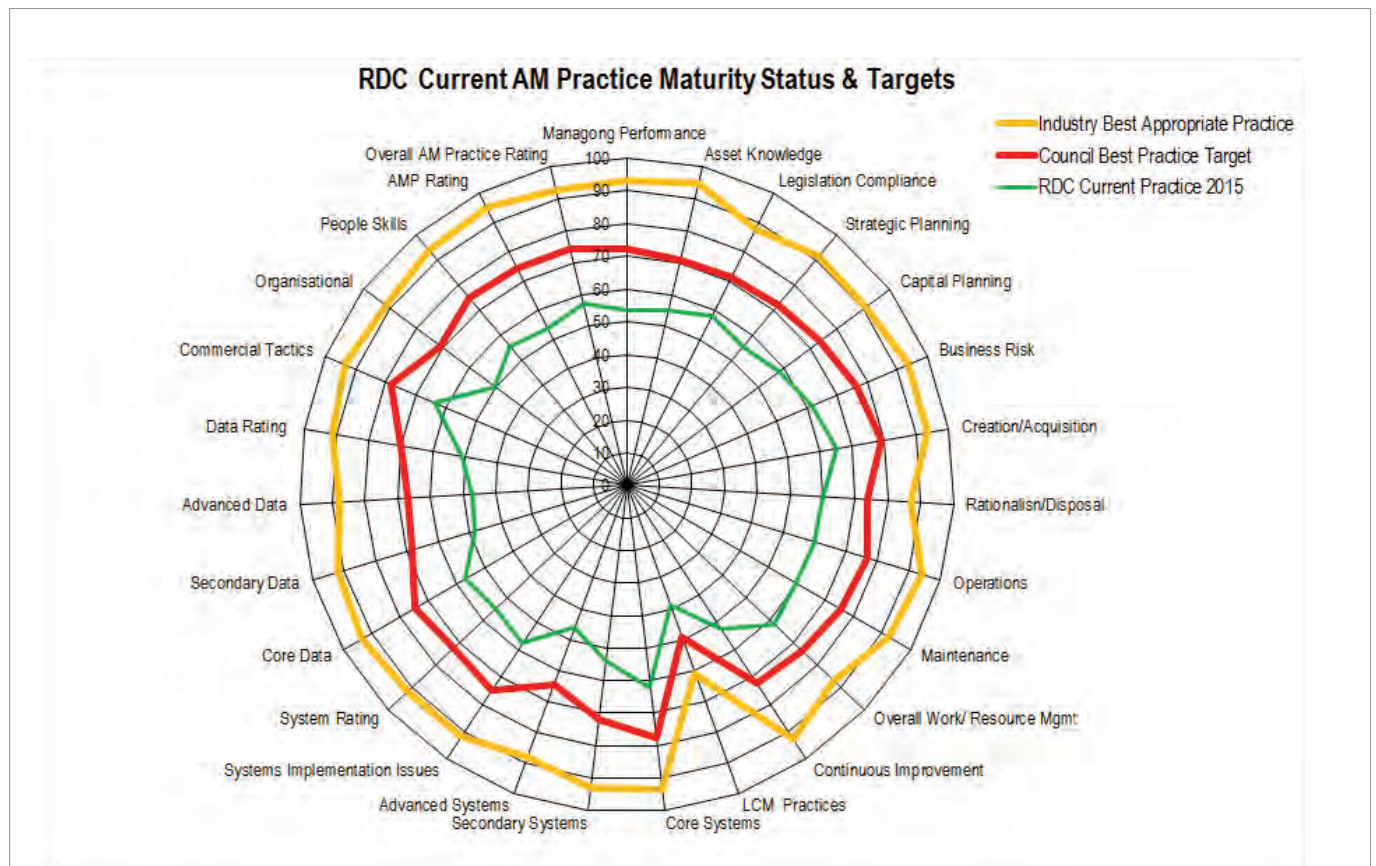
1. Have you got a strategy for the long-term sustainability of your assets? **Addressed in Infrastructure Strategy and AMPs.**
2. Have you set an asset management policy? **AM Policy published.**
3. Do you have good quality up-to-date asset management plans for achieving your strategy? **Addressed in AMPs.**
4. Does your organisation have appropriate asset management skills and experience? **Addressed in AM Policy and SAMP.**
5. Do you know the reliability of your asset information? **Addressed in AMPs and SAMP.**
6. Do you have a structured approach to assessing the condition and performance of your assets? **Addressed in AMP and SAMP.**
7. Have you defined a clear and comprehensive set of service levels to be delivered or supported by the assets? **Addressed in AMPs**
8. How well do you forecast future demand for the services that are delivered or supported by your assets? **Addressed in AMP, SAMP and Infrastructure Strategy.**
9. Do you report, and get reports on, achievement of your asset management plan(s)? **Addressed in AMP and SAMP.**
10. Do you have a backlog of repairs, maintenance, and asset renewals? And what are you doing about it? **Addressed in AMP, SAMP and 30 Year Infrastructure Strategy.**

### Appendix C: Asset Management Maturity Assessment

An independent review of Council’s Asset Management Practices was conducted in November 2015. Refer to Appendix B: Maturity Assessment. The assessment was a bespoke assessment consistent with the International Infrastructure Management Manual (IIMM) published by the Institute of Public Works Australasia (IPWEA) and International Standard ISO55000 suite on Management System for Asset Management. The score achieved overall was around 58%. Refer to Figure 36 for results.

Whilst the assessment did not rate asset portfolios separately it is perceived that RLC meets a core level of asset management for each asset portfolio. Refer to Table 17 for Maturity levels as defined by the International Infrastructure Management Manual (IIMM) published by the Institute of Public Works Engineering Australasia (IPWEA).

**Figure 36: RDC Current Asset Management Maturity Status**



**Table 22: Asset Management Maturity Levels**

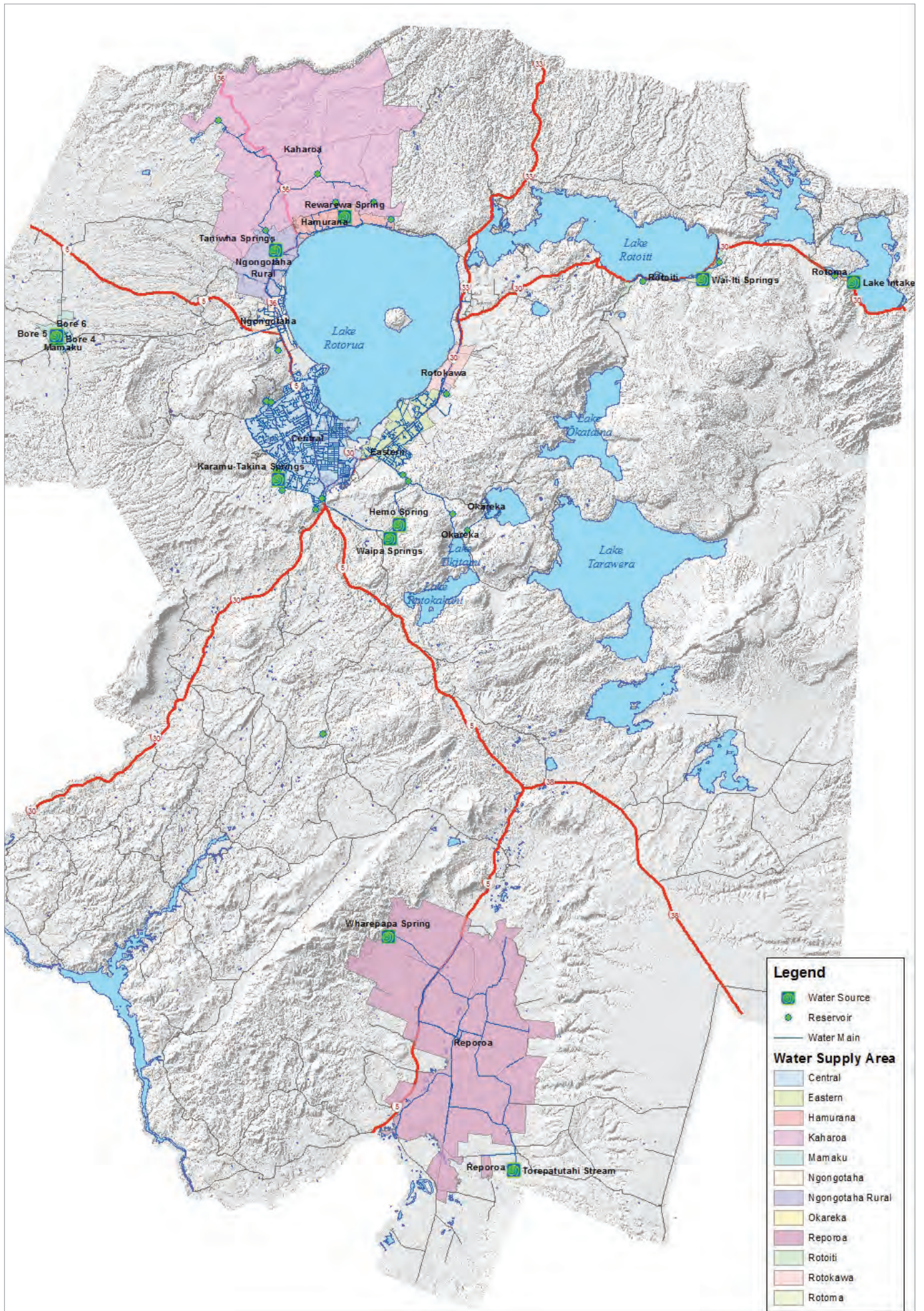
COMMUNITY OUTCOMES	HOW THE COUNCIL CONTRIBUTES
0-15%	Learning/Innocence
16-30%	Applying/Awareness
31-50%	Developing (systematic)
51-75%	Core Competence (proficient)
76-85%	Advanced
86-100%	Excellence

Core maturity represents that RLC is meeting its statutory reporting requirements. RLC regularly undertakes comprehensive asset management maturity (capability) assessment to examine where RLC is at in terms of its sophistication in asset management.

Appendix D: Water Supply Services Area and Key Facilities Map



**Appendix D: Water Supply Services Area and Key Facilities Map**



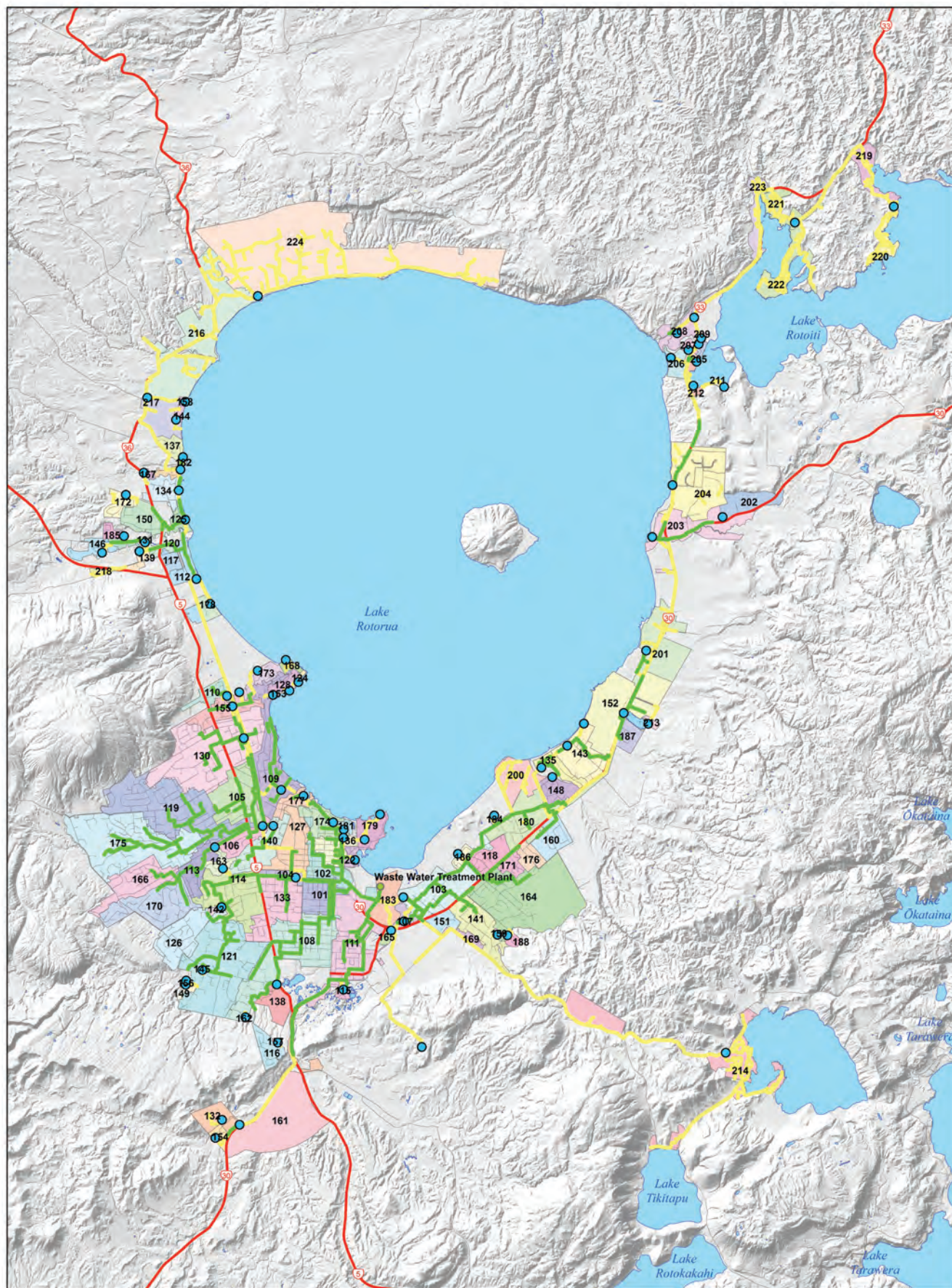
**Legend**

- Water Source
- Reservoir
- Water Main

**Water Supply Area**

- Central
- Eastern
- Hamurana
- Kaharoa
- Mamaku
- Ngongotaha
- Ngongotaha Rural
- Okareka
- Reporoa
- Rotoiti
- Rotokawa
- Rotoma

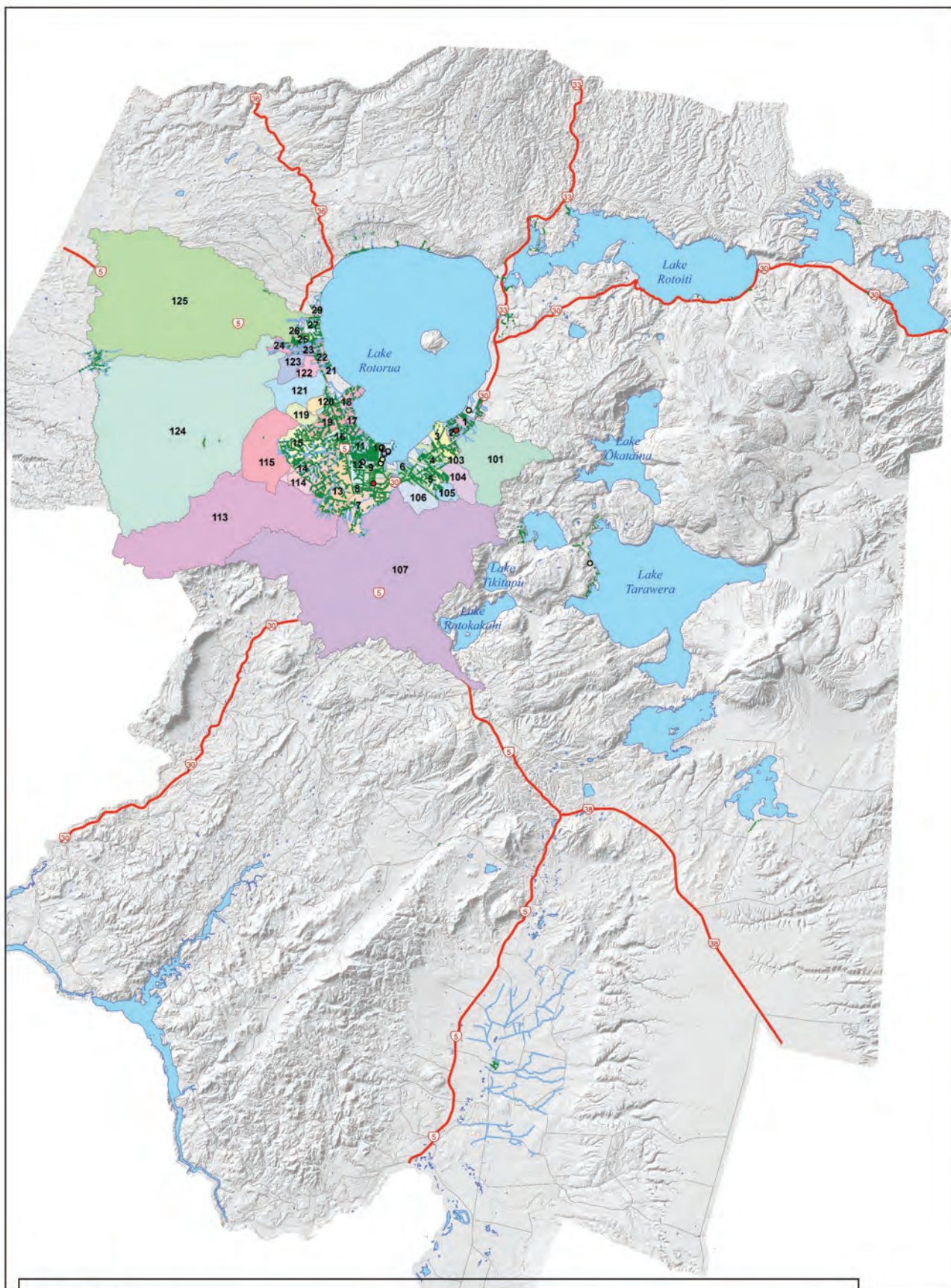
### Appendix E: Wastewater Services Area and Key Facilities Map



#### Legend

- Pump Station
- Gravity Main
- Rising and Low Pressure Main
- Local Road
- State Highways

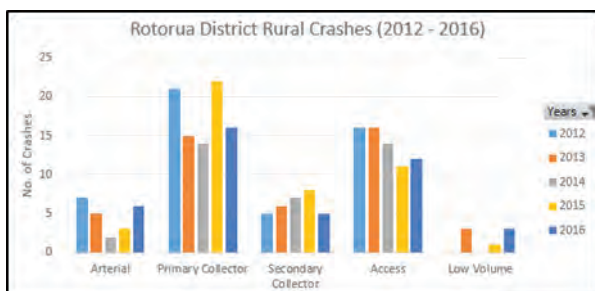
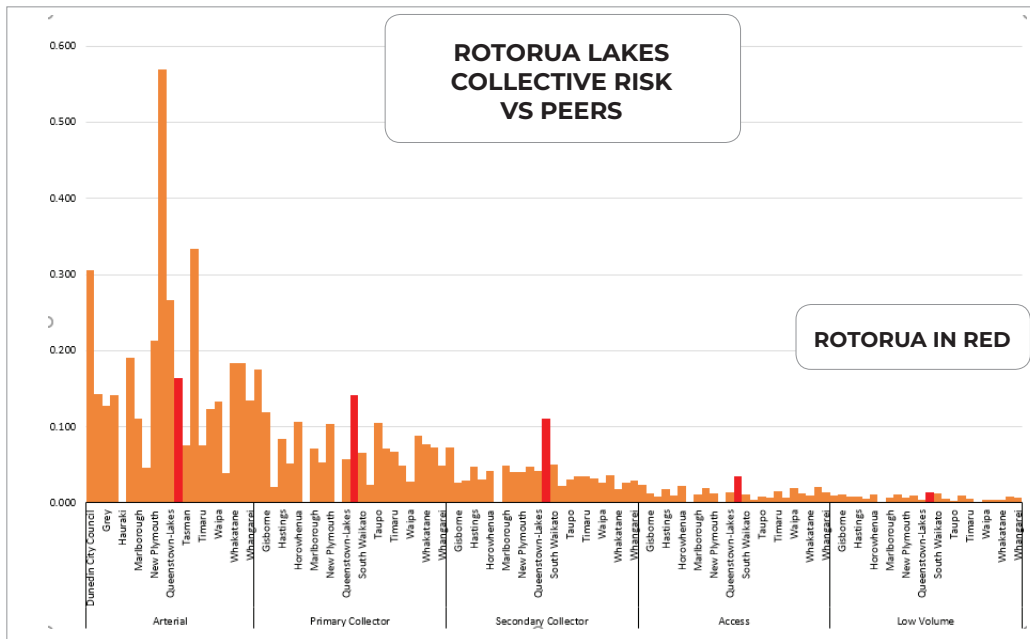
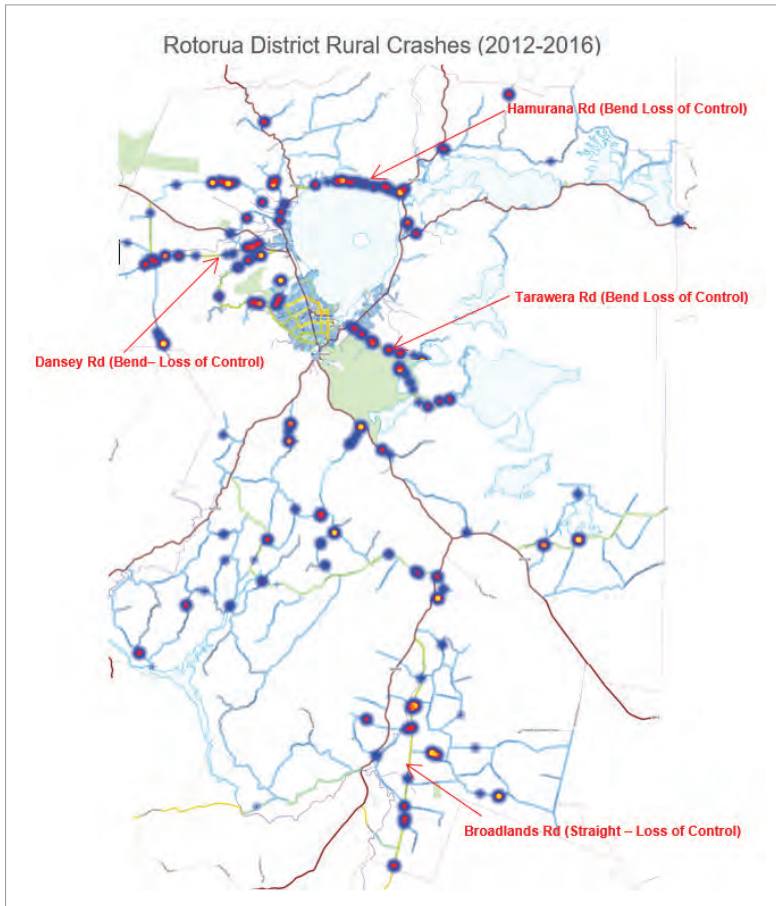
## Appendix F: Stormwater Services Area and Key Facilities Map



### Legend

- STORM SEDIMENT TRAP STRUCTURE
- Silt / sediment trap
- Storm Water Pump Station
- Storm Water Main
- Storm Water Channel
- Local Road
- State Highways

Appendix G: Transport Levels of Service Safety – Crash Data



“Positive  
**growth is**  
**driving** the plan  
towards fulfilling  
Vision 2030.”







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C H A P T E R F O U R

# FINANCE AND POLICY



# Financials

## **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 2018 to 30 June 2028.

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 2018 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 2018 to 30 June 2028, 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:

- the measurement system underlying the preparation of the financial reports, and
- 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
- 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.

## ROTORUA LAKES COUNCIL: PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED:	Annual Plan Budget 2017/18 (\$'000)	LONG-TERM PLAN									
		2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)
<b>Revenue</b>											
Rates, Excluding Targeted Water Supply Rates	81,058	87,537	93,381	97,832	101,284	111,278	115,044	112,084	115,898	119,946	124,261
Targeted Rates for Water Supply	4,238	4,981	5,106	5,223	5,348	5,477	5,614	5,760	5,909	6,069	6,239
Development and Financial Contributions	-	-	-	1,048	1,073	1,098	1,125	1,154	1,185	1,216	1,251
Subsidies and Grants (Incl Capital Subsidies)	19,400	28,653	28,973	18,125	9,226	13,020	13,335	9,912	10,169	10,442	10,733
Other Revenue	16,446	15,955	16,956	19,672	20,185	20,634	21,075	21,607	22,177	22,803	23,502
Finance Income	134	134	137	140	144	147	150	154	158	162	166
Gains	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>121,276</b>	<b>137,260</b>	<b>144,553</b>	<b>142,040</b>	<b>137,260</b>	<b>151,653</b>	<b>156,343</b>	<b>150,670</b>	<b>155,495</b>	<b>160,638</b>	<b>166,152</b>

<b>Expenditure</b>											
Personnel Costs	25,055	25,509	25,991	26,436	26,913	27,402	27,923	28,458	29,032	29,619	30,248
Depreciation and Amortisation Expense	24,842	23,774	25,852	28,231	29,848	31,183	32,879	34,053	35,008	35,799	36,328
Other Expenses	50,120	59,709	61,414	63,763	64,829	66,279	67,779	68,972	70,661	72,452	73,669
Finance Costs	7,457	8,054	9,741	10,941	11,940	13,395	14,016	13,964	13,519	13,143	12,374
<b>Total Operating Expenditure</b>	<b>107,474</b>	<b>117,046</b>	<b>122,998</b>	<b>129,370</b>	<b>133,529</b>	<b>138,258</b>	<b>142,596</b>	<b>145,447</b>	<b>148,220</b>	<b>151,012</b>	<b>152,620</b>

<b>Surplus/(Deficit) for the Period</b>	<b>13,802</b>	<b>20,214</b>	<b>21,555</b>	<b>12,670</b>	<b>3,730</b>	<b>13,395</b>	<b>13,746</b>	<b>5,223</b>	<b>7,274</b>	<b>9,626</b>	<b>13,533</b>
Loss for the Period from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) Before Tax</b>	<b>13,802</b>	<b>20,214</b>	<b>21,555</b>	<b>12,670</b>	<b>3,730</b>	<b>13,395</b>	<b>13,746</b>	<b>5,223</b>	<b>7,274</b>	<b>9,626</b>	<b>13,533</b>
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) After Tax</b>	<b>13,802</b>	<b>20,214</b>	<b>21,555</b>	<b>12,670</b>	<b>3,730</b>	<b>13,395</b>	<b>13,746</b>	<b>5,223</b>	<b>7,274</b>	<b>9,626</b>	<b>13,533</b>

<b>Other Comprehensive Income</b>											
Revaluation on Property, Plant and Equipment	28,910	15,860	30,663	11,450	23,709	38,865	14,150	28,338	48,313	17,205	34,564
Revaluation on Intangibles	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Hedges	-	-	-	-	-	-	-	-	-	-	-
<b>Other Comprehensive Income</b>	<b>28,910</b>	<b>15,860</b>	<b>30,663</b>	<b>11,450</b>	<b>23,709</b>	<b>38,865</b>	<b>14,150</b>	<b>28,338</b>	<b>48,313</b>	<b>17,205</b>	<b>34,564</b>
<b>Total Other Comprehensive Income</b>	<b>42,712</b>	<b>36,074</b>	<b>52,218</b>	<b>24,120</b>	<b>27,439</b>	<b>52,260</b>	<b>27,896</b>	<b>33,561</b>	<b>55,588</b>	<b>26,831</b>	<b>48,097</b>

ROTORUA LAKES COUNCIL: PROSPECTIVE STATEMENT OF FINANCIAL POSITION

PROSPECTIVE STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED:	Annual Plan Budget 2017/18 (\$'000)	LONG-TERM PLAN									
		2018/19 (\$'000)	2019/20 (\$'000)	2020/21 (\$'000)	2021/22 (\$'000)	2022/23 (\$'000)	2023/24 (\$'000)	2024/25 (\$'000)	2025/26 (\$'000)	2026/27 (\$'000)	2027/28 (\$'000)
<b>Assets</b>											
<b>Current Assets</b>											
Cash & Cash Equivalents	1,000	1,154	1,326	1,502	1,682	1,874	2,070	2,280	2,504	2,742	2,997
Debtors & Other Receivables	13,945	17,275	17,655	18,043	18,440	18,864	19,298	19,761	20,255	20,782	21,343
Inventories	153	-	-	-	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-	-	-	-	-
Non-Current Assets held for sale	-	4,000	2,000	1,400	800	1,000	1,000	1,000	1,000	1,000	-
<b>Total Current Assets</b>	<b>15,098</b>	<b>22,428</b>	<b>20,980</b>	<b>20,945</b>	<b>20,922</b>	<b>21,738</b>	<b>22,368</b>	<b>23,041</b>	<b>23,759</b>	<b>24,524</b>	<b>24,340</b>

<b>Non-Current Assets</b>											
Loans & Receivables	15,000	14,400	14,400	12,400	10,400	8,400	5,900	5,900	3,100	3,100	900
Property Plant & Equipment	1,148,134	1,202,230	1,281,596	1,324,525	1,374,846	1,449,142	1,479,162	1,508,902	1,555,901	1,573,379	1,606,809
Investment Property	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	3,318	4,280	5,663	4,531	3,400	2,329	1,657	986	314	-	-
Investment in CCO's and other entities	38,039	34,950	34,950	34,950	34,950	34,950	34,950	34,950	34,950	34,950	34,950
Total Non-Current Assets	1,204,491	1,255,860	1,336,609	1,376,407	1,423,596	1,494,820	1,521,669	1,550,738	1,594,265	1,611,429	1,642,659
Total Assets	1,219,589	1,278,288	1,357,589	1,397,352	1,444,517	1,516,558	1,544,037	1,573,779	1,618,025	1,635,954	1,666,999

<b>Liabilities</b>											
<b>Current Liabilities</b>											
Creditors & Other Payables	24,677	25,101	25,653	26,218	26,795	27,411	28,041	28,714	29,432	30,197	31,013
Provisions	300	200	204	209	214	218	223	229	235	241	247
Employee Benefit Liabilities	3,304	3,173	3,243	3,314	3,387	3,465	3,545	3,630	3,721	3,817	3,920
Borrowings	37,763	32,400	15,000	20,000	20,000	5,000	6,700	6,000	11,000	10,000	10,000
Derivative Financial Instruments	397	-	-	-	-	-	-	-	-	-	-
Taxation Payable	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	246	246	246	246	246	246	246	246	246	246
Total Current Liabilities	66,441	61,120	44,347	49,987	50,641	36,340	38,755	38,819	44,633	44,501	45,426

<b>Non-Current Liabilities</b>											
Borrowings	136,700	172,230	215,254	224,404	242,603	275,789	272,039	267,213	249,086	239,316	220,310
Provisions	1,916	2,235	2,284	2,334	2,386	2,441	2,497	2,557	2,621	2,689	2,761
Employee Benefit Liabilities	25	105	107	110	112	115	117	120	123	126	130
Total Non-Current Liabilities	138,641	174,570	217,645	226,848	245,101	278,345	274,653	269,890	251,830	242,132	223,201
Total Liabilities	205,082	235,690	261,992	276,835	295,743	314,685	313,409	308,709	296,463	286,633	268,627
<b>Net Assets</b>	<b>1,014,508</b>	<b>1,042,598</b>	<b>1,095,598</b>	<b>1,120,517</b>	<b>1,148,775</b>	<b>1,201,873</b>	<b>1,230,629</b>	<b>1,265,071</b>	<b>1,321,562</b>	<b>1,349,321</b>	<b>1,398,372</b>

<b>Net Assets/Equity</b>											
<b>Capital Contributed by</b>											
Accumulated Comprehensive Revenue and Expenses	709,742	726,615	748,169	760,840	764,570	777,965	791,711	796,934	804,209	813,836	827,367
Restricted Equity	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662	5,662
Reserves	299,104	309,558	340,221	351,671	375,380	414,245	428,395	456,733	505,046	522,250	556,815
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net Assets / Equity</b>	<b>1,014,508</b>	<b>1,041,835</b>	<b>1,094,053</b>	<b>1,118,173</b>	<b>1,145,612</b>	<b>1,197,872</b>	<b>1,225,768</b>	<b>1,259,329</b>	<b>1,314,917</b>	<b>1,341,748</b>	<b>1,389,844</b>

ROTORUA LAKES COUNCIL: PROSPECTIVE STATEMENT OF CHANGES IN NET ASSET/EQUITY

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS/ EQUITY FOR THE YEAR ENDED:	Annual Plan Budget 2017/18 (\$000)	LONG-TERM PLAN									
		2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
<b>Balance as at 1 July</b>	971,796	1,005,761	1,041,835	1,094,053	1,118,173	1,145,612	1,197,872	1,225,768	1,259,329	1,314,917	1,341,747
Total Comprehensive Income as Stated	42,712	36,074	52,218	24,120	27,439	52,260	27,896	33,561	55,588	26,831	48,097
Balance at 30 June	1,014,508	1,041,835	1,094,053	1,118,173	1,145,612	1,197,872	1,225,768	1,259,329	1,314,917	1,341,747	1,389,844
<b>Total Comprehensive Income attributable to:</b>	42,712	36,074	52,218	24,120	27,439	52,260	27,896	33,561	55,588	26,831	48,097

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

ROTORUA LAKES COUNCIL: PROSPECTIVE STATEMENT OF CASHFLOWS

PROSPECTIVE STATEMENT OF CASHFLOWS FOR THE YEAR ENDED:	Annual Plan Budget 2017/18 (\$000)	LONG-TERM PLAN									
		2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
<b>Cash Flows from Operating Activities</b>											
Receipts from Rates Revenue	85,296	92,179	98,106	102,666	106,236	116,331	120,223	117,380	121,313	125,489	129,939
Receipts from Customers and Other Services	16,446	15,955	16,956	20,719	21,258	21,732	22,200	22,761	23,361	24,019	24,753
Receipts from Grants & Subsidies	19,400	28,653	28,973	18,125	9,226	13,020	13,335	9,912	10,169	10,442	10,733
Goods and Services Tax (Net)	-	-	-	-	-	-	-	-	-	-	-
Interest Received	134	134	137	140	144	147	150	154	158	162	166
Dividends Received	-	-	-	-	-	-	-	-	-	-	-
Payments to Suppliers	(50,120)	(58,453)	(59,954)	(62,270)	(63,302)	(64,684)	(66,146)	(67,265)	(68,876)	(70,584)	(71,714)
Payments to Employees	(25,055)	(25,509)	(25,991)	(26,436)	(26,913)	(27,402)	(27,923)	(28,458)	(29,032)	(29,619)	(30,248)
Interest Paid	(7,457)	(8,054)	(9,741)	(10,941)	(11,940)	(13,395)	(14,016)	(13,964)	(13,519)	(13,143)	(12,374)
Income Tax Refund/(Paid)	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash from Operating Activities</b>	<b>38,644</b>	<b>44,904</b>	<b>48,487</b>	<b>42,005</b>	<b>34,708</b>	<b>45,749</b>	<b>47,824</b>	<b>40,520</b>	<b>43,573</b>	<b>46,766</b>	<b>51,255</b>

<b>Cash Flows from Investing Activities</b>											
Proceeds from medium term investments	-	600	-	2,000	2,000	2,000	2,500	-	2,800	-	2,200
Proceeds from Sale of Property, Plant and Equipment	1,051	2,000	4,000	2,000	1,400	800	1,000	1,000	1,000	1,000	1,000
Proceeds from Community Loan Repayments	-	-	-	-	-	-	-	-	-	-	-
Purchase of Property, Plant and Equipment	(47,059)	(77,580)	(77,938)	(59,979)	(56,128)	(66,542)	(49,077)	(35,784)	(34,022)	(36,758)	(35,194)
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of Other Investments	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash from Investing Activities</b>	<b>(46,008)</b>	<b>(74,980)</b>	<b>(73,938)</b>	<b>(55,979)</b>	<b>(52,728)</b>	<b>(63,742)</b>	<b>(45,577)</b>	<b>(34,784)</b>	<b>(30,222)</b>	<b>(35,758)</b>	<b>(31,994)</b>

<b>Cash Flows from Financing Activities</b>											
Proceeds from Borrowing	7,363	30,230	25,624	14,150	18,200	18,186	-	-	-	-	-
Payments of Borrowings	-	-	-	-	-	-	(2,050)	(5,526)	(13,127)	(10,770)	(19,007)
<b>Net Cash from Financing Activities</b>	<b>7,363</b>	<b>30,230</b>	<b>25,624</b>	<b>14,150</b>	<b>18,200</b>	<b>18,186</b>	<b>(2,050)</b>	<b>(5,526)</b>	<b>(13,127)</b>	<b>(10,770)</b>	<b>(19,007)</b>

Net Increase/(Decrease) in Cash and Cash Equivalents and Bank Overdraft	-	153	172	176	180	192	197	210	224	239	254
Cash and Cash Equivalents and Bank Overdraft at Beginning of the Year	1,000	1,000	1,153	1,326	1,502	1,682	1,874	2,070	2,280	2,504	2,743
<b>Cash and Cash Equivalents and Bank Overdraft at end of the Year</b>	<b>1,000</b>	<b>1,153</b>	<b>1,326</b>	<b>1,502</b>	<b>1,682</b>	<b>1,874</b>	<b>2,070</b>	<b>2,280</b>	<b>2,504</b>	<b>2,743</b>	<b>2,997</b>



## DEPRECIATION TABLE

	2018/19 (\$000)	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)	2022/23 (\$000)	2023/24 (\$000)	2024/25 (\$000)	2025/26 (\$000)	2026/27 (\$000)	2027/28 (\$000)
Arts and Culture	2,841	3,016	3,451	3,751	3,751	3,751	3,751	3,751	3,751	3,751
Community Leadership	2,687	3,160	3,692	3,961	4,021	3,985	3,914	3,927	3,571	3,226
District Development	220	220	220	220	220	220	220	220	220	220
Planning and Regulatory	15	15	15	15	15	15	15	15	15	15
Roads and Footpaths	5,510	5,910	6,057	6,204	6,775	6,952	7,099	7,736	7,883	8,030
Sewerage and Seweage	4,986	5,389	5,943	5,971	6,346	7,328	7,509	7,511	8,092	8,094
Sport, Recreation and Environment	2,558	3,126	3,651	4,250	4,536	4,917	5,535	5,793	5,991	6,373
Stormwater and Land Drainage	2,069	2,082	2,232	2,245	2,274	2,449	2,462	2,491	2,695	2,708
Waste Management	173	173	173	173	173	173	173	173	173	173
Water Supplies	2,715	2,761	2,797	3,057	3,073	3,089	3,376	3,392	3,408	3,738
<b>Total</b>	<b>23,773</b>	<b>25,852</b>	<b>28,231</b>	<b>29,848</b>	<b>31,183</b>	<b>32,879</b>	<b>34,053</b>	<b>35,008</b>	<b>35,799</b>	<b>36,328</b>

# Statement of accounting policies

## REPORTING ENTITY

Rotorua Lakes Council is a territorial local authority under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

### **Basis of preparation**

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied throughout the forecast period.

The Rotorua Lakes Council group (Group) consists of the ultimate parent, Rotorua Lakes Council (Council) and its subsidiaries Rotorua Regional Airport Limited (100% owned), Rotorua Economic Development Limited (formerly Grow Rotorua), (100% owned), Infracore 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.

The Council and group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself and the group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice.

The prospective financial statements of the Council are for the period 1 July 2018 to 30 June 2028. The prospective financial statement were authorised for issue by Council on 28 June 2018.

### **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.

## STATEMENT OF COMPLIANCE

The prospective financial statements of the Council and group have been prepared in accordance with the requirements of the LGA, and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The prospective financial statements have been prepared in accordance with and comply with PBE Standards.

## PRESENTATION CURRENCY AND ROUNDING

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).



## STANDARDS ISSUED AND NOT YET EFFECTIVE AND NOT EARLY ADOPTED

Standards, and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and group are:

### **Interests in other entities:**

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 prospective financial statements. The Council and group have not yet assessed the effects of these new standards.

### **Financial instruments:**

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost

A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.

Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 prospective financial statements. The Council and group have not yet assessed the effects of the new standard.

### **Employee benefits:**

In May 2017, the XRB issued PBE IPSAS 39 Employee Benefits. PBE IPSAS 39 replaces PBE IPSAS 25 Employee benefits. PBE IPSAS 39 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Council plans to apply the new standard in preparing the 30 June 2019 financial statements. The Council and group have not yet assessed the effects of this new standard.

## CHANGES IN ACCOUNTING POLICIES

There have been no other changes in accounting policies.

## SIGNIFICANT ACCOUNTING POLICIES BASIS OF CONSOLIDATION

The consolidated prospective 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 revenue and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses unrealised gains and losses are eliminated in full on consolidation.

### **Controlled entities**

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**

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 revenue 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.

### **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.

**The following policies for rates have been applied:**

General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due.

The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

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

Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

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.

### **Development and financial contributions**

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

### **New Zealand Transport Agency roading subsidies**

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the cost of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

### **Other grants received**

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

### **Building and resource consent revenue**

Fees and charges for building resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

### **Entrance fees**

Entrance fees are fees charged to users of the Council's local facilities such as the museum. Revenue from entrance fees is recognised upon entry to such facilities.

### **Landfill fees**

Fees for disposing of waste at the Council's landfill are recognised as waste is disposed by users.

### **Provision of commercially based services**

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

### **Sale of goods**

Revenue from the sales of goods is recognised when a product is sold to the customer.

### **Infringement fees and fines**

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

### **Vested or donated physical assets**

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

### **Donated and bequeathed financial assets**

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

### **Interest and dividends**

Interest revenue 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.

## **BORROWING COSTS**

Borrowing costs are recognised as an expense in the period in which they are incurred.

## **GRANT EXPENDITURE**

The Council's grants awarded have no substantive conditions attached.

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. 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.

## **INCOME TAX**

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to revenue tax payable in respect of prior years.

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 profit.

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 or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantially enacted at balance date.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity.

## LEASES

### **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.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense 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. A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

## DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council's operational activities and interest rate risks arising from the Council's 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 re-measured 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 associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The full fair value of a hedge accounted derivative 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 full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. 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.

### **Hedge accounting**

The council and group designates certain derivatives as either:

Hedges of the fair value of recognised assets or liabilities 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 its 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.

#### **Fair value hedge**

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 in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship 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 amortised to the surplus or deficit over the period to maturity.

#### **Cash flow hedge**

The portion of the gain or loss on a hedging instrument that is determined to have an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging is recognised in the surplus or deficit as part of "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 revenue and expense are reclassified into the surplus deficit in the same period or periods during which the asset acquired, or liability assumed, affects surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense 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, the associated gains and losses that were recognised directly in other comprehensive revenue and expense 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 revenue and expense from the period when the hedge was effective, will remain separately recognised in equity until the forecast transaction occurs.

When a 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 equity to the surplus or deficit.

## OTHER FINANCIAL ASSETS

Financial assets (other than shares in subsidiaries) are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus deficit.

#### **Term deposits, loans to subsidiaries and associates, and community loans (loans and receivables)**

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

After initial recognition, term deposits, loans to subsidiaries and associates, and community loans are measured at amortised cost using the effective interest rate method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indication of impairment. Impairment is established when there is evidence that the Council and group 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 indicators that the asset is impaired.

If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

### Shares in subsidiaries

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

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. The 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.

The investment in subsidiaries is carried at costs in the Council's parent entity financial statements.

### Investment in joint venture

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity.

For jointly controlled operations, the Council and group recognises in its prospective financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture. The group recognises its interest in jointly controlled entities using the equity method. The investment in a jointly controlled entity is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. The group's share of the surplus or deficit of the jointly controlled entity is recognised in the surplus or deficit. Investments in jointly controlled entities are carried at cost in the local authority's parent entity financial statements.

## INVENTORIES

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Any write-down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of land at the date of the transfer is its deemed costs.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant and equipment.

## NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. They 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 are not depreciated or amortised while they are classified as held for sale (including those that are part of a disposal group).

## 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), 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 revenue 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 revenue.

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.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

### Disposals:

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

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	
Roads and footpaths	10 to 130 years
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 7 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.

Costs associated with development and maintenance of Council's website are recognised as expenses when incurred.



**Carbon Credits:**

Purchased carbon credits are recognised initially at cost on acquisition. They are not amortised, but are instead tested for impairment annually, and otherwise revalued to fair value 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	3-7 years	14-33%
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## 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. Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

## VALUE IN USE FOR NON-CASH-GENERATING ASSETS

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

## VALUE IN USE FOR CASH-GENERATING ASSETS

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

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

## 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.

## 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.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. 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:

Employer contributions to KiwiSaver, the Government Superannuation Schemes are expensed in the surplus or deficit as incurred.

Defined benefit schemes:

The council makes employer contributions 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'.

## ACC ACCREDITED EMPLOYERS PROGRAMME

The Council belongs to the ACC Accredited Employers Programme (the "Full Self Cover Plan") whereby the Council accepts the management and financial responsibility for employee work-related illnesses and accidents. Under the programme, the Council is liable for all its claims costs for a period, the Council pays a premium to ACC for the value of residual claims, and from that point the liability for ongoing claims passes to ACC.

The liability for the ACC Accredited Employers Programme is measured using actuarial techniques at the present value of expected future payments to be made in respect of the employee injuries and claims up to the balance date. Consideration is given to anticipated future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows.

### Financial guarantee contracts

A financial guarantee contract is a contract that requires the Council or group to make specific payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to a related party, its fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee of the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value.

If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- the present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

## NET ASSETS/EQUITY

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

The components of Net assets/equity are:

- Accumulated comprehensive revenue and expense
- 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.

### 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.

There have been not changes to the cost allocation methodology during the year.

## 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.

The estimates and assumptions that have a significant risk of causing a material adjustment are discussed below:

- Level of external grant funding for key projects as outlined in the key assumptions
- Growth of 250 new rateable properties per annum (125 in year 1, 250 year's 2-10)
- Sale of \$22.2m of property over the 10 years of LTP
- In addition to the above list a full list of significant risks can be found in our significant forecasting assumptions sections from page 266-279.

## CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying Rotorua Lakes Council's accounting policies to the LTP for 2018-2028:

### **Accounting for suspensory loan from Housing New Zealand**

The Council's view is the suspensory loan from Housing New Zealand is in substance a grant with conditions attached and is therefore accounted for under PBE IPSAS 23 **Revenue from Non exchange transactions**. The Council considers there are two possible accounting treatments for the grant under PBE IPSAS 23; either recognising the grant evenly over the 20-year condition period, or recognising the grant as revenue at the end of the conditions in 2025. As the suspensory loan in totality would be repayable, should any of the conditions not be met during the condition period to 2025, the Council believes it prudent, and has therefore elected, to recognise the grant at the end of the 20-year period. Further information about the suspensory loan is included in the revenue accounting policy

### **Classification of Property**

The council owns a number of properties which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. These properties are held for service delivery objectives as part of the Council's social housing policy. These properties are held as property, plant and equipment rather than as investment property.

### **Accounting for donated or vested land and buildings with use or return conditions.**

The Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received. The Council considers an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

## ROUNDING

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

“The **financial**  
**direction** has  
been reset.”



# Revenue and financing policy

## INTRODUCTION

The Revenue and Financing Policy sets out how the Council funds each activity it is involved in. The Council is required to have this policy to provide predictability and certainty about the sources and levels of funding for operating and capital expenditure.

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, including:
- Choice of valuation system, and
- Differential rating, and
- Uniform annual general charges
- Targeted rates
- Lump sum contributions
- Fees and charges
- Interest and dividends from investments
- Proceeds from sale of assets
- Development contributions
- Financial contributions under the Resource Management Act 1991 (to be phased out by 2012)
- Grants and subsidies
- Any other sources

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

### **What activities should council fund?**

Council has identified seven community outcomes, which are the Vision 2030 goals.

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

In determining how activities are funded the Council is obliged to equitably share the costs of delivering the services across different users as well as ensuring equity between current and future generations. Determining the appropriate way to fund Council activities is complex.

It is a process that takes account of many matters including, but not limited to:

- Legal
- Social
- Affordability
- Efficiency
- Equity
- Cost
- Benefit
- Intergenerational equity
- Transparency

This policy explains how Council plans to meet the current and future needs of Councils facilities and services.

### Policy principles

Council has determined the following basic principles to guide the appropriate use of funding sources:

- User charges are preferred when a private benefit can be identified and it is efficient to collect the revenue
- Subsidies, grants and other income options are fully explored prior to rates being used
- Each generation of ratepayers should pay for the services they receive and borrowing can assist to achieve this outcome
- Capital costs to replace assets that reach the end of their economic life is firstly funded by rates, and then subsidies
- Capital costs to upgrade or build new assets is funded firstly from sources other than rates (e.g. subsidies, grants, fundraising, financial contributions), and then borrowing.
- Growth related capital costs are funded by borrowing and development contributions (when a policy exists)
- Rating should be simple and easily understood.
- Rates are not a charge for the use of service. They are a tax for the provision/delivery of the service
- If no other funding sources can be used it is appropriate to fund the remaining revenue requirement for operating expenditure from rates.

Complying with these principles can at times be challenging. The Council must apply judgement in assessing many options to determine the appropriateness of funding operating and capital expenditure.

## 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. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing for capital projects and corporate overheads.

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 must consider the funding of each activity in a way that relates exclusively to that activity. Some activities may be best funded by user charges, others with targeted rates, others from general rates, or a combination of these.

Councils policy for funding sources for operating costs include:

### User charges

User charges are used for services where there is an identifiable benefit to an individual or group. User charges are a broad group of fees charged directly, and may include:

- Regulatory charges
- Planning and consent fees
- Permits
- Fines and penalties
- Connection and disconnection fees
- Disposal fees
- Statutory charges
- Retail sales and commissions
- Admission fees
- Rent, lease, hire charges
- Recovery of costs for private works

The price of the service is based on a number of factors, including:

- The cost of providing the service
- The estimate of the users private benefit from using the service
- The impact of cost to encourage/discourage behaviours
- The impact of cost on demand for the service
- Market pricing
- Cost and efficiency of collection mechanisms
- The impact of affordability on users
- Statutory limits
- Other matters as determined by Council

A councils ability to charge user charges is limited by powers conferred on it by many statutes and regulations. As a general rule fees for statutory functions should be set at no more than the cost of providing the service.

In some cases legislation sets the fees at a level that is below cost and in other cases, where provided by legislation Council may set fees at greater than the cost of providing the service. Council considers it appropriate to include corporate overhead charges in the determination of the cost of providing a service.

Where Council is charging for the sale of goods or services not required by statute, Council's preference is to charge market price. This includes leases, rents, licences for land and buildings.

Fees and charges may be set by Council at any times and are reviewed by Council annually. A list of regular fees and charges is maintained on Council's website.

Revenues from user charges are allocated to the activity that generates the revenue.

### **Grants, sponsorship, subsidies and other income**

Grants, sponsorship and subsidies are used where they are available. Many of these items are regular and predictable and therefore can be budgeted (e.g. roading subsidies). Some items of other income are unpredictable and may not be able to be prudently budgeted (e.g. insurance payouts).

Council expects to continue receiving substantial subsidies of road maintenance from Government via the New Zealand Transport Agency. While this revenue is recorded as operating revenue a large portion is to fund capital expenditure.

### **Investment income**

Council's investment policy is outlined in its Treasury policy. These investments may generate income such as dividends, interest, and rents.

Income from assets is receipted to the activity that owns the asset.

### **Development contributions, financial contributions, proceeds from the sale of assets, and lump sum contributions**

Council does not collect revenue from these sources to fund operating costs.

### **Reserve funds**

Council maintains a small number of reserve funds. Some of these reserves are available to meeting operating expenses.

### **Borrowing**

Council borrowing is generally undertaken at a whole of Council level subject to the constraints on rates increases and levels of borrowing set by the financial strategy.

Council generally plans to fund all cash operating expenses from sources other than borrowing but may in specific circumstances, where it determines it is prudent to do so, fund some operating costs from borrowing.

### **Rates**

Having appropriately exhausted all other funding sources, Council funds its remaining operating expenses from rates. For many Council activities this is the main funding source.

Council may establish targeted rates to fund operating costs where benefits can be measured and beneficiaries identified.

Council considers all these matters when determining the funding of its activities.

### **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:

### **User charges**

User charges are generally not available for capital expenditure as individual user contributions would generally be too large to be affordable.

Council does charge for capital works that are solely for private benefit or where capital works are undertaken outside of asset management plans at the request of individuals.

### **Grants, subsidies, and other income**

Council relies on significant subsidies for capital works in its roading activity. Other activities are able to access grants and subsidies from time to time generally for specific projects (e.g. new wastewater schemes). Other income can be from many and varied sources and is unlikely to be predictable enough to budget for in advance. Other income used to fund capital costs could include bequests, insurance payouts, and legal settlements.

Grants and subsidies and other income are used wherever they are available.

### **Development contributions**

Council does not currently collect development contributions to fund capital costs necessary to service growth over the long term.

Council will be developing a Developments contribution policy during 2018 with a view of introducing the policy in 2020.

Any Development contributions received will be applied to the projects as identified in the policy. Projects identified in the policy may be either completed projects (with debt yet to be repaid) or future projects planned to be undertaken.

### **Financial contributions**

Council collects financial contributions under the Resource Management Act 1991. To avoid, remedy or mitigate adverse effects on the environment as conditions to resource consents. The requirement for these contributions are outlined in the Rotorua District Plan. Most contributions are received as revenue by the vesting of assets in Council; some contributions may be paid to Council.

### **Proceeds from the sale of assets**

From time to time Council disposes of assets. Many of these are low value items and the revenue is received by the activity that owned the assets.

Council holds some higher value assets that may become surplus and available for sale. Unrestricted proceeds from the sale of these assets will be used to repay debt, or fund new capital expenditure unless resolved otherwise by Council. Restricted proceeds will be placed in the appropriate reserve fund and used for the purpose required by the document that imposes the restriction.

### **Reserve funds**

Council maintains some reserve funds for capital projects and will approve the use of the funds when a project meets the specific criteria for the reserve.

### **Borrowing**

Council may borrow to fund its asset programme. The amount of borrowing available is restricted by the debt limits imposed in Councils Financial Strategy.

Borrowing, both the principal and interest components are generally repaid by future rates.

Borrowing spreads the cost of the project over a longer period, smoothing changes in rates and ensuring that ratepayers who enjoy the benefit of long lived assets contribute to their costs.

### **Lump sum contributions**

Council has the option when undertaking a major project to seek lump sum contributions to the capital cost of the project from those who identified in the projects Capital Project Funding Plan. Lump sum contributions are provided for in the Local Government (Rating) Act 2002 and have stringent requirements on how they are used. Where a lump sum option is proposed ratepayers choose to participate or not. Council has previously used these provisions and will do so in the future.

Council plans to offer lump sum contributions for new wastewater schemes.

### **Rates**

Rates are primarily used to fund day to day operating expenses including depreciation and interest charges. In each year Council calculates the cash surplus from operating revenue less operating costs to determine the amount of rates funding available to fund capital projects.

The greatest portion of this funding is rates assessed to pay for depreciation (which is a non cash operating cost). These funds are used to fund projects that renew existing assets.

A portion of rates funds the capital (principal) repayments of debt.

Council may establish targeted rates to fund capital projects.

A single capital project may have a mix of each of these funding options. Funding options 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.

**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.

**Rates**

When determining a rate Council will seek to reflect the following:

- Fairness and equity; in that those who benefit contribute to costs and due consideration is given to the ability to pay.
- Transparency; in that rating is clear and readily understandable.
- Simplicity and cost-effectiveness; in administration and implementation.

**Rating system**

A capital value rating system will be used as the basis for setting and assessing the general rate.

The districts three yearly general revaluation has been completed and will come into effect for rating purposes on 1 July 2018. The general revaluation will cause reallocation of some rates across the district. However, it does not result in any change to the total rates that Council collects.

**General rates**

Council will use the general rate where:

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

General rating mechanisms available to Council include:

- Uniform Annual General Charge
- Differential rates
- Rate set at a rate in the dollar applied to capital value

## **Uniform Annual General Charge (UAGC)**

The uniform annual general charge (UAGC) is the fixed portion of rates that every ratepayer pays regardless of property value. A fixed charge ensures that every ratepayer pays the same minimum contribution for council services. The amount of rates collected via the UAGC cannot exceed 30% of our total rates income.

## **Differential Rates**

Council will set both General and Targeted rates differentially where it considers it is appropriate to rate one or more groups of property to reflect the distribution of benefit received, or costs borne or generated by those groups.

In general, a property will fit into one group or rating category only. Situations occur where a property has multiple uses. In such cases there will usually be a principal or primary use and a secondary use. Where Council considers the secondary use is significant, than that part of the property may be rated according to the secondary use differential category.

Current rate differential categories:

- Base rate
- Business
- Rural residential

## **Targeted rates**

Council will use the Targeted rates where it considers it is appropriate to rate one or more groups of property to reflect a specific benefit received.

Targeted rates may be set on a uniform basis or differentially for different groups of property.

Typical examples of Targeted rates are for Water supply, Sewerage, waste management services, and economic development.

## **Penalties**

Council will charge the maximum additional charge by way of penalty to unpaid rates.

## **Overall funding considerations**

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		Users/beneficiaries	Period of benefit (intergenerational equity principle)	Are there exacerbators Y/N	Will proposed funding allow residents access to facility or service?
	Total community	Individual users				
Arts and culture						
District Library	✓	✓	Users and borrowers	Long term	No	Yes
Rotorua Museum	✓	✓	Visitors to museum	Long term	No	Yes
Sir Howard Morrison Performing Arts Centre	✓	✓	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.
Energy Events Centre	✓	✓	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.
Community leadership						
Governance and Community Engagement	✓		All residents equally. Individual property owners.	Annual	No	Yes
Emergency Management	✓		Whole community	Annual	No	Yes
Pensioner Housing	✓		Pensioner housing beneficiaries	Long term	No	Yes

Are there any implications for specific groups eg: community or business	Is approach financially sustainable?	Does it provide incentive/ disincentives eg: environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate	Community outcomes 2030 goals
Arts and culture						
Ratepayers in outer rural areas possibly have less opportunity to access facility	Yes	N/A	5-10%		90-95%	Vibrant City Heart A resilient community
Residents able to access without fee. Businesses benefit from facility being an attraction.	Yes	N/A	40-45%		55-60%	Vibrant City Heart
Increased visitors which assists businesses however, also increase in traffic congestion arising from major events.	Yes	N/A	45-50%		50-55%	Vibrant City Heart
Increased visitors which assists businesses however, also increase in traffic congestion arising from major events and sports.	Yes	N/A	40-45%		55-60%	Vibrant City Heart
Community leadership						
	Yes	N/A	0-5%		95-100%	A resilient community
No	Yes	N/A	0-5%		95-100%	A resilient community
Perceptions of inequality in support provided.	Yes	N/A	95-100%		0-5%	Homes that match our needs

ACTIVITIES	WHO BENEFITS		Users/ beneficiaries	Period of benefit intergenerational equity principle)	Are there exacerbators Y/N	Will proposed funding allow residents access to facility or service?
	Total community	Individual users				
Planning and regulatory						
Animal Control	✓	✓	Animal owners and whole community	Annual	Yes (dog owners)	Some people may not be able to afford to own dog.
Inspection	✓	✓	Individual property owners, specific businesses and the whole community.	Mostly annual	Premises servicing food and/or liquor and properties connected to geothermal.	Yes
Building Services	✓	✓	Property owners	Long term. Benefits of regulation are inter-generational	Yes, property owners who undertake new building or alterations.	Yes
Parking Enforcement	✓	✓	Visitors and residents parking in the CBD.	Long term	Exacerbators are the visitors and residents who do not comply with parking regulations.	N/A
Planning, Policy and Consenting Services	✓	✓	Individual property owners and the whole community	Annual and long term	Individuals and groups wanting resource consents	Yes
District development						
Tourism	✓	✓	Visitors, businesses and community as a whole.	Annual and long term		Yes
Economic Development	✓		Visitors, businesses and community as a whole.	Annual and long term		Yes

Are there any implications for specific groups eg: community or business	Is approach financially sustainable?	Does it provide incentive/disincentives eg: environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate	Community outcomes 2030 goals
Planning and regulatory						
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.	90-95%		5-10%	A resilient community
Businesses servicing food and liquor. Property owners connected to geothermal.	Yes	Yes	50-55%		45-50%	A resilient community
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.	50-55%		45-50%	Homes that match our needs
						A resilient community
Lower socio economic group likely to not have WOF or registration.	Yes	Fines discourage undesirable behaviour (parking for lengthy period, driving unwarranted vehicle).	90-95%		5-10%	Vibrant City Heart
No	Yes	Yes. Encourages environmentally positive actions.	70-75%		25-30%	Enhanced Environment
District development						
Greater share of cost charged to business as considered they benefit more from activity.	Yes	N/A		80-85%	15-20%	business innovation and prosperity
Greater share of cost charged to business as considered they benefit more from activity.	Yes	N/A		80-85%	15-20%	business innovation and prosperity
						Employment Choices

ACTIVITIES	WHO BENEFITS		Users/beneficiaries	Period of benefit (intergenerational equity principle)	Are there exacerbators Y/N	Will proposed funding allow residents access to facility or service?
	Total community	Individual users				
Sport, recreation and environment						
Gardens, Reserves and Sportsgrounds	✓	✓	Sports groups, reserve users (if area booked for event) and burials.	Long term	No	Yes
Aquatic facilities	✓	✓	Users of Aquatic Centre	Long term	No	Yes (although some lower socio-economic families may not always be able to use).
Roads and footpaths						
Roads and Footpaths	✓	✓	Individual road users and community as a whole.	Long term	No	Yes
City Services Operations	✓		Visitors and residents, Businesses in CBD. Also community as a whole.	Annual and long term		Yes
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)
Stormwater and land drainage						
Stormwater and land drainage	✓		Property owners where systems in place and community as whole	Long term	No	N/A



Are there any implications for specific groups eg: community or business	Is approach financially sustainable?	Does it provide incentive/disincentives eg: environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate	Community outcomes 2030 goals
Sport, recreation and environment						
User groups and ratepayers.	Yes	N/A	0-5%		95-100%	outstanding places to play enhanced environment
Users of facility will be affected directly by any fee change.	Yes	N/A	0-5%		95-100%	Outstanding places to play A resilient community
Roads and footpaths						
More of roading budget spent in rural area.	Yes	N/A	10-15%		85-90%	A resilient community Vibrant city heart
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.	65-70%		30-35%	Vibrant city heart
Sewerage and sewage						
High cost for property owners connected to new schemes.	Yes	N/A	0-5%	95-100%		A resilient community Enhanced Environment
Stormwater and land drainage						
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	0-5%		95-100%	A resilient community Enhanced Environment

ACTIVITIES	WHO BENEFITS		Users/ beneficiaries	Period of benefit (intergenerational equity principle)	Are there exacerbators Y/N	75Will proposed funding allow residents access to facility or service?
	Total community	Individual users				
Waste management						
Waste Management	✓	✓	Individuals disposing of waste, and community as a whole.	Long term	Some exacerbators (fly tipping)	Yes
Water supplies						
Water Supplies		✓	Properties that are supplied/able to be supplied water.	Long Term	No	Yes (where provided)

15-2	Are there any implications for specific groups eg: community or business	Is approach financially sustainable?	Does it provide incentive/disincentives eg: environmentally friendly?	% funding from user fees and charges	% funding from targeted rates	% funded by general rate	Community outcomes 2030 goals
Waste management							
No	Yes	Landfill fees and limited collection service can result in greater level of littering.		70-80%	20-30%	A resilient community	Enhanced Environment
Water supplies							
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).	0-5%	95-100%		A resilient community	Enhanced Environment

# Rates funding impact statement

## RATES FUNDING IMPACT STATEMENT CONSULTATION

### RATES FOR 2018/19

All figures stated do not include GST.

Amounts to be collected are stated prior to remissions.

To be read in conjunction with the Revenue and Financing policy.

PROJECTED NUMBER OF RATING UNITS									
2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
28,755	29,005	29,255	29,505	29,755	30,005	30,255	30,505	30,755	31,005

## 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 indicative rate per dollar of capital value is:

DIFFERENTIAL CATEGORIES	RELATIVE DIFFERENTIALS	RATE PER \$ OF CAPITAL VALUE
<b>2018/19</b>		
1. General Rate – Base	1.0	0.002353
2. General Rate – Business	1.72	0.004048

The amount to be collected for 2018/19 is \$42,694,000

#### Definition of differential categories for the general rate on capital value

**BASE:** Every property not otherwise categorised.

**BUSINESS:** Every property which is:

- used for any business or industrial purpose.
- 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:

- Arts and Culture
- Community Leadership
- District Development
- Roads and Footpaths
- Sport, Recreation and Environment
- Storm Water and Land Drainage

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 2018/19 is \$14,029,000.

## TARGETED RATE FOR LAKES ENHANCEMENT

Council sets a targeted rate for lakes enhancement as a fixed amount of \$17.58 per rating unit, on all rateable land in the district excluding rating units within the Waikato region.

The rate is to contribute to lakes enhancement by way of improving water quality.

The amount to be collected for 2018/19 is \$470,000.

## 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 2018/19 is \$6,006,000

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	189.39
Industrial	100	189.39
Farming	25	47.35

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 1 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, as follows:

DIFFERENTIAL CATEGORIES	REVENUE TO BE COLLECTED \$	RATE PER RATING UNIT
Business Urban and Rural	4,574,000	0.002747
Industrial	481,000	0.000812
Farming	525,000	0.000151

The differentiated targeted rate in the dollar on capital value will be set on every rating unit where either:

- a) the principal use of that rating unit falls into one of the three categories described below, or
- b) 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 the business and economic development targeted rates**

**BUSINESS, URBAN AND RURAL:** Every property in the urban or rural sector and is 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 REFUSE COLLECTION AND WASTE MANAGEMENT SERVICES - RATEABLE PROPERTIES

Council sets a targeted rate for refuse collection and waste management services on all rating units in the district that are located within the Rotorua urban rating boundary (as shown on map V) and that are located in the rural areas identified on map W and map X and that are not used as council reserves. The rate is differentiated based on the location of the rating unit, the use to which the rating unit is put, and the provision or availability of the service to the rating unit. The rate is set as either an amount per separately used or inhabited part (SUIP) of a rating unit that receive the service, and is set as an amount per rating unit for rating units that are "Serviceable".

The targeted rate funds refuse collection service which includes recycling. The targeted rate also funds waste management services, which include litter bin provision and the management of as well as the removal of illegal littering and waste dumping on council controlled land, conducting of waste minimisation information and education programmes as well as other associated costs to Council in providing the service.

## SERVICED (CBD BUSINESS SUIP) RATING UNITS

For commercial rating units in the CBD area identified in the map, the Council will provide [a 240L MGB for refuse and 240L MRB for recycling collection and 40L crates for glass collection]. The Council will collect refuse weekly and recycling fortnightly from the kerbside.

The relationship between the differential categories for the waste collection rates and the amount of the rate for the 2018/19 year is as follows:

WASTE COLLECTION	RELATIVE DIFFERENTIALS (%)	2018/19 RATES\$
The total amount to be collected in 2018/19 is \$5,451,000		
Serviced	100	172.75 per SUIP
Serviced (CBD business SUIP)	200	345.50 per SUIP
Serviced (Rural)	100	172.75 per SUIP
Serviced (Rural – part year)	83	143.38 per SUIP
Serviceable	50	86.38 per rating unit

### Description of differential categories for the refuse collection and waste management services rates – rateable properties

**SERVICED:** All rating units, except those that fall under the "Serviced (CBD business SUIP)" category, the Serviced (Rural) category, the Serviced (Rural – part year) or the "Serviceable" category. This category does include rating units used for residential purposes within the CBD area identified in the map Z.

**SERVICED (CBD BUSINESS SUIP):** All rating units used for commercial purposes within the CBD area identified in the map Z.

**SERVICED (RURAL):** All rating units identified on Map W.

**SERVICED (RURAL – PART YEAR):** All rating units identified on Map X. The targeted rate for this category is set at a lower amount than that for the Serviced (Rural) category because it is intended that Council will commence the service to these rating units in the 2018/2019 year.

**SERVICEABLE:** All rating units shown in map V (Rotorua urban rating boundary) where the service is available to a rating unit, but is not used. This includes any rating units that are vacant (including bare land). It does not allow for voluntary opting out of receiving the service.

Notes: Council reserve tenants will have the option of entering a private contract with Council's contractor if they wish to use the collection service.

## TARGETED RATE FOR REFUSE COLLECTION – NON-RATEABLE PROPERTIES

Council sets a targeted rate for refuse collection only on those non-rateable rating units identified in table A. The rate is set as a fixed amount of \$86.38 per rating unit.

## 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. The amount to be collected is \$9,804,000

The targeted rates for water supply are as follows:

WATER SUPPLY (EXCEPT KAHAROA AND REPOROA) (SERVICE AREAS SHOWN ON MAP A, B, C, D, E, F)	RELATIVE DIFFERENTIALS (%)	FACTOR OF LIABILITY	2018/19 RATE \$
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The amount to be collected is Metered water \$3,890,000; General water rate \$4,981,000

### 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	247.40
A fixed amount on each serviceable rating unit capable of connection.	50	Per rating unit	123.70
A fixed amount on each connection to a rating unit (and metered)	100	Per connection	247.40
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	1.0999

KAHAROA (SERVICE AREAS SHOWN ON MAP G)	RELATIVE DIFFERENTIALS (%)	FACTOR OF LIABILITY	2018/19 RATE \$
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The amount to be collected is \$272,000

A targeted rate of a fixed amount per connection to a rating unit.		Per connection	300.62
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	0.3874

REPOROA (SERVICE AREAS SHOWN ON MAP H)	RELATIVE DIFFERENTIALS (%)	FACTOR OF LIABILITY	2018/19 RATE \$
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The amount to be collected is \$661,000

### A differential targeted rate:

A fixed amount per connection on each Domestic/Non-Farming rating unit connected	64	Per connection	176.20
A fixed amount per connection on each Farming/Dairy-Factory rating unit connected.	100	Per connection	275.32

### 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	0.5295
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	0.3389



### 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 be effectively 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 to properties within the service areas shown on Map I, J, K, L, M, N, O, P, Q, R, S, T, and U 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	2018/19 RATE \$
The amount to be collected is \$14,323,000			
<b>1. Rating unit connected:</b>			
Category 1 - means the rating units with 1 to 4 toilets (water closets or urinals)	100	Per WC/urinal	413.92
Category 2 - means the rating units with 5 to 10 toilets (water closets or urinals)	85	Per WC/urinal	351.83
Category 3 - means the rating units with 11 or more toilets (water closets or urinals)	80	Per WC/urinal	331.13
<b>2. Serviceable</b>			
- means the rating units which are serviceable rating units.	50	Per rating unit	206.96

### 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 1 household will be treated as having only 1 water closet or urinal

## TARGETED RATES FOR URBAN SEWERAGE DEVELOPMENT

Council sets targeted rate for urban sewerage development rate on all rateable land in the area shown on Map V as a fixed amount of \$2.89 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 2018/19 is \$63,000.

## 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	2018/19 RATE \$
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#### 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
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#### Brunswick Stages 4 and 6 (Service areas shown on Map M)

The amount to be collected is \$9,659 A fixed amount on each household unit equivalent (HUE)	Per HUE	292.74
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#### Brunswick (Service areas shown on Map N)

The amount to be collected is \$54,254 A fixed amount on each household unit equivalent (HUE)	Per HUE	609.49
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#### Hamurana/Awahou (Service areas shown on Map O)

The amount to be collected is \$125,566 A fixed amount on each household unit equivalent (HUE)	Per HUE	426.08
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#### Hinemoa Point (Service areas shown on Map K)

The amount to be collected is \$24,515 A fixed amount on each household unit equivalent (HUE)	Per HUE	495.25
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#### Lake Okareka/Blue Lake (Service areas shown on Map P)

The amount to be collected is \$166,857 A fixed amount on each household unit equivalent (HUE)	Per HUE	897.09
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#### Marama Point (Service areas shown on Map Q)

The amount to be collected is \$14,691 A fixed amount on each household unit equivalent (HUE)	Per HUE	233.20
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#### Mourea (Service areas shown on Map J)

The amount to be collected is \$27,562 A fixed amount on each household unit equivalent (HUE)	Per HUE	291.67
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#### Okawa Bay (Service areas shown on Map L)

The amount to be collected is \$8,634 A fixed amount on each household unit equivalent (HUE)	Per HUE	454.46
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#### Okere Falls / Otaramarae / Whangamarino (Service areas shown on Map R)

The amount to be collected is \$98,812 A fixed amount on each household unit equivalent (HUE)	Per HUE	404.47
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#### Paradise Valley (Service areas shown on Map S)

The amount to be collected is \$4,886 A fixed amount on each household unit equivalent (HUE)	Per HUE	375.85
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#### Rotokawa (Service areas shown on Map T)

The amount to be collected is \$34,209 A fixed amount on each household unit equivalent (HUE)	Per HUE	187.96
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#### Waikuta Marae (Service areas shown on Map U)

The amount to be collected is \$2,136 A fixed amount on each household unit equivalent (HUE)	Per HUE	356.14
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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 building exists i.e. are 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 <sup>2</sup>	No charge*
40m <sup>2</sup> to less than 60m <sup>2</sup>	50% HUE
60m <sup>2</sup> to less than 70m <sup>2</sup>	60% HUE
70m <sup>2</sup> to less than 80m <sup>2</sup>	70% HUE
80m <sup>2</sup> to less than 90m <sup>2</sup>	80% HUE
90m <sup>2</sup> to less than 100m <sup>2</sup>	90% HUE
100m <sup>2</sup> or greater	100% HUE or 1 HUE

The first additional household unit of less than 40m<sup>2</sup> will not attract a separate sewerage capital targeted rate or voluntary contribution charge. Any further household units of less than 40m<sup>2</sup> 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):** A separately used or inhabited part of a rating unit includes any portion inhabited or used by (the owner/a person other than the owner), and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement. For the purposes of the targeted rate for refuse collection and waste management services – rateable properties for rural properties (outside the urban boundary shown on Map V), this definition is limited to those parts that are inhabited or could be inhabited as residential dwellings.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner.

For the purpose of this definition, vacant land and vacant premises offered or intended for use or inhabitation by a person other than the owner and usually used as such are defined as "used".

For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

## 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 2018/19 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 applicants rate account.

<b>INITIAL CHARGES - ONE-OFF (PLUS GST AT THE PREVAILING RATE)</b>	<b>CHARGING UNIT</b>	<b>2018/19</b>
Application Fee	One-Off	\$88.89
Contribution to Counselling	One-Off	\$250.00
<b>HALF YEAR INTEREST CHARGES</b>		
Interest calculated on councils marginal borrowing rate 6 monthly on all amounts outstanding		
<b>ANNUAL CHARGES (PLUS GST AT THE PREVAILING RATE)</b>	<b>CHARGING UNIT</b>	<b>2018/19</b>
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:

<b>INSTALMENT</b>	<b>DUE DATE</b>	<b>PENALTY DATE</b>
Instalment Number 1	20 August 2018	21 August 2018
Instalment Number 2	20 November 2018	21 November 2018
Instalment Number 3	20 February 2019	21 February 2019
Instalment Number 4	20 May 2019	21 May 2019

## 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 2018/19 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 6 July 2018 to rates assessed in any previous financial year and which remain unpaid on 30 June 2018.
- A further penalty of 10% will be added on 8 January 2019 to rates assessed in any previous financial year, plus any previous further penalty, and which remain unpaid on 7 January 2019.

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

## DUE DATES FOR PAYMENT OF TARGETED RATES FOR METERED WATER SUPPLY

Targeted rates for metered water supply will be read and invoiced quarterly. The due date for payment for each of the quarters is as follows:

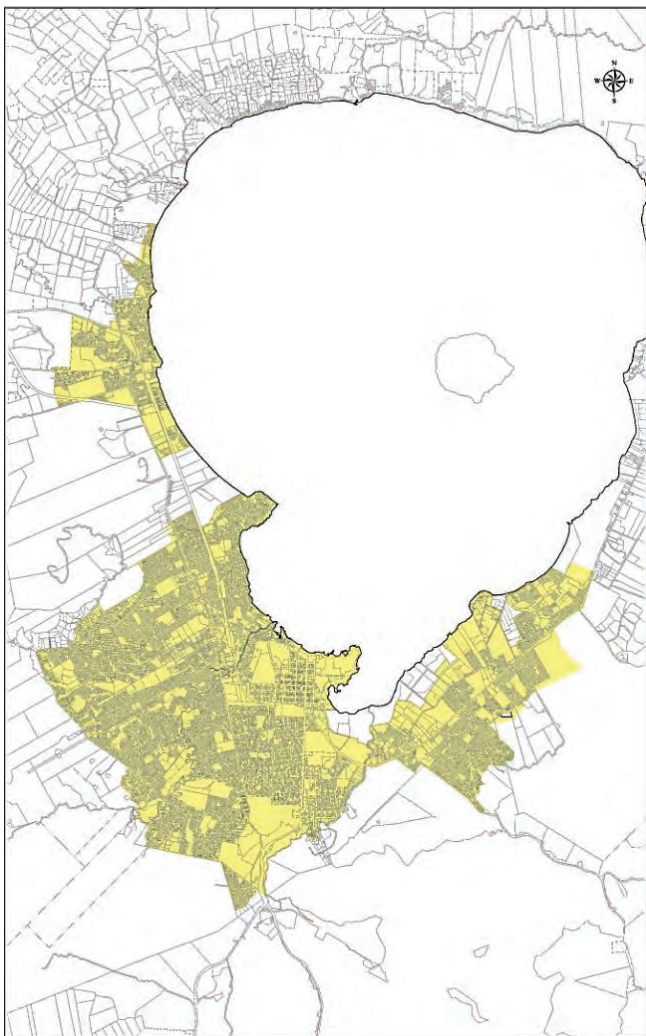
<b>BILLING CYCLE</b>	<b>BILLING MONTH</b>	<b>DUE DATE</b>	<b>PENALTY DATE</b>
May – August	August	25 September 2018	26 September 2018
August – November	November	21 December 2018	29 December 2018
November – February	February	25 March 2019	27 March 2019
February – May	May	25 June 2019	26 June 2019

# PENALTIES ON UNPAID WATER INVOICES

A penalty will be added to any part of a current invoice that remains unpaid after its due date. The penalty will be 10% of any unpaid part of the invoice.

## RATING MAPS

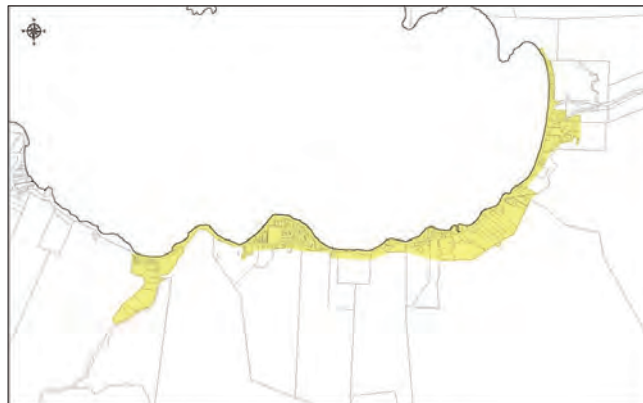
**MAP A - URBAN WATER SUPPLY**



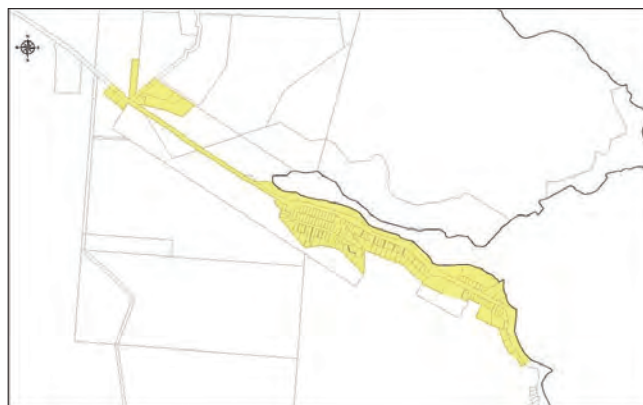
**MAP B - MAMAKU WATER SUPPLY**



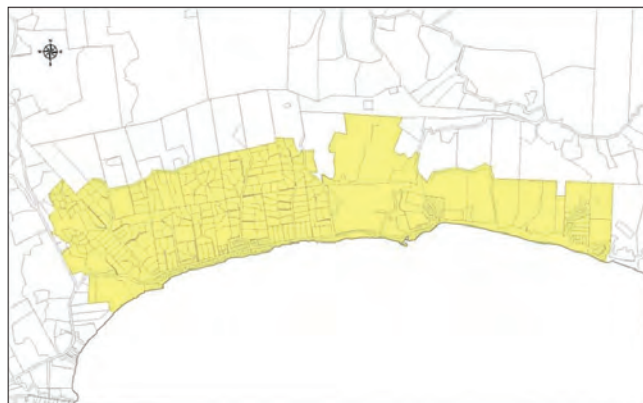
**MAP C - ROTOITI WATER SUPPLY**



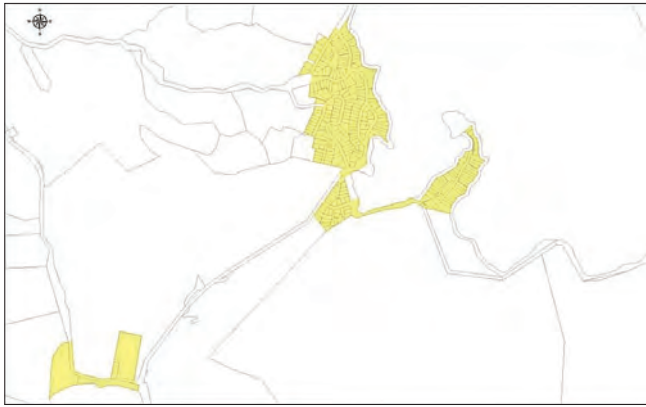
**MAP D - ROTOMA WATER SUPPLY**



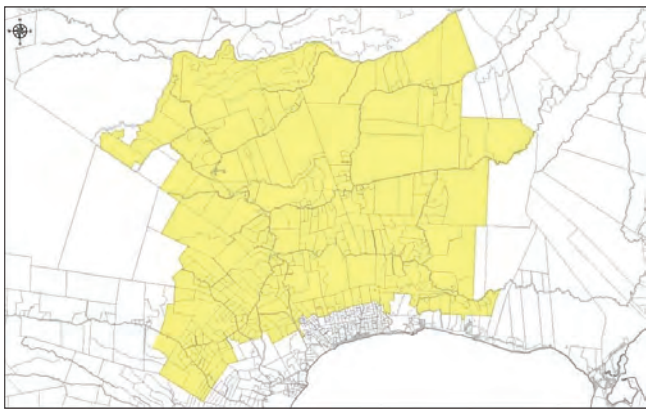
**MAP E - HAMURANA WATER SUPPLY**



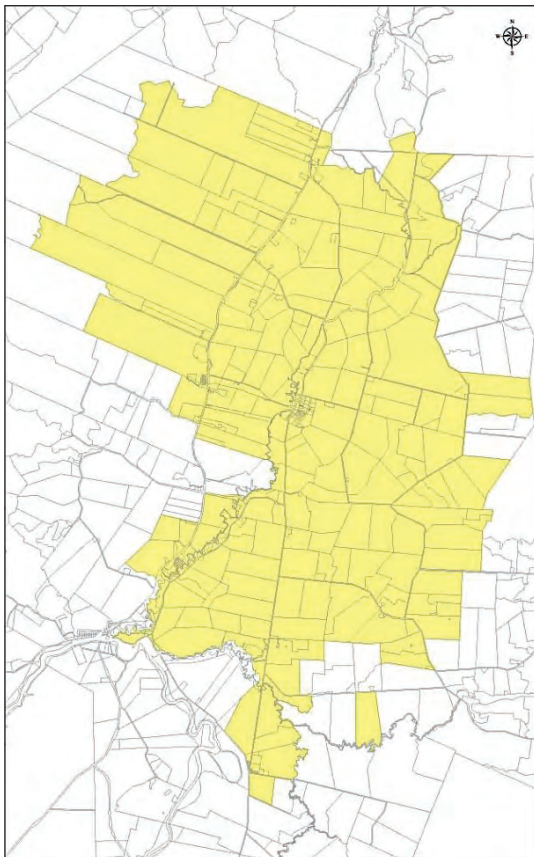
**MAP F - OKAREKA WATER SUPPLY**



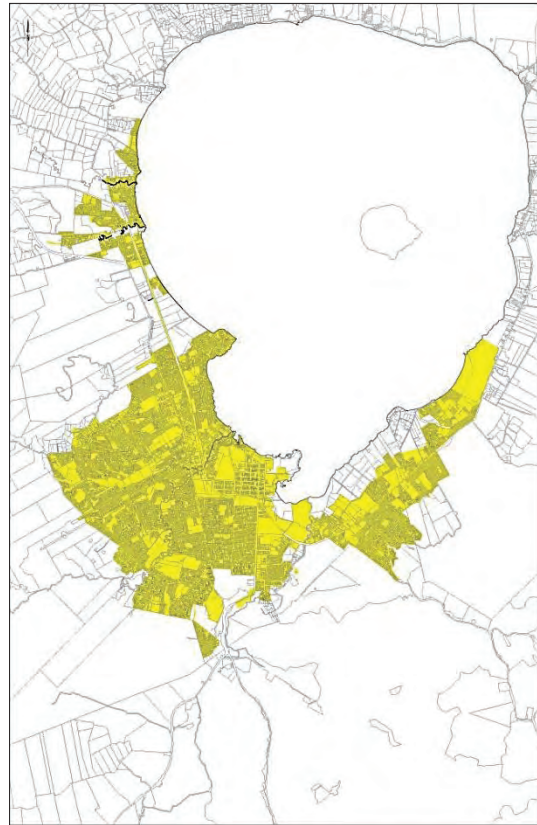
**MAP G - KAHAROA WATER SUPPLY**



**MAP H - REPOROA WATER SUPPLY**



**MAP I - URBAN SEWERAGE**

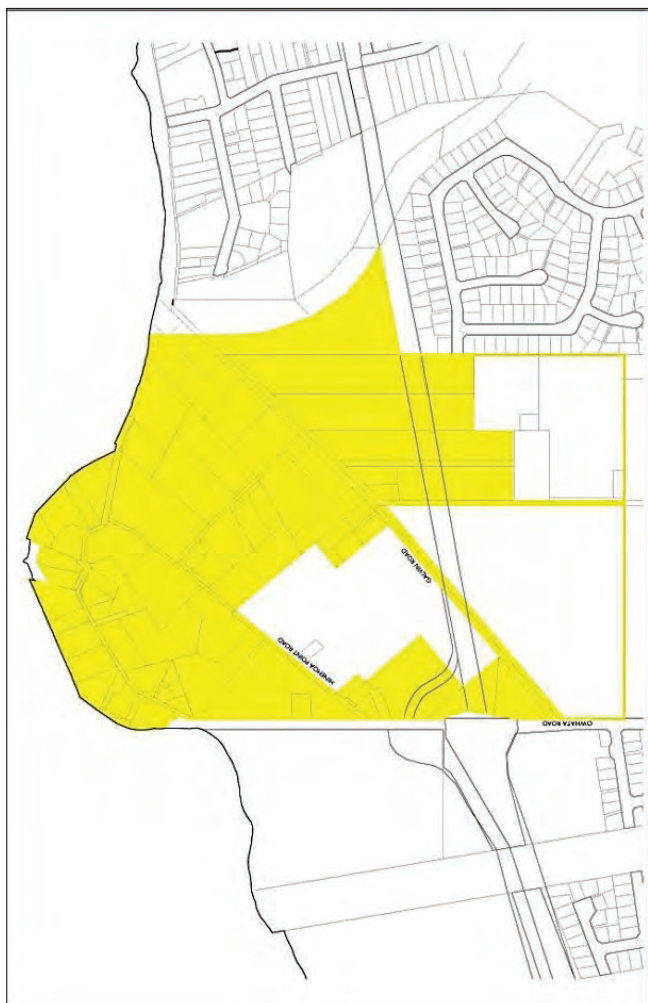


**MAP J - MOUREA SEWERAGE SCHEME**

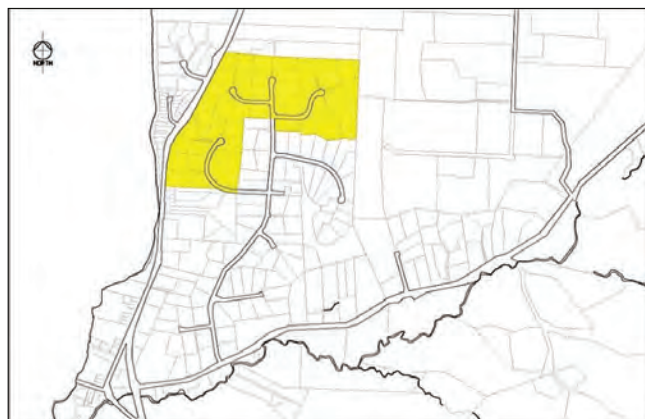




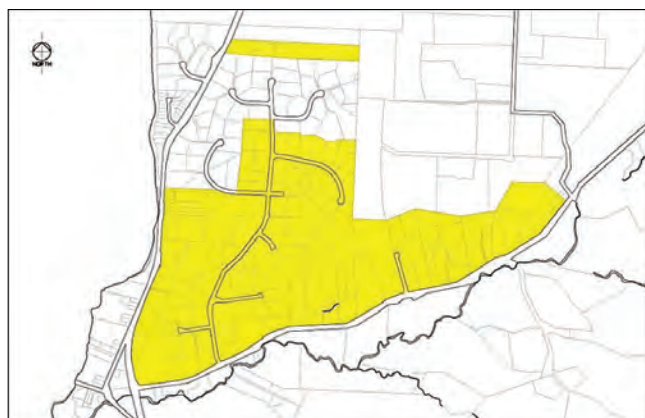
**MAP K - HINEMOA POINT SEWERAGE SCHEME**



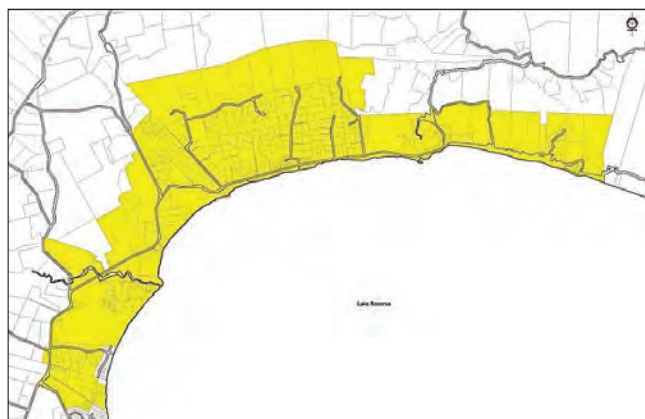
**MAP M - BRUNSWICK STAGES 4 & 6 SEWERAGE SCHEME**



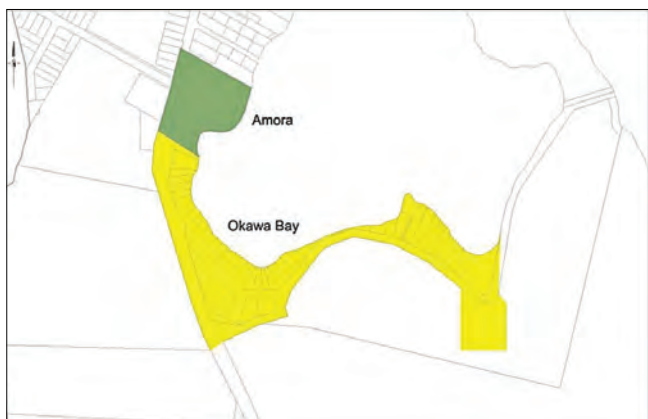
**MAP N - BRUNSWICK SEWERAGE SCHEME**



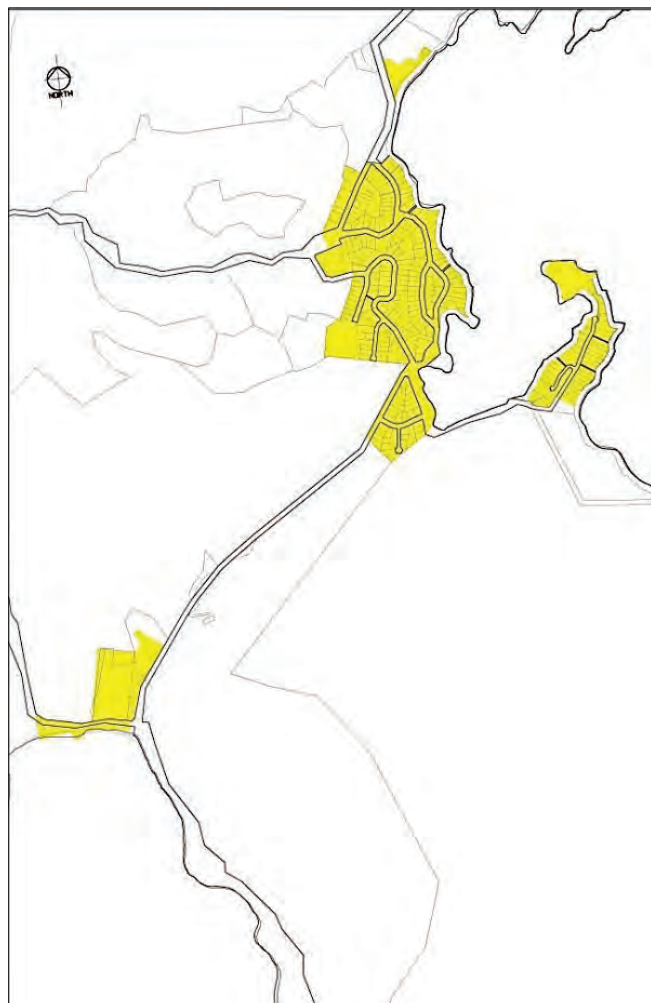
**MAP O - HAMURANA/AWAHOU SEWERAGE SCHEME**



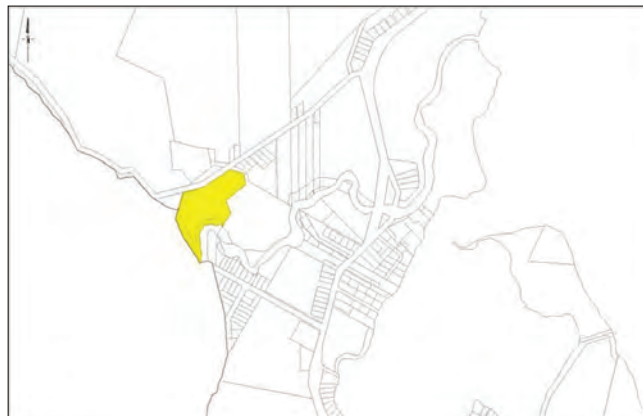
**MAP L - OKAWA BAY, AMORA LAKE RESORT SEWERAGE SCHEME**



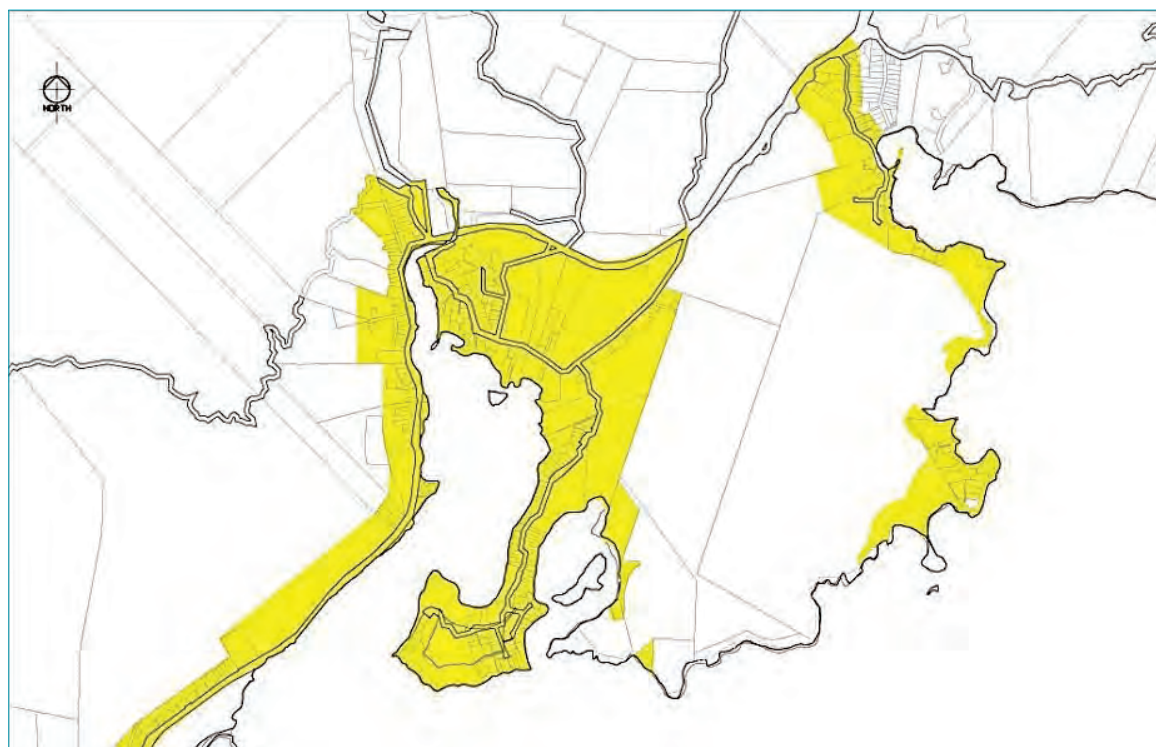
**MAP P - LAKE OKAREKA, BLUE LAKE SEWERAGE SCHEME**



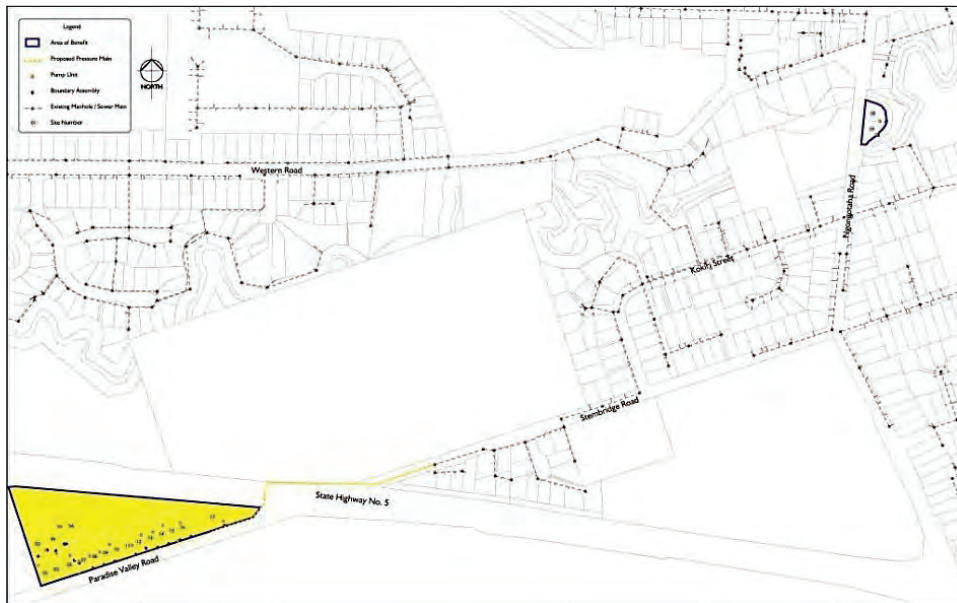
**MAP Q - MARAMA POINT SEWERAGE SCHEME**



**MAP R - OKERE FALLS, OTARAMARAE, WHANGAMARINO SEWERAGE SCHEME**



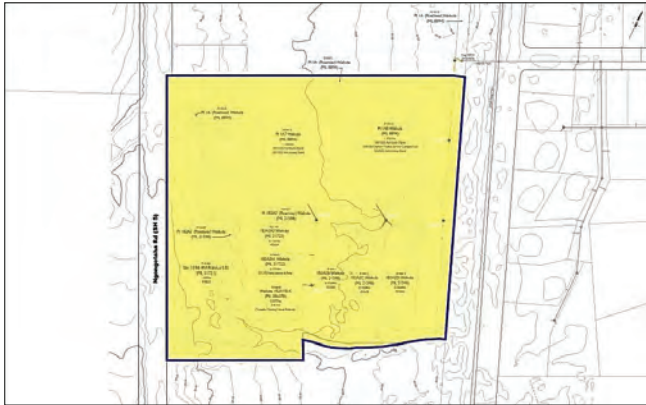
### MAP S - PARADISE VALLEY SEWERAGE SCHEME



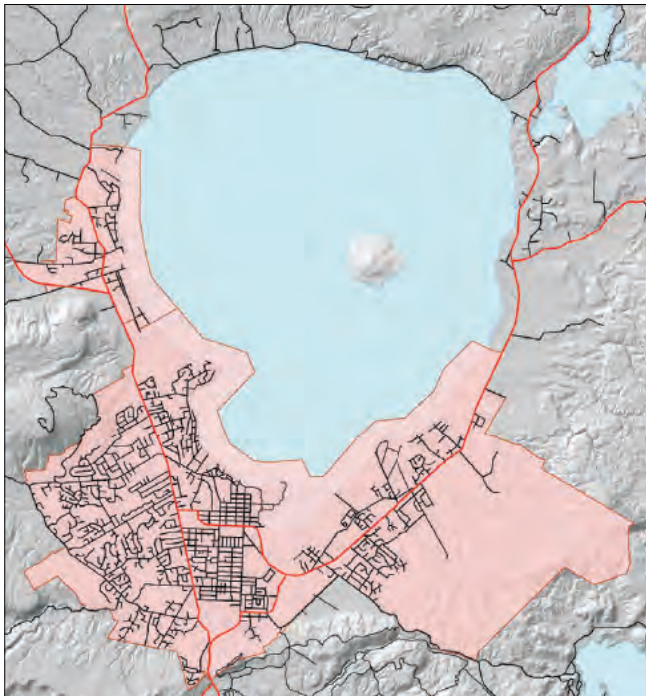
### MAP T - ROTOKAWA SEWERAGE SCHEME



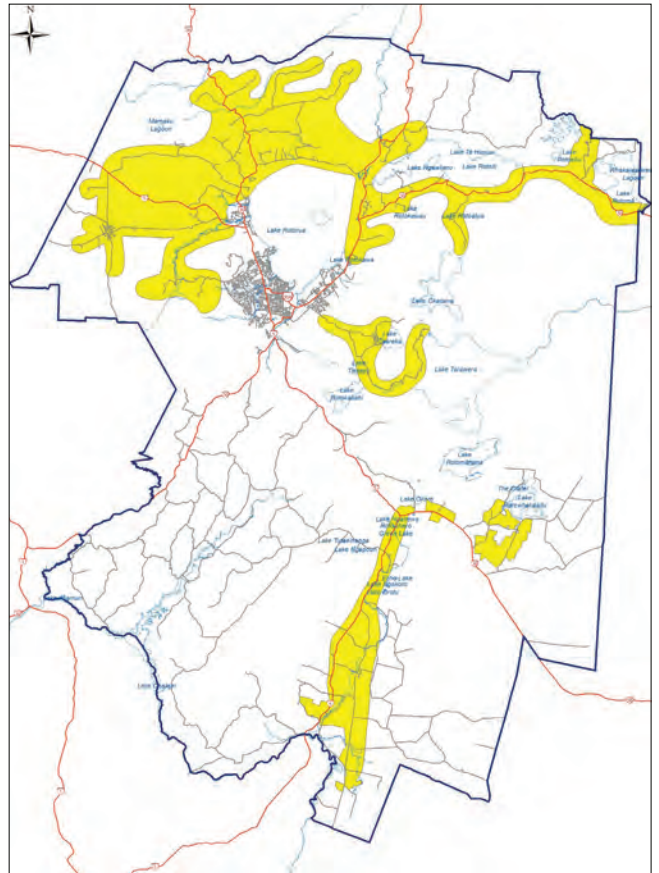
MAP U - WAIKUTA MARAE SEWERAGE SCHEME



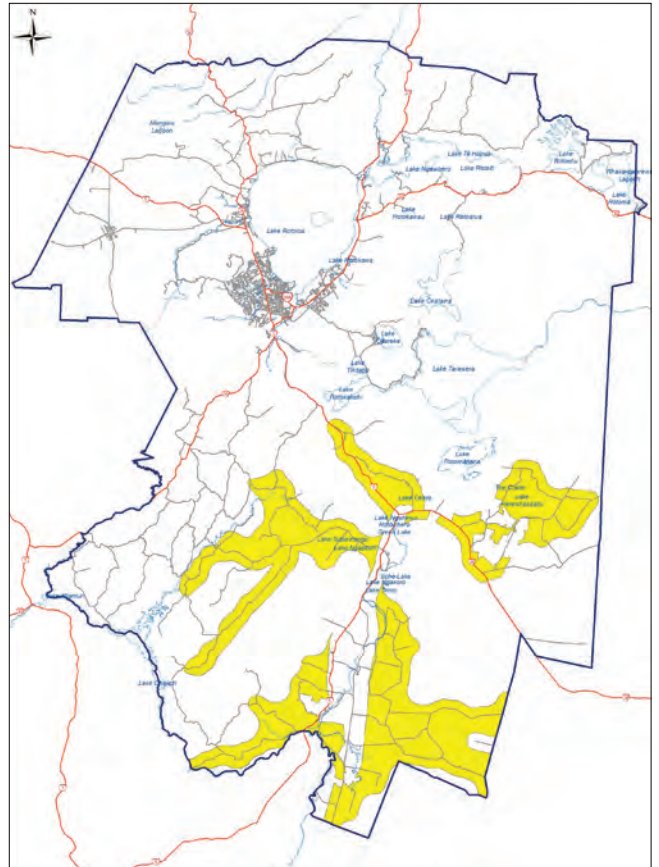
MAP V- ROTORUA URBAN RATING BOUNDARY



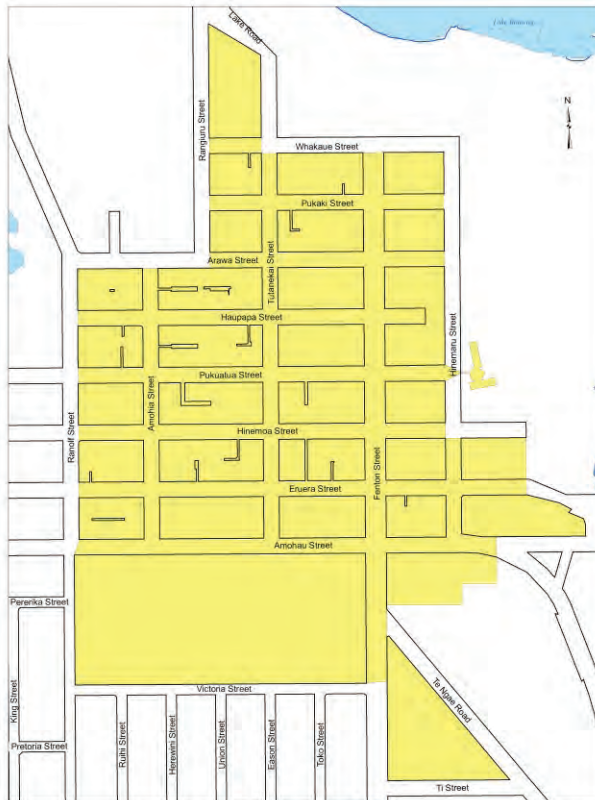
MAP W - WASTE COLLECTION - SERVICED RURAL



MAP X - WASTE COLLECTION - SERVICED (RURAL - PART YEAR)



**MAP Z - CBD WASTE COLLECTION AREA**



**CBD Waste Collection Area**  
Version 1 July 2017

TABLE A: REFUSE COLLECTION - SERVICED NON-RATEABLE LAND

VALUATION NUMBER	LOCATION	NUMBER OF CONNECTIONS
06500 001 07	1240 HINEMARU STREET	2
06500 042 00	1158 PUKAKI STREET	2
06500 111 01 B	1277 TUTANEKAI STREET	1
06500 718 02	2B RANOLF STREET	2
06500 765 04	1479 HINEMOA STREET	1
06500 823 00	1351 AMOHOU STREET	1
06511 081 00	276 FENTON STREET	1
06511 167 00	42 HILDA STREET	1
06511 168 00	40 WARD AVENUE	1
06512 114 00	44 VICTORIA STREET	1
06512 180 01 B	40 SEDDON STREET	1
06512 358 00	303 FENTON STREET	2
06512 406 01	FENTON STREET	1
06512 803 03	20 HEMO ROAD	1
06520 210 00	72 MALFROY ROAD	1
06520 221 00	100 MALFROY ROAD	1
06520 451 06	14 LARCH STREET	1
06520 539 02 A	55 HIGH STREET	1
06531 063 00	TUNOHOPU STREET	1
06531 199 00	26 TAREWA ROAD	3
06531 255 01	63 TAREWA ROAD	2
06531 284 01	21A TAREWA ROAD	1
06532 063 01	39 OLD TAUPO ROAD	1
06532 292 00	62 TALLYHO STREET	1
06532 408 00	122 RIRI STREET	1
06532 419 00	96 RIRI STREET	1
06533 297 03	7 DINSDALE STREET	1
06533 349 00	23 GEDDES ROAD	1
06533 391 00	20 BIAK STREET	1
06533 396 01	2 DEPOT STREET	1
06533 422 00	39 BIAK STREET	1
06533 431 00	57 DEPOT STREET	1
06541 024 00	35 TAHARANGI STREET	1
06541 145 00	38 KOUTU ROAD	1
06542 208 01	41 RUSSELL ROAD	1
06551 014 01	5 ROWI STREET	1
06551 074 00	36 KEA STREET	1
06551 408 00 A	70 OLD QUARRY ROAD	1
06552 101 00	155 CLAYTON ROAD	1
06552 252 00	46 FAIRVIEW ROAD	1
06552 598 00	13 THOMAS CRESCENT	1
06552 603 01	3 THOMAS CRESCENT	1
06552 603 04	219 CLAYTON ROAD	1
06553 020 02	30 MILNE ROAD	1
06553 180 01	11 MAY ROAD	1
06553 538 00	18 GEM STREET	1
06553 619 00	50 HOMEDALE STREET	1
06553 882 00	6 EMERALD STREET	1
06555 113 00	87 SUNSET ROAD	2
06561 248 00	114 SUNSET ROAD	1
06561 267 00	63 FORD ROAD	1
06561 374 01	21C BELLINGHAM CRESCENT	1
06561 729 00 B	324 MALFROY ROAD	1
06561 731 01	DEVON STREET	1
06570 251 00	187 OLD TAUPO ROAD	1
06570 476 00	271 OLD TAUPO ROAD	1
06570 745 00 A	249 OLD TAUPO ROAD	1
06590 139 03	105 OTONGA ROAD	1
06599 103 00	55 PUKEHANGI ROAD	1
06951 118 00	296 KAHAROA ROAD	1
06951 119 00	310 KAHAROA ROAD	1
06961 674 00	97 WHANGAMO A DRIVE	3
06962 168 00 A	22 MANAWAHE ROAD	2
06971 241 00	1303 S HWAY 30	1
06992 346 24	10 BRONTE PLACE	1
06992 353 44	244 VAUGHAN ROAD	1
06993 511 00	43 ROBINSON AVENUE	1
06996 178 00	A/3 LYNBERT ROAD	1
06997 134 00	8 ILES ROAD	1
06997 619 00	7 ALASTAIR AVENUE	1
06997 629 00	18 ALASTAIR AVENUE	1
06998 281 00 A	24 PORIKAPA ROAD	1
06998 405 00	36 WHARENUI ROAD	1
07011 312 00	71 OKAREKA LOOP ROAD	1
07030 220 03	589D SETTLERS ROAD	1
07030 220 08 C	26 MASSEY ROAD	1
07030 220 09	597 SETTLERS ROAD	1
07030 226 00	13 GUTHRIE ROAD	1
07030 228 01	48 MASSEY ROAD	1
07030 264 01	31 MASSEY ROAD	1
07050 180 00 A	54 TARENA STREET	1
07063 273 00	278 NGONGOTAHA ROAD	1
07064 002 00	16 SCHOOL ROAD	1
07064 091 00	13 HALL ROAD	1
07065 169 00	3 ARIKI STREET	1
07065 352 00	12 TAU I STREET	1
07065 431 00	19 SCHOOL ROAD	1

## 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 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 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.

CATEGORY	CAPITAL VALUE 2014	CAPITAL VALUE 2017	CAPITAL VALUE % CHANGE	SECTOR % AVGE CHANGE	TOTAL RATES 2017-18	TOTAL RATES 2018-19	INCREASE/ (DECREASE)	% INCREASE/ (DECREASE)	SECTOR AVGE
<b>Business</b>									
Lower CV	265,000	323,000	22%		2,842	2,866	24	0.84%	
Medium CV	440,000	540,000	23%	18%	4,984	5,138	154	3.09%	0.92%
Upper CV	2,020,000	2,430,000	20%		18,398	18,808	411	2.23%	
Upper CV	4,190,000	4,940,000	18%		41,918	42,713	795	1.90%	
<b>Farming</b>									
Lower CV	415,000	515,000	24%		1,853	1,837	-16	-0.85%	
Medium CV	745,000	895,000	20%	22%	2,835	2,789	-47	-1.64%	1.42%
Upper CV	2,840,000	3,140,000	11%		8,785	8,144	-641	-7.30%	
Upper CV	5,865,000	7,190,000	23%		18,242	18,743	501	2.75%	
<b>Residential Rural</b>									
Lower CV	204,000	293,000	44%		1,280	1,380	99	7.77%	
Medium CV	445,000	570,000	28%	30%	1,925	2,032	106	5.53%	6.00%
Upper CV	1,590,000	1,875,000	18%		4,989	5,103	113	2.27%	
<b>Residential Urban</b>									
Lower CV	178,000	288,000	62%		1,850	2,032	182	9.84%	
Lower CV	211,000	325,000	54%	48%	1,943	2,119	177	9.09%	8.22%
Med CV	308,000	447,000	45%		2,214	2,406	192	8.67%	
Upper CV	500,000	685,000	37%		2,752	2,966	214	7.78%	
Upper CV	580,000	750,000	29%		2,977	3,119	143	4.80%	
Upper CV	780,000	1,000,000	28%		3,537	3,708	171	4.83%	

# Reserve funds statements

## **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. The reserves balances represent accumulated balances to date of such activities.

## **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 the Waikite Hot Pools.

## **RESTRICTED RESERVES**

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

## **RESTRICTIONS**

Te Arawa Lakes Enhancement Reserve – Committed funding received from the Ministry for the Environment towards various Te Arawa Lakes Enhancement projects.

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

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



## COUNCIL CREATED AND RESTRICTED RESERVES

RESERVE FUNDS STATEMENT	Opening Balance 1 July 2018 (\$000)	Deposits (\$000)	Revaluations (\$000)	Withdrawals (\$000)	Closing Balance 30 June 2028 (\$000)	Activities to which the reserve relates
<b>Council created reserves</b>						
Reporoa Domain	78	-	-	-	78	Sport, Recreation and Environment
Waikite Domain	21	-	-	-	21	Sport, Recreation and Environment
<b>Total Council Created Reserves</b>	99	-	-	-	99	
<b>Restricted reserves</b>						
Te Arawa Lakes Enhancement Reserve	3,319	-	-	-	3,319	Sport, Recreation and Environment
Reserves Development	2,221	-	-	-	2,221	Sport, Recreation and Environment
Creative NZ Reserve	23	-	-	-	23	Arts and Culture
<b>Total Restricted Reserves</b>	5,563	-	-	-	5,563	
<b>Total Council Created and Restricted Reserves</b>	5,662	-	-	-	5,662	

### 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 assist with development of Waikite Hot Pools.

### Restricted Reserves

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Te Arawa Lakes Enhancement Reserve - Committed funding received from the Ministry of the Environment towards various Te Arawa Lakes Enhancements projects.

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

Creative NZ Reserve - Funds held and used in accordance with the policies of organisations external to Council; for example RLC allocates funds on behalf of Creative New Zealand on application for funding.

## OTHER RESERVES

	Opening Balance 1 July 2018 (\$'000)	Deposits (\$'000)	Revaluations (\$'000)	Withdrawals (\$'000)	Closing Balance 30 June 2028 (\$'000)	Activities to which the reserve relates
Development Contributions Reserve	-	9,149	-	9,149	-	Sewerage and Sewerage, Storm Water and Land Drainage, Water Supplies, Roads and Footpaths
Pensioner Housing	1,557	-	-	-	1,557	Community Leadership

PROPERTY, PLANT AND EQUIPMENT ASSETS REVALUATION RESERVE						
<b>Art Collections</b>	17,364	-	7,599	-	24,963	Arts and Culture
<b>Buildings</b>	45,509	-	19,916	-	65,425	Community Leadership
<b>Land - Operational</b>	6,720	-	2,941	-	9,661	Community Leadership
<b>Land - Restricted</b>	4,165	-	1,823	-	5,988	Community Leadership
<b>Landfill</b>	5,965	-	2,610	-	8,575	Waste Management
<b>Library Books</b>	314	-	137	-	451	Arts and Culture
<b>Roading and Footpaths</b>	102,984	-	102,471	-	205,455	Roads and Footpaths
<b>Sport, Recreation and Environment</b>	2,030	-	13,283	-	15,313	Sport, Recreation and Environment
<b>Stormwater</b>	59,763	-	26,220	-	85,983	Stormwater and Land Drainage
<b>Sewerage</b>	5,685	-	56,257	-	61,942	Sewerage and Sewerage
<b>Water Supplies</b>	41,642	-	29,860	-	71,502	Water Supplies
<b>Total Property, Plant and Equipment Assets Revaluation Reserve</b>	292,141	-	263,117	-	555,258	

<b>Total Other Reserves</b>	293,698	9,149	263,117	9,149	556,815	
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### Development Contributions Reserve

The intent of the Development Contribution Reserve is to ensure the costs of providing the growth component of infrastructure is repaid by those who benefit from it. The growth component is the additional infrastructure capacity needed to accommodate the demand arising from development.

### Pensioner Housing Reserve

The Pensioner Housing Reserve is created to assist in improving council owned pensioner housing. There is no specific plan to use this reserve for the coming 10 years while the council considers its future role in this activity.

### Property, Plant and Equipment Assets Revaluation Reserves

The Property, Plant and Equipment Assets Revaluation Reserves are created through the revaluation of Property, Plant and Equipment as prescribed by the Local Government Act 2002.

“The funding  
strategy  
**balances** the  
three financial  
levers of rates,  
fees & charges  
and debt.”



# Rates remissions policies

## BRIEF STATEMENT

Council has the following rates relief policies, effective from 1 July 2018, 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.

## REMISSION OF PENALTIES ON CURRENT OVERDUE INSTALMENTS:

### 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:
  1. the arrangement will be annulled if the applicant does not adhere to it; and
  2. Council may vary the arrangement on request; and
  3. 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 property, 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.

## 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

- 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.
- 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

- 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.
- Delegated authority to apply this policy rests with the Chief Financial Officer
- 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.

## REMISSION OF RATES ON MAORI FREEHOLD LAND:

In developing this policy Council has given consideration to how either providing or not providing rates remissions would contribute to the following objectives.

### OBJECTIVES

- Supporting the use of the land by the owners for traditional purposes.
- Recognising and supporting the relationship of Maori, and their culture and traditions, with their ancestral lands.
- Avoiding further alienation of Maori freehold land.
- Facilitating any wish of the owners to develop the land further for economic use.
- Recognising and taking account of the presence of waahi tapu that may affect the use of the land for other purposes.
- 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).
- Recognising and taking account of the importance of the land for community goals relating to:
  - the preservation of the natural character of the lakes environment
  - the protection of outstanding natural features
  - the protection of significant indigenous vegetation and significant habitats of indigenous fauna
- Recognising the level of community services provided to the land and its occupiers.
- Recognising matters relating to the physical accessibility of the land.
- Encouraging productive use or occupation of part or all of the land and payment of rates on part or all of the land.
- 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

- 50% rates remission may be provided where any of the objectives 1-9 are supported.
- 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).
- 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).
- 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).
- Part of the rates may be remitted where:
  - The land is multiple owned and unoccupied, and
  - 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).
- Part of the rates may be remitted where:
  - The land is multiple owned, and
  - 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

- If any remaining rates after a remission is applied are not paid by the relevant due date no further remission will be provided.
- No remission of service charges will be provided.
- No rates postponements will be provided on Maori freehold land.
- Consideration will be given to the following matters (but not limited to these) as part of the decision-making process:
  - The number of owners
  - The rateable land value per hectare relative to similar parcels of land
  - Any restriction of access, bearing in mind this will have been accounted for to some extent by Council's valuers
  - Potential for future use/economic development of the land.
  - For the purposes of this policy, multiple owned Maori freehold land means Maori freehold land owned by more than two persons.
  - 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.
  - Properties approved to receive a remission will be subject to regular review and generally this will be on an annual basis.
  - 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 Māori freehold land follows past policy. This is to not postpone rates but to use the remission policy where appropriate.

# Treasury policy

## INTRODUCTION

The purpose of the Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Council. The formalisation of these policies and procedures will enable treasury risks within Council to be prudently managed. The Policy establishes borrowing limits to ensure prudent management of anticipated debt borrowings over time, and that 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 undertaken. 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 that the Council follows to manage its 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.

All risk management activity must relate to the underlying debt of the Council. The buying and selling of risk management instruments for the primary purpose of generating premium income is not permitted because of its speculative nature.

Approved financial instruments are as follows:

Category	Instrument
Cash Management/ Borrowing	Bank overdraft, Committed bank facilities, Retail and Wholesale bonds and Floating Rate Notes (FRN), Commercial Paper
Investments (term < 12 months)	Call Deposits, Bank Term Deposits (TD's)
Investments	LGFA borrower notes/CP/Bonds
Interest Rate Risk Management	Interest Rate Swaps Forward Start Swaps (linked to existing swap maturity) Interest Rate Swap options (purchased on if part of 1 for 1 collar)

## FUNDING RISK MANAGEMENT

Funding risk management centres on the ability of Council to re-finance or raise new debt at a future time and the ability at that time to achieve the same or more favourable pricing (fees and borrowing margins) and terms compared to existing facilities/debt. Because of the high level of creditworthiness of Council given its ability to rate the key funding risk faced relates to pricing risk rather than the ability to access funds in the future.

A key factor of funding risk management is to spread and control the risk by reduce the concentration of funding maturities 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 its debt maturities are 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 value in any one 12 month period, measured on a rolling 12 month 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 pricing terms. Such action is to be reported to Council at the earliest opportunity. Council has the ability to pre-fund up to 12 months of forecast debt requirements including re-financings and invest any cash surpluses with approved counterparties for a term of no more than 12 months.

## 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 in the ensuing 12 months, 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 S&P Global Ratings (S&P), or equivalent credit ratings from 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.

## 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 New Zealand 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 CCOs 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	<225%
Net Interest/Total Revenue	<20%
Net Interest/Annual Rates Income	<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%

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 \$75 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 HEDGING PROFILE LIMIT		
Term Of Exposure	Minimum Fixed Rate Exposure	Maximum Fixed Rate Exposure
Year 1	50%	100%
Years 2 and 3	30%	80%
Year 4	15%	60%
Year 5 to 12	0%	50%
Over 12 years	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 LGFA equity related requirements. Council holds other debt investments, each tagged for specific purposes, which may include loans to CCOs.

## ACQUISITION OF NEW INVESTMENTS

New equity investments are approved by 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 Treasury 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 being A+ and above or short term rating of A-1 or above from S&P Global Ratings or equivalent credit ratings from Moody's or Fitch. 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%
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 \$20 million with any one registered bank

## APPENDIX 1

### 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 the 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
- Financial Controller
- Strategic financial planner

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	Council	Unlimited
Approving borrowing programme and new debt	Council	Unlimited (subject to legislative and other regulatory limitations)
Approval for charging physical assets as security over borrowing	Council	Unlimited
Approval for providing security stock as security over borrowing	Chief Executive or delegate	Unlimited
Appoint Debenture Trustee	Council	Unlimited
Re-financing existing debt	Chief Executive or delegate	Re-financing existing debt
Approving transactions outside policy	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 debenture trust deed.

### **Group:**

the business of Council and its subsidiaries.

### **Floating rate:**

an interest rate re-pricing within the next 3 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 3 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 LGFA 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.

# 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 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.

## 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 2018-2028 LONG-TERM PLAN RISK ASSESSMENT MATRIX				
No.	Assumption	Likelihood	Consequence	Overall Risk
1	Asset lives	Unlikely	Minor	Low
2	Growth assumptions	Possible	Minor	Moderate
3	Cost growth	Possible	Medium	Moderate
4	Subsidy rate	Likely	Medium	Moderate
5	Asset revaluations	Possible	Medium	Moderate
6	Return on investments	Unlikely	Minor	Negligible
7	Interest on borrowing	Possible	Medium	Medium
8	Resource consents/designations	Possible	Medium	Moderate
9	Renewability of debt funding	Very unlikely	Medium	Moderate
10	Structure of local government	Unlikely	Medium	Low
11	Legislative demands on council resources	Possible	Medium	Moderate
12	Information technology disasters	Possible	Medium	Moderate
13	Local natural disaster	Unlikely	Major	Low
14	Climate change	Possible	Medium	Low
15	Emissions trading scheme	Possible	Minor	Low
6	Insurance	Possible	Medium	Low
17	Other Revenue	Possible	Minor	Low
18	Subsidies and Grants	Possible	Medium	Moderate
19	Societal change	Unlikely	Minor	Low
20	Sources of funds for future replacement of significant assets	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 modeling 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 \$1 million movement in debt there would be an approximate interest impact of \$40,000.

## RISK ASSESSMENT

Asset management plans are in place for these assets, and professionally qualified staff and consultants have been engaged over the years to advice on this risk. The risk is now well understood and considered to be low.

2

Growth

## ASSUMPTION

Council has adopted two growth assumptions.

- 'Housing Accord' for 10-year planning.
- 'BERL Unrestrained' for 30-year planning.

This approach is intended to minimise the risks for each planning horizon. Council has assumed the largest land area demand and infrastructure requirements over the 30-year horizon, but has assumed a lower level of revenue over the 10-year horizon.

Council has decided to make a projection in line with the Housing Accord target of 250 new residential dwellings per annum (125 in year one and 250 there on out). This equates to 0.9% annual population growth (assumed 2.6 people per household). Simply put, this assumes that existing housing stock is now fully utilised and that new housing supply is constraining further population growth.

## CONTEXT

The last three years has seen record population growth for the Rotorua District.

<b>STATS NZ: RESIDENT POPULATION ESTIMATE; ROTORUA DISTRICT</b>			
Year to June	Population	Change	% Change
2014	68,500	100	0.10%
2015	69,200	700	1.00%
2016	70,500	1,300	1.90%
2017	71,700	1,200	1.70%

This has created pressure on the housing market to the point where housing supply is likely constraining further growth for the district. A number of actions are underway (including the Housing Accord) to ensure there is sufficient land available for future residential and commercial development.

## 30 YEAR GROWTH ASSUMPTIONS

The Infrastructure Plan used an unrestrained growth projection (produced by BERL in 2015).

Unrestrained projections assume population growth in market conditions where all demand is supplied (i.e. demand for employment, housing, business and industrial buildings etc).

Detailed modelling determined the land (residential, commercial and industrial) and the associated infrastructure requirements for this projection. Analysis against existing zoned land revealed additional residential and a greater variety of industrial land was required to ensure that land supply did not constrain future economic and population growth.

The analysis also established that in the short term, infrastructure can accommodate growth because variety of different land areas around Rotorua support distributed growth and potentially delay infrastructure investment as existing capacity is used first. This underpins the Asset Management Plans infrastructure catchment areas (eg. water supplies) and the 30 Year Infrastructure Strategy.

## RISK

The risk is that growth does not happen as predicted or that growth happens at a much faster rate than predicted.

## RISK ASSESSMENT

Monitoring growth and new reporting expectations through the housing accord means that we will have accurate knowledge of growth to ensure we are nimble in responding to growth. However, the challenge to ensure that investment matches growth does mean this is a moderate risk area.

3

Cost growth

## ASSUMPTION

<b>YEARS ENDING 30 JUNE:</b>	<b>LAND AND PROPERTY</b>	<b>ROADS</b>	<b>WATER</b>	<b>OPERATING - LGCI STAFF (%)</b>	<b>OPERATING - LGCI OTHER (%)</b>
2019	1.7	2.0	2.3	1.6	2.0
2020	2.0	2.2	2.5	1.6	2.2
2021	2.1	2.2	2.3	1.7	2.2
2022	2.1	2.3	2.4	1.8	2.2
2023	2.2	2.4	2.4	1.8	2.3
2024	2.3	2.4	2.5	1.9	2.3
2025	2.3	2.5	2.6	1.9	2.4
2026	2.4	2.6	2.6	2.0	2.5
2027	2.4	2.7	2.7	2.0	2.6
2028	2.6	2.8	2.8	2.1	2.7

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 midpoint 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 the major areas used in this Long-term Plan (% are per annum change).

### 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.

4 Subsidy rate

### ASSUMPTION

Council receives subsidies from New Zealand Transport Agency (NZTA) for local roads within the district, of 54. 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.

<b>FINANCIAL ASSISTANT RATES</b>	<b>%</b>
Year 1 -2019	54
Year 2 - 2020	55
Year 3 - 2021	55

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.

5

## Asset revaluations

## MODELLING PARAMETER

A three year rolling cycle valuation has been modelled using the inflation factors in the cost growth section above. The three year cycle was determined from the latest asset class revaluations in the 2017 Annual Report.

## 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 aligns with the accounting practice of revaluation of particular assets classes on a three year rolling cycle. Adopting this approach enables Council to better forecast the potential replacement and maintenance costs of these assets and minimise any material impacts on future planned rates increases. Risk is considered moderate.

6

## Return on Investment

## ASSUMPTION

It is assumed cash investment will net 3.5% 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.

7

## Interest on Borrowing

## ASSUMPTION

Council has an actual portfolio of fixed interest rate debt that matures at various times over the next 10 years. Taking into account the current economic state, the interest rate on the cost of borrowing for the Long-term Plan is as follows.

YEAR	INTEREST RATE
2019	4.25%
2020	4.48%
2021	4.61%
2022	4.71%
2023	4.93%
2024	5.01%
2025	5.06%
2026	5.07%
2027-28	5.16%

## RISK

The risk is that interest rates will be in excess of the 5.0% 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.

8 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, Wastewater discharge, Wastewater treatment plant and the Lakefront Redevelopment project. 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.

9 Renewability of Debt Funding

## ASSUMPTION

It is assumed that Council's portfolio of debt, which has differing maturity dates from 1 to 10 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 \$75 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.



10

## 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, therefore the risk is assessed as higher during the period of this plan.

11

## 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.

12

## 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: a hybrid cloud strategy; a server virtualisation project that allows servers to be replicated in the event of a failure of any one of the servers; cornerstone applications are well supported by vendors to provide priority support; the infrastructure has been built with redundancy and resiliency in mind and is split over two separate locations; hardware renewal programme that ensures replacement before failure, backup systems are in place. This risk is considered low-moderate.

## 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.

## ASSUMPTION

Climate change is a long term phenomenon with outcomes that are hard to predict.

Our district has seen evidence over the last cycle of the Long-term plan (LTP) that we have experienced and will continue to experience the following severe weather events:

- Increase in the amount of rainfall in large storm systems
- Milder autumns and winters
- Increase in above average temperature days
- Increasing lake levels
- Drier winters
- Wetter summers

As extreme weather events increase there is the likelihood of more risks from natural hazards. Council must respond to climate change in its planning so that it can ensure a level of preparedness for any future implications and impacts of climate change and associated costs that go with this.

However this is planned for as an important part of Council's asset management planning which has a 30 year timeframe. The projected impacts of climate change are likely to become more noticeable toward the end of this 30 year period, particularly for water, stormwater and wastewater assets.

## RISK

If the impacts of climate change have a greater impact than planned for within the next 10 years the risk for Council is:

- Impacts on council's assets due to greater than predicted amount of severe weather events
- Unbudgeted costs both operational and capital due to damage to assets
- Ultimately leading to decreased levels of service for stormwater assets.

## RISK ASSESSMENT

If it is assumed that climate change will impact council in the future and it is adequately planned for in our planning then the risk to council is low and Council will be better able to cope with the nature, extent and timing when events do occur.

Climate change effects have been measured and tracked for some time now and are reasonably well understood.

Council monitors changing weather patterns and takes this into account in designing new and upgraded infrastructure. Stormwater assets have been allocated budget for both increased level of service and growth components in the CAPEX budget for this LTP.

15

## Emissions Trading Scheme

## ASSUMPTION

Council has contracted out its ETS obligation at the landfill within its management contract currently entered into with Waste Management. The management fee council pays to Waste Management for managing the Landfill covers all of Council's ETS liability.

## 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.

16

## 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 adjusters 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.

17

## Other Revenue

## ASSUMPTION

The other revenue is assumed to grow by inflation for the life of the long term plan.

## 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 inflation has been applied and other revenue is not the main source of revenue for Council the risk is considered negligible.

## ASSUMPTION

CAPEX PROJECT DESCRIPTION	PRIMARY TYPE	TOTAL BUDGET 2018-28	ANTICIPATED SUBSIDY
Whakarewarewa Forest	LOS	\$7,500,000	\$0
Kuirau Park	LOS	\$5,500,000	\$705,000
Rotoiti/Rotoma sewerage scheme	LOS	\$28,300,000 (\$7,000,000 in 17/18 year)	\$17,621,000
Rotoehu sewerage scheme	LOS	\$4000	\$0
Tarawera sewerage scheme	LOS	\$17,800,000	\$6,500,000
Rotorua Museum Enhancements	LOS	\$30,500,000	\$15,000,000
Sir Howard Morrison Performing Arts Centre Enhancements	LOS	\$15,000,000	\$10,500,000
Lakefront Development	LOS	\$20,000,000	\$0

## ASSUMPTION

Central Government's Regional Economic Development Fund has indicated that it will be providing match funding for this project. Should the funding not eventuate then the project would be scaled back to only fund Council's \$7.5 M capital contribution.

Private investment (facility enhancement included) will support all further developments associated with the master plan and will proceed where commercially viable and supported by iwi owners.

Funding is expected for this community park from philanthropic trusts, including energy and gaming trusts.

FUNDER	TOTAL	BALANCE TO RECEIVE 2018-28
Ministry of Health	\$4.46M*	\$3.675M
Bay of Plenty Regional Council	\$8.62M	\$8.62M
Ministry for Environment	\$11.0M*	\$5.326M

Of the above funding \$785,000 from the Ministry of Health and \$5,764,000 from the Ministry of Environment has already been received.

It is anticipated that through work with the community this component of the scheme that connects to the Rotoiti/Rotoma scheme will be fully funded.

\$6.5 m is committed to by Ministry for the Environment. Additional funding will continue to be sourced by the Tarawera Steering Group.

The Museum is an iconic building for Rotorua and New Zealand. On this basis, Council believes there will be funding made available from a number of sources to support its repair and earthquake strengthening. Council believes significant funding will be available from central government (restoration of a category 1 historic building), philanthropic trusts, including energy and gaming trusts.

Council has commitments to date of \$4,500,000 towards this project from external sources. The remaining \$6,000,000 is expected to come from philanthropic trusts and gaming trusts.

Rotorua Lakes Council	\$4.5M	Confirmed
Sir Owen Glenn	\$3.0M	Confirmed
RECT	\$1.5M	Confirmed
Other	\$6.0M	To be sourced

Central Government's Regional Economic Development Fund has indicated that it will be providing match funding for this project. Should the funding not eventuate then the project would be scaled back to only fund Council's \$20 M capital contribution.

Private investment (facility enhancement included) will support all further developments associated with the master plan and will proceed where commercially viable and supported by iwi owners. Private investment is also expected to fund reserve enhancements in the public domain. Minor funding may be available for reserve enhancements from philanthropic trusts, including energy and gaming trusts.

## RISK

The risk is that until subsidies can be guaranteed by the third party they may not be received as budgeted or could 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

If funding is not available through these sources investment by Council will continue but will be scaled back to available funding.

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 approach is intended to minimise the risk for a funding shortfall to the LTP financial strategy.

This risk is considered moderate.

19	Societal Change
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## ASSUMPTION

The Long Term Plan has been prepared taking into account the following societal trends:

- 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 of the next twenty years.
- The number of people aged 65 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.

## RISK

An over or underestimation of the extent and pace of these demographic changes may result in infrastructure that does not meet the needs of the population. In these situations, planned projects could be delayed or brought forward as updated demographic projections become available.

## RISK ASSESSMENT

The Council will monitor demographic changes through census information and other economic indicators.

## ASSUMPTION

That adequate funding will be provided to replace assets as scheduled. The sources of funds for the replacement of assets are outlined in the Revenue and Financing Policy.

## RISK

That a particular funding source is no longer available.

## RISK ASSESSMENT

The Council reviews its work plan annually and the Revenue and Financing Policy every three years, alongside the LTP.

As the Council operates a central treasury function, should one source of funding be unavailable for asset replacement, a further option would be available.

This risk is low.

**\*\*These assumptions and risks are not an exhaustive list of the assumptions and risks faced by Council and should be read in conjunction with the financial and infrastructure strategies in this chapter. These strategies contain risks and assumptions that are more specific in nature.**

# Significance and engagement policy

## 1.0 POLICY PURPOSE:

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.

## 2.0 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.
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.



## 3.0 SIGNIFICANCE

### Procedures for assessing significance

In general, the significance of an issue lies somewhere on a continuum from low to high. Council has identified the following criteria to assess the degree of significance:

- Importance to Rotorua District
- Importance to Te Arawa
- Community interest
- Consistency with existing policy and strategy
- Impact on Council's capacity and capability (including costs)

The factors relevant to assessing against these criteria are set out in Appendix 1.

Other criteria that can be taken into account are:

- Reversibility of the decision (the more difficult to be undone generally the higher the significance)
- Degree of impact on affected individuals and groups (assessing the consequences of the decision)
- Impact on the Levels of Service/rates or debt (the greater the impact the higher the likelihood that the proposal will be significant)
- Involvement of a strategic asset in the decision. (should the decision involve a strategic asset/group of assets, it is more than likely to have a higher degree of significance attached to it).

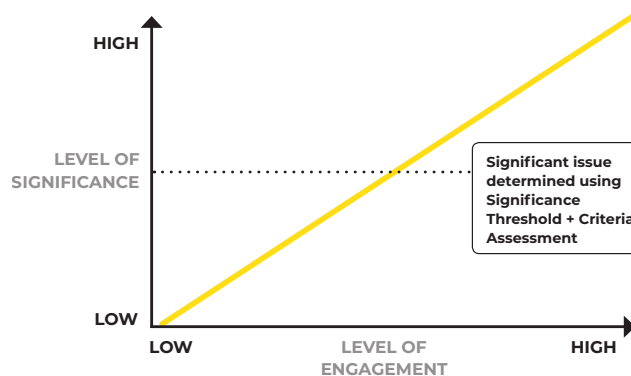
When a high degree of significance is indicated by two or more criteria, the issue is likely to be significant. The criteria merely provides a mechanism for identifying whether a matter is likely to be significant – they are not necessarily determinative of significance. Ultimately, in assessing the significance of a decision, Council will need to have regard to all relevant circumstances.

## 4.0 ENGAGEMENT

### 4.1 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.



### 4.2 When the council will engage

1. When legislation requires that consultation or engagement be undertaken
2. When a significant proposal or decision is being considered
3. For some matters that do not trigger significance however are considered to have a greater level of interest from within the community.

### **4.3 When the council may not formally engage**

1. 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.
2. 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.

### **4.4 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.

#### **1.1 Engagement principles**

Council will underpin all its engagement efforts with best practice principles. Council will use as a reference the International Association of Public Participation (IAP2) spectrum and decision-orientation approach as the foundation for its engagement. The spectrum will help Council to decide what type of engagement is required to match the degree of significance of the matter at hand and enable decisions to be made. The principles also set out what community, can expect from council, while allowing for some flexibility regarding the forms that engagement may take.

These principles align with LGA 2002 principles, ensuring we meet our statutory responsibilities in this regard.

Appendix 3 – IAP2 spectrum

Appendix 4 – Engagement principles

# APPENDIX 1

## FACTORS AND CRITERION OF ASSESSING SIGNIFICANCE:

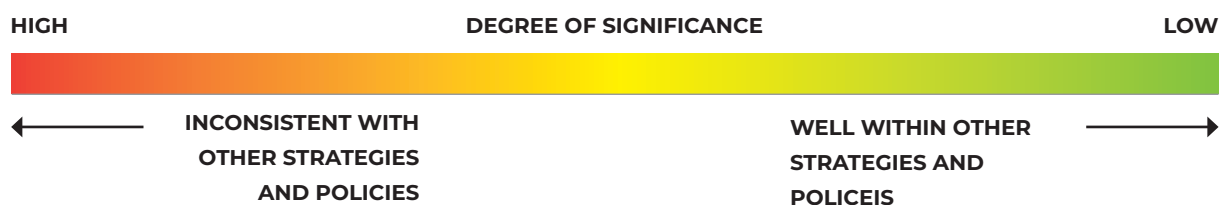
IMPORTANCE TO ROTORUA DISTRICT	
<b>CRITERION</b>	The extent to which the matter under consideration impacts on the environment, culture and people of Rotorua, now and in the future (Large impacts would indicate high significance).
<b>FACTORS</b>	<p>Factors that might impact on community well-being are:</p> <ul style="list-style-type: none"> <li>Any decision that would significantly alter the level of service provided by Council of a significant activity (including a decision to commence or cease such an activity).</li> <li>Extent of costs, opportunity costs, externalities and subsidies.</li> <li>Uncertainty, irreversibility, and the impact of the decision in terms of the community's sustainability and resilience.</li> </ul>



IMPORTANCE TO TE ARAWA	
<b>CRITERION</b>	The extent to which the matter under consideration impacts on the environment, culture and people of Te Arawa, now and in the future (Large impacts would indicate high significance).
<b>FACTORS</b>	<p>Factors that would indicate a high degree of significance are:</p> <ul style="list-style-type: none"> <li>High levels of prior public interest or the potential to generate interest or controversy.</li> <li>Large divisions in views on the matter.</li> <li>Extent of costs, opportunity costs, externalities and subsidies.</li> <li>Uncertainty, irreversibility, and the impact of the decision in terms of Te Arawa's community's sustainability and resilience.</li> </ul>



CONSISTENCY WITH EXISTING POLICIES AND STRATEGIES	
<b>CRITERION</b>	The extent to which the matter is consistent with Council's current policies and strategies.
<b>FACTORS</b>	<p>Factors that would indicate a high degree of significance are:</p> <ul style="list-style-type: none"> <li>Decisions which are substantially inconsistent with current policies and strategies.</li> </ul>



**COMMUNITY INTEREST**

<b>CRITERION</b>	The extent to which individuals, organisations, groups and sectors within the community are particularly affected by the matter.
<b>FACTORS</b>	Factors that would indicate a high degree of significance are: <ul style="list-style-type: none"> <li>· High levels of prior public interest or the potential to generate interest or controversy.</li> <li>· Large divisions in community views on the matter.</li> <li>· A moderate impact on a large proportion of the community.</li> <li>· A large impact on a moderate number of persons.</li> </ul>



**IMPACT ON COUNCIL'S CAPACITY AND CAPABILITY**

<b>CRITERION</b>	The impact of the decision on Council's ability to achieve the objectives set out in its Long-term Financial Strategy, Long-term Plan and Annual Plan.
<b>FACTORS</b>	Factors that would indicate a high degree of significance are: <ul style="list-style-type: none"> <li>· Transfers of strategic assets to or from council</li> <li>· High capital or operational expenditure</li> <li>· A financial transaction that involves \$10million or more budgeted expenditure or it involves \$4million or more unbudgeted expenditure</li> </ul>



## STRATEGIC ASSETS/ACTIVITIES

For the purposes of section 76AA and 97 (1)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 outlined in this policy.

## APPENDIX 2

THE ASSETS AND GROUPS OF ASSETS THAT THE COUNCIL CONSIDERS TO BE "STRATEGIC ASSETS" ARE:

The roading network
The sewerage collection, treatment and disposal system, including the sewer network, pump stations and treatment works
The water supply system, including reservoirs, pump stations and reticulation
The land drainage system, including the storm water pipe network, waterways, and retention areas
The Rotorua Museum including the collections
The Rotorua Library
The Energy Events Centre including the sportsdrome
The Sir Howard Morrison Performing Arts Centre
The Aquatic Centre
Housing for the elderly
Shares in any council controlled organisation
The Rotorua Stadium
The core data set used to deliver council services

# APPENDIX 3

## IAP2 CONTINUUM:

DEGREE OF SIGNIFICANCE					
	VERY LOW DEGREE OF SIGNIFICANCE 'NOT IMPORTANT'	POINT AT WHICH ALL PROPOSALS AND DECISIONS BECOME 'SIGNIFICANT'			VERY HIGH DEGREE OF SIGNIFICANCE 'CRITICAL'
LEVEL OF COMMUNITY ENGAGEMENT	Lowest level / No Community Engagement may be needed	Lower level of Community Engagement may be needed	Community Engagement is needed		Greatest level of Community Engagement is needed
SCP	The SCP is not required	The SCP is not likely to be considered but may be used where more efficient to do so	The SCP should be considered but may not always be appropriate	The SCP should be considered as a minimum along with other engagement forms	
FOCUS OF PUBLIC PARTICIPATION	Inform	Dialogue	Involve	Collaborate	Empower
TYPES OF ISSUES THAT WE MIGHT USE THIS FOR	<ul style="list-style-type: none"> <li>Water restrictions</li> <li>Temporary road closure</li> <li>Emergency repair works to Council infrastructure</li> <li>Annual report adoption</li> <li>Smoke-free policy for Council open spaces</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of:                             <ul style="list-style-type: none"> <li>Skate park or play ground</li> <li>New gardens</li> <li>Walkways</li> </ul> </li> <li>Signage</li> <li>Leases, concessions and licences to occupy</li> </ul>	<ul style="list-style-type: none"> <li>District Plan</li> <li>Annual Plan where there are no significant or material differences to the LTP</li> <li>Rates review</li> </ul>	<ul style="list-style-type: none"> <li>Adoption or amendment of the LTP</li> <li>Significant bylaw</li> <li>Annual Plan – where the LTP may be amended</li> <li>Strategic Asset(s) changes in ownership or control</li> <li>Significant change in provision of any significant activity</li> <li>Portfolios &amp; their strategies</li> <li>Alternative energy / geothermal developments</li> </ul>	<ul style="list-style-type: none"> <li>Representation</li> <li>Election voting systems (MMP, STV or first past the post)</li> </ul>
WHEN THE COMMUNITY CAN EXPECT TO BE INVOLVED	Council would generally advise the community once a decision is made	Council would advise the community once a draft decision is made Council and would generally provide the community with up to 4 weeks to participate and respond.	Council would generally provide the community with a greater lead in time to allow them to be involved in the process.	Council would generally involve the community at the start to scope the issue, again after information has been collected and again when options are being considered.	Council would generally provide the community with a greater lead in time to allow them to be involved in the process e.g. typically a month or more.
ENGAGEMENT TECHNIQUES COUNCIL MIGHT USE (NOT A DEFINITIVE LIST)	<ul style="list-style-type: none"> <li>Public notices</li> <li>Websites &amp; e-updates</li> <li>Information flyer</li> <li>Media releases</li> <li>Ratepayers newsletters</li> <li>Community noticeboards</li> <li>Billboards / Displays / Stands</li> <li>Progress charts</li> </ul>	<ul style="list-style-type: none"> <li>Formal hearings</li> <li>Surveys</li> <li>Open house events/expo</li> <li>Roadshow</li> <li>Public meetings</li> <li>Hui</li> </ul>	<ul style="list-style-type: none"> <li>Workshops</li> <li>Focus groups</li> <li>Citizens Panel</li> <li>Iwi/Māori and community leaders</li> <li>Round table meeting</li> <li>E-engagement</li> <li>Hui</li> </ul>	<ul style="list-style-type: none"> <li>External working groups (involving community experts)</li> <li>Steering Committees</li> <li>Symposium</li> <li>Hui</li> </ul>	<ul style="list-style-type: none"> <li>Binding referendum</li> <li>Citizen's Jury</li> <li>Local body elections</li> <li>Champion/s of the cause</li> </ul>

PRINCIPLES	INDICATORS	OUTCOMES
<p>Councils that achieve consistent, effective and high quality engagement with the community follow these principles</p>	<p>Engagement processes that follow these principles commonly exhibit the following characteristics</p>	<p>High quality engagement often produce the following outcomes and benefits</p>
<p><b>TRANSPARENCY</b></p> <p>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</p>	<p>Council will:</p> <ul style="list-style-type: none"> <li>• conduct community and stakeholder engagement in a genuine effort to listen to, and consider with an open mind, community and stakeholder input;</li> <li>• when presenting options for community and stakeholder feedback, ensure the options are realistic and deliverable;</li> <li>• ensure that questions are objective (ie: not leading), allowing people to express their views freely;</li> <li>• allow enough time and provide adequate resources to ensure participants have been provided fair opportunity to understand the matter and contribute their views</li> <li>• allow time to allow for issues that might arise during an engagement process;</li> <li>• value contributions made and time given;</li> <li>• give timely feedback on the results of the public's input and decisions made;</li> <li>• value, respect and give weight to local knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>• Community members have a better understanding of the proposal or decision and are better able to participate effectively</li> <li>• Council understanding of community opinions and needs is enhanced</li> </ul>
<p><b>BUILDING RELATIONSHIPS AND COMMUNITY CAPACITY</b></p> <p>Community engagement processes invest in and develop long-term, collaborative working relationships and learning opportunities with community partners and stakeholders.</p> <p>The Council should make itself aware of, and should have regard to, the views of all its communities</p>	<p>Council will:</p> <ul style="list-style-type: none"> <li>• Build ongoing relationships with the community through a range of approaches (such as those included in the engagement guide set out in Schedule 3)</li> <li>• Provide community members and stakeholders with a reasonable opportunity to present their views and to participate in a way that suits them</li> <li>• Provide ways for the community to raise issues directly with the Council so that it is a two-way relationship</li> <li>• Identify opportunities to work in partnership with community organisations and leaders to encourage greater community ownership and participation</li> <li>• Ensure good information sharing of community view and preferences within council</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement processes leave neighbourhoods and communities stronger, better informed, increase their capacity to participate in the future, and develop new leader</li> <li>• A better decision or proposal will result from community participation</li> <li>• The decision or proposal will have greater community acceptance</li> </ul>

PRINCIPLES	INDICATORS	OUTCOMES
<p>Councils that achieve consistent, effective and high quality engagement with the community follow these principles</p>	<p>Engagement processes that follow these principles commonly exhibit the following characteristics</p>	<p>High quality engagement often produce the following outcomes and benefits</p>
<p><b>INCLUSIVENESS AND EQUITY</b></p> <p>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.</p> <p>Impacts, including costs and benefits, are identified and distributed fairly.</p>	<p>Council will:</p> <ul style="list-style-type: none"> <li>• Identify ways of reaching out to affected residents, parties and stakeholders, including those who are typically heard from least often. The active participation of these communities is made a high priority</li> <li>• Identify early the demographics, values, and desires of and impacts on affected residents, parties and stakeholders, and influence the process design, and are reaffirmed throughout the process</li> <li>• Provide more than one way for people to participate</li> <li>• When required, invest in community capacity building to enable participation</li> <li>• Use culturally appropriate and effective strategies and techniques to involve diverse constituencies</li> <li>• Use plain language and avoid jargon and acronyms</li> <li>• Follow up with under-engaged groups to see how the process worked for their community members</li> </ul>	<ul style="list-style-type: none"> <li>• Council decisions, proposals, policies, projects and programmes respond to the full range of needs and priorities in the community</li> <li>• Trust and respect for the Council increases among community members</li> <li>• Council staff and members of more traditionally engaged communities understand the value of including under-engaged communities</li> <li>• Equity is increased by actively involving communities that historically have been marginalised or excluded from decision making processes</li> <li>• New decisions and policies do not further reinforce the disadvantaged position of historically disadvantaged people or groups</li> </ul>
<p><b>MĀORI AND TANGATA WHENUA PARTICIPATION</b></p> <p>Council should actively provide opportunities for Māori and Tāngata Whenua 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.</p>	<p>Council will:</p> <ul style="list-style-type: none"> <li>• Recognise and protect Māori and Tāngata Whenua rights and interests within Rotorua District</li> <li>• Actively consider how to address and contribute to the needs and aspirations of Māori</li> <li>• Engage early with Māori in the development of appropriate plans, policies and decisions</li> <li>• Take guidance from Māori in the ways Council will engage with them</li> <li>• Support Māori to fully engage with the Council, for example through but not limited to capability and capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Te Tatau o te Arawa partnership outcomes are met and fulfilled.</li> <li>• Treaty obligations are met</li> <li>• Equity is increased by actively involving communities that historically have been marginalised or excluded from decision making processes</li> <li>• New decisions and policies do not further reinforce the disadvantaged position of historically disadvantaged people or groups</li> </ul>



“We seek  
to **achieve**  
**Vision 2030**,  
whilst balancing  
affordability with  
providing our  
services.”



# Long-term Plan disclosure statement

LONG-TERM PLAN DISCLOSURE STATEMENT FOR PERIOD  
COMMENCING 1 JULY 2018

## **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 long-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.

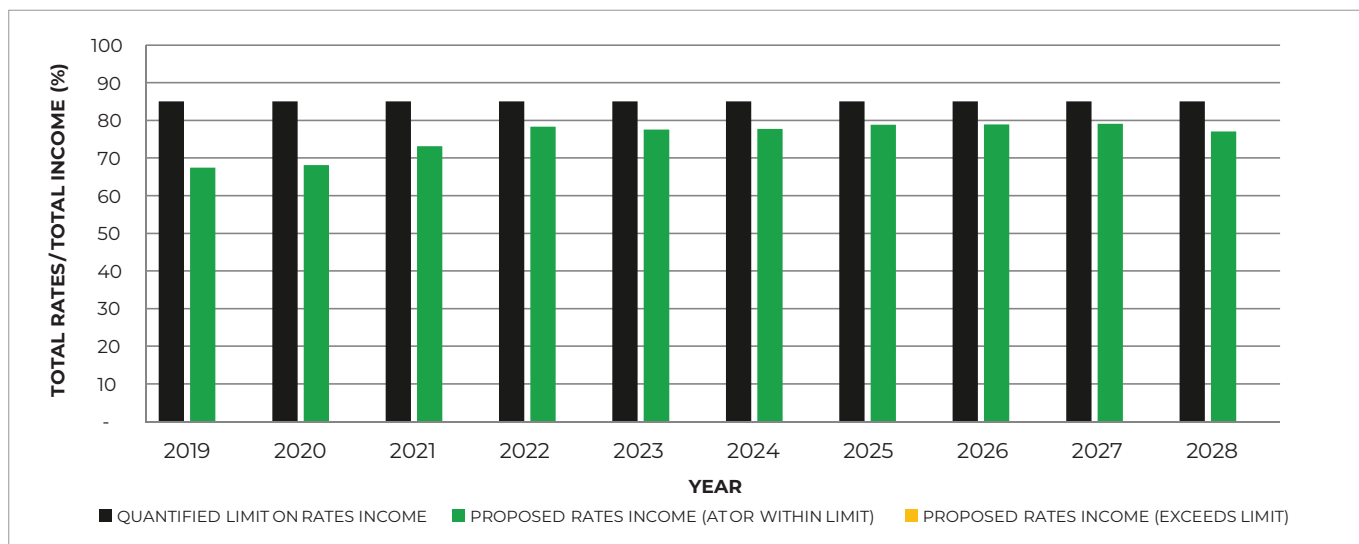
## **RATES AFFORDABILITY BENCHMARK**

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

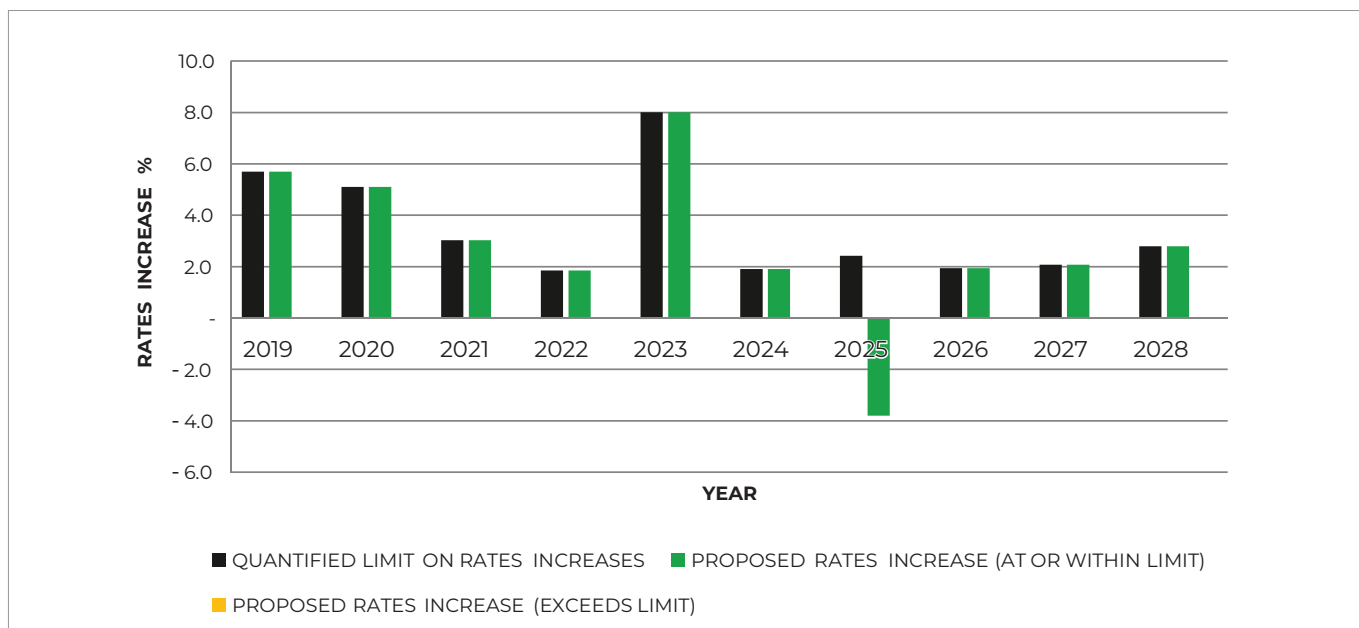
The following graph compares the councils planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is rates as a proportion of total revenue is less than 80%.



## 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 5.7% increase in the first year, 5.1% in year two, and apart from year five, will increase at the prevailing rate of inflation applied to our cost base from there on out.

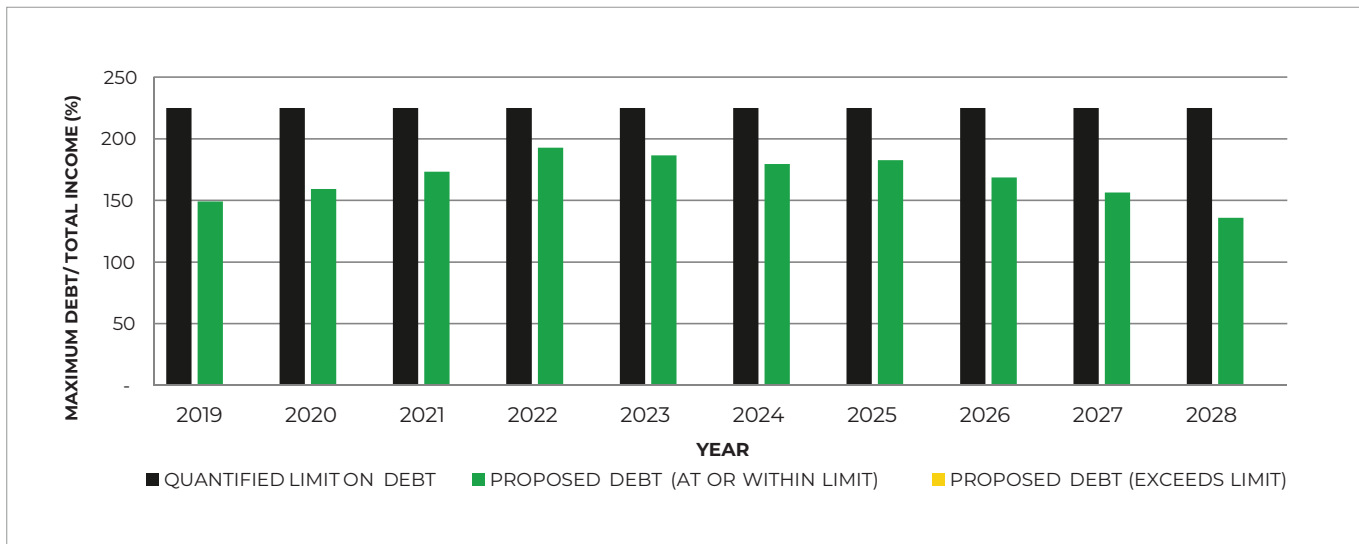
In year 5 there is a one off targeted rate applied to Tarawera residents for the implementation of a new sewerage scheme, causing the quantified limit to be set at 8.01%. The underlying rates increase for year five is 2.71% and therefore the underlying quantified limit is 2.71%.



The rates decrease in year 7 (2025) reflects the removal of the Tarawera sewerage scheme target rate as a result of the scheme contribution being fully collected over year 4 and 5.

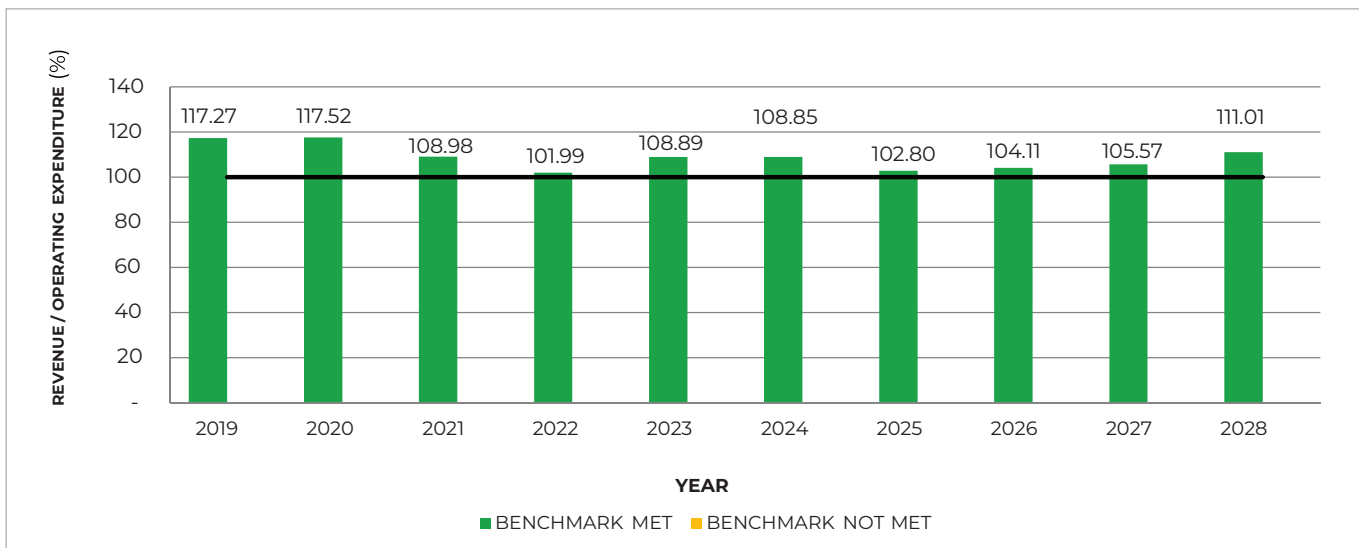
## DEBT AFFORDABILITY BENCHMARK

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.



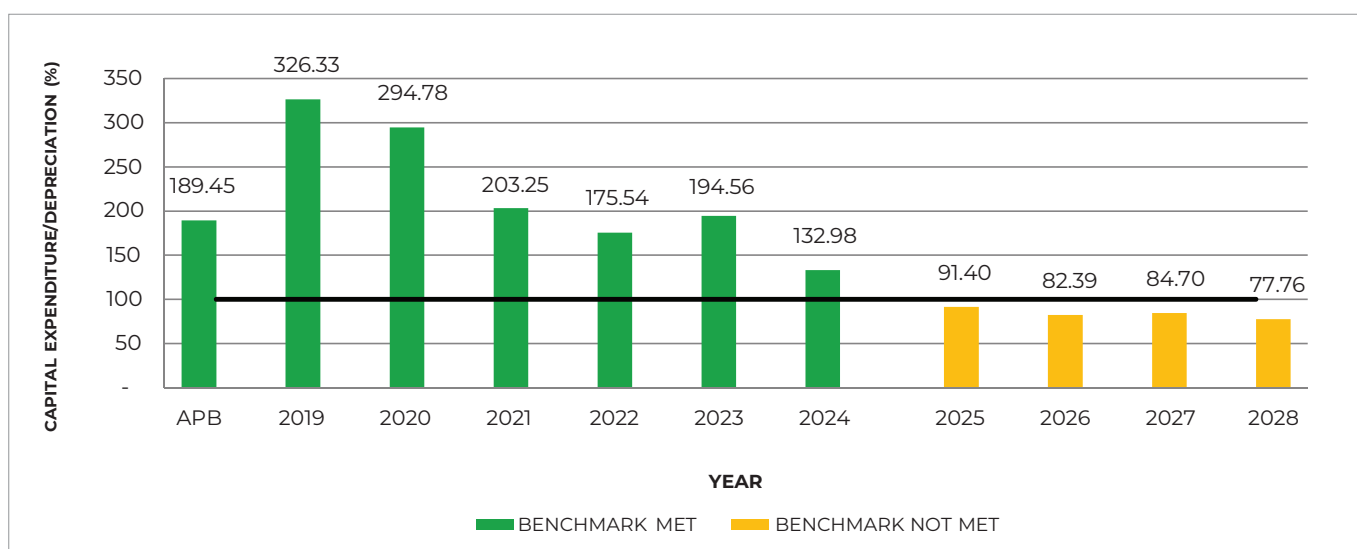
## BALANCED BUDGET BENCHMARK

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) as a proportion of planned operating expenses (excluding losses on derivate 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.



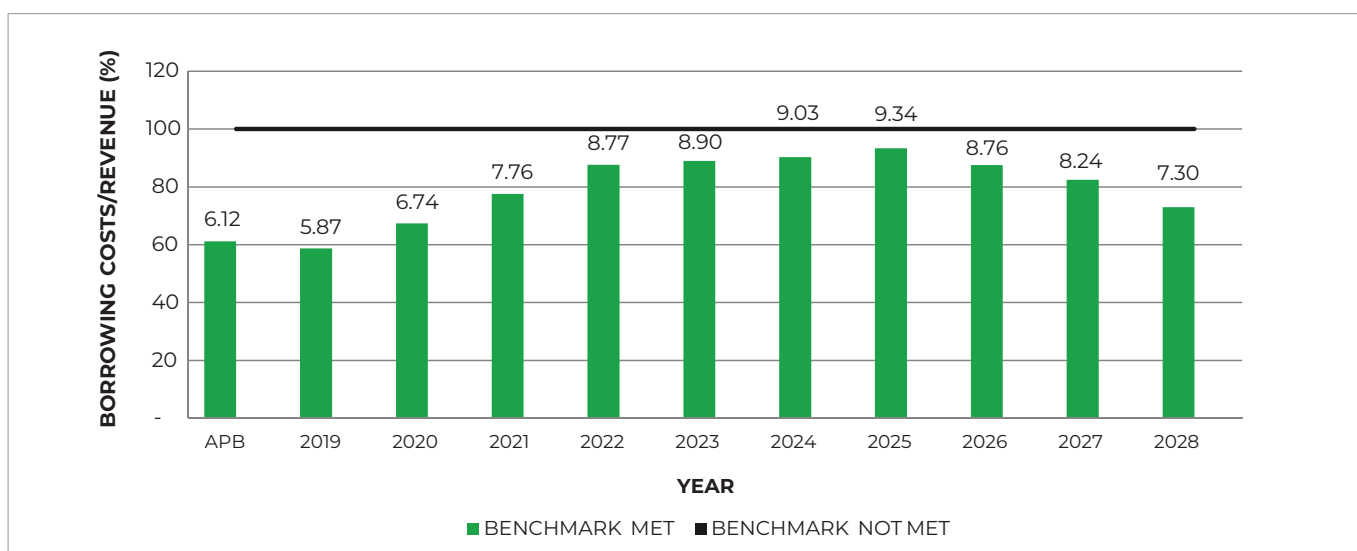
## ESSENTIAL SERVICES BENCHMARK

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 if its planned borrowing costs equal or are less than 10% of its planned revenue.



# Report of the Auditor General



To the reader:

## INDEPENDENT AUDITOR'S REPORT ON ROTORUA LAKES COUNCIL'S 2018/28 LONG-TERM PLAN

I am the Auditor-General's appointed auditor for Rotorua Lakes Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's longterm plan (the plan). Section 259C of the Act requires a report on disclosures made under certain regulations. We have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 28 June 2018.

### OPINION

In my opinion:

- 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 291 to 293 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

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 the accuracy of the information in the plan.

### BASIS OF OPINION

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

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 procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our 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 during the next 30 years;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in 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 in 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.

I am responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, 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

In carrying out our work, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised); and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended).

In addition to this report on the Council's long term plan and all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed. These assignments are compatible with those independence requirements. Other than these assignments, 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  
Civic Centre  
1061 Haupapa Street  
Rotorua  
NEW ZEALAND

Private Bag 3029  
Rotorua Mail Centre  
Rotorua 3046  
NEW ZEALAND

 [rotorualakescouncil.nz](http://rotorualakescouncil.nz)

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