Long-Term Plan
2021-2031

ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua

Ka pō, ka pō,
ka ao, ka ao

Tākiri mai te ata
Kōrihi ngā manu

Ka āo, ka āo,
ka awatea.

E ngā reo, e ngā, mana, e ngā iwi

Koianei te hau o mihi e rere kau ana ki a koutou.

Tangihia wō tātau aituā, kia tau ai te āhuatanga ki a rātau.

Tātau e ora nei, e whiri nei i ngā whakaaro ki ngā tau e tū mai nei,

'Tis dark, 'tis dark,
'tis light, 'tis light

The morning breaks
The birds are singing

'Tis light, 'tis light,
daylight has arrived.

To the many voices, authorities, and people

We extend our greetings to you all.

Let us farewell those who have passed, may they find everlasting peace.

We, of this mortal coil, who can now weave our thoughts for a powerful tomorrow.

Tēnā koutou katoa. We greet you.

Contents

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

I am delighted to present the Rotorua Lakes Council's 2021-2031 Long-term Plan ("the 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 I look forward to working with the community to implement it.

The 2021-2031 Long-term Plan is our critical funding plan, linking our key priorities to delivery. Our plan is underpinned by five key priorities: Homes and Thriving communities, Community Safety, Economic Development, Climate Change and key network infrastructure.

Housing remains the District's key challenge; we have a shortage of homes, there are barriers to land development and existing housing stock does not match the needs of residents. Our actions in the plan will double down on the implementation of the Homes and Thriving Communities Strategic Framework. Four locations have been identified for development and regeneration, Eastside, Western suburbs, the CBD and Ngongotahā. In addition, our partnership with Central Government is seeing plans put in place to ensure our families are safe while in temporary accommodation by ensuring the accommodation is appropriate for their needs and facilities. We are also continuing to work hard with Kāinga Ora to see more transitional and temporary housing delivered.

Council plays an essential role in community safety, directly through its responsibility for the design and management of public places, and infrastructure and its planning and regulatory services (e.g. alcohol-free zones, dog control, building consenting). Council provides the inner city security patrols to enhance safety and monitors 263 CCTV cameras covering a wide range of public places. These services work in collaboration with the Police to proactively identify and respond to concerns about safety and crime. We can't stop here though. We are concerned about the increase in anti-social and criminal behaviour affecting residents and visitors' experiences in Rotorua. We are fronting the issue through the development of a Community Safety Plan and have committed an additional $500,000 per year towards community safety initiatives. This additional funding will enable us to expand the CCTV network and undertake more crime prevention through environmental design assessments and treatments of hot-spot public places to make them safer.

Immediately after the COVID-19 lockdown, Rotorua experienced the third-largest economic contraction in the gross domestic product in the country. The tourism sector has been decimated, jobs have disappeared and businesses are struggling to stay afloat. This has compounded existing challenges such as the lack of employment choices, minimum wage and unemployment rates. We are responding through our Draft Economic Development Strategy Framework that sets out to address both short-term needs for economic recovery and long-term economic development. Within the strategy, three action plans are being prepared to address both the short and long term economic challenges for our destination, forestry and business sectors. In year one, a commitment of $22.3 million has been set aside to partner with others and assist economic initiatives.

Our young people in particular are most concerned about the effects climate change will have on their futures. In many parts of the country, there is a call to declare a "climate emergency". We have done better than that. We have developed and adopted our Climate Action Plan. It is the blueprint for combating climate change in the District. Delivering the actions will be reflected through the delivery of key council infrastructure when upgrading or building new, focusing on strengthening the District's resilience to the impacts of climate change.

Infrastructure supports the daily life of the people living in Rotorua. Infrastructure must be safe, reliable and in a stable condition to meet current and future demand. Our 30-year Infrastructure Strategy identifies the challenges that need to be at the forefront of long term infrastructure planning and decision-making. To deliver on the infrastructure plan we have committed $421 million from a $749 million (uninflated) CAPEX budget dedicated to upgrading and expanding infrastructure in Rotorua.

As you can see, we have a lot of hard mahi to do.

Furthermore, our existing kaupapa continues to unlock Rotorua's potential as a great place to live, work, play and invest. We are dedicated to completing the place-shaping projects committed to in the 2018-2028 Long-term Plan. These future-focused activities include the development of the Rotorua Lakefront, Te Whare Taonga o Te Arawa - Rotorua Museum, Titokorangi - Long Mile Road and Forest project, and completing work on the Sir Howard Morrison Performing Arts Centre.

We are investing heavily in our District with a total CAPEX programme of $749m (uninflated) to support the completion of place-shaping projects and to improve services, renew existing assets, support growth and deliver on our efforts to "build back better". Investment will mean we have to borrow to complete the works needed in the District. We borrow to meet the demands of building new, we do not borrow to fund our services or to renew existing assets. Over the ten years of this 2021-2031 Long-term Plan, our debt will increase by $197m and will still stay under our debt cap.

To deliver on the actions in the plan we have to go hard and this comes at a cost to us all. An average 9.2% rates increase is needed to deliver actions for the first year of the plan and an average of 4.0% in the following years. Rates increases are driven by our commitment to our five key priority areas.

We cannot do all of this work alone. To see the progress we need to position ourselves to lead, drive, influence and partner to enable change and address the issues you have identified as being of the utmost importance to our community. Rotorua is a place where Council, partners and the community work together to achieve our common goals and deliver solutions beneficial for our District. This approach must be ongoing.

This plan is focused on the future. Together, the Long-term Plan 2021-2031, along with our 2030 vision, and the Te Arawa 2050 vision, shows commitment to a more positive Rotorua for your tamariki, for our mokopuna, and for the progress of this wonderful District we all call home.

Tatau tatau. Together we can, and do, make a difference.

Hon Steve Chadwick JP
Mayor of Rotorua

Paiheretia ngā muka o te taura, kumea rawatia kia rongo koe i te tangi a te Huia

Bind the strands of the rope; pull as hard as you can until you hear the call of the Huia

What is our Vision?

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.

Making Rotorua special is our district's active environment, our strong Te Arawa culture and manaakitanga. The fantastic lifestyle we 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.

This is our home,
we are its people,
Rotorua is a place for everyone.

What that looks like in practice

05 STEP							
	Strengthening and driving co-governance with Te Arawa	Building and developing 3,000 new homes in five years (6,000 by 2030)	25ha of new industrial business parks	Two inner city apartment buildings	Community service hubs (Eastside, Westside, Ngongotahā)	Neighbourhood co-creation and investment programme (Eastside, Westside, Ngongotahā)	Community safety projects

04 STEP								
	Whakarewarewa forest project	Sir Howard Morrison Performing Arts Centre	Museum	Lakefront	Aquatic Centre	Sustainable Forest Approach	Rotorua WWTP upgrade	Tarawera Sewerage Scheme

03 STEP					
	Community Safety Strategy	Homes & Thriving Communities Strategy	Economic Development Strategy Framework	Climate Action Plan	30 year Infrastructure Strategy

02 STEP							
	Papa whakatipu *Outstanding places to play*	**Waahi pūmanawa** *Vibrant city heart*	**Whakawhanake pākihi** *Business innovation and prosperity*	**Kāinga noho kainga haumaru** *Homes that match needs*	**He hapori pūmanawa** *A resilient community*	**He huarahi hōu** *Employment choices*	**Tiakana to taiao** *Enhanced environment*

01 STEP

Rotorua Lakes Council Vision 2030		Te Tatau o Te Arawa Vision 2050
Koinei tō tātau kāinga. Ko tātau ōna tāngata	This is our home, we are its people	Mauri Tū, Mauri Ora, Te Arawa E!
Nā tātau tonu i ora ai te ahurea	We're the heart of Te Arawa and a centre for Māori culture and expression	
Māori me ōna āhuatanga katoa		
He iwi auaha tātau e tuku nei i tā tātau e ako nei	We're innovative and we share what we learn	
E kokiri nei tātau i te angitu, i te hihiri me ngā rerekētanga maha	We're driving opportunity, enterprise and diversity	
E kaha tautoko nei tā tau i whakapūmautanga o te taiao	We're supporting a legacy of sustainability for our environment	
Mō te katoa a Rotorua	Rotorua is a place for everyone	
Tatau tatau	Tatau tatau - We together	

Mahi ngātahi

Visionary leadership and hard mahi is required in order for Rotorua to front the confronting issues. Following extensive community engagement, Council made a firm commitment on a number of proposals which directly relate to the Council's key strategies and continue to progress Rotorua towards fulfilling the aspirations of Vision 2030 and Te Arawa 2050.

Aquatic Centre

Reflecting Rotorua's strengths, in particular our active lifestyle and environment, Council committed to the full masterplan.

Redevelopment will future proof the facility and provide for a modern aquatic centre that meets the needs and expectations of its users.

Total masterplan:

$28.3 million

Council will contribute:

$17.9 million

** uninflated*

Fees and charges

Revenue continues to be under pressure to keep pace with the increased cost of maintaining assets, (buildings, the library, parks, sportsgrounds and open areas) or infrastructure (roads, footpaths, cycle ways, wastewater and stormwater systems) to modern standards, to meet central government regulation and to meet cultural & community expectations. Council have reset the pricing for direct benefit services resulting in increasing fees and charges across a number of service delivery areas. This will require $2.7 million to be collected from across the services where fees and charges are collected.

Refer to council website for the full list of fees and charges

Community Safety

Commitment to, improving community safety and crime prevention a collaborative partnership between Rotorua Lakes Council, Te Arawa, the Police and key safety stakeholders has been formed. All partners will share in the continued delivery of the Community Safety Plan.

Additional $500,000 per year

Total annual commitment:

$1.13 million

Economic Development Strategy

Following COVID-19 and Rotorua's Build Back Better Strategy, Council, iwi, businesses and industry sector leaders developed the Economic Development Strategy.

The strategy aims to supports the District's:

- Short-term needs for economic recovery in a world disrupted by the COVID-19 pandemic
- Long-term economic development vision, which is critical to addressing the systemic challenges faced by our community

Total commitment: $26 million

$22.3 million in 2021/22
(commitment in 2020/21 was $3.7 million)

Uniform annual general charge

The uniform annual general charge (UAGC) is the fixed portion of rates that every ratepayer pays regardless of property value. A high UAGC shifts more general rates towards low to middle value properties in comparison to the value of these properties. On the other hand, a lower UAGC would see general rates being higher across those properties with higher capital values.

The 2020 property revaluation created a distortion in the overall proportion of capital value across the rating categories resulting in the general rate being skewed towards residential and rural residential and away from farming. To alleviate some of burden, assist with the affordability and ensure ratepayers across the board are paying a fair share of the general rates the UAGC has been reduced.

UAGC reduction:

$50.00 on each property

Corresponding increase of: $6.00 per $100,000 of capital value per property

Tarawera sewerage scheme

In 2020, Council passed a resolution agreeing to the proposed Tarawera wastewater reticulation scheme. The preferred option is currently estimated to have a gross capital cost of approximately $22.5 million. Concerns around the total cost of the scheme and how it will be funded continue.

To progress the project the following has been established as a viable way forward:

$2.5 million capital to complete detail design and costings brought forward to year 1 (2021/22)

Financial modelling that assumes 75% of the community will be able to pay the full capital contribution upfront at the completion of the scheme

Establish a sub-committee consisting of council officers, Lakes Community Board members and appropriate representation of local residents of Tarawera to jointly develop a set of criteria that lays out clear and viable repayment options for the 25% of the community who can 't pay the capital contribution upfront

The construction of the scheme is brought forward from year 4/5 (consultation document) to years 2-4 (final LTP)

** uninflated*

Rates increases

To deliver on the proposals in the plan we have to go hard and this comes at a cost to us all. An average 9.2% increase is needed for the first year of the plan and an average of 4.0% in the following years. In the consultation phase the average rates increase in years 2-10 was 3.75%. The change has come about due to some re-phasing of capex expenditure and the change to the timing of Tarawera.

The rates increases, particularly during the first five years, are being driven by Council's ongoing commitment to delivering Vision 2030 projects and Council's key priority areas (housing and thriving communities, safety, economic development, climate change and infrastructure).

Rates for individual properties vary depending on a range of factors including:

- changes to the value of your property (including improvements or changes you've made to your property)
- the services your property is rated for
- whether the property is used for business, residential or farming purposes; and, changes to the amount we charge for those rate

Rotorua Lakes Councillors

Clockwise from top left:

Cr Reynold Macpherson, Cr Sandra Kai Fong, Cr Raj Kumar, Cr Peter Bentley, Cr Tania Tapsell, Cr Trevor Maxwell MNZM - Cultural Ambassador, Cr Merepeka Raukawa-Tait, Cr Fisher Wang, Hon Steve Chadwick - Mayor of Rotorua, Deputy Mayor Dave Donaldson QSM, Cr Mercia Yates.

Rotorua is represented by a Mayor and 10 Councillors who are elected for a 3 year term.

All Councillors represent the entire local area as the city is not divided into wards.

The Rotorua Lakes Community Board and Rotorua Rural Community Board each have four elected members and one appointed councillor.

These boards advocate on behalf of residents of the lakes and rural areas in the Rotorua district.

Read about our partnership with Te Tatau o Te Arawa in the next section...

Rotorua Lakes Community Board

Clockwise from top left:

Jennifer Rothwell, Nick Chater (Deputy Chair), Sandra Goodwin, Phill Thomass (Chair)

Rotorua Rural Community Board

Clockwise from top left:

Shirley Trumper (Chair), Bryce Heard, Sarah Thomson, Ben Hollier (Deputy Chair)

Te Tatau o Te Arawa

Clockwise from top left:

Te Taru White (Chair), Rawiri Waru (Deputy Chair), Eugene Berryman-Kamp, Potaua Biasiny-Tule, Aroha Bray, Eraia Kiel, Te Mauri Kingi, Danielle Marks, Gina Mohi, Dr Kēpa Morgan, Kiri Potaka-Dewes, Geoff Rolleston, Rangitiaria Tibble, Kahutapeka Ututaonga

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), Ngāti 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

- 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

- Facilitate the sharing of information to build better understanding that enhances collaboration and strategic thinking about Rotorua's future

Assist

- Assist Te Tatau o Te Arawa 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:
    1. help Council meet its Rotorua 2030 commitment to effectively partner with Te Arawa
    2. improve the delivery of Council's legal and statutory obligations to Māori
    3. strengthen Te Arawa's participation in Council decision-making
    4. identify strategic opportunities to work closely together for the betterment of the Rotorua district
    5. build iwi capacity and capability to partner with local government

Other mechanisms providing Māori input into council decision-making include Te Pūkenga Kōeke o te Whare Taonga o Te Arawa, a group of Te Arawa kaumatua supporting Rotorua Museum decisions; Ngāti 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.

Our Strategies

Long-term Plan 2021-2031

Council, Central Government and other key stakeholders are all concerned about the shortage of houses in Rotorua.

We have many barriers to land development and our houses do not meet the needs of our people.

Everyone has agreed to work together to address the issues and have made the commitment to front infrastructure, increase capacity and undertake process improvements.

The Homes and Thriving Communities Strategic Framework, identifies four locations for development and regeneration - Eastside, Western suburbs, the CBD and Ngongotahā.

Action will include:

- **Building and developing 3000 new homes in 5 years (6,000 by 2030) and additional land available for 4000 residential sections**
- **Developing the inner city, including two inner-city apartment buildings**
- **Re-generating 4-5 neighbourhoods and communities**
- **Establishing community service hubs at Eastside, Westside and Ngongotahā, with neighbourhood co-creation and investment programmes at each of these locations**
- **Facilitating neighbourhood safety projects**
- **Partnering with iwi, developers and central Government to help enable and deliver infrastructure and community projects that support the development of thriving communities**

A Central Government, Council and Te Arawa task force has collaborated on a Rotorua focused solution for how to better support the people living in emergency housing motels and the community. This collaboration resulted in Central Government announcing changes to the emergency housing provision in Rotorua.

This will make it easier for wrap-around support to be delivered to whānau and tamariki living in motels including:

- Central Government will directly contract motels for emergency accommodation
- Wrap around social support services will be provided for those in emergency accommodation
- Grouping of cohorts like families and children in particular motels will be kept separate from other groups
- A one-stop Housing Hub will be established for access to services and support

Council, Te Arawa, the Police and key stakeholders are all concerned about an increase in anti-social and criminal behaviour, affecting residents and visitors' experiences in Rotorua. Everyone has agreed to work together to address the issues. An additional $500,000 that brings a total funding commitment of $1.13 million a year throughout the next ten years is believed to be a solid commitment that can aid in delivery and at the same time is considered affordable.

The Homes and Thriving Communities Strategic Framework sets out the commitment to develop a Community Safety Plan. To show a dedicated commitment to improving community safety and crime prevention a collaborative partnership between Rotorua Lakes Council, Te Arawa, the Police and key safety stakeholders will be formed.

The vision guiding the development of a Community Safety Plan is based upon Rotorua:

- Being the safest place to live and raise a family
- Having a positive reputation as a safe destination
- Having a sense of belonging and connection in our neighbourhoods
- Children and young people growing up in nurturing families
- Reducing anti-social behaviour, alcohol and drug abuse
- Reducing crime statistics and victimization
- Developing effective collaboration with Police, community groups, business and neighbourhoods

Actions within the community safety plan will include:

- Extending and enhancing CCTV, electronic tools and community patrols within the CBD, Fenton Street, known hotspots and community neighbourhoods.
- Increasing 'Crime Prevention Through Environmental Design' (CPTED) assessment and treatment of hot-spot public places to make them safer.
- Supporting the development of Community Centre Hubs that enable community-led delivery of social and other services.
- Prioritising grants to support community group initiatives that increase safety
- Supporting a range of programmes that keep people connected through positive activities in our public spaces including parks and reserves, city streets and neighbourhoods
- Supporting community resilience and safety programmes that ensure our children and young people have the social and life skills that enable positive participation in school, work and social life.

Everyone has agreed to work together to address the issues

We are forming collaborative partnerships and we are committed to improving community safety in Rotorua

Developed in partnership with iwi, businesses and industry sector leaders, the draft Economic Development Strategy (EDS) is a blueprint for economic recovery and longer-term growth in the District. The strategy is intended to support the District's:

- Short-term needs for **economic recovery** in a world disrupted by the COVID-19 pandemic
- Long-term **economic development** vision, which is critical to addressing the systemic challenges faced by our community

The EDS is a work in progress, which will be finalised when detailed action plans are created for each of the three priority areas. Rotorua Lakes Council, business leaders and partners, are leading the development of these plans. The action plans are expected to be finalised by December 2021 and implementation will be initiated during the first three years of the Long-term Plan.

Agreed key priorities:

#1 Rotorua, a place of choice

Rotorua is a leader in providing authentic experiences; a place that provides the space to connect with friends and family; and has a natural environment to inspire and sustain wellbeing.

Success will mean attracting and retaining, talent, students, visitors and investors who contribute to the vibrancy of our bilingual city, engage in regenerative tourism, and sustain year-round productive jobs.

#2 Rotorua, the future of forestry

Rotorua led initiatives to underpin our status as the Centre of Excellence in forestry and wood processing. Rotorua's "Wood First" policy recognises the economic, environmental, cultural and social significance of wood and has resulted in the increased use of timber solutions and a "Wood First" concept embraced at a national level.

#3 Rotorua, ready for business

Rotorua is open and ready to support businesses to grow and thrive by providing desirable commercial, industrial and housing solutions.

To complement our existing industries, we nurture and attract technology-based and creative industries offering local people the chance to move into higher skilled and higher wages activity. Talent, entrepreneurs and business innovators relocated to Rotorua to live an 'exceptional' lifestyle and create new jobs and vibrancy for our city.

Alongside the finalisation of the EDS other economic development initiatives will include:

- $26 million - $22.3 million in 2021/22 (commitment in 2020/21 was $3.7 million). to support economic recovery and economic development projects
- Partnering with developers and landowners to unlock residential land
- Completion of master planning for stormwater and key infrastructure for new residential and industrial development
- Partnering with iwi and landowners to unlock 25ha of greenfield industrial and business parkland to support business relocation and expansion
- Creation of an Inner-City Plan to build investor and development confidence in our CBD
- Developing an incentives policy to support inner-city residential development
- Completion of infrastructure projects that support local business – Lakefront, Titokorangi (Long Mile) Road, Te Whare o Taonga (Museum), Mountain bike trail development, Te Ngae Road and Amohia Street upgrades
- Re-stating and strengthening of our tourism offerings and positioning Rotorua as the destination of choice, ready to receive international visitors once international borders open again
- Implementation of ReoRua – city-wide bilingual signage to complement "destination of choice' and our 'first bilingual city' status
- Creation of a Forestry Future plan as identified in the Economic Development Strategy to outline opportunities for growth and development in this sector
- Reviewing the Wood First policy to encourage and or incentivise the utilisation of wood products

Our goal is to:

- position Rotorua in a low carbon economy
- establish Rotorua as a resilient community that can adapt to the changes in climate

Climate Action Plan 2021

Council adopted its Climate Action Plan, in February 2021.

Guided by the Zero Carbon Act, it has been developed in partnership with stakeholders and the wider community.

The Climate Action Plan is the blueprint for combating climate change in the District. Many of the actions required are reflected within the Council's 30-year Infrastructure Strategy.

Rotorua is proud to be leading the way, being one of the first in the country to adopt a climate action plan. This plan provides a focus on sustainably protecting our people and place while protecting our environment.

Our goal is to position Rotorua in a low carbon economy and to ensure we work towards establishing ourselves as a resilient community that can adapt to the changes in climate.

In addition to reducing the impacts of climate change, there are other benefits associated with mitigation, including health and wellbeing gains from warmer homes, walking and cycling; cost savings to households and businesses through energy efficiency; affordable public transport services; and, opportunities to grow the resilience of the Rotorua economy through high-value, low-emissions products and services.

Climate action plan: Mitigation and Adaption

Mitigation:

Promote and support a shift to more sustainable transport modes; improve building and infrastructure efficiency, use of renewable energy.

Buildings and Energy Systems

- Adopt a low-carbon urban design policy
- Converting public lighting and streetlights to LED

Transportation and Urban Form

- Promoting walking and cycling and developing facilities to support active transport.
- Expanding and maintaining bike and walking paths
- Investing in risk mitigation on vulnerable sections of the transport network
- Promote public transport
- Promote working from home
- Facilitate higher-density urban development through CBD Locality Planning

Consumption and Waste

- Investigate kerbside organic waste collection
- Upgrading our city wastewater treatment plant, including the increasing holding capacity to better manage inflows during storm events
- A demand management programme has been developed, which involves water-loss reduction measures and a small reduction in the per capita domestic water use over time

Leadership, Advocacy and Economic Opportunity

- Delivering education and communicating clearly with our communities

Natural Environment and Rural Economy

- Reserves
- Open spaces planting

Adaptation:

This will include testing our infrastructure resilience regularly as it 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 the delivery of our services.

Infrastructure

- Identify and plan for infrastructure adaptation
- Monitor population growth
- Plan to meet future potable water needs
- Continue to update stormwater design standards
- Design stormwater systems for increased rainfall
- Renew critical assets as the priority in renewal programmes
- Preventive road drainage maintenance in place to lessen impacts of flooding in urban areas

People and Communities

- Local education and training incorporates planning for future needs
- Emergency planning in place to react when needed
- Investigate capital options to strengthen lakeside community resilience

Natural Environment

- Governance, Leadership and Advocacy
- Partners across the civil defence community
- Work to identify areas at increased risk
- Develop prevention, alert and response plans for community safety

Economy

- Business support
- Identify opportunities for new low-carbon local businesses

Council leads and is responsible for the provision of key services that support the daily life of the people of Rotorua.

Our infrastructure must be safe, reliable and in a stable condition to meet current and future demand, whilst meeting the expectations of our district.

To do this, we need to understand and plan for how infrastructure will need to change over time, so it can remain fit for purpose.

Change can be required to adjust to new technologies, environmental considerations (such as carbon neutrality), new regulatory standards or changing community expectations and emerging patterns of use.

We need to consider how our population is growing and changing and what impact this may have on demand for our infrastructure. Where do we need to provide new capacity? Where and how might we redevelop under used capacity or transform our infrastructure networks?

We also need to consider how the national, regional and local economies are changing with the impact of the global pandemic. History reminds us that in times of global financial and other crises it is not wise to underfund the needs of our core infrastructure.

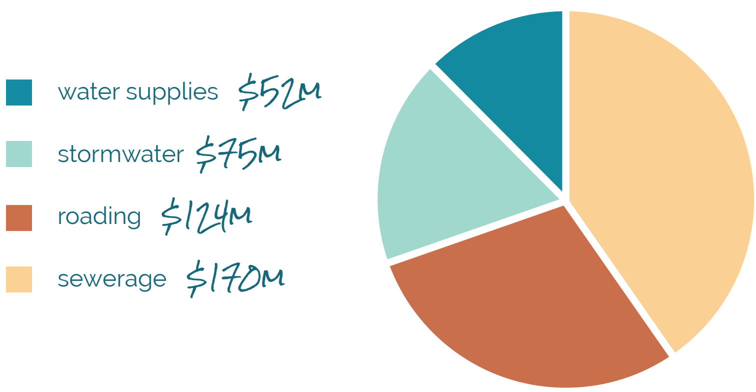
Our 30-year Infrastructure Strategy outlines the investment programmes required to ensure we are meeting all our communities' wellbeing obligations in a planned and affordable way. This investment will also help to stimulate our local economy as part of the Council's Rotorua Economic Recovery Plan: Build Back Better.

We have identified seven strategic district infrastructure challenges that need to be at the forefront of long term infrastructure planning and decision making.

They are:

1. Maintaining assets in a stable, reliable, and safe condition
2. Meeting future demands on infrastructure services
3. Managing the impacts of increased performance standards arising from legislative and policy change
4. Embedding cultural values and responses into the way we manage our infrastructure
5. Climate change effects and the need to ensure environmental sustainability
6. Resilience of critical infrastructure to withstand and recover from emergencies
7. Maintaining institutional knowledge, skills and capability (i.e. our people resilience).

10 year Capital Infrastructure Investment



***Across 2021-2031 we will invest $421 million into core infrastructure to renew and upgrade our assets to meet current demand and future growth expectations.**

* uninflated

Proposed Three Waters reform

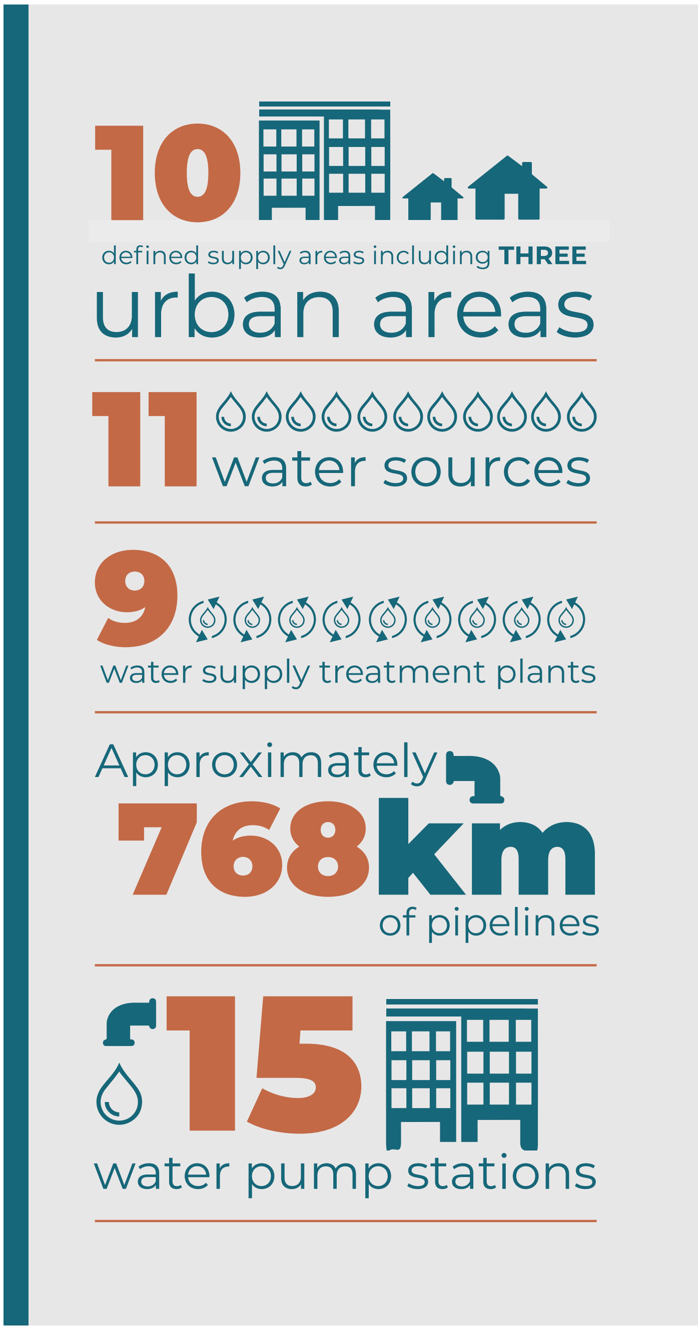
The central Government's Three Waters Reform Programme, initiated in 2019, is in response to identified national challenges and signals potential major changes ahead to the way the three waters are managed and delivered across the country. The exact nature of these changes and the precise implications for local government is still a work in progress and will take some time before they are fully crystallised.

Three Waters Challenges nationally

- historical underfunding of the operations and asset renewals
- new and higher national drinking water quality standards,
- stronger environmental performance objectives
- statutory need to meaningfully consider and incorporate Te Ao Māori principles in the management of three waters.

To do this correctly, we need to work with Central Government. We have signed a Memorandum of Understanding (MoU) and are currently actively participating in the exploration of our future three waters management and service delivery options. Under the MoU, central and local government have agreed to work together to identify possible approaches to reform that may be more viable for the future. These options currently explore features such as;

- The delivery of drinking water and wastewater services as a priority (the approach to stormwater is still being determined).
- New water management entities would be publicly owned, with a preference for collective council ownership, and incorporating protections against privatisation.
- Communities' input about the goals and performance objectives of such new entities.



The government is expecting to make policy decisions relating to the reforms in May 2021, to enable legislation to be prepared for introduction later in the 2021 year. There will continue to be a voluntary, partnership-based approach to reform and Parliament will consider legislation to remove obstacles to us deciding on our three water services; as well as making it possible to consult our communities correctly.

We need to remember that our communities need three waters services whether the council delivers them or not and it is vital that we consider three water reforms based on complete and accurate information of the medium-term and long-term cost and the well-being impacts this may have on our people downstream.

If any legislation is to take effect, it is unlikely to do so before the 2023/24 financial year.

Water supply

Public water supply is provided to domestic, commercial, industrial, and rural communities to ensure public health. Our commercial and industrial water users as well as rural users are metered. The three urban schemes (Central, Eastern and Ngongotahā) supply a total of 78% of all current water demand. The Central scheme accounts for 58% of all District water supply.

Challenges

Renewing infrastructure:

We have a relatively reliable network, however, we will be proactive in identifying and preparing asset renewal programmes based on evidence from condition surveys with our priorities centred on the critical assets.

Providing for growth:

Central and eastern parts of Rotorua is where most of the development and growth is forecasted to occur. These two areas are projected to have 3,201 and 4,150 additional household units by 2051 respectively based on the latest growth projections (as at March 2020). The two springs (Waipa and Hemo) that supply the Eastern area have sufficient capacity to accommodate this additional demand. However, we need to ensure that our network can transport water safely where it is needed.

Managing risk, strengthening resilience:

We have investigated improvements to strengthen the resilience of our water network particularly between the Central and Eastern supply areas. This includes providing an alternative supply line from the mainspring to the Eastern area and installing a second storage tank. It also includes the better interconnection of the Eastern and Central supply areas and the provision of a pipeline link between the Ngongotahā and Central supply areas. These initiatives allow more flexibility in the event of a failure and will better protect the reliability of water service. Seismic resistant materials are now considered and used when we replace critical assets.

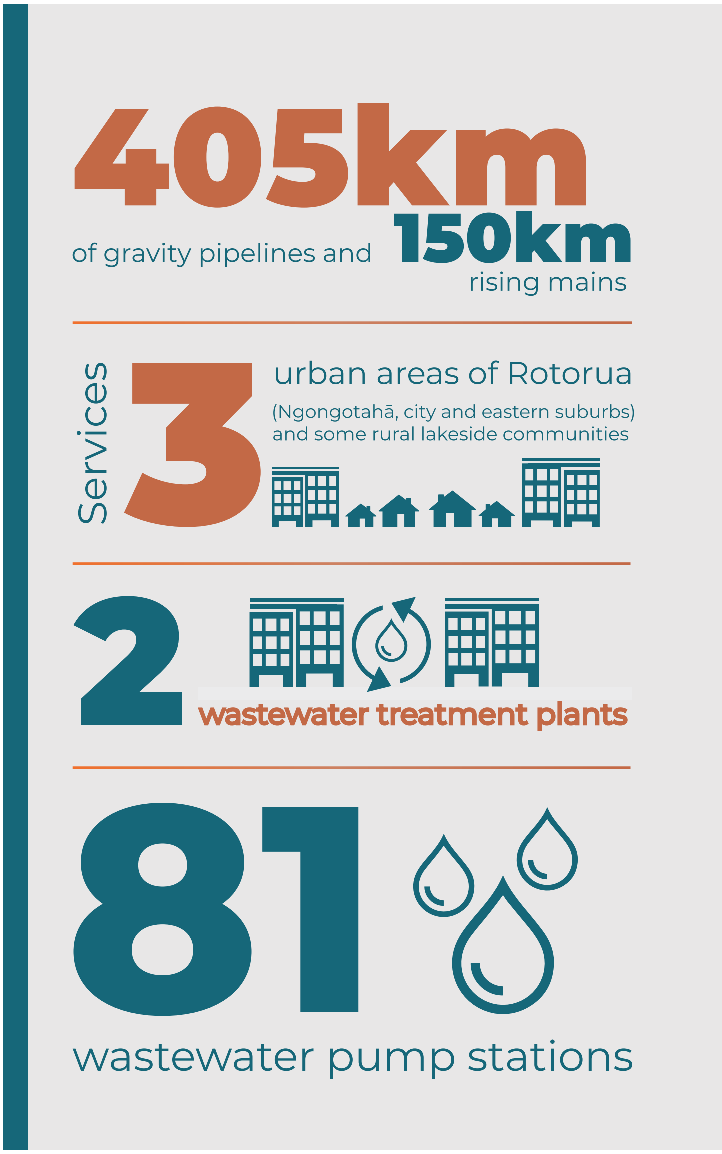
Improving environmental outcomes:

Sustainable management is required so water wastage is minimised. A demand management programme has been developed which involves water loss reduction measures and a gradual reduction of per capita domestic water use. At this point, universal metering (i.e. metering all water connections) has not been adopted. It may be considered in future as part of national practice if resilient environmental benefits can be achieved, and if supported by a strong business case.

The three urban schemes (Central, Eastern and Ngongotahā) supply a total of 78% of all current water demand

Sewerage and the treatment and disposal of sewage (wastewater)

We are responsible for the collection, treatment and disposal of wastewater from Rotorua City, Ngongotahā and eastern suburbs, as well as some rural lakeside communities. The public wastewater network protects the community's public health and the receiving environments from the adverse effects of wastewater and by-products. Two wastewater treatment plants service properties currently through approximately 22,696 connections.



Challenges

Renewing infrastructure:

Our wastewater network and supporting facilities are well past their midway lifecycle. To manage the risk of an ageing network we have utilised a performance specified maintenance and operations contract that provides better cost predictability and we are focusing attention, through systematic asset condition assessment, of our wastewater critical assets. This assessment drives focused renewal programmes and significantly reduces the risk of major services failure.

Providing for growth and improving environmental outcomes:

We are working together with Te Arawa Lakes Trust and CNI holdings towards a new long-term solution for discharge of wai tātari (recovered wastewater) from the Rotorua Wastewater Treatment Plant. The parties have agreed to a sustainable forest approach that will include the upgrading of the Council's wastewater treatment plant, and the short to medium-term continuation of discharging treated wastewater in Whakarewarewa Forest.

In the longer term, we will have investigated options for an alternative use and disposal system to make every effort to meet cultural objectives to remove the adverse effects of household wastewater from our lakes.

The communities of Lake Tarawera, Lake Rotoehu (Kennedy Bay and Otautu Bay), Ngamotu and Mamaku are currently serviced by private wastewater systems. They are at risk of polluting our lakes.

At a minimum, we are required to put in additional wastewater reticulation and treatment infrastructure to further improve the water quality. A solution for Tarawera is expected to be completed in year 2024, while solutions for other communities will be investigated in the first 3-5 years of this 10-year plan before any construction options will be available.

Going forward, to protect lakes' water quality, we will need to ensure that a total load of nutrients reaching the lakes from all sources does not increase. We are investigating charging an environmental fee (or a transfer of nitrogen instead of payment) that will be used to offset the increasing load of nitrogen in the treatment plant discharge as the population and community grow. The proposed environmental fee is still under discussion.

The public wastewater network protects the community's public health

284km
urban reticulated pipelines

153km
of open drains

Service
3 urban
areas of Rotorua
(Ngongotahā, city and eastern suburbs)

Reporoa
land drainage scheme

Stormwater drainage (stormwater)

Stormwater is the run-off of rainwater that requires management and safe disposal using various drainage systems. The stormwater activity protects people and property from flood damage. It also minimises the adverse effects of stormwater discharges into the lakes and waterways of the district.

Challenges

Providing for climate change effects and growth:
Stormwater management demand is linked to the effects of climate change and indirectly to population growth with the creation of more impervious surfaces. The existing stormwater systems at the bottom of catchments cannot fully cope with the effects of more intense rainfall and growth in urban areas (brownfield and greenfield development). The current piped stormwater assets, built over the years, are undersized for the new demands increasing the risk of localised flooding. We need to invest more in stormwater infrastructure, storage and conveyance, to enable land development and to address the growing impacts of climate change.

Roads and footpaths (land transport)

Rotorua is in the heart of the North Island and its transport system plays a key role in connecting the central and upper North Island.

Challenges

Renewing infrastructure:
Our roads have suffered the effects of accumulative industry cost escalations with investment not keeping pace at the same rate. In addition, heavy loading demand due to increased forestry production imposed rapid deterioration. Many roading assets are approaching the later years of their useful life and those in poor condition pose high safety risks. If we keep the roading budget at the same level it is now, the levels of service to our roads will deteriorate. We are at the tipping point where we need to invest at a sustainable level and we cannot compensate for increased industry costs and higher loading demand through efficiencies alone. Less than appropriate funding levels will result in higher long-term costs and lower levels of service. We need to adjust our approach to managing our roading network and provide an appropriate level of prudent investment for maintenance and renewals, to provide the right level of service at a cost the community can afford.

Providing for growth:

There is strong demand for providing transport infrastructure for multi-transport modes especially cycling facilities, mobility access, pedestrians and public transport. Passenger transport services provide a key transport option for both students and the general public. Users have put off buses as they are perceived to be unreliable and journey times take longer than private vehicles. This adds to the traffic congestion and road vehicle demand in our city.

1,008 km
of roads
886 km sealed and 122 km unsealed

82 road bridges

26 major culverts

385 km
of footpaths

43km
of shared paths,
4.8km of cycle lanes + 1.3km of cycle paths

146
bus shelters

Our Long-term Plan is supported by a Financial Strategy with the following objectives:

- 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.

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.

It outlines key financial parameters and limits within which the Council will operate within, provides insight into Council's current financial health and provides clarity on how this will be managed over the next ten years.

What we are investing

The investment required is significant, but we believe it is needed to make the level of change required to take our District from surviving to thriving.

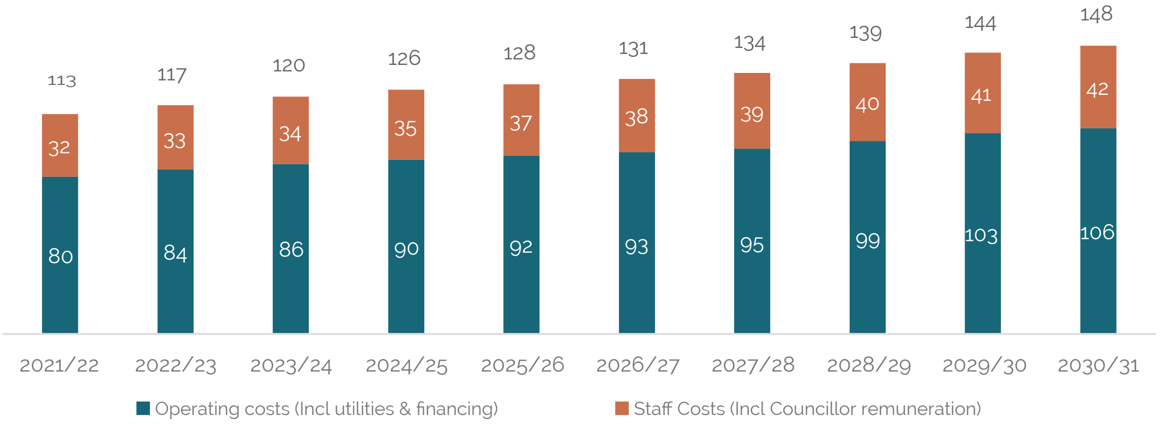
Council expenditure is generally split into ***two types*** – operating and capital expenditure.

Operating expenditure is used to deliver on set strategy and community priorities including the delivery of all the services council provides in running a District.

Capital expenditure is a project-based investment to replace and renew the assets (e.g. reseal roads, replace/upgrade water and stormwater pipes) or invest in transformational place-shaping projects. (e.g. Lakefront, Museum and Forest).

The next few pages include highlights from our Draft Financial Strategy 2021-2031

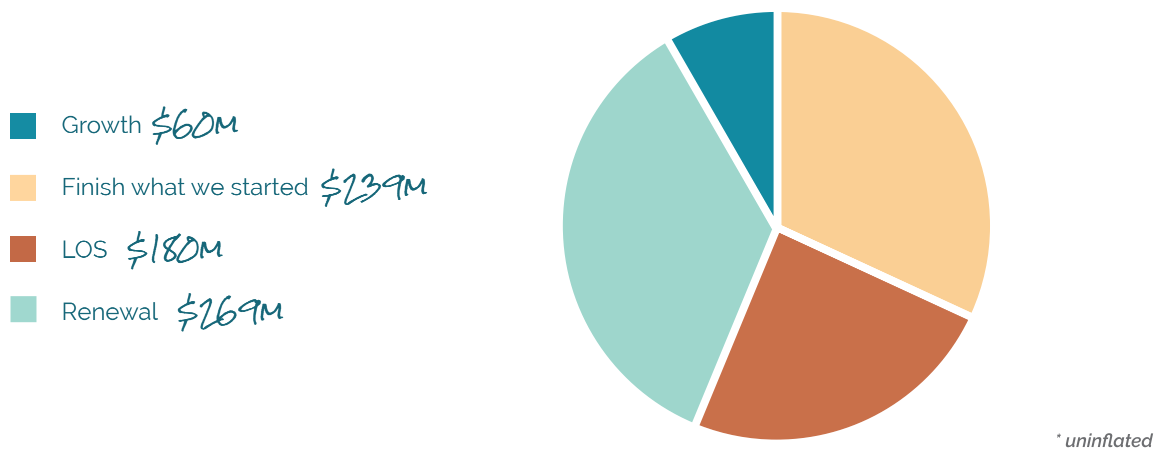
Operating expenditure Y1-Y10



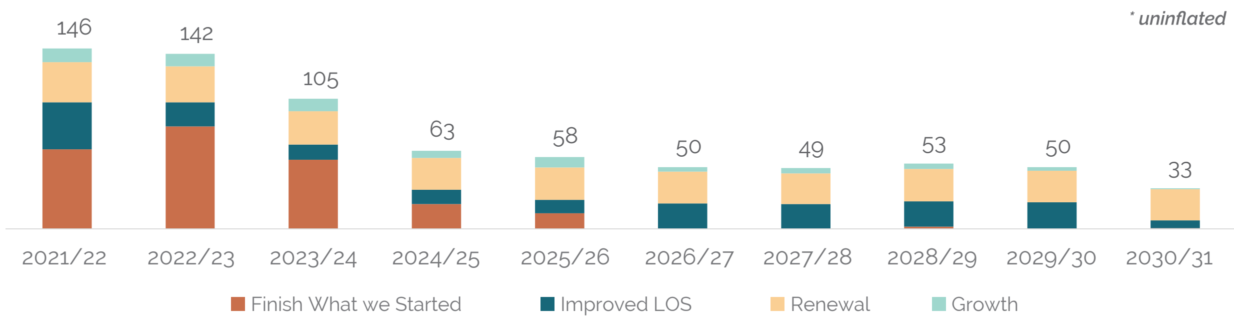
***Operating expenditure - $1.301 billion over 10 years**

Capex expenditure Y1-Y10

In our ten-year budgets, we are proposing to invest $749 million to support the completion of place-shaping projects, improve services, renew exiting assets, support growth and deliver our efforts to build back better following the COVID-19 pandemic.



Total Capex spend – 2021-31



Capex spend by type per year

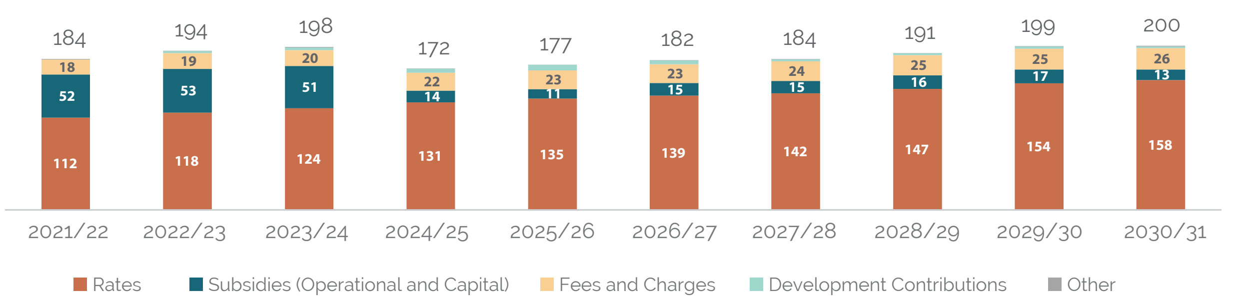
How we will fund our plan

Most of the funds to help us operate daily come from

- **Rates (general and target rates)**
- **Fees and charges**
- **Subsidies and grants**
- **Development Contributions (if we adopt a policy soon)**

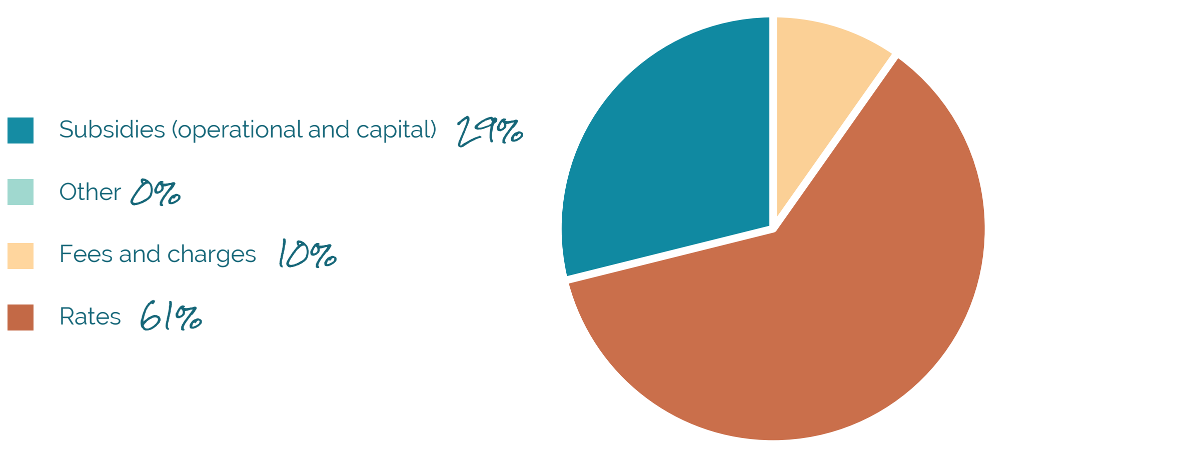
Funding sources

The graph below shows how much revenue is needed to deliver our services over the coming 10 years. It also shows where the revenue will come from.



2022 Forecasted income split

Composition of Year 1 Income



Revenue continues to be under pressure to keep pace with the increased cost of maintaining assets, (buildings, the library, parks, sports grounds and open areas) or infrastructure (roads, footpaths, cycleways, wastewater and stormwater systems) to modern standards, to meet central government regulation and to meet cultural & community expectations.

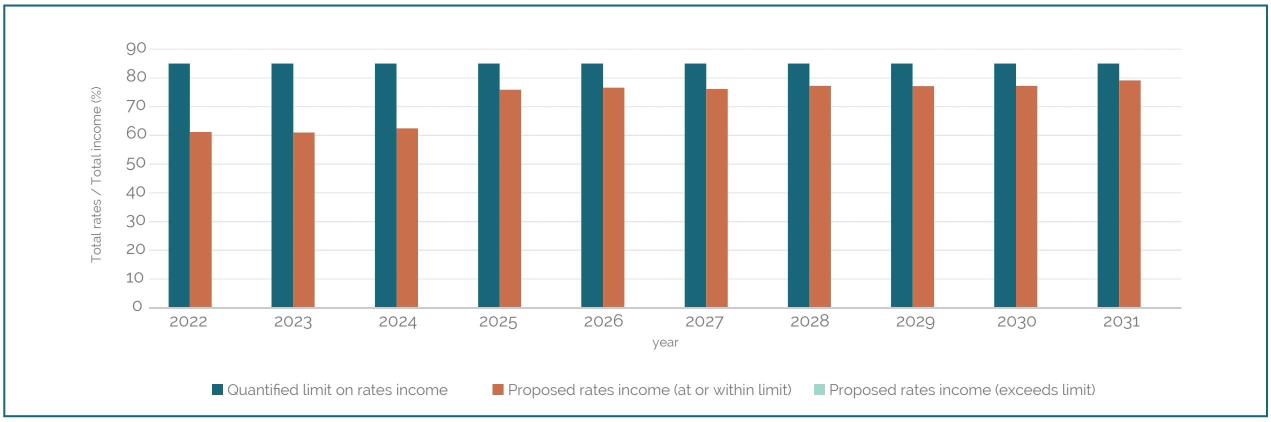
In 2018 we set out a plan to, where possible, fund new projects or levels of service from new sources. That plan set out to partner with external agencies and/or to introduce a development contribution policy (to fund growth). We will continue to seek external funding going forward and we also intend to have a detailed conversation later in the year on the introduction of a development contributions policy.

Over the ten years, a total of $32.6 million needs to be secured and received from external sources for the Aquatic Centre ($10.43 million), Museum ($6.0 million), Rotoiti/Rotomā sewerage scheme ($3.5 million) and Westbrook ($12.67 million). If this funding can't be secured Council will need to consider and make decisions to either scale back the project, delay the project or commit to increasing its funding commitments.

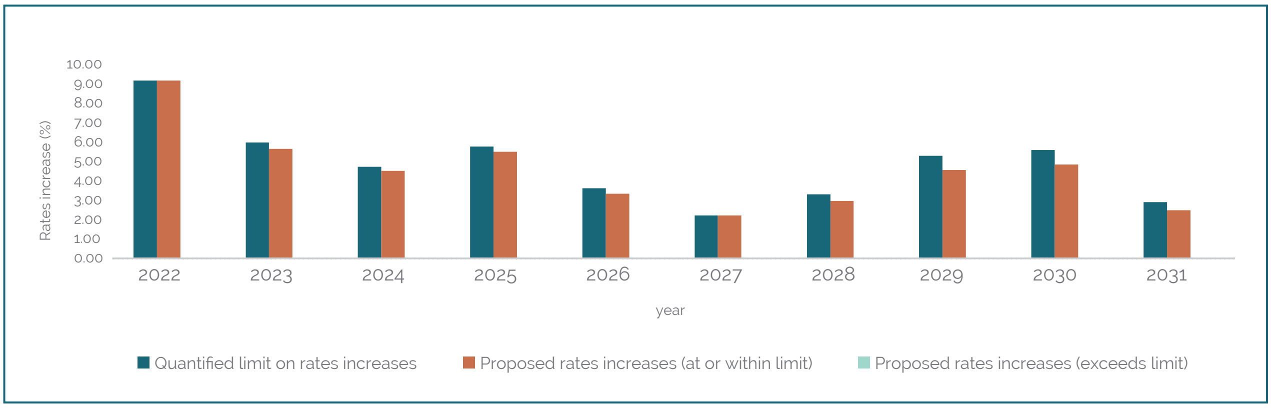
Rates

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 Council's cost base are mainly driven by the expectations to deliver on solutions to the District's confronting challenges, increases in compliance and regulation, inflation and depreciation related to capital expenditure in the ten-year plan.

Proposed rates limits



Proposed rates increases



***Rates limits/increases are an 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 have been developed in line with a predicted increase of an average of 390 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.*

Fees and charges

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

In 2018, Council decided to look at all and potential funding sources. The aim being, to shift the reliance on rates funding towards a greater emphasis on user charges. However, due to the closures of the Sir Howard Morrison Performing Arts Centre and Rotorua Museum, the full impact of this was not able to be achieved.

During the last three years, the costs for services have continued to increase and the associated fees have not kept pace with this. As this occurs the revenue gap must be found and the only other source is rates. This also means that in some instances the funding policy is not being met.

Driving costs up?

Many factors influence and create pressure on Council services in turn leading to increase costs.

- Compliance and regulatory costs
- Inflation
- Devolved Central Government services picked up by the local government and not funded
- Growth – requiring more resources
- Levels of service expectations – requiring more resources

Increasing Fees and Charges

The setting of pricing for direct benefit services has been amended to increase fees and charges across several service delivery areas. The basis for price setting has been developed on, increasing fees where there has been no increase in over two years and where the current funding for the overall service does not meet the funding policy. This will require $2.7m to be collected from across the services where fees and charges are collected.

An in-depth review of the services and who benefits was undertaken in 2018. The basis of assumptions for the creation of the funding splits (funding policy) is still considered relevant today. The issue is that Council has been trying to absorb the rising costs and to keep fees and charges static. This is not sustainable going forward. An additional 2.8% rates increase to hold fees and charges at current levels is not perceived to be fair nor in alignment with the Council's rating principles.

If this revenue can't be collected for any reason (e.g. pandemic lockdown) Council will need to consider cost savings to offset lost revenue.

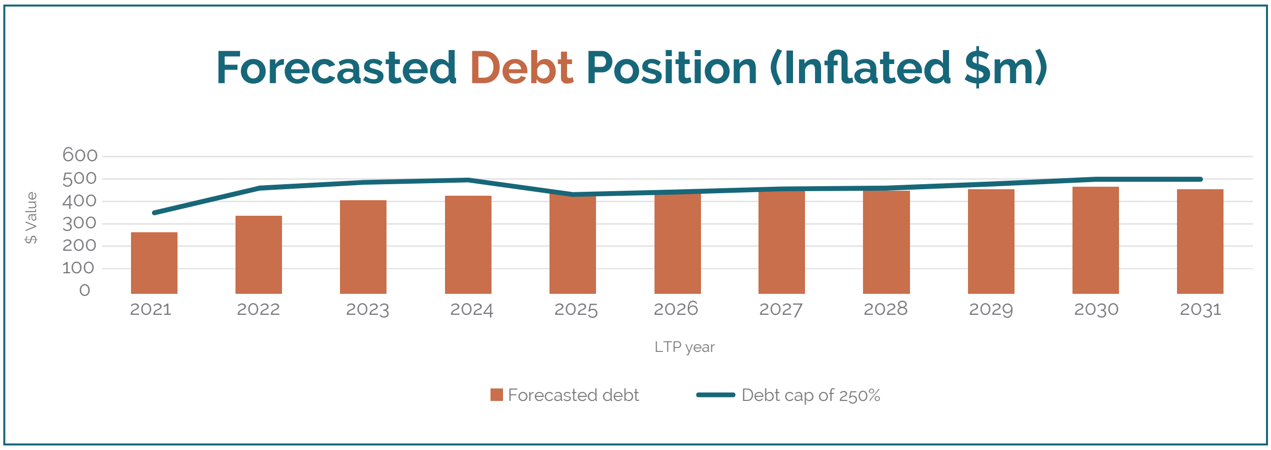
Borrowing to aid future investment in our District

We only borrow money from lending agencies (LGFA – Local Government Funding Agencies and banks) to grow and improve existing facilities and infrastructure.

Council does not borrow to renew existing facilities and infrastructure.

Unlike residential and business borrowing, which is secured against assets, Council's borrowings are secured against its revenue, in particular its ability to rate.

Over the ten years, our debt will increase by $197 million. Across the same period, net debt will not exceed our limit of 250%. Refer to Treasury Policy for definition of net debt and total revenue.



This remains within our debt limits

- Net debt to Total Revenue 246% against a limit of 250%
- Net interest to Total Revenue 8.9% against a limit of 20%
- Net interest to Annual Rates Income 11.50% 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 the Council's finances. Council has determined a prudent level based on a multiplier of not more than 2.5x (250%) revenue.

Council's debt forecast to revenue ratio as of 30 June 2021 is approximately 178% and whilst this will rise to around 246% through years 2025-2026 is forecast to be 219%, in ten years.

Steaming lake - Kuirau Park

Performance Measures

Long-term Plan 2021-2031

Community Leadership

Why we do it

- To support the Council's role in setting the future direction and priorities for the District
- To lead, partner and advocate for the communities of Rotorua
- To enable informed and inclusive decision making
- To partner effectively with Te Arawa to achieve enhanced outcomes for iwi and the Rotorua District

What we do

- Nurture sustainable relationships that allow people to participate
- Support engagement between Council and Māori communities, marae, runanga, iwi, hapu and whānau, and facilitating Māori input into council decision-making
- 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
- 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

We will deliver this through providing services in

- Governance
- Customer Centre
- Finance
- Information services
- Communications
- Kaitiaki Māori
- Organisation Development and Capability
- Property and Legal
- CE Office

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

He hāpori pūmanawa | A resilient community

He huarahi hou | Employment choices

Tiakina to taiao | Enhanced environment

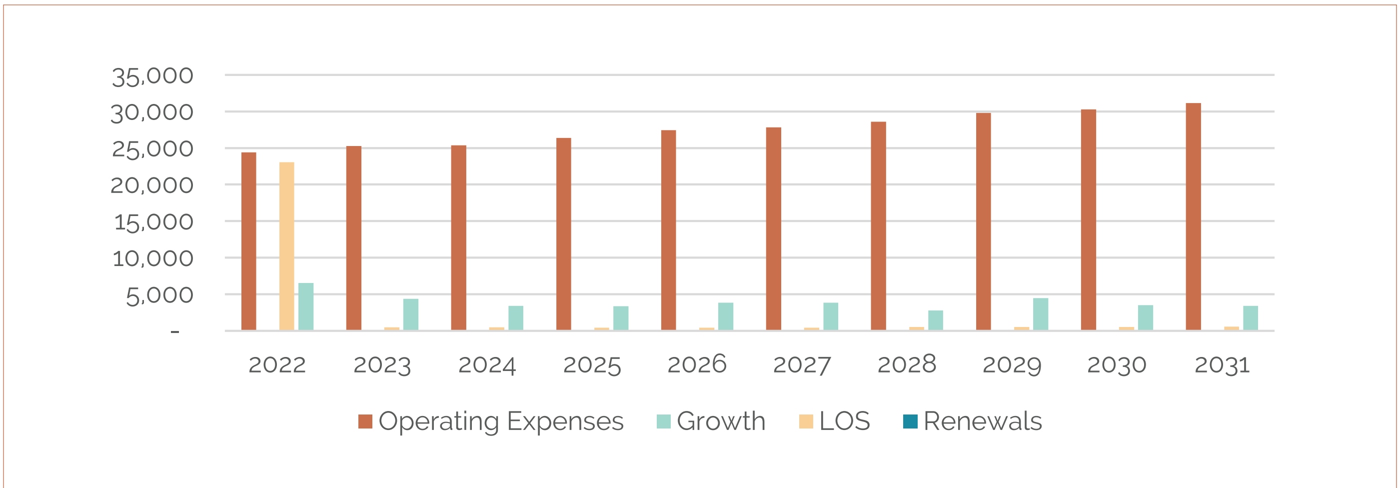
To lead, partner and advocate for the communities of Rotorua

What you can expect from us

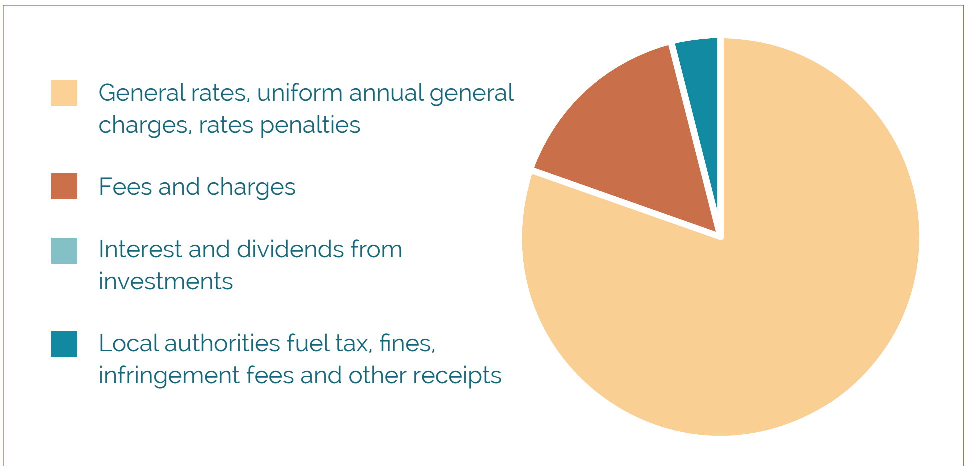
Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

		Performance Targets					
Level of service	How will it be measured? (Measures)	Current Performance 2019/20	Data source	2021/22	2022/23	2023/24	2024 to 2031
Provide opportunities for the community and individuals to participate	Percentage of residents who are satisfied with the Let's Talk platform - quality and reliability, and value	74%	Let's Talk survey	75%	77%	78%	80%
	Increase the "reach" attained through engagement campaigns	New measure	Engagement campaign register	Increase by 10%	Increase by 10%	Increase by 15%	Increase by 15%
Create a sence of trust and confidence within our community around Council's decision making	No decision is overturned by judicial review	New measure	Decision-making index	Achieved	Achieved	Achieved	Achieved
Demonstrate principles of partnership in working on shared outcomes	% of Māori groups satisfied/ highly satisfied with Council's performance as a good partner	New measure	Survey	70%	75%	75%	80%

The cost to deliver this activity



How we will fund this activity



Capital Expenditure

Project Type	Project Header Description	2021/22	2022/23	2023/24	2024-2031	Total Budget
LOS	CCTV Strategic roadmap - Enhancements		150,000	60,000	420,000	630,000
LOS	Civic Centre Refurbishment	150,000			-	150,000
LOS	Corporate Strategic Projects - New Initiatives Fund	80,000	80,000	80,000	560,000	800,000
LOS	Council Website Replacement	300,000	-	-	-	300,000
LOS	Economic Recovery	22,287,500			-	22,287,500
LOS	IT Enhancements (Including ABW)	248,000	263,000	328,000	2,086,000	2,925,000
Renewal	Civic Centre Renewals (Including Geothermal)	1,100,000	200,000	200,000	1,400,000	2,900,000
Renewal	Community Halls Renewals	200,000	200,000	200,000	1,400,000	2,000,000
Renewal	ERP Project	2,400,000	-	-	-	2,400,000
Renewal	Fleet Purchases	503,800	672,500	515,000	3,229,400	4,920,700
Renewal	Information Solutions Improvements	698,000	1,618,000	968,000	5,976,000	9,260,000
Renewal	Infracore Buildings Renewals	100,000	100,000	100,000	700,000	1,000,000
Renewal	iSite Renewal	400,000	400,000	100,000	1,000,000	1,900,000
Renewal	IT Renewals	502,000	552,000	694,000	4,698,000	6,446,000
Renewal	Pensioner Housing Renewals	590,000	590,000	590,000	4,130,000	5,900,000
Renewal	Strategic Property Renewals	50,000	50,000	50,000	350,000	500,000
Total		**29,609,300**	**4,875,500**	**3,885,000**	**25,949,400**	**64,319,200**

** uninflated*

Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
COVID-19 disruptions causes time and cost impacts	•	•		•	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
Interest groups may dominate the decision-making process.	•	•			Wider consultation with under-represented groups, including going to source and targeted surveys.
The pace of change for delivering Rotorua 2030 goals is seen as too fast or is seen as lagging behind.	•	•		•	Maintain high levels of community engagement to ensure Rotorua 2030 is being delivered to meet the community's expectations. Ensure a level of flexibility is built into all strategy development in order to adapt to the changing needs and/or expectations of the community.

Rotorua Lakes Council Funding Impact Statement for 2021-2031 for Community Leadership

Community Leadership	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	10,835	11,314	11,972	11,801	12,060	12,621	12,283	12,078	12,368	12,185	12,146
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	29	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	2,202	2,302	2,097	2,149	2,308	2,258	2,317	2,483	2,433	2,496
Internal charges and overheads recovered	27,661	17,705	18,435	19,234	19,950	20,361	20,819	21,268	21,922	22,701	23,283
Local authorities fuel tax, fines, infringement fees, and other receipts	2,441	556	556	556	570	584	598	614	631	648	664
Total operating funding (A)	**40,965**	**31,777**	**33,265**	**33,687**	**34,729**	**35,874**	**35,958**	**36,276**	**37,403**	**37,967**	**38,590**
Applications of operating funding											
Payments to staff and suppliers	24,139	24,403	25,245	25,385	26,365	27,414	27,820	28,607	29,804	30,276	31,132
Finance costs	1,230	1,159	1,578	1,602	1,463	1,343	1,209	997	902	855	645
Internal charges and overheads applied	11,133	1,475	1,540	1,597	1,655	1,693	1,735	1,776	1,831	1,896	1,947
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**36,502**	**27,037**	**28,363**	**28,584**	**29,484**	**30,450**	**30,763**	**31,380**	**32,537**	**33,026**	**33,724**
Surplus (deficit) of operating funding (A-B)	**4,463**	**4,740**	**4,902**	**5,103**	**5,245**	**5,424**	**5,195**	**4,896**	**4,866**	**4,941**	**4,866**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	227	303	232	154	277	307	54	428	154	235
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	11,474	33,425	3,009	(4,110)	(5,385)	(1,822)	(5,711)	(6,069)	(754)	(1,430)	(1,788)
Gross proceeds from sale of assets	2,000	-	-	-	3,484	-	3,915	3,915	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**13,474**	**33,652**	**3,311**	**(3,878)**	**(1,748)**	**(1,544)**	**(1,489)**	**(2,101)**	**(326)**	**(1,276)**	**(1,553)**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	14,185	23,066	493	468	413	408	434	517	531	545	560
• to replace existing assets	2,003	6,544	4,383	3,417	3,375	3,857	3,834	2,810	4,452	3,520	3,434
Increase (decrease) of investments	1,750	8,782	3,338	(2,661)	(291)	(386)	(562)	(531)	(442)	(401)	(681)
Increase (decrease) in reserves	-										
Total applications of capital funding (D)	**17,938**	**38,392**	**8,214**	**1,224**	**3,497**	**3,879**	**3,706**	**2,795**	**4,541**	**3,664**	**3,313**
Surplus (deficit) of capital funding (C-D)	**(4,464)**	**(4,740)**	**(4,902)**	**(5,103)**	**(5,245)**	**(5,424)**	**(5,195)**	**(4,896)**	**(4,866)**	**(4,941)**	**(4,866)**
Funding balance ((A-B)+(C-D))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Community Wellbeing

Why we do it

- To create connected thriving, communities that promote wellbeing and social cohesion
- To have a range of activities, events and experiences that connect and engage our community
- To support the development of communities to be to become more vibrant, resilient and sustainable.
- To support the development of community identity creation so people are proud of where they live.
- To ensure that people feel safe in public spaces and places.

What we do

- Create a sense of place – building identity and pride
- Connect communities – bringing people together to build social cohesion, contribute to and experience their place
- Strengthen neighbourhoods – building community capability and resilience
- Support wellbeing – shaping strong and healthy communities

We will deliver this through providing services in

- District Library
- Rotorua Museum
- Sir Howard Morrison Performing Arts Centre
- Energy Events Centre
- Markets Events and Festivals
- Sports, Recreation and Environment
    - Gardens, reserves and sports grounds
    - Aquatic Centre

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

He hāpori pūmanawa | A resilient community

He huarahi hou | Employment choices

Tiakina to taiao | Enhanced environment

Ensure that people feel safe

What you can expect from us

Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

Level of service	How will it be measured? (Measures)	Performance Targets						
		Current performance 2019/20	Data source	2021/22	2022/23	2023/24	2024 to 2031
Creation of safe public spaces and places	% decrease across the CCTV district network in criminal/ antisocial/ suspicious activity	New measure	CCTV network monitoring	Establish baseline	10%	15%	20%
	Number of CPTED/ public safety assessments completed annually for key priority locations.	New measure	Public spaces/ places register	Establish baseline	% completion of assessments driven from priority plan	% completion of assessments driven from priority plan	% completion of assessments driven from priority plan
	Number of lesson in Learn to Swim School programmes per term	18, 527	CLM Leisure Management Admissions/ enrolment to programmes	≥18,000	≥18,000	≥18,000	≥18,000
Creation of vibrant, energised experiences with loads of activity	Percentage of customers very/fairly satisfied with Arts and Culture Offerings	89%	Customer satisfaction survey	85%	90%	90%	90%
	Percentage of customers very/fairly satisfied with quality of Markets, Events and Festivals	86%	Customer satisfaction survey	85%	90%	90%	90%
Facilitate social outcomes by working with other organisations, and coordinate approaches to enable community-led initiatives and community capacity building	Number of projects funded via the Neighbourhood Matching Fund each year.	New measure	Neighbourhood matching fund criteria and assessment panel outcomes	25	25	25	25
	Number of community plans supported	New measure	LTP strategic outcomes	One community plan	Two community plans	Three community plans	Four community plans
	Number of people participating in community programmes for skills development and lifelong learning.	New measure	Programme register	plus 5%	plus 5%	plus 5%	plus 5%
Provide for and develop a sustainable open space network	% of residents located in urban areas are able to walk 10-15 minutes (or 500 metres) to a neighbourhood park or equivalent function."	New measure	Open Space Network Plans & GIS	90%	90%	90%	90%
	Percentage of users very/fairly satisfied with Council's open space network	New LTP 93% in survey	Yardstick Park User Survey	90%	90%	90%	90%
	The visitor experience satisfaction rating for security at important park features (for example, playgrounds, tables and seats, toilets)	New LTP 86.5% in survey	Yardstick Park User Survey	85%	85%	85%	90%

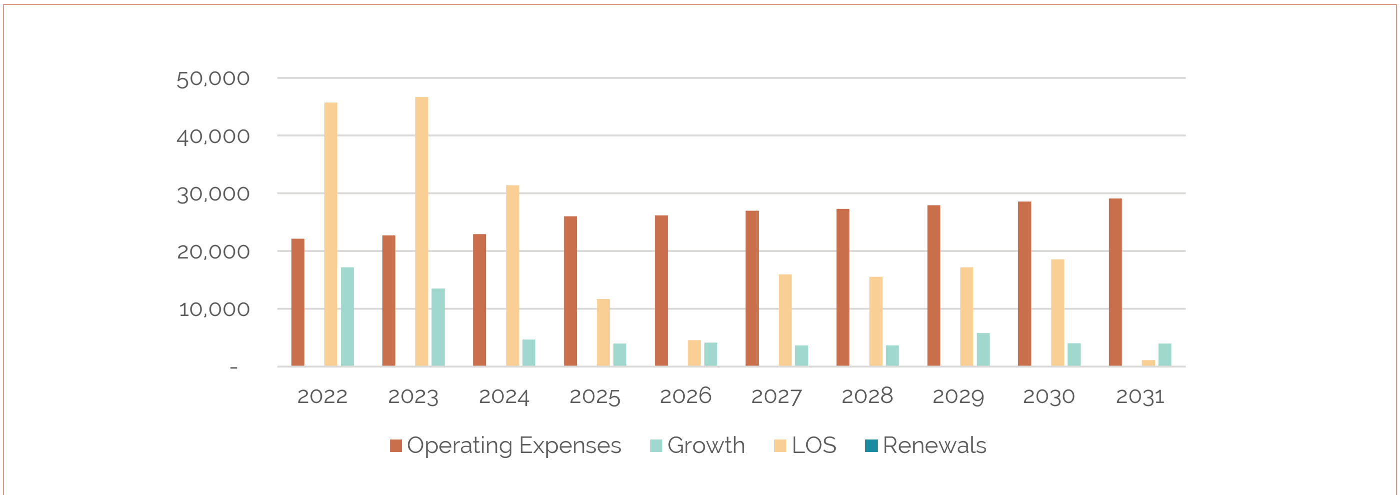
Delivering on priorities (continued)

Major projects

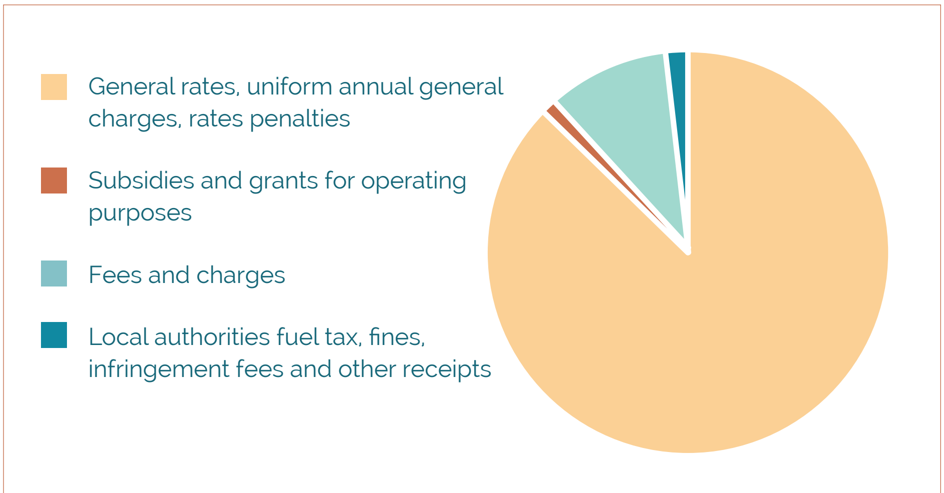
What is planned?	Background	Year 1	Year 2	Year 3	Year 4-10
Redevelopment of the Sir Howard Morrison Performing Arts Centre	The Sir Howard Morrison Performing Arts Centre has, through the Civic Theatre and Concert Chamber spaces, been a key hub for performing arts in Rotorua. It has provided our Rotorua community, and surrounding regions, with a wide range of education and performance opportunities. It is also a Category One heritage building. This strengthening, restoration and redevelopment project has been driven by the aspiration to restore this significant heritage facility in a way that will deliver a broad range of positive outcomes for our community. Investment in the Sir Howard Morrison Performing Arts Centre links strongly to three of the four key pillars in Rotorua's Vision 2030: strong culture, easy lifestyle and diverse opportunities. The vision for the redevelopment of the Sir Howard Morrison Performing Arts Centre is for: a high quality, fit for purpose venue; a destination venue known for its high quality, relevant shows and major events; and, a venue with high audience and community participation, supported by strong, focused leadership and operational excellence, both within and beyond the doors	$19.5m			
Rotorua Museum	The iconic Bath House building that houses Rotorua Museum is of national and international significance for its association with the development of overseas tourism in New Zealand. The building was originally constructed in 1906-1908 by the newly created Department of Tourist and Health Resorts on land in the Government Gardens, which had been gifted to the town of Rotorua by Ngāti Whakaue as part of the Fenton Agreement, November 1880. The strengthening, restoration and redevelopment of Rotorua Museum is a key element of Rotorua Lakes Council's Vision 2030 and the Rotorua Way.	$6.04m	$31.21m	$16.28m	$4.85m
Lakefront Revitalisation	Our vision is to develop the lakefront into an outstanding recreational area that will benefit locals, support tourism, and encourage private investment, which will in turn create new jobs and benefit Rotorua's community. This development is going to celebrate our culture and community – it will be uniquely Rotorua and distinctly different to any other lakefront in the world. Plans have been in the making to develop and enhance Rotorua's lakefront since 2006, however these plans have always been hindered by cost and critical partnerships. In 2018, Central Government recognised the untapped opportunity that is our lakefront and through the Ministry of Business, Innovation and Employment's Provincial Growth Fund, Council received $19.9 million to go exclusively towards developing our lakefront into an asset that will lift our city.	$11.1m	$6.9m	$1.6m	
Aquatic Centre	The community has told Council that it values the Aquatic Centre as a facility for locals to use and enjoy. Rotorua's strengths, in particular our active lifestyle and environment, are directly linked to the provision of a modern aquatic centre that meets the needs and expectations of its users. Investment into the Aquatic Centre has been delayed for a number of years while Council investigated options for future development. It is time to undertake this investment and deliver upon the connecting vision to action commitment made in the Long-term Plan 2018-28, of "reviving our facilities". With our District being surrounded by lakes and rivers, it is important our tamariki, children have the skills and confidence to be safe in our waters and the Aquatic Centre plays a vital role in this. The full master plan would upgrade all the existing facilities, to provide a renewed facility for our community. The plan includes new services with a new learn-to-swim pool; new outdoor play and relaxing areas; new bombing pool; upgrading of the spa; and, new café. We would be seeking to partner fund improvements such as a new hydro-slide; splash pad; and, new fitness centre.	$10.6m	$8.9m	$8.9m	
Westbrook	Due to the poor condition of sports fields and the projected population growth across the District a proposal has been developed for a sports precinct in Westbrook. The Westbrook Sports Precinct project has been included in the Long Term Plan 2021-31 budgets from year six onwards as a potential long-term project. The financial allocation in years one, two and three of the 2021-2031 Long-term Plan relate to Westbrook sports field renewals.	$405k	$846k	$1.2m	$59m

Whakarewarewa Forest	Mountain biking, trail walking and running in the Tokorangi and Whakarewarewa forests are part of Rotorua's DNA. Since the late 1980s, Rotorua has worked alongside the landowners, iwi representatives and users (who form the more recently established Rotorua Trail Trust), to strategically develop and leverage these unique 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 for mountain biking and up to 800,000 other visitors each year. The development will see us provide the infrastructure necessary to support the continued enjoyment of this asset for all visitors, and advantage the economic, social, cultural and environmental potential the asset provides to our region. The ongoing development of Whakarewarewa Forest is about enhancing and creating areas that are sustainable for future generations, as well as making the forest more accessible for a variety of users to enjoy. It is anticipated that once these foundations are laid, commercial investment will follow for the benefit of everyone in our region.	$4.5m			

The cost to deliver this activity



How we will fund this activity



Delivering on priorities (continued)

Capital Expenditure

Project Type	Project Header Description	2021/22	2022/23	2023/24	2024-2031	Total Budget
LOS	Active Recreation Enchancement	500,000	250,000	250,000	1,750,000	2,750,000
LOS	Baxendale Esplanade	-	50,000	450,000	50,000	550,000
LOS	Chapel - Sala Street	-	2,500,000	-	-	2,500,000
LOS	Devolved Funding	250,000	250,000	250,000	1,750,000	2,500,000
LOS	Kuirau Park	175,000	276,000		3,661,000	4,112,000
LOS	Lakefront Revitalisation	11,147,340	6,880,600	1,637,961	-	19,665,901
LOS	Lakes Infrastructure Enhancements	980,000	900,000	-	-	1,880,000
LOS	Neighbourhood Playground Enhancements	300,000	200,000	300,000	350,000	1,150,000
LOS	Public Art Funding	235,000	200,000	400,000	1,664,000	2,499,000
LOS	Reserve Enhancements	350,000	200,000	500,000	500,000	1,550,000
LOS	Reserves Erosion Control	300,000	130,000	130,000	910,000	1,470,000
LOS	Rotorua Museum Enhancements	6,044,000	31,207,305	16,283,582	4,850,000	58,384,887
LOS	SHMPAC Enhancements	19,452,310	-	-	-	19,452,310
LOS	Skate Park in Kuirau Park	480,000	1,020,000	850,000	-	2,350,000
LOS	Sports Facilities Funding	333,000	351,000	225,000	1,525,000	2,434,000
LOS	Wash Caravan	60,000	-	-	-	60,000
LOS	Westbrook Precinct	405,000	846,000	1,233,000	58,745,000	61,229,000
LOS	Whakarewarewa Forest	4,564,575	-	-	-	4,564,575
LOS	Aquatic Centre Option 3 LOS	118,476	1,427,636	8,889,191	-	10,435,303
Renewal	Aquatic Centre	10,437,872	7,486,775	100,000	700,000	18,724,647
Renewal	Cemetery Developments and Improvements	140,000	140,000	140,000	280,000	700,000
Renewal	Energy Event Centre Renewals	1,490,000	750,000	250,000	1,950,000	4,440,000
Renewal	International Stadium Renewals	700,000	300,000	150,000	1,050,000	2,200,000
Renewal	Kuirau Park Shop/Aquarium building Renewals	900,000	900,000	900,000	700,000	3,400,000
Renewal	Library Renewals	435,000	240,000	490,000	1,190,000	2,355,000
Renewal	Park Structures Renewals	1,900,000	1,900,000	1,900,000	13,300,000	19,000,000
Renewal	Public Toilet Renewals	423,164	423,164	423,164	2,962,148	4,231,640
Renewal	Public Toilets Upgrades	-	900,000	-	-	900,000
Renewal	Recreation Buildings Renewals	75,000	75,000	75,000	525,000	750,000
Renewal	Renewals Arts and Culture	30,000	30,000	30,000	210,000	300,000
Renewal	Rotorua Museum Renewals	400,000	150,000	150,000	450,000	1,150,000
Renewal	SHMPAC Renewals	-	-	-	2,800,000	2,800,000
Renewal	Sports event equipment renewals	-	20,000	-	40,000	60,000
Renewal	Tea Rooms and historic House Renewals	60,000	60,000	-	180,000	300,000
Renewal	Waikite Valley Thermal Pools Renewal	180,000	140,510	65,223	210,363	596,096
Total		**62,865,737**	**60,203,990**	**36,072,121**	**102,302,511**	**261,444,359**

** uninflated*

Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
COVID-19 disruptions causes time and cost impacts	•	•		•	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
Low community resilience has significant negative effects.	•	•			Education. Ensuring everyone in the community understands what they need to do before, during and after emergencies and that the key principle of community resilience is being prepared.
Inability to meet customer demand and changing expectations.	•	•		•	Introduction of new programmes and technology to ensure that the service stays ahead of expectations or can readily adjust services to provide for changing demands.
Reduced community access to venues resulting from high revenue events and conferences securing bookings.	•	•		•	Council policy requires a minimum of 40% of venue usage to be by community groups.
Increased traffic congestion, restricted access to public facilities and noise issues arising from major events at venues.	•	•	•		Council works with event managers and affected parties to minimise these negative effects wherever possible
Perceived increase in crime – vehicle, theft and assault resulting from increased numbers of people in and around venues during events.	•	•	•	•	Mitigated by adequate levels of security staffing, full involvement of Police in planning, and specific event initiatives where clear risks are identified and quantified.
Public safety in and around council owned and operated buildings	•	•	•		Key priority areas being identified. Develop and implement plan to eliminate and minimise hazards; train staff; monitor ongoing and new risks.
Museum closed longer than expected	•	•		•	Assign dedicated project manager; thorough planning with key milestones and peer reviewing; fund raising strategy; communications strategy; regular status reviews and adjustments to resources/timeframes as required.

Delivering on priorities (continued)

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
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.
Failure of dog owners to exercise responsible dog control has the potential for dog attacks and acts of aggression and barking.	•	•	•	•	To continue with a proactive patrolling regime and to increase the presence of staff in those areas which the public identify as having "too many wandering dogs". In addition to this use of owner education initiatives.
The cost of establishing and maintaining sportsfields and sports facilities versus the number of the participants in each sporting code.	•	•		•	Undertake a 5-yearly review assessing sportsfields and sports facilities with user numbers for each sport and forecasted trends in user numbers.
Increased light spill, traffic congestion in peak periods and noise pollution from sports fields due to equipment and usage.	•	•	•		Ensure appropriate measures to mitigate the effects of light spill, traffic congestion and noise are taken and monitored through the required planning and/or resource consent processes.
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. Possibly investigate user pays to manage demand

Rotorua Lakes Council Funding Impact Statement for 2021-2031 for Community Wellbeing

Community Wellbeing	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	27,046	30,757	32,909	34,857	37,106	38,615	40,146	41,316	43,715	46,330	47,459
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	566	226	236	236	208	213	219	224	231	237	243
Fees and charges	1,064	3,490	4,411	4,935	7,469	7,792	8,004	8,213	8,500	8,849	8,995
Internal charges and overheads recovered	86	22	22	22	23	24	24	25	25	26	27
Local authorities fuel tax, fines, infringement fees, and other receipts	973	429	429	429	440	452	464	478	492	508	522
Total operating funding (A)	**29,734**	**34,925**	**38,007**	**40,480**	**45,246**	**47,096**	**48,857**	**50,256**	**52,963**	**55,950**	**57,246**
Applications of operating funding											
Payments to staff and suppliers	20,707	22,160	22,754	22,945	26,011	26,190	27,005	27,293	27,934	28,591	29,115
Finance costs	2,535	3,005	3,786	4,453	4,739	4,900	5,133	5,512	6,298	7,596	7,654
Internal charges and overheads applied	3,328	5,335	5,574	5,834	6,050	6,164	6,295	6,424	6,619	6,853	7,024
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**26,570**	**30,499**	**32,115**	**33,232**	**36,800**	**37,255**	**38,433**	**39,229**	**40,850**	**43,039**	**43,793**
Surplus (deficit) of operating funding (A-B)	**3,164**	**4,425**	**5,892**	**7,248**	**8,446**	**9,841**	**10,424**	**11,026**	**12,113**	**12,910**	**13,453**
Sources of capital funding											
Subsidies and grants for capital expenditure	33,261	17,555	27,774	20,419	3,194.03	-	3,495.58	3,155.30	3,789.40	4,034.46	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	32,799	40,886	26,537	8,405	4,085	(1,109)	5,755	5,040	7,090	5,663	(8,349)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**66,060**	**58,440**	**54,312**	**28,824**	**7,279**	**(1,109)**	**9,251**	**8,195**	**10,879**	**9,697**	**(8,349)**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	60,975	45,695	46,689	31,399	11,708	4,557	15,995	15,560	17,210	18,576	1,118
• to replace existing assets	8,250	17,171	13,515	4,673	4,017	4,175	3,680	3,661	5,782	4,031	3,986
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**69,225**	**62,866**	**60,204**	**36,072**	**15,726**	**8,732**	**19,674**	**19,221**	**22,992**	**22,608**	**5,104**
Surplus (deficit) of capital funding (C-D)	**(3,165)**	**(4,425)**	**(5,892)**	**(7,248)**	**(8,446)**	**(9,841)**	**(10,424)**	**(11,026)**	**(12,113)**	**(12,910)**	**(13,453)**
Funding balance ((A-B)+(C-D))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

District Development & Regulatory

Why we do it

- To create community wealth and a sustainable economy
- To grow business and investor confidence
- To enable land to be developed to support residential, industrial and business growth opportunities
- To promote and lead Rotorua's unique destination as a great place to live, work, play, visit and invest

What we do

- Rotorua is a confident and strong District, with growing business and investor confidence. The land is being developed to support residential, industrial and business growth opportunities.
- Enable residential land development through partnerships with landowners to provide for the delivery of housing across all sizes and typologies (social, affordable and market) to meet community needs.
- Enable development ready land to support the business sector to support business expansion, relocation or new investment.
- Destination Marketing and development with a continued energy into strengthening our quality and value in tourism, strengthening our position nationally and improving sector resilience. Enabling new projects and investment that will build on our cultural strengths and the environment.

We will deliver this through providing services in

- Animal control
- Inspection and compliance
- Parking enforcement

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

He hāpori pūmanawa | A resilient community

He huarahi hou | Employment choices

Tiakina to taiao | Enhanced environment

Enable inner-city transformation through:

Significant residential projects to bring new vibrancy and activity across the inner city.

Focus on:

Wood processing and technology-focused investment to create an opportunity to see the District recognised as a centre of excellence for forestry and biotechnology. We will deliver this through providing services in:

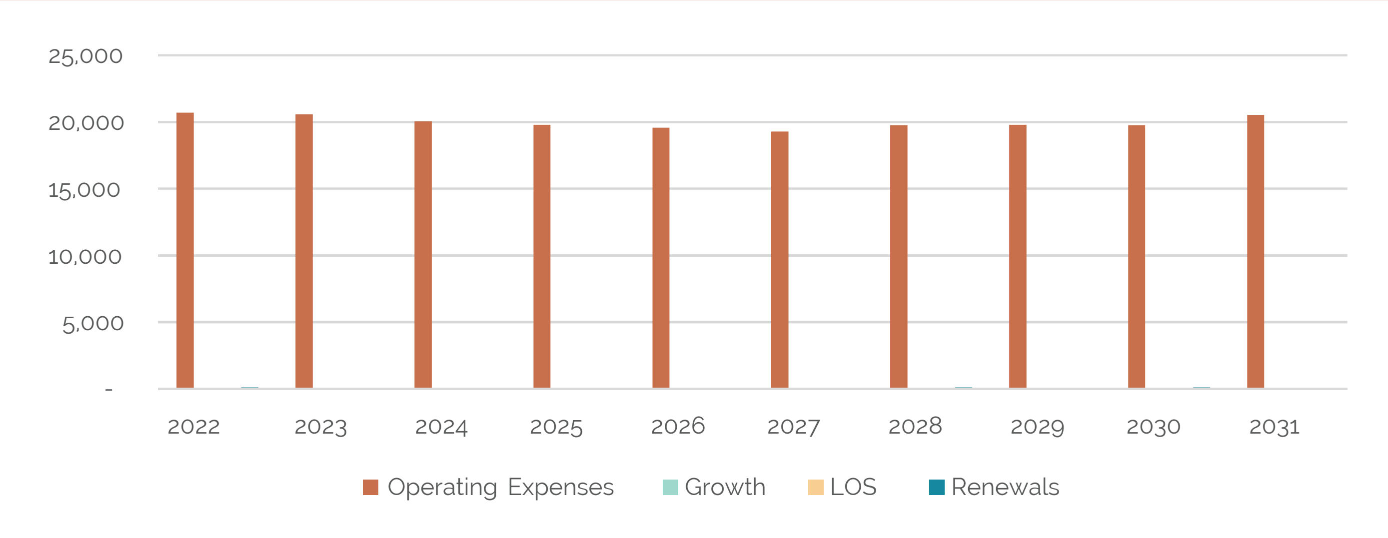
- Strategy, Planning, Policy and Consenting
- Destination Marketing
- Economic Development

What you can expect from us

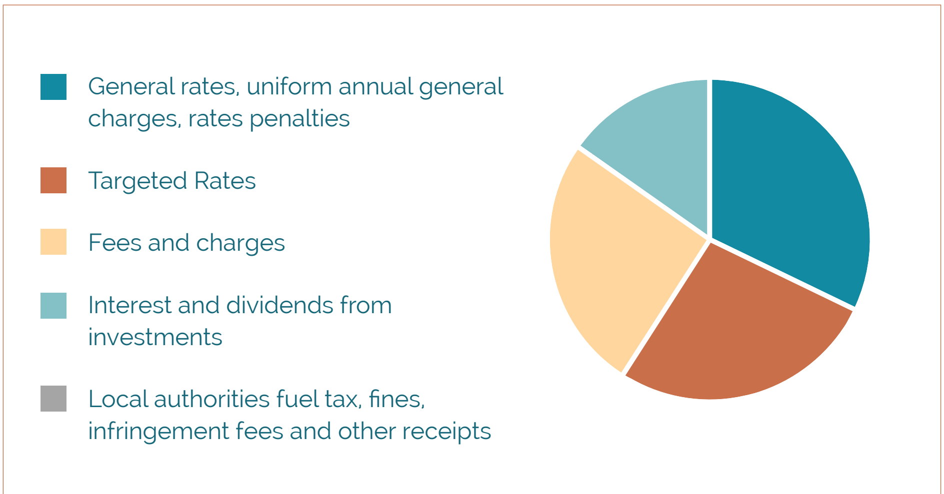
Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

				Performance Targets			
Level of service	How will it be measured? (Measures)	Current performance 2019/20	Data source	2021/22	2022/23	2023/24	2024 to 2031
Creation of safe public spaces and places	Provide sufficient development capacity for residential housing as per the requirements of the NPS-UD	New measure	Housing Development Capacity Assessment	Achieved	Achieved	Achieved	Achieved
	Provide sufficient development capacity for businesses as per the requirements of the NPS-UD	New measure	Business Development Capacity Assessment	Achieved	Achieved	Achieved	Achieved
	Cumulative number of dwellings constructed from 1/7/2021	New measure	Building Consents	>=600	>=1200	>=1800	>=6000
	Cumulative gross floor area (sqm) of buildings for business use constructed since 1/7/2021	New measure	Building Consents	>=19,000	>=38,000	>=57,000	>=190,000
Support and enable businesses to grow job creation opportunities	Number of recipients of the Job Seeker Support - Work Ready benefit as a proportion of the working age population	New measure	"Ministry of Social Development and Stats NZ"	<7.4%	<7.0%	<6.5%	<4.5% by 2030
	Number of CBD retail and office spaces not tenanted	113	Telfer Young	<150	<140	<130	<100 by 2030
Support and enable development by processing Resource and Building consents	Percentage of non-notified resource consents processed within 20 working days. (Land Use)	New measure	Resource Consents	100%	100%	100%	100%
	Percentage of non-notified resource consents processed within 20 working days. (Subdivision)	New measure	Resource Consents	100%	100%	100%	100%
	Percentage of consents processed within 20 working days. (Building Consents)	New measure	Building Consents	100%	100%	100%	100%

The cost to deliver this activity



How we will fund this activity



Capital Expenditure

Project Type	Project Header Description	2021/22	2022/23	2023/24	2024-2031	Total Budget
LOS	CCTV Expansion	30,000	30,000	30,000	210,000	300,000
Renewal	Animal Control Asset Renewals	25,000		25,000	75,000	125,000
Renewal	CCTV Renewals	110,000	80,000	80,000	560,000	830,000
Renewal	Parking Building Renewals	15,000	15,000	15,000	105,000	150,000
Total		**180,000**	**125,000**	**150,000**	**950,000**	**1,405,000**

** uninflated*

Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
COVID-19 disruptions causes time and cost impacts	•	•		•	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
Increasing costs resulting from the transfer of central government responsibilities to local authority.	•	•		•	To seek appropriate funding from Central Government to meet costs of additional responsibilities.
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 and 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.	•	•	•		Reviewing of the 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. Implementing strategies detailed in the Spatial Plan. 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 and implementing infrastructure master 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.
Ongoing wave of global and or national economic downturn.	•	•		•	Focus on productivity improvement in business, workforce up-skill and skill gap fulfilment.
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 2021-2031 for District Development

District Development	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	2,840	7,785	7,674	7,568	7,565	7,543	7,681	8,054	8,093	8,313	8,729
Targeted Rates	6,041	6,525	6,472	6,311	6,466	6,158	5,655	5,567	5,445	5,164	5,272
Subsidies and grants for operating purposes	-	-	10	10	10	11	11	11	11	12	12
Fees and charges	1,996	6,219	6,419	6,210	5,884	6,009	6,139	6,323	6,484	6,709	6,862
Internal charges and overheads recovered	59	60	60	60	61	63	64	66	68	70	71
Local authorities fuel tax, fines, infringement fees, and other receipts	2,468	3,684	3,604	3,622	3,632	3,643	3,657	3,711	3,771	3,817	4,148
Total operating funding (A)	**13,403**	**24,272**	**24,238**	**23,781**	**23,619**	**23,427**	**23,208**	**23,732**	**23,873**	**24,084**	**25,095**
Applications of operating funding											
Payments to staff and suppliers	13,841	20,694	20,581	20,043	19,802	19,579	19,309	19,766	19,807	19,765	20,534
Finance costs	442	539	490	457	410	360	326	306	294	418	556
Internal charges and overheads applied	2,664	2,940	3,058	3,162	3,277	3,358	3,445	3,530	3,642	3,771	3,876
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**16,947**	**24,173**	**24,129**	**23,662**	**23,490**	**23,297**	**23,079**	**23,603**	**23,743**	**23,954**	**24,965**
Surplus (deficit) of operating funding (A-B)	**(3,544)**	**99**	**109**	**119**	**129**	**129**	**129**	**129**	**129**	**129**	**129**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	3,649	81	(1,984)	(1,969)	(2,001)	(1,972)	(995)	(964)	(1,488)	5,545	1,520
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**3,649**	**81**	**(1,984)**	**(1,969)**	**(2,001)**	**(1,972)**	**(995)**	**(964)**	**(1,488)**	**5,545**	**1,520**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	-	30	30	30	31	32	32	33	34	35	36
• to replace existing assets	105	150	95	120	97	126	102	133	108	140	114
Increase (decrease) of investments	-	-	(2,000)	(2,000)	(2,000)	(2,000)	(1,000)	(1,000)	(1,500)	5,500	1,500
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**105**	**180**	**(1,875)**	**(1,850)**	**(1,872)**	**(1,842)**	**(865)**	**(834)**	**(1,358)**	**5,675**	**1,649**
Surplus (deficit) of capital funding (C-D)	**3,544**	**(99)**	**(109)**	**(119)**	**(129)**	**(129)**	**(129)**	**(129)**	**(129)**	**(129)**	**(129)**
Funding balance ((A-B)+(C-D))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

View down Otonga Road toward CBD

Roads and Footpaths

Why we do it

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

What we do

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

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

He hāpori pūmanawa | A resilient community

He huarahi hou | Employment choices

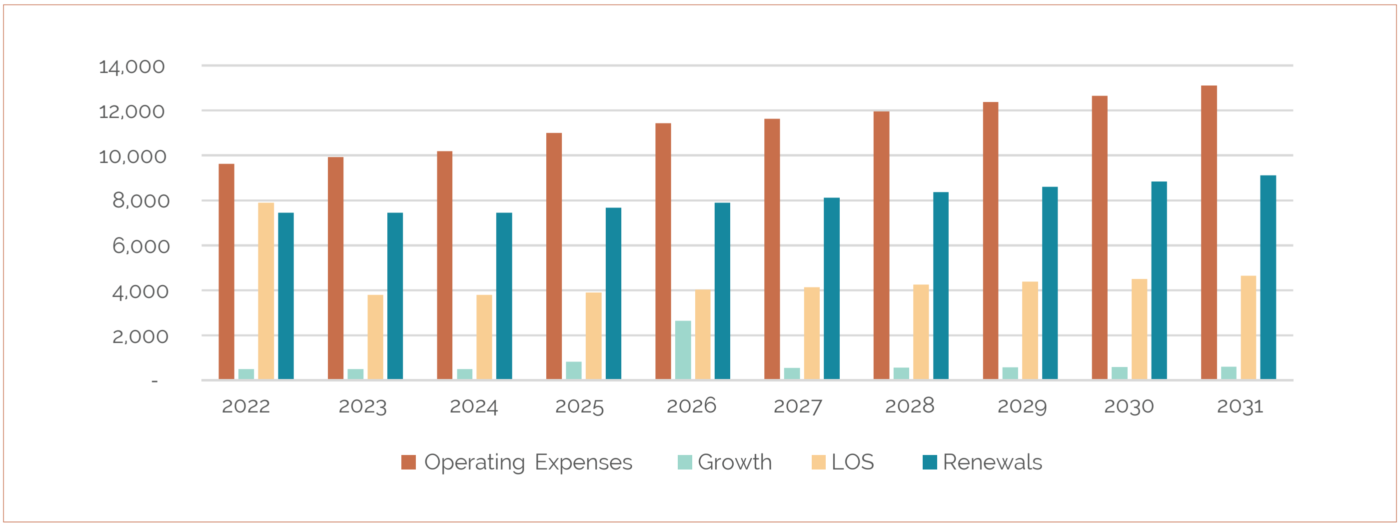
Tiakina to taiao | Enhanced environment

What you can expect from us

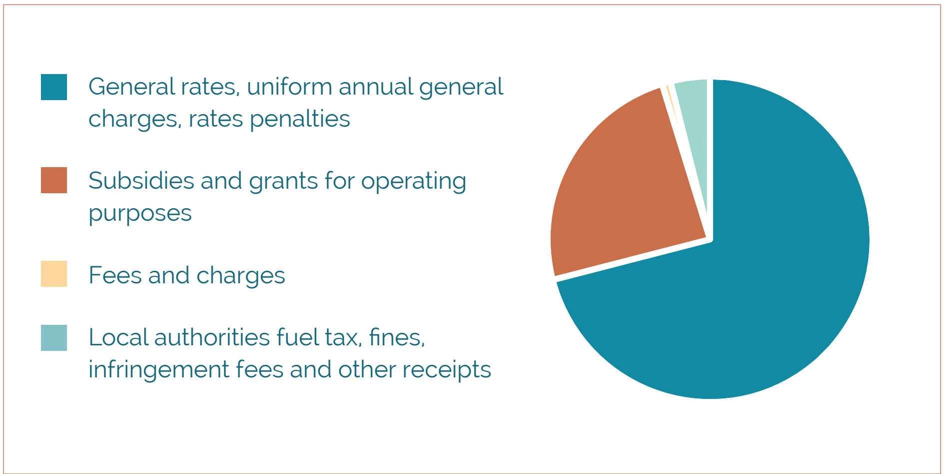
Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

		Performance Targets					
Level of service	**How will it be measured? (Measures)**	**Current performance 2019/20**	**Data source**	**2021/22**	**2022/23**	**2023/24**	**2024 to 2031**
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.	4 fewer fatalities and 12 more serious injuries crashes during the financial year	Accident Database	≤ -1	≤ -1	≤ -1	≤ -1
Condition	The average quality of ride on a sealed local road network, measured by smooth travel exposure.	89%	RAMM Management System	≥75%	≥75%	≥75%	≥75%
Maintenance	The percentage of the sealed local road network that is resurfaced.	7.70%	RAMM Management System	≥7-9%	≥7-9%	≥7-9%	≥7-9%
Condition	The percentage of footpaths within the Rotorua district that fall within the condition four (4) or better, set out in the council's asset management plan	99%	RAMM Management System and Request for Service Database	≥98%	≥98%	≥98%	≥98%
Response time	The percentage of customer service requests relating to roads and footpaths which are responded to within five (5) working days.	84%	RAMM Management System and Request for Service Database	≥90%	≥90%	≥90%	≥90%
Utilisation	Number of Cyways users (Average Daily use)	287	Counters at four monitoring sites	279	279	279	279

The cost to deliver this activity



How we will fund this activity



Capital Expenditure

Project Type	Project Header Description	2021/22	2022/23	2023/24	2024-2031	Total Budget
Growth	Transport Unsub - Support for growth	500,000	500,000	500,000	5,800,000	7,300,000
LOS	Land Acquisition	50,000	50,000	50,000	350,000	500,000
LOS	Māori Roadlines and unformed roads	100,000	100,000	100,000	700,000	1,000,000
LOS	Minor Safety Improvements	2,406,000	2,500,000	2,500,000	17,500,000	24,906,000
LOS	Rural Seal Extensions	800,000	800,000	800,000	5,600,000	8,000,000
LOS	Rural Street improvements	350,000	-	350,000	1,050,000	1,750,000
LOS	Transport (CIP Funded)	4,200,000	-	-	-	4,200,000
LOS	Urban Street improvements	-	350,000	-	1,400,000	1,750,000
Renewal	Roading - Eat Street & Hinemoa Carpark Renewal	60,000	60,000	60,000	420,000	600,000
Renewal	Transport Operation Renewal	7,201,000	7,201,000	7,201,000	50,407,000	72,010,000
Renewal	Unsubs Renewals Program	196,000	196,000	196,000	1,372,000	1,960,000
Total		**15,863,000**	**11,757,000**	**11,757,000**	**84,599,000**	**123,976,000**

** uninflated*

Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
COVID-19 disruptions causes time and cost impacts	•	•		•	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
Air quality	•	•	•		Minimise congestion and maximise efficiency – plus traffic demand management measures
Lake water quality	•	•	•		Treatment of road run-off – targeting risk with level of treatment.
Noise	•		•		Manage through the District Plan.
Vibration	•		•		Optimise commercial traffic on key routes and minimise on local roads.
Effects during construction – energy use, noise, vibration, nuisance, sediments, pollutants, disruptions, the use of non-renewable resources, public and site staff safety issues and production of waste.			•		Design projects around economies of scale, control of construction site issues, safe traffic management, use of recycled resource materials, integration and responsible waste disposal.
Delays in major projects because of funding.				•	Lobby government for funding for key projects that currently are affecting economic growth.
NZTA subsidised renewals and maintenance.				•	Review to ensure no decreased levels of service across the network.
Limited transport network capacity. There is increasing demand for road space due to economic activity, infill development and car ownership trends.	•	•	•	•	Addressed through a combination of plans such as demand management, PT, active modes, regulations, activity controls and improved signals. Influencing NZTA corridor development.
Conflict between transport modes and land use.	•	•	•	•	Development of a hierarchy of road use including bus services, cycle lanes and pedestrian corridors with associated construction and maintenance standards.

Encourage the use of sustainable forms of travel

Rotorua Lakes Council Funding Impact Statement for 2021-2031 for Roads and footpaths

Roads and Footpaths	Annual Plan 2020/21 ($000)	Long-term Plan 2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	12,581	11,983	12,392	12,913	13,995	14,688	14,836	15,375	15,987	16,826	17,608
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	3,151	4,094	4,260	4,413	4,806	4,961	5,049	5,180	5,358	5,464	5,606
Fees and charges	260	141	141	141	145	149	153	157	161	166	170
Internal charges and overheads recovered	121	27	27	27	28	28	29	30	31	31	32
Local authorities fuel tax, fines, infringement fees, and other receipts	985	665	665	665	684	704	724	745	766	789	812
Total operating funding (A)	**17,097**	**16,909**	**17,485**	**18,159**	**19,657**	**20,530**	**20,791**	**21,487**	**22,304**	**23,275**	**24,228**
Applications of operating funding											
Payments to staff and suppliers	9,262	9,619	9,921	10,193	10,990	11,436	11,627	11,960	12,374	12,659	13,100
Finance costs	1,961	1,427	1,440	1,579	1,688	1,826	1,981	2,130	2,430	2,910	3,025
Internal charges and overheads applied	2,742	2,023	2,133	2,254	2,364	2,423	2,486	2,540	2,624	2,728	2,803
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**13,965**	**13,068**	**13,494**	**14,027**	**15,041**	**15,684**	**16,094**	**16,630**	**17,429**	**18,298**	**18,928**
Surplus (deficit) of operating funding (A-B)	**3,132**	**3,841**	**3,991**	**4,132**	**4,615**	**4,845**	**4,697**	**4,858**	**4,875**	**4,978**	**5,300**
Sources of capital funding											
Subsidies and grants for capital expenditure	8,100	9,580	5,433	5,433	5,574	5,724	5,873	6,038	6,207	6,387	6,559
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	2,162	2,442	2,334	2,193	2,217	3,996	2,239	2,285	2,480	2,591	2,501
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**10,262**	**12,022**	**7,766**	**7,625**	**7,791**	**9,720**	**8,112**	**8,322**	**8,687**	**8,978**	**9,059**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	-	500	500	500	823	2,647	545	561	577	594	611
• to improve the level of service	6,582	7,906	3,800	3,800	3,910	4,023	4,140	4,260	4,384	4,511	4,642
• to replace existing assets	6,814	7,457	7,457	7,457	7,673	7,895	8,124	8,359	8,601	8,851	9,107
Increase (decrease) of investments	-		-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	
Total applications of capital funding (D)	**13,396**	**15,863**	**11,757**	**11,757**	**12,406**	**14,565**	**12,808**	**13,180**	**13,562**	**13,955**	**14,360**
Surplus (deficit) of capital funding (C-D)	**(3,134)**	**(3,841)**	**(3,991)**	**(4,132)**	**(4,615)**	**(4,845)**	**(4,697)**	**(4,858)**	**(4,875)**	**(4,978)**	**(5,300)**
Funding balance ((A-B)+(C-D))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Sewerage and Sewage

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

He hāpori pūmanawa | A resilient community

He huarahi hou | Employment choices

Tiakina to taiao | Enhanced environment

Why we do it

- To protect and promote public health and minimise the impact of communities on the environment.

What we do

- Provide reliable wastewater (sewage and trade wastes) collection and treatment infrastructure service to specific areas of the District.
- This activity comprises the collection, treatment and disposal of sewage from toilets and drains, from the three urban areas of Rotorua (Ngongotahā, city and eastern suburbs) as well as identified rural lakeside communities. This is provided by effective strategic planning, asset development and management, service provision and liaison with stakeholders and the community in general.

Redwood Forest views

What you can expect from us

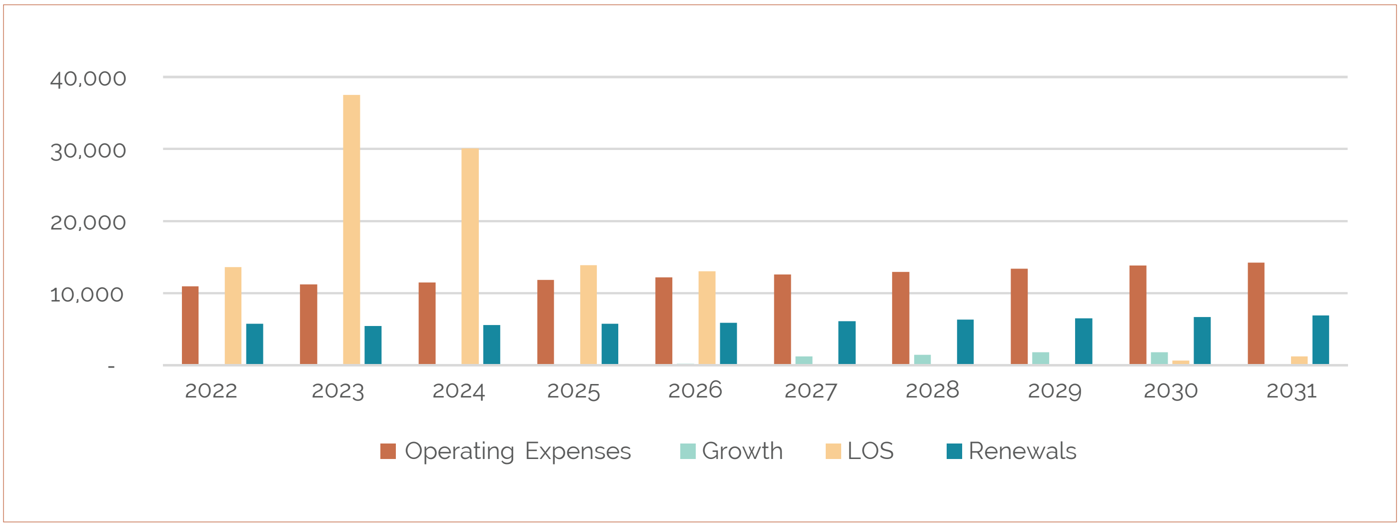
Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

				Performance Targets			
Level of service	How will it be measured? (Measures)	Current Performance 2019/20	Data source	2021/22	2022/23	2023/24	2024 to 2031
Systems 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.	3.86 / 1000 connections	Request for Service Database	≤ 5 / 1000 connections	≤ 5 / 1000 connections	≤ 5 / 1000 connections	≤ 5 / 1000 connections
Discharge compliance	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents.	0	Resource Consent Database	0	0	0	0
Fault response times	Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median attendance time from the time that the territorial authority receives notification to the time that service personnel reach the site.	30 minutes	Request for Service Database	≤60 minutes	≤60 minutes	≤60 minutes	≤60 minutes
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.	124 minutes	Request for Service Database	≤ 180 minutes	≤ 180 minutes	≤ 180 minutes	≤ 180 minutes
Customer satisfaction	The total number of complaints received by the territorial authority about any of the following: • sewage odour • sewerage system faults • sewerage system blockages, and • the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system	19.89 / 1000 connections	Resource Consents Database	≤ 25 / 1000 connections	≤ 25 / 1000 connections	≤ 25 / 1000 connections	≤ 25 / 1000 connections

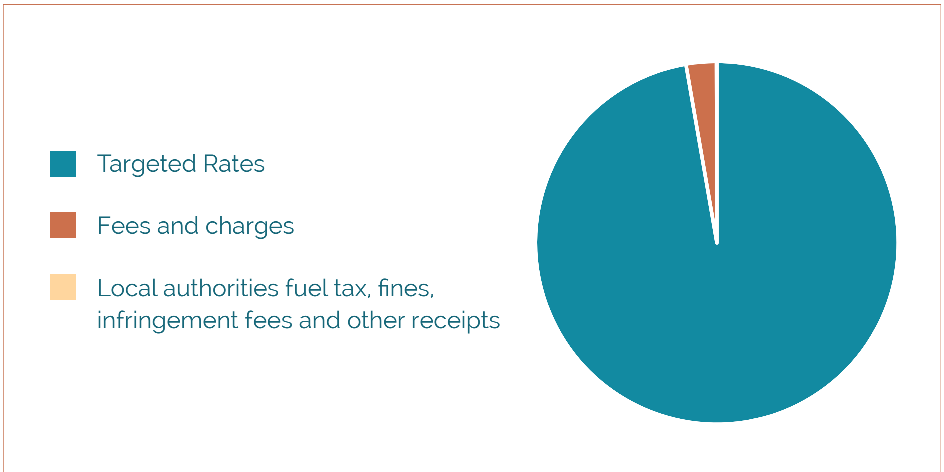
Major projects

What is planned?	Background	Year 1	Year 2	Year 3	Year 4-10
Rotoiti and Rotomā Sewerage Scheme	The East Rotoiti and Rotomā Sewerage Scheme aims to protect the health of the waterways and provide an essential service to the community. The scheme also aligns with the ambition of the Rotorua Te Arawa Lakes Programme, to protect and restore the water quality of 12 Rotorua lakes so that they can be used and enjoyed by the public today and in future. Following engagement with the community, Rotorua Lakes Council committed in its 2017-18 Annual Plan to construct a reticulated sewerage scheme for East Rotoiti and Rotomā. Properties have been connected to a stand-alone wastewater treatment plant which treats wastewater to a very high standard before it is discharged to the land. There are about 700 properties in the proposed service area for this scheme, which replaces septic tanks.	$6.5m	$6.5m		
Rotorua Wastewater Treatment Plant Upgrade	Rotorua's Wastewater Treatment Plant needs to be upgraded to cater for future growth as well as ensuring we manage our waste responsibly, in a way that protects people's health; is environmentally sustainable; and, is culturally appropriate. The objectives have been inspired by the Lakes Water Quality programme as well as aligning to the Council Vision 2030 goals of creating a vibrant and sustainable future for Rotorua and its residents. Rotorua's current plant has been the most successful initiative in reducing nitrogen going into Lake Rotorua. Our treatment plant is among the best in the country, treating wastewater to a very high standard. However, it is in need of future proofing to meet higher projected demand and to continue to reduce and maintain nutrient levels below the targets agreed under the Lakes Water Quality programme. The proposed upgrade would treat wastewater to an extremely high standard, removing pollutants like nitrogen and phosphorus and disinfect bacteria like E. Coli. The recovered water would be clean and would not pollute the lake.	$2.0m	$18.0m	$18.0m	$22.0m
Tarawera Sewerage Scheme	Most homes in the Tarawera area currently use domestic septic tank systems with varying forms of disposal. These will require significant upgrades to meet the Bay of Plenty's Onsite Effluent Plan, which will help improve the health of the lake. Both iwi and the community want to achieve this through implementing a suitable sewerage scheme to help enhance the mauri (life essence) of the lake for future generations. In 2015, the Lake Tarawera Sewerage Steering Committee was established to review the five possible options. In October 2018, the Steering Committee unanimously identified the preferred option as reticulation to Rotorua WWTP via the public road network to the Ōkāreka pumping station. The Steering Committee also unanimously supported on-site low-pressure grinder pumps (LPGPs) for each property as part of the Preferred Option. The Preferred Option was favoured because it has the lowest overall long-term cost for home owners as well as for the Council's long-term network operations, would help to measurably improve water quality at Tarawera, avoids wāhi tupuna (ancestral sites), and could be implemented quickly (resource consent is not required). Initial work will progress the detailed design and a scheme procurement process will be completed in year one of the LTP, to provide the community with more certainty on the full project costs and the required household capital contribution.	$2.5m	$10m	$10m	

The cost to deliver this activity



How we will fund this activity



Capital Expenditure

Project Type	Project Header Description	2021/22	2022/23	2023/24	2024-2031	Total Budget
Growth	Waste Water Network Expansion	-	-	-	5,720,000	5,720,000
LOS	District Sewerage Scheme Enhancements	9,100,000	25,130,000	18,260,000	25,000,000	77,490,000
LOS	District Sewerage Scheme Enhancements - Tarawera	2,500,000	10,000,000	10,000,000	-	22,500,000
LOS	Waste Water Network Expansion	2,000,000	2,400,000	1,800,000	2,480,000	8,680,000
Renewal	Waste Water Network Renewals	5,749,269	5,402,923	5,561,090	39,284,517	55,997,799
Total		**19,349,269**	**42,932,923**	**35,621,090**	**72,484,517**	**170,387,799**

** uninflated*

Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings: Social	Cultural	Enviro	Economic	Mitigation
COVID-19 disruptions causes time and cost impacts	•	•		•	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
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.
Significant intolerance from the community is influencing consenting authorities regarding wastewater management and disposal. Manifested through the RMA process and evidenced by more onerous demands/conditions set. Especially IWI cultural sensitivities and the efforts to improve the quality of water in the District's lakes.	•	•	•	•	Proactively identifying ways of engaging more with regional staff and the public to enable more dialogue and understanding of infrastructural issues and the effects of Council services. This includes meeting with Regional Council staff, meeting with residents association officials, attending public gatherings and seeking to explain Council's approach to issues associated with waste water management.
Inability to provide a waste water disposal system within the district's topography constrains whilst mitigating the abhorrence to the Tangata Whenua of the discharge of sewage to water courses.	•	•	•	•	Significant options discussion and influencing work needs to be undertaken to address through partnering such concerns.

Variation between the Long-term Plan and the assessment of water and sanitary services

The proposals in this plan are generally consistent with those contained in the Water and Sanitary Services Assessment. However, following on-going work with iwi and land owners, an original proposal that would dispose processed water from the proposed upgraded Rotorua wastewater treatment plant into Lake Rotorua will now in the medium term continue pumping it to Whakarewarewa Forest and dispose of it via a yet-to-be-designed rapid infiltration process. This change is the result of continued consultation since the assessment was adopted in 2019.

Rotorua Lakes Council Funding Impact Statement for 2021-2031 for Sewerage and sewage

Sewerage and sewage	Annual Plan 2020/21 ($000)	Long-term Plan 2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted Rates	19,536	20,292	21,249	23,408	25,397	26,524	27,848	28,205	28,946	30,743	31,146
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	625	560	560	560	576	592	609	628	649	671	692
Internal charges and overheads recovered	528	417	417	417	428	441	453	468	483	500	515
Local authorities fuel tax, fines, infringement fees, and other receipts	39	9	9	9	9	9	10	10	10	11	11
Total operating funding (A)	**20,729**	**21,279**	**22,236**	**24,394**	**26,410**	**27,566**	**28,920**	**29,311**	**30,088**	**31,924**	**32,364**
Applications of operating funding											
Payments to staff and suppliers	9,985	10,928	11,215	11,501	11,852	12,185	12,572	12,973	13,386	13,810	14,247
Finance costs	1,495	1,101	1,458	2,090	2,469	2,793	2,949	2,955	3,167	3,564	3,463
Internal charges and overheads applied	3,318	3,027	3,116	3,236	3,343	3,405	3,474	3,549	3,656	3,783	3,877
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**14,798**	**15,057**	**15,789**	**16,827**	**17,664**	**18,383**	**18,995**	**19,477**	**20,209**	**21,157**	**21,587**
Surplus (deficit) of operating funding (A-B)	5,931	6,222	6,447	7,567	8,746	9,183	9,924	9,833	9,879	10,768	10,777
Sources of capital funding											
Subsidies and grants for capital expenditure	1,200	10,030	8,951	14,041	-	-	-	-	-	-	-
Development and financial contributions	-	-	440	637	887	1,243	849	469	435	563	411
Increase (decrease) in debt	2,370	3,097	27,096	13,377	9,969	8,705	(3,424)	(2,536)	(1,835)	(2,146)	(3,022)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	3,570	13,127	36,486	28,054	10,856	9,948	(2,575)	(2,068)	(1,400)	(1,583)	(2,610)
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	120	-	-	-	-	211	1,238	1,458	1,795	1,832	-
• to improve the level of service	4,300	13,600	37,530	30,060	13,865	12,999	-	-	174	635	1,235
• to replace existing assets	5,082	5,749	5,403	5,561	5,738	5,921	6,111	6,308	6,510	6,717	6,932
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	
Total applications of capital funding (D)	**9,502**	**19,349**	**42,933**	**35,621**	**19,602**	**19,131**	**7,350**	**7,765**	**8,479**	**9,184**	**8,166**
Surplus (deficit) of capital funding (C-D)	(5,932)	(6,222)	(6,447)	(7,567)	(8,746)	(9,183)	(9,924)	(9,833)	(9,879)	(10,768)	(10,777)
Funding balance ((A-B)+(C-D))	-	-	-	-	-	-	-	-	-	-	-

Stormwater and Land Drainage

Why we do it

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

What we do

- Provide and maintain a stormwater drainage network of piped and open channels across the District and where appropriate stormwater treatment infrastructure.
- 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.

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

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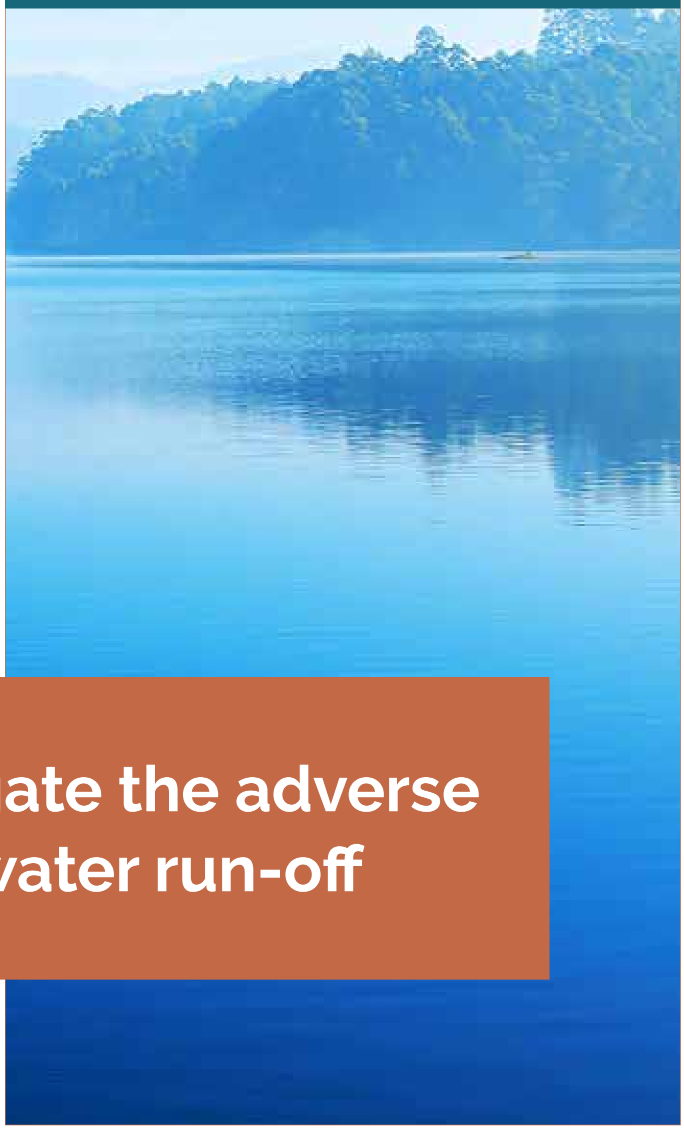


We work to mitigate the adverse effects of stormwater run-off

What you can expect from us

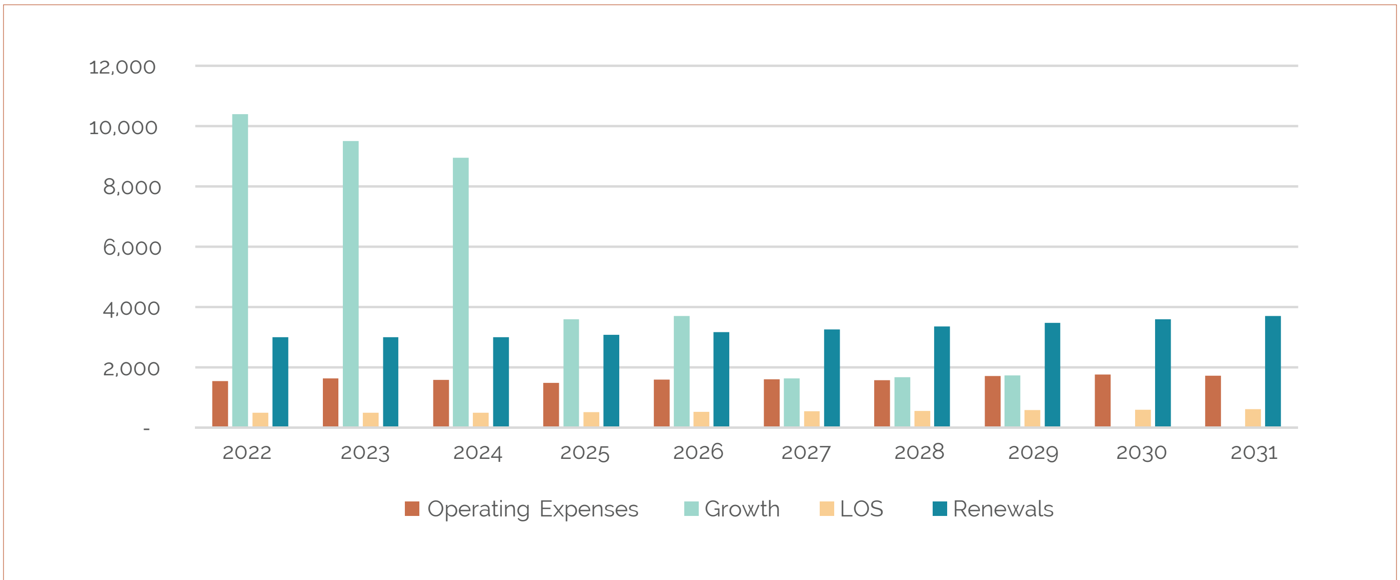
Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

		Performance Targets					
Level of service	How will it be measured? (Measures)	Current performance 2019/20	Data source	2021/22	2022/23	2023/24	2024 to 2031
System adequacy	*The number of flooding events that occur in a territorial authority district.	0	Request for Service Database	≤ 2	≤ 2	≤ 2	≤ 2
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	Request for Service Database	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties	≤ 0.5 / 1000 rated properties
System adequacy	"Council's stormwater compliance with 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 in relation to those resource consents "	0	Resource consent database	0	0	0	0
System adequacy	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.	0	Request for Service Database	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes
System adequacy	The number of complaints received by a territorial authority about the Pperformance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	1.7/ 1000 rated properties	Request for Service Database	≤ 20 / 1000 rated properties	≤ 20 / 1000 rated properties	≤ 20 / 1000 rated properties	≤ 20 / 1000 rated properties
Utilisation	Number of Cyways users (Average Daily use)	287	Counters at four monitoring sites	279	279	279	279

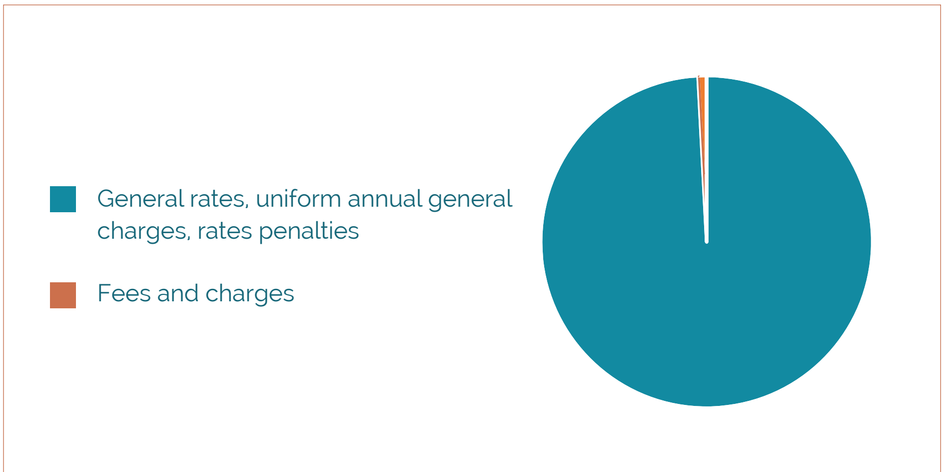
**The DIA requires results for these measures to be presented according to the following definitions: 'Flooding event' - an overflow of stormwater from a territorial authority's stormwater system that enters a habitable floor.*

'Stormwater system' - the pipes and infrastructure (excluding roads) that collect and manage rainwater run-off, from the point of connection to the point of discharge

The cost to deliver this activity



How we will fund this activity



Capital Expenditure

Project Type	Project Header Description	2021/22	2022/23	2023/24	2024-2031	Total Budget
Growth	Stormwater Network Expansion	7,393,000	3,500,000	3,000,000	11,500,000	25,393,000
Growth	Wharenui Estate (CIP funded)	3,000,000	6,000,000	5,953,300	-	14,953,300
LOS	Stormwater Network Enhancements	500,000	500,000	500,000	3,500,000	5,000,000
Renewal	Stormwater Network Renewal	3,000,000	3,000,000	3,000,000	21,000,000	30,000,000
Total		**13,893,000**	**13,000,000**	**12,453,300**	**36,000,000**	**75,346,300**

** uninflated*

Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
COVID-19 disruptions causes time and cost impacts	•	•		•	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
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, in particular increased rainfall impacts on stormwater infiltration and the risk of 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 demands as a result of 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.
Climate change – increased rainfall patterns and ground water levels increase the quantity and frequency of flooding.	•	•	•	•	Flood hazard maps are produced through the Catchment Management Plans. Council has a statutory obligation to make such information available to interested parties. Every PIM (property information memorandum) or LIM (land information memorandum) produced by Council includes this information.
Increasing expectations from the public, Government and the Regional Authority regarding fresh and marine 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.

Variation between the Long-term Plan and the assessment of water and sanitary services

Stormwater Services proposals in this plan are generally consistent with those contained in the Water and Sanitary Services Assessment. There are no significant variations between this plan and the Assessment.

Rotorua Lakes Council Funding Impact Statement for 2021-2031 for Stormwater and Land Drainage

Stormwater and Land Drainage	Annual Plan 2020/21 ($000)	Long-term Plan 2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	5,104	3,819	4,352	4,836	5,112	5,505	5,952	6,129	6,541	7,157	7,198
Targeted Rates	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	-	32	32	32	33	34	35	36	37	38	40
Internal charges and overheads recovered	73	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	1	-	-	-	-	-	-	-	-	-	-
Total operating funding (A)	**5,178**	**3,851**	**4,384**	**4,868**	**5,145**	**5,539**	**5,986**	**6,165**	**6,578**	**7,196**	**7,237**
Applications of operating funding											
Payments to staff and suppliers	1,347	1,552	1,629	1,579	1,493	1,594	1,607	1,573	1,711	1,768	1,729
Finance costs	364	337	412	528	612	679	718	766	890	1,038	1,015
Internal charges and overheads applied	2,146	912	946	992	1,026	1,040	1,058	1,075	1,104	1,138	1,164
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**3,857**	**2,801**	**2,987**	**3,099**	**3,131**	**3,313**	**3,383**	**3,415**	**3,705**	**3,944**	**3,909**
Surplus (deficit) of operating funding (A-B)	1,321	1,050	1,396	1,769	2,014	2,226	2,604	2,750	2,873	3,252	3,329
Sources of capital funding											
Subsidies and grants for capital expenditure	-	10,393	6,000	5,953	-	-	-	-	-	-	-
Development and financial contributions	-	-	1,384	2,004	2,790	3,911	2,671	1,475	1,370	1,771	1,294
Increase (decrease) in debt	1,744	2,450	4,220	2,727	2,385	1,260	157	1,382	1,548	(832)	(302)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**1,744**	**12,843**	**11,604**	**10,684**	**5,175**	**5,171**	**2,828**	**2,856**	**2,918**	**940**	**993**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	-	10,393	9,500	8,953	3,595	3,699	1,630	1,682	1,737	-	-
• to improve the level of service	2,600	500	500	500	514	528	543	561	579	599	617
• to replace existing assets	465	3,000	3,000	3,000	3,081	3,170	3,259	3,364	3,475	3,593	3,704
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	
Total applications of capital funding (D)	**3,065**	**13,893**	**13,000**	**12,453**	**7,189**	**7,398**	**5,432**	**5,606**	**5,791**	**4,192**	**4,321**
Surplus (deficit) of capital funding (C-D)	(1,321)	(1,050)	(1,396)	(1,769)	(2,014)	(2,226)	(2,604)	(2,750)	(2,873)	(3,252)	(3,329)
Funding balance ((A-B)+(C-D))	-	-	-	-	-	-	-	-	-	-	-

Waste Management

Why we do it

- To provide for the collection, reduction, reuse, recycling, and disposal of waste sustainably.

What we do

- 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.

More than 5,000 tonnes of recycled material is recovered each year

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

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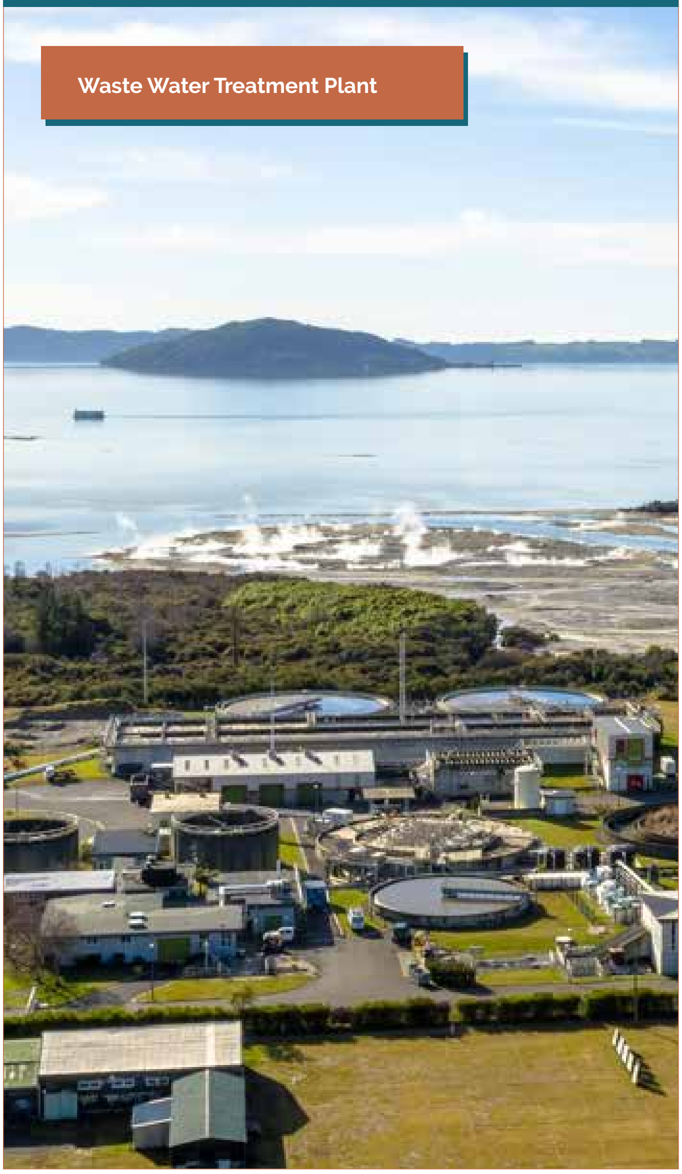


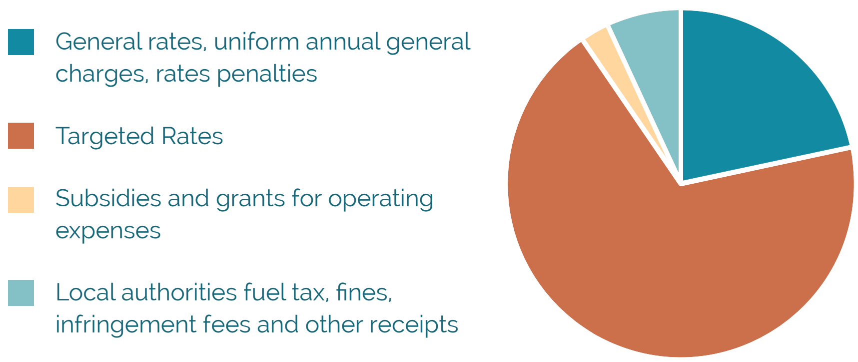
What you can expect from us

Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

Level of service	How will it be measured? (Measures)	Current Performance 2019/20	Data source	Performance Targets 2021/22	2022/23	2023/24	2024 to 2031
Sustainability	Number of tonnes per annum of green + wood waste recovered at landfill	5133	Waste Database	≥5,000 tonnes	≥5,000 tonnes	≥5,000 tonnes	≥5,000 tonnes
Sustainability	Number of tonnes per annum of concrete waste recovered	1066	Waste Database	≥1,000 tonnes	≥1,000 tonnes	≥1,000 tonnes	≥1,000 tonnes
Sustainability	Number of tonnes per annum of recycled material recovered	5342	Waste Database	≥5,000 tonnes	≥5,000 tonnes	≥5,000 tonnes	≥5,000 tonnes
Sustainability	Reduce the amount of rubbish/waste that is collected from kerbside collection per capita	532	Waste Database	≤ 210 kg / capita Per Year	≤ 210 kg / capita Per Year	≤ 160 kg / capita Per Year	≤ 110 kg / capita Per Year
Compliance	Compliance with resource consent conditions at the landfill	100%	Consents Database	100%	100%	100%	100%
Sustainability	Reducing the percentage of contaminants in kerbside recycling collection across the Rotorua District	New measure	Waste Database	<22%	<20%	<18%	<12%
Sustainability	Number of tonnes per annum of food and green waste diverted from kerbside FOGO collections	New measure	Waste Database	-	-	>50 Kg / capita per year	>100 Kg / capita per year

The cost to deliver this activity

How we will fund this activity



Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
COVID-19 disruptions causes time and cost impacts	•	•		•	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
Leakage of contaminates from Landfill to surrounding environment	•	•	•	•	Provision of emergency overflow with back up. Upgrade of leachate disposal system
Greenhouse gasses produced by the Landfill	•	•	•	•	Provision of gas collection system and flare
Illegal dumping and 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

Variation between the Long-term Plan and the assessment of the waste management plan

Council has a Waste Management plan focused on reducing waste and increasing recycling through community education and engagement. The Waste Management plan focuses on various options to achieve this such as options for kerbside recycling, weekly collections of rubbish and potentially organic waste collection if the community wants this. The outcomes of the waste management plan are believed to be reflected in this Long-term Plan.

Rotorua Lakes Council Funding Impact Statement for 2021-2031 for Waste Management

Waste Management	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	1,610	2,248	2,453	2,494	2,576	2,683	2,807	2,915	3,042	3,187	3,306
Targeted Rates	6,282	7,145	7,801	7,951	8,241	8,621	8,954	9,242	9,636	10,101	10,454
Subsidies and grants for operating purposes	-	277	277	277	283	290	298	306	314	322	331
Fees and charges	931	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	120	717	615	621	644	666	689	713	737	761	785
Total operating funding (A)	**8,942**	**10,388**	**11,146**	**11,343**	**11,744**	**12,261**	**12,748**	**13,175**	**13,728**	**14,371**	**14,876**
Applications of operating funding											
Payments to staff and suppliers	7,938	9,072	9,801	9,959	10,295	10,736	11,241	11,683	12,202	12,785	13,272
Finance costs	19	10	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	747	901	912	925	953	978	1,005	1,032	1,065	1,103	1,133
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**8,704**	**9,983**	**10,713**	**10,885**	**11,248**	**11,714**	**12,246**	**12,716**	**13,267**	**13,887**	**14,405**
Surplus (deficit) of operating funding (A-B)	**239**	**405**	**433**	**458**	**496**	**548**	**502**	**459**	**461**	**484**	**471**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in debt	(239)	(405)	(433)	(458)	(496)	(548)	(502)	(459)	(461)	(484)	(471)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**(239)**	**(405)**	**(433)**	**(458)**	**(496)**	**(548)**	**(502)**	**(459)**	**(461)**	**(484)**	**(471)**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	-	-	-	-	-	-	-	-	-	-	-
• to replace existing assets	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	
Total applications of capital funding (D)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Surplus (deficit) of capital funding (C-D)	(239)	(405)	(433)	(458)	(496)	(548)	(502)	(459)	(461)	(484)	(471)
Funding balance ((A-B)+(C-D))	-	-	-	-	-	-	-	-	-	-	-

Water Supplies

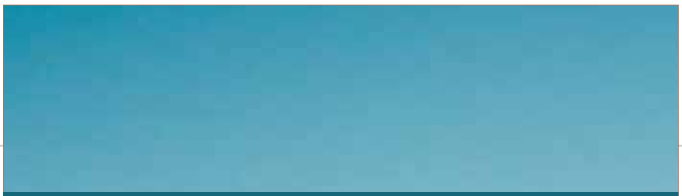
Why we do it

- To protect and promote public health, ensure fire-fighting water supplies are available in specific areas and enable businesses to operate and grow.

What we do

- Provide a cost-effective, constant, adequate, sustainable and high-quality supply of water to three urban supply areas, five residential supply areas and two farming supply areas. Assess and where appropriate, plan for water supply provision to other areas of the District.

Providing a sustainable and high-quality supply of water to Rotorua communities



Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

He hāpori pūmanawa | A resilient community

He huarahi hou | Employment choices

Tiakina to taiao | Enhanced environment

What you can expect from us

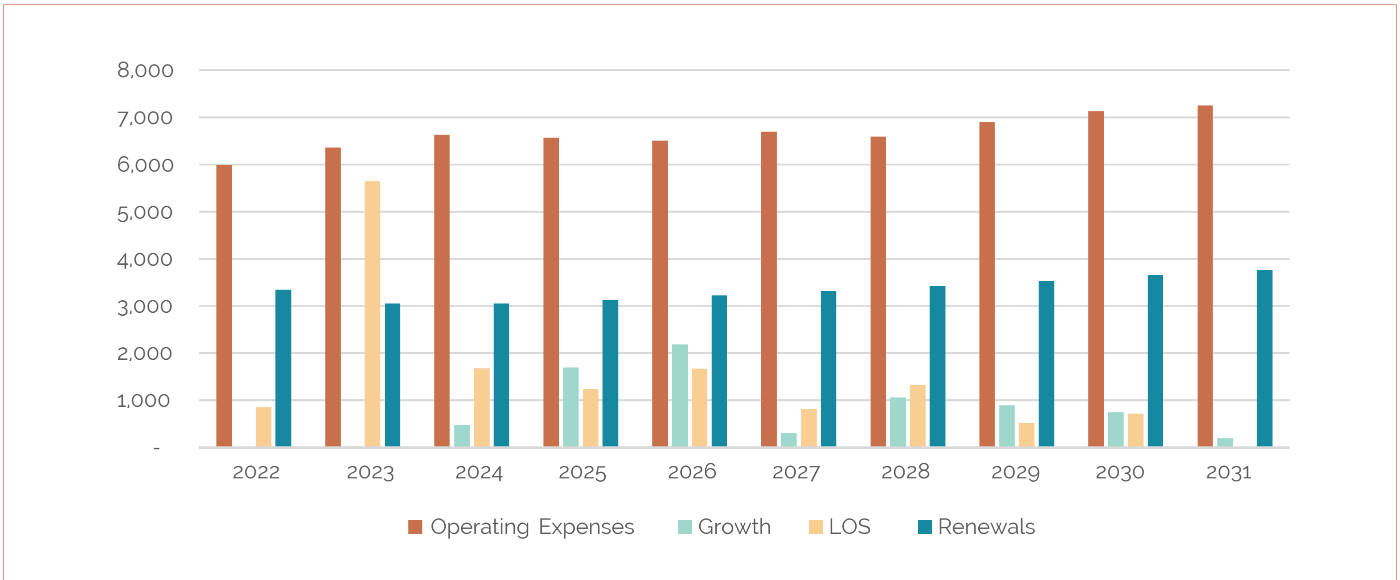
Council will measure its achievements towards the objectives by monitoring the following set of performance measures and targets:

		Performance Targets					
Level of service	How will it be measured? (Measures)	Current Performance 2019/20	Data source	2021/22	2022/23	2023/24	2024 to 2031
Safety of drinking water	The extent to which Council's drinking water supplies comply with Part 4 of the Drinking Water Standards (bacteria compliance criteria) The extent to which Council's drinking water supplies comply with Part 5 of the Drinking Water Standards (protozoal compliance criteria)	Achieved for all supplies	Drinking Water Online	Achieved for all supplies	Achieved for all supplies	Achieved for all supplies	Achieved for all supplies
Maintenance of the reticulation network	The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).	23%	Water NZ water loss benchmarking methodology - Current Annual Real Losses. This measure combines all 10 water supplies (Urban and Rural)	≤ 25%	≤ 25%	≤ 25%	≤ 25%
Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the median response times measured: attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	25 minutes	Request for Service Database	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes	≤ 60 minutes
Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: 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.	85 minutes	Request for Service Database	≤ 210 minutes	≤ 210 minutes	≤ 210 minutes	≤ 210 minutes
Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	4 hours 39 minutes	Request for Service Database	≤ 1 day	≤ 1 day	≤ 1 day	≤ 1 day

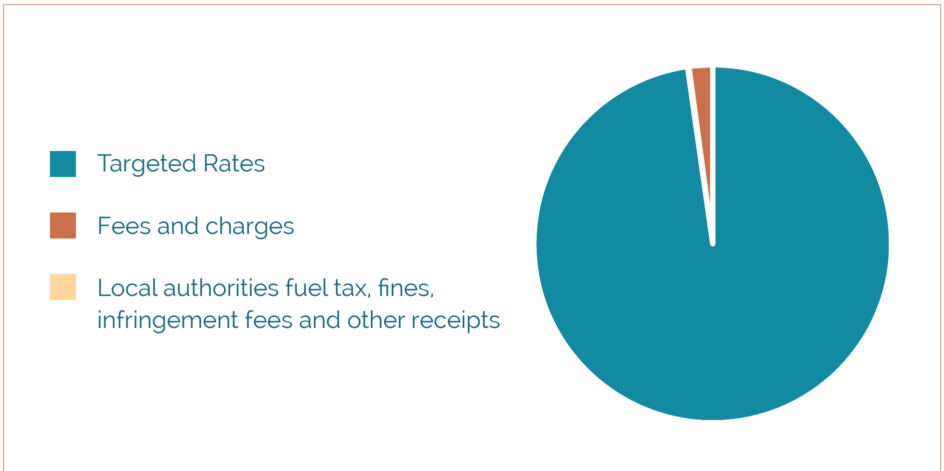
Delivering on priorities (continued)

Level of service	How will it be measured? (Measures)	Current Performance 2019/20	Data source	Performance Targets 2021/22	2022/23	2023/24	2024 to 2031
Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: 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.	19 hours 40 minutes	Request for Service Database	≤ 3 days	≤ 3 days	≤ 3 days	≤ 3 days
Customer satisfaction	The total number of complaints received by the local authority about any of the following: • drinking water clarity • drinking water taste • drinking water odour • drinking water pressure or flow • continuity of supply, and • the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.	Total = 7.02 / 1000 connections	Request for Service Database	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections	≤ 10 / 1000 connections
Demand management	The average consumption of drinking water per day per resident within the territorial authority based on water leaving the water treatment plants in litres per capita per day (annual consumption and based on population of 25,641 connections supplied with water)	339 litres per person per day	Consumption from Water Billing	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day	≤ 320 litres per person per day

The cost to deliver this activity



How we will fund this activity



Capital Expenditure

Project Type	Project Header Description	2021/22	2022/23	2023/24	2024-2031	Total Budget
Growth	District Water Supply Expansion	-	30,000	480,000	6,500,000	7,010,000
LOS	District Water Supply Enhancements	600,000	4,520,000	550,000	5,770,000	11,440,000
LOS	District Water Supply Expansion	250,000	1,125,000	1,125,000	-	2,500,000
Renewal	District Water Supply Renewal	3,300,000	3,000,000	3,000,000	21,000,000	30,300,000
Renewal	Laboratory Renewals	50,000	50,000	50,000	350,000	500,000
Total		**4,200,000**	**8,725,000**	**5,205,000**	**33,620,000**	**51,750,000**

** uninflated*

Significant negative events

Potential negative effects associated with undertaking the activity are described below along with actions undertaken to mitigate the effect. Effects from the activity can influence the social, cultural, environmental and economic wellbeing of the community and District. A negative effect could be physical or a perception.

Negative effects/issue and risks	Wellbeings				Mitigation
	Social	Cultural	Enviro	Economic	
COVID-19 disruptions causes time and cost impacts	●	●		●	Continue to monitor the unknown fluctuations of Alert Levels and build time contingency into work programmes as required.
Unable to renew resource consents for water abstraction	●	●	●	●	Work with local iwi to work towards agreement for renewal of resource consents. Investigate potential new water sources should new resource consent not be granted.
Input of water into wastewater system.			●	●	Council has in place and follows a water conservation strategy and a trade waste bylaw to regulate discharges to the waste water system.
High cost of water abstraction.	●	●	●	●	All water schemes are paid for by users.
Severe damage to infrastructure inability to restore acceptable water supply to community.	●	●	●	●	The gradual replacement of older water reservoirs with fewer, larger and earthquake resistant reservoirs. The fitting of reservoirs with "auto shut off" valves, which automatically close when the flows through the valves increase beyond certain flow rates. The gradual replacement of the old critical supply water mains with new mains constructed of more resilient materials such as ductile iron and where ground conditions allow, appropriate polyethylene as part of normal optimised renewal programmes.
Possible water supply contamination due to ageing network components, poor monitoring of water sources and land related degraded water quality and uncontrolled development activity near water sources.	●	●	●	●	Water treatment at source, in network residual chlorination and systematic quality monitoring. Effective and reliable delivery of the programme to replace and improve ageing network components.
Reduced system redundancy. Limitations in ability to isolate a failure thus exposing wider than necessary communities to supply interruptions.	●	●	●	●	Network design optimisation seeks ways to reconfigure the pipe network taking into consideration more current district development and supply demand. Network optimisation through modelling and design. Through an ongoing programme to regularly exercising (maintain) valves to ensure stand-by functionality.
Inability to address increased water demand due to population expansion, infill development and the lack of readily available network supply capacity to provide water to growth areas.	●	●	●	●	Forward planning to address the accelerated development of the District.

Variation between the Long-term Plan and the assessment of water and sanitary services

Water service proposals in this plan are generally consistent with those contained in the Water and Sanitary Services Assessment. There are no significant variations between this plan and the assessment.

Rotorua Lakes Council Funding Impact Statement for 2021-2031 for Water supplies

Water Supplies	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	-	-	-	-	-	-	-	-	-	-	-
Targeted Rates	10,139	10,404	11,080	11,746	12,302	12,509	12,796	13,057	13,589	14,131	14,690
Subsidies and grants for operating purposes	-	-	-	-	-	-	-	-	-	-	-
Fees and charges	8	13	13	13	13	14	14	15	15	16	16
Internal charges and overheads recovered	458	245	245	245	252	259	266	275	284	294	303
Local authorities fuel tax, fines, infringement fees, and other receipts	252	228	228	228	234	241	248	256	264	273	282
Total operating funding (A)	**10,856**	**10,890**	**11,566**	**12,233**	**12,802**	**13,023**	**13,324**	**13,602**	**14,152**	**14,713**	**15,291**
Applications of operating funding											
Payments to staff and suppliers	5,484	5,987	6,358	6,627	6,567	6,509	6,693	6,596	6,897	7,127	7,253
Finance costs	674	559	629	754	813	881	931	980	1,105	1,288	1,277
Internal charges and overheads applied	2,131	1,760	1,824	1,900	1,967	2,005	2,048	2,092	2,156	2,233	2,289
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**8,288**	**8,306**	**8,811**	**9,281**	**9,347**	**9,395**	**9,673**	**9,668**	**10,159**	**10,647**	**10,819**
Surplus (deficit) of operating funding (A-B)	**2,569**	**2,585**	**2,755**	**2,951**	**3,455**	**3,628**	**3,652**	**3,934**	**3,993**	**4,065**	**4,472**
Sources of capital funding											
Subsidies and grants for capital expenditure	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	-	-	539	780	1,087	1,523	1,040	574	533	690	504
Increase (decrease) in debt	3,053	1,615	5,431	1,473	1,528	1,930	(260)	1,300	419	358	(1,012)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**3,053**	**1,615**	**5,970**	**2,254**	**2,615**	**3,453**	**781**	**1,874**	**952**	**1,048**	**(508)**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	2,555	-	30	480	1,695	2,188	304	1,065	892	743	198
• to improve the level of service	500	850	5,645	1,675	1,243	1,670	815	1,323	521	719	-
• to replace existing assets	2,568	3,350	3,050	3,050	3,132	3,223	3,314	3,420	3,533	3,653	3,766
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-	-	
Total applications of capital funding (D)	**5,623**	**4,200**	**8,725**	**5,205**	**6,070**	**7,081**	**4,433**	**5,808**	**4,946**	**5,114**	**3,963**
Surplus (deficit) of capital funding (C-D)	(2,570)	(2,585)	(2,755)	(2,951)	(3,455)	(3,628)	(3,652)	(3,934)	(3,993)	(4,065)	(4,472)
Funding balance ((A-B)+(C-D))	-	-	-	-	-	-	-	-	-	-	-

Council Controlled Organisations

Long-term Plan 2021-2031

A Council Controlled Organisation (CCO)

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 organization. Expectations for the CCOs 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 organization 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.

Council presently has a number of CCOs:

- **Rotorua Regional Airport Ltd**
- **Rotorua Economic Development Ltd**
- **Infracore Ltd**
- **Bay Of Plenty Local Authority Shared Services Ltd**
- **Waikato Local Authority Shared Services Ltd**

Rotorua Regional Airport Ltd

Introduction

Rotorua Regional Airport Ltd (RRAL) is 100% owned by Rotorua Lakes Council and operates as a Council Controlled Organisation (CCO). RRAL has an independent skills-based Board of four Directors and a Chairperson, as well as an Independent Board Advisor, and employs its own Chief Executive and staff.

RRAL's prime purpose is to maintain a safe and efficient Airport operation whilst optimising the use of its assets to facilitate, and grow tourism and trade, other commercial activity, and Airport profitability. RRAL is responsible for the ongoing capital development and maintenance of the Airport assets and ownership of the core infrastructure.

The Airport is viewed as an essential infrastructure asset for Rotorua and has a key role to play in the economic performance, growth and development of the region.

Nature and Scope of Activities

RRAL's vision is "to be a uniquely Rotorua hub our community can be proud of" and the board and management have identified five key priorities for the airport:

- Be a safe airport
- Help Council achieve its growth aspirations
- Manage & maintain assets to a high standard
- Be financially sustainable
- Be environmentally conscious

Performance Measures

	2022	2023	2024
a. Aircraft			
Aircraft movements	6,100	7,280	7,517
b. Passengers			
Domestic	160,000	180,000	230,000
c. Financial			
Total Revenue (note 5)	$5,234,670	$5,722,374	$6,320,098
Total Expenses (excl Depreciation)	$3,452,149	$3,499,032	$3,526,254
Net Surplus (before Depreciation)	$1,782,521	$2,223,342	$2,793,844
Net Surplus / Loss (after Depreciation & before tax) (note 2 & note 5)	($695,263)	($316,642)	$227,121
Capital expenditure (note 4)	$3,912,500	$250,000	$100,000
Shareholders' funds to total assets (note 3)	67%	67%	69%
d. Customer			
Customer service and facility rating	8.0 out of 10	8.0 out of 10	8.0 out of 10
e. Operational			
Number of controllable safety incidents	0	0	0
f. Team			
Number of employee injuries (resulting in days off work)	0	0	0
g. Project Performance (note 4)			
Build non-aviation revenue and optimise existing assets, including unlocking the potential of the unused airport land	Deliver portfolio of Strategic Projects	Identify and deliver Phase 2 Strategic Projects	Identify and deliver Phase 2 Strategic Projects

Note 1: Statement of Intent – FY22-24

A requirement of clause 3(b) of schedule 8 of the Local Government Act 2002 is that the board must deliver the completed statement of intent to the shareholder on or before 30 June each year. RRAL and RLC are presently engaged in a review of the existing Service Funding Agreement whereby the parties are endeavouring to agree on a revised funding model that may achieve a reduced net cost to the ratepayer in running the operations of the Airport. Accordingly, the parties have agreed to suspend the SFA pending the outcome of discussions for a new funding mechanism to replace the current SFA.

Note 2:

Due to the availability of a group loss offset from RLC, the provision for taxation has been excluded in the financial forecast.

Note 3:

Total assets represent the RRAL'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 the shareholder.

Note 4:

Strategic Projects - It is intended that funding generated from these projects will provide coverage on debt costs and will be directed towards lowering the ratepayer Service Funding Payment to RRAL over time. Phase 1 projects comprise the five (5) identified initiatives. Phase 2 and 3 projects will be identified and confirmed in future RRAL Strategy Workshops (including future and additional CAPEX requirements for FY23 and FY24 not currently allowed for within RRAL's financial forecast).

Note 5:

The potential impact of Coronavirus (Covid-19) on aircraft movements, passenger movements, car parking and lease concession revenues will continue to be material until such time as NZ's international borders fully reopen. RRAL's key SOI assumptions have been reforecast to reflect any direct and indirect impacts of this event. Materially though RRAL's revenues will be impacted. On this basis we have considered options in relation to the deferral of non-essential capital works and the removal or deferral of non-essential operating expenses. With respect to operating legislation RRAL must observe and meet its obligations under the Airport Authorities Act which requires it to operate "commercially". From a Civil Aviation perspective this requirement ensures airports meet and maintain a profitable operating position to ensure they can fund necessary perating and safety costs associated with our Aerodrome Operators Certification (CAA Pt 139) and pending Safety Management System (SMS) Certification.

Note 6:

As a result of the material impact of COVID-19 on RRAL's profitability RRAL will defer the RLC debt repayment programme to ensure required profitability (pre depreciation allowances) and operational compliance of the Airport is maintained. Additionally RLC will provide a further $1M debt facility to maintain RRAL liquidity against opex and capex forecasts, if required.

The following forecast payments have been provisioned (pre any adjustment for the impacts of Covid-19) over the ensuing three (3) year period:

- Current RLC Debt Balance as at 30 June 2020 $14.4M
- FY22 forecast payment - $0
- FY23 forecast payment - $0
- FY24 forecast payment - $2M

Note 7:

Given the dynamic nature of COVID-19 on Passenger and flight movements the forecasts for FY22-24 have been reforecast. These forecasts will be regularly updated on a rolling monthly basis.

Rotorua Economic Development Ltd

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 work supports the development of the Rotorua economy, unlocking opportunities for commercial investment and providing employment, wealth and wellbeing for all of our people.

RED's key trading activities and brands are Destination Rotorua, i-SITE and Rotoruanz.com. RED is committed to developing and promoting Rotorua as a destination of choice to work, study, visit, invest and live in.

RED is a Council Controlled Organisation (CCO) that works in partnership with iwi, private sector business, local government, community organisations and central government to support their growth aspirations and enhance the Rotorua identity and reputation. We operate as a neutral entity and a trusted advisor, balancing the needs of each group of stakeholders for the benefit of the destination.

RED is led by an Interim Chief Executive and governed by an independent Board of Directors who are appointed by the shareholder (RLC).

Nature and Scope of Activities

The purpose of RED is to "unlock the potential of Rotorua." This reflects RED's primary role as the Regional Tourism Organisation (RTO) and Economic Development Agency (EDA). In alignment with RLC's Rotorua Vision 2030, RED will continue to work as a key partner in the economic development components of the Vision to help bring about further change and progress. We'll look to the Te Arawa 2050 Vision to understand and intertwine the moemoea and aspirations identified by Te Arawa whānui.

We know the strengths of our region include the active geothermal environment, our vibrant and expressive Māori culture and the rich, invigorating experiences that are accessible to all. We'll continue to leverage these strengths in our positioning and marketing of Rotorua to the rest of New Zealand and the world.

We'll unlock the potential of Rotorua by:

- Lifting economic performance across the Rotorua district, with a particular focus on tourism, forestry and wood processing, natural hot springs and wellness, film/TV, alternative land use opportunities, and Te Arawa investments
- Working closely with Te Arawa whānui to support the growth of their economy in alignment with the values set out in the Te Arawa 2050 Vision.
- Ensuring the impact of change achieves a balance between social, environmental, economic and wellness benefits for the people of Rotorua
- Attracting, retaining and growing investment, talent and business across the district
- Inspiring visitors to come to the destination and create unforgettable memories
- Focusing on the projects and priorities established during the Whakahouhia te Whare Ohanga (Build Back Better Sector Groups) and Economic Recovery Taskforce, guided by the Economic Development Strategy Framework and developing Long Term plan.
- Strengthening our working relationship with the Chamber of Commerce to best support local businesses as they recover from the impact of COVID-19.
- Developing and telling our story in partnership with Te Arawa in a mana-enhancing way that reinforces the true spirit of our community
- Continuing to lead on commercial investment partnerships at the Lakefront and Whakarewarewa Forest
- Supporting RLC in the development of an inner city plan and transformational investment projects and the unlocking of residential, industrial and commercial land for development
- Leading the development of a Forestry Futures Action Plan that leverages our unique strengths in foresty, wood processing and bio-materials/technology and science in the timber sector.

Performance Measures

	Measures	2019/20 Target	2020/21 Target	2021/22 Target	2022/23 Target	2023/24 Target
Business Development	The number of Te Arawa economic development projects directly supported by Rotorua Economic Development Ltd.	Not available	New measure	At least 3 Te Arawa economic development projects are directly supported by RED	At least 3 Te Arawa economic development projects are directly supported by RED	At least 3 Te Arawa economic development projects are directly supported by RED
	Level of satisfaction of businesses going through the ACCELERATE programme	New measure	At least 80% satisfaction	At least 80% satisfaction	At least 80% satisfaction	At least 80% satisfaction
Attract Investment	Relevant destination data and insights developed to support investment decision making by businesses in target sectors. Subject matter will be delivered during the year based on relevance and need.	Not available	New measure	Data and insights for at least 6 target sectors developed and shared	Data and insights for at least 6 target sectors developed and shared	Data and insights for at least 6 target sectors developed and shared
	The number of new developments (residential, industrial and commercial) supported or led by Rotorua Economic Development that are initiated	Not available	New measure	At least 3 new developments (residential, industrial and commercial) supported or led by RED are initiated	At least 3 new developments (residential, industrial and commercial) supported or led by RED are initiated	At least 3 new developments (residential, industrial and commercial) supported or led by RED are initiated
Develop & promote the destination	i-SITE to be financially self-sufficient	Cost neutral	Revenue at least 50% pre-COVID levels ++	Cost neutral	Cost neutral	Cost neutral
	Business events – value of bid won in financial year based on MBIE data and DR lead sheet confirmed conferences	At least $5.3m	At least $3m ++	At least $6.1m	At least $7m	At least $8m
	Total international expenditure data for Rotorua (based on MBIE statistics)	At least $361m	At least $35m ++	MBIE has paused collection of data	MBIE has paused collection of data	MBIE has paused collection of data
	Total domestic expenditure data for Rotorua (based on MBIE statistics)	At least $482m	At least +2%	MBIE has paused collection of data	MBIE has paused collection of data	MBIE has paused collection of data
	Domestic visitor card expenditure for Rotorua (based on MBIE TECT data set)	Not available	New measure	$330m	Target to be confirmed by 30 June 2022	Target to be confirmed by 30 June 2023
	Stakeholder satisfaction (Survey of the local visitor economy; attraction, hospitality, food & beverage)	New measure	New measure	75% industry satisfaction score	80% industry satisfaction score	85% industry satisfaction score
	Domestic consumer perception - % intend to visit (Delve loyalists + considerers) Rotorua from Auckland AND one target market is at least approximately the same or better than the June 2017/18 year	New measure	Auckland At least 50% +/-MOE Christchurch At least 20% +/-MOE Wellington At least 40% +/-MOE	Auckland At least 50% +/-MOE Christchurch At least 20% +/-MOE Wellington At least 40% +/-MOE	Auckland At least 50% +/-MOE Christchurch At least 20% +/-MOE Wellington At least 40% +/-MOE	Auckland At least 50% +/-MOE Christchurch At least 20% +/-MOE Wellington At least 40% +/-MOE

** MBIE estimates are subject to revision and therefore the value as at publication of this document will not reconcile with the latest MBIE release for the stated period*

++ These targets have been adjusted to reflect the impact of the COVID-19 pandemic.

Infracore Ltd

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. The Board does this by setting strategic direction and context and focusing on issues critical for its successful execution.

Nature and Scope of Activities

Core Work

InfraCore was created as a social enterprise to deliver essential services to Rotorua Lakes Council, and its residents and visitors. InfraCore is in the business of maintaining, managing and constructing infrastructure and facilities assets.

The company's main service offerings are:

- Asset management of above and underground infrastructure assets including planned and reactive activities, life cycle data analysis and capital build activities.
- Maintaining and constructing parks infrastructure, including but not limited to public gardens, reserves, playgrounds, sports fields and tree surgeon services.
- Maintaining and constructing drinking water, wastewater and storm-water infrastructure networks.
- Civil construction and maintenance work associated with transport solutions including footpath, paving and street furniture type assets.
- Providing janitorial services, 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.
- Project management of capital budget works from build through to asset management of new and existing infrastructure networks.

Emergency Response

As the core provider of asset management and reactive maintenance of core public infrastructure (including fresh and storm water, and waste water capabilities) InfraCore provides a 24/7 callout response to localised incidents and issues to its clients.

Beyond this, as the Rotorua Lakes Council's CCO delivering essential services, InfraCore has multiple resources that can be drawn upon almost instantly in times of emergency including civil defence situations.

Performance Measures

Performance measure	Target for FY22	Target for FY23	Target for FY24
To achieve financial budget	To achieve financial budget allowing any future surpluses to be used to enhance business capability.	To achieve financial budget allowing any future surpluses to be used to enhance business capability.	To achieve financial budget allowing any future surpluses to be used to enhance business capability.
To secure additional revenue within this financial year that upon completion has a positive contribution to margin.	To secure additional revenue streams within the financial year that increases EBITDA compared to budget. This will be measured upon project completion, and monitored on a monthly basis.	To secure additional revenue streams within the financial year that increases EBITDA compared to budget. This will be measured upon project completion, and monitored on a monthly basis.	To secure additional revenue streams within the financial year that increases EBITDA compared to budget. This will be measured upon project completion, and monitored on a monthly basis.
Consolidated KPI scoring Parks and Open Spaces	80%	80%	80%
Consolidated KPI Utilities	80%	80%	80%
Targeting full employee engagement with Health and Safety	90%	95%	98%
Individual performance plan in place per employee	100%	100%	100%
Develop and document social enterprise project of work (Can include project specific, contracts or MoU's achieved or maintained in the period)	1	2	3
Understand the satisfaction level of the beneficiaries of the social enterprise's activities from a community stakeholder perspective (via Engagement survey or written comms) *note 1	80%	85%	90%
Partner with Te Arawa (contributing towards Te Arawa Vision 2050) and Mana Whenua through collaboration with a Te Arawa Iwi and Hapū entities.	1 entity	3 entities	5 entities
Development and implementation of InfraCore reorua strategy. Commitment to Rotorua Reorua. Increased cultural awareness within our organisation.	Development of InfraCore reorua strategy and implementation of Y1 initiatives.	Implementation of Y2 initiatives.	Implementation of Y3 initiatives.

Note1: Engagement survey to be undertaken post-employment for each beneficiary to measure their satisfaction. in accordance with Noya, A. (2015), "Social Entrepreneurship - Social Impact Measurement for Social Enterprises", OECD Employment Policy Papers, No. 10, OECD Publishing, Paris, https://doi.org/10.1787/5jrtpbx7tw37-en.

Bay of Plenty Local Authority Shared Services Ltd

Introduction

The councils that operate within the Bay of Plenty and Gisborne Regions formed a Council Controlled Organisation (CCO), Bay of Plenty Local Authority Shared Services Ltd (BOP LASS) of which Rotorua Lakes Council is a one-ninth shareholder. BOP LASS was incorporated during 2007/08 to investigate, develop and deliver joint procurement and shared services projects where delivery is more effective for any combination of some or all of the councils.

Nature and Scope of Activities:

Working together with the full support and involvement of staff, BOP LASS will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

- Joint Procurement
- Shared Services

Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent councils.
- Establish the underlying technology, framework, platform and policies to enable and support collaboration.
- Facilitate initiatives that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

Performance Measures

Project Type	Project Header Description	2021/22
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.
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.	Minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.
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 5% per year. Number of active users to increase by 10% per year.
Communicate with each shareholding council at appropriate levels.	Meeting with members of 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.

Waikato Local Authority Shared Services Ltd

Introduction

The Waikato Local Authority Shared Services Ltd (WLASS) was incorporated in December 2005 as a Council Controlled Organisation under the Local Government Act. WLASS is owned in equal portion by the 12 Waikato/Rotorua local authorities and was established as a vehicle through which these councils could collaborate and identify opportunities for undertaking activity on a shared basis. More recently, shareholders embarked on a transformation of the company. The purpose of that transformation was to move the company to a true service delivery agent for, and strategic partner of, the councils. The structural changes of that transformation were completed in late 2019 and bedded-in throughout 2020.

Nature and Scope of Activities

WLASS is acutely aware of the challenging and changing environment within which councils currently operate. Given this environment it is also acutely aware of the role it needs to play in reducing costs to its shareholding councils (or improving performance without an increase in cost). While improving the experience of councils' communities will always be front of mind as we develop ideas, we will not do this if it results in an unacceptable layer of additional, unrecoverable cost to councils. Similarly, we want to facilitate more engagement between central government and Waikato/Rotorua councils, and build central government's confidence in councils in the region. However, we see this as a by-product of achieving the other two outcomes, through which we aspire to show Waikato/Rotorua councils to be the exemplar of how local government in a region can work.

Outcomes we are seeking:

- Council costs are reduced / performance is improved, without increased cost
  - Achieve effectiveness and efficiency gain
  - Reduce duplication of effort and eliminate waste through repetition
- The experiences of councils' communities are improved
  - Promote and contribute to the development of best practice
  - Make it easier for communities to engage with councils in the Waikato region on a consistent basis
  - Promote business transformation to improve communities' experiences
- Central government investment into and engagement with Waikato/Rotorua councils is increased
  - Enable the Waikato councils to collectively be more effective as a region on the national stage
  - Contribute to building central government's confidence in the Waikato region, and to encourage central government investment

Performance Measures

Priority	Performance measure	Target
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	Business cases will include measurable benefits linked to one or more of the outcomes sought Businesses cases are supported by councils (evidenced by take up of the opportunity)	Projected savings/increased revenue to councils of at least $300k 75% of councils
Develop opportunities and deliver projects within agreed budgets and timelines[1]	Opportunities / projects are developed / delivered within agreed timelines Opportunities / projects are developed / delivered, within approved budget Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval	80%[2] 90%[2]
Ensure projects realise their expected benefits	Measurable benefits are actively monitored and reported against Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)	Six-monthly For $200k+ Projects (based on cost of opportunity development and ongoing investment) Within 15 months 90% of projected quantifiable benefits are realised
Ensure existing services are meeting the needs of councils	The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): RATA – roading & waters Waikato Building Cluster Regional Infrastructure Technical Specifications Energy & Carbon Management Professional Services Panel Health & Safety pre-qualification	80% of councils
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	Across these groups, ideas for future consideration and/or initiatives are identified each year	Four per annum

[1] Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.

[2] Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to always better, or at least meet, timetables and budgets.

Finance

Long-term Plan 2021-2031

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 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 2021 to 30 June 2031.

The actual results achieved for the period covered by this plan are likely to vary from the information presented in this document, and the variations may be material. The forecast statement of financial position as at 30 June 2021 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 after the presentation.

Funding Impact Statements

Funding impact statements are required under the Local Government Act 2002 and conform to clause five of the Local Government (Financial Reporting) Regulations 2011. They cover the ten years from 1 July 2021 to 30 June 2031, 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 is significant for the assessment of both past and future financial performance.

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 cash flows 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 Changes in Net Assets and 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 Cash Flows

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 cash flows 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;
- 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; and,
- 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.

Cycling at Whakarewarewa Forest

Prospective Statement of Comprehensive Revenue and Expenses

Rotorua Lakes Council: Prospective statement of Comprehensive Revenue and Expense	Annual Plan	Long-term Plan									
	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Revenue											
Rates (Excluding metered water)	96,649	107,942	114,023	119,556	126,373	130,892	134,255	137,081	142,347	148,951	152,663
Targeted Rates for Water Supply	5,364	4,330	4,330	4,330	4,447	4,576	4,704	4,855	5,015	5,186	5,346
Development and Financial Contributions	-	-	2,363	3,421	4,764	6,677	4,561	2,517	2,338	3,024	2,209
Subsidies and Grants (incl Capital)	46,306	52,381	53,243	51,013	14,229	11,477	15,252	14,968	16,338	16,609	12,985
Other Revenue	12,031	18,419	19,537	19,654	22,086	22,870	23,344	23,990	24,810	25,545	26,116
Finance Income	134	630	550	568	502	435	369	337	307	258	497
Gains		-	-	-	-	-	-	-	-	-	-
Total Revenue	**160,484**	**183,703**	**194,047**	**198,543**	**172,401**	**176,927**	**182,484**	**183,749**	**191,155**	**199,574**	**199,816**
Expenditure											
Personnel Costs	27,668	31,884	32,338	32,794	34,658	35,993	36,947	38,066	39,218	40,409	41,631
Depreciation and Amortisation Expense	32,112	33,767	35,216	37,689	40,027	41,171	42,771	44,157	45,082	46,830	48,508
Other Expenses	65,033	73,189	75,449	75,629	78,920	79,875	81,183	82,651	85,169	86,653	89,038
Finance Costs	8,720	8,136	9,795	11,463	12,194	12,782	13,248	13,647	15,086	17,667	17,634
Total Operating Expenditure	**133,532**	**146,976**	**152,799**	**157,575**	**165,800**	**169,821**	**174,149**	**178,521**	**184,555**	**191,558**	**196,812**
Surplus/(Deficit) for the Period	**26,952**	**36,727**	**41,248**	**40,967**	**6,600**	**7,106**	**8,335**	**5,227**	**6,599**	**8,016**	**3,004**
Loss for the Period from Discontinued Operations	-	-	-								
Surplus/(Deficit) Before Tax	**26,952**	**36,727**	**41,248**	**40,967**	**6,600**	**7,106**	**8,335**	**5,227**	**6,599**	**8,016**	**3,004**
Income Tax Expense	-	-	-								
Surplus/(Deficit) After Tax	**26,952**	**36,727**	**41,248**	**40,967**	**6,600**	**7,106**	**8,335**	**5,227**	**6,599**	**8,016**	**3,004**
Other Comprehensive Income											
Revaluation on Property, Plant and Equipment	18,245	2,912	40,915	43,321	7,213	67,840	41,820	7,505	82,966	49,714	7,808
Revaluation on Intangibles		-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Investments		-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Hedges		-	-	-	-	-	-	-	-	-	-
Other Comprehensive Income	**18,245**	**2,912**	**40,915**	**43,321**	**7,213**	**67,840**	**41,820**	**7,505**	**82,966**	**49,714**	**7,808**
Total Other Comprehensive Income	**45,197**	**39,639**	**82,164**	**84,289**	**13,813**	**74,947**	**50,155**	**12,732**	**89,565**	**57,730**	**10,813**

Prospective Statement of Financial Position

Rotorua Lakes Council: Prospective Statement of Financial Position	Annual Plan	Long-term Plan									
	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Assets											
Current Assets											
Cash & Cash Equivalents	7,197	9,254	4,826	2,150	1,983	1,823	1,673	1,545	1,442	1,349	1,252
Debtors & Other Receivables	20,608	13,283	13,668	14,010	14,360	14,719	15,087	15,480	15,898	16,327	16,751
Inventories	-	-	-	-	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-	-	-	-	-
Assets held for sale	1,400	-	-	3,484	-	3,915	3,915	-	-	-	-
Total Current Assets	**29,205**	**22,537**	**18,494**	**19,644**	**16,343**	**20,458**	**20,675**	**17,025**	**17,339**	**17,676**	**18,004**
Non-Current Assets											
Loans & Receivables	14,400	17,331	15,331	13,331	11,331	9,331	8,331	7,331	5,831	11,331	12,831
Property Plant & Equipment	1,339,068	1,454,248	1,602,724	1,711,172	1,744,423	1,829,050	1,878,826	1,897,789	1,996,738	2,058,916	2,058,273
Investment Property	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	8,046	5,269	4,113	2,956	1,800	1,257	714	171	(0)	(0)	(0)
Other Financial Assets	54,081	57,480	58,514	58,854	59,062	59,176	59,115	59,083	59,141	59,240	59,059
Total Non-Current Assets	**1,415,596**	**1,534,329**	**1,680,682**	**1,786,313**	**1,816,616**	**1,898,814**	**1,946,986**	**1,964,375**	**2,061,710**	**2,19,487**	**2,130,163**
Total Assets	1,444,801	1,556,866	1,699,176	1,805,957	1,832,959	1,919,272	1,967,661	1,981,400	2,079,049	2,147,163	2,148,167
Liabilities											
Current liabilities											
Creditors & Other Payables	31,636	32,990	26,643	27,309	27,992	28,692	29,409	30,173	30,988	31,825	32,652
Provisions	77	19	21	23	24	26	27	29	31	32	34
Employee Benefit Liabilities	3,160	4,425	4,429	4,431	4,433	4,436	4,439	4,443	4,446	4,450	4,453
Borrowings	15,000	37,000	16,700	21,000	21,000	23,000	37,000	18,000	10,000	10,923	-
Derivative Financial Instruments	-	-	-	-	-	-	-	-	-	-	-
Taxation Payable	-	-	-	-	-	-	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	**49,873**	**74,434**	**47,793**	**52,762**	**53,449**	**56,153**	**70,875**	**52,645**	**45,465**	**47,230**	**37,140**
Non-Current Liabilities											
Borrowings	261,751	295,942	382,451	399,787	412,090	420,530	403,790	422,766	437,765	446,107	446,107
Provisions	3,382	2,255	2,304	2,355	2,406	2,458	2,512	2,567	2,623	2,680	2,738
Employee Benefit Liabilities	96	671	901	1,037	1,185	1,354	1,552	1,758	1,968	2,187	2,410
Total Non-Current Liabilities	**265,229**	**298,868**	**385,656**	**403,179**	**415,681**	**424,343**	**407,854**	**427,091**	**442,356**	**450,973**	**451,255**
Total Liabilities	**315,102**	**373,302**	**433,448**	**455,941**	**469,130**	**480,496**	**478,729**	**479,736**	**487,821**	**498,204**	**488,395**
Net Assets	**1,129,699**	**1,183,564**	**1,265,728**	**1,350,016**	**1,363,829**	**,438,776**	**1,488,931**	**1,501,664**	**1,591,229**	**1,648,959**	**1,659,772**
Net Assets/Equity											
Capital Contributed by											
Accumulated Comprehensive Revenue and Expenses	784,355	754,670	795,918	836,885	843,485	850,591	858,926	864,154	870,753	878,769	881,774
Restricted Equity	6,154	4,407	4,407	4,407	4,407	4,407	4,407	4,407	4,407	4,407	4,407
Reserves	342,640	424,488	465,403	508,724	515,937	583,778	625,598	633,103	716,069	765,783	773,592
Minority Interest	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets / Equity	**1,133,149**	**1,183,564**	**1,265,728**	**1,350,016**	**1,363,829**	**1,438,776**	**1,488,931**	**1,501,664**	**1,591,229**	**1,648,959**	**1,659,772**

Prospective Statement of Changes in Net Asset and Equity

Rotorua Lakes Council: Prospective statement of changes in net assets/equity for the year ended:	Annual Plan	Long-term Plan									
	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Balance as at 1 July	1,087,953	1,143,925	1,183,564	1,265,728	1,350,016	1,363,829	1,438,776	1,488,931	1,501,664	1,591,229	1,648,959
Total Comprehensive Income as Stated	45,196	39,639	82,164	84,289	13,813	74,947	50,155	12,732	89,565	57,730	10,813
Balance at 30 June	1,133,149	1,183,564	1,265,728	1,350,016	1,363,829	1,438,776	1,488,931	1,501,664	1,591,229	1,648,959	1,659,772
Total Comprehensive Income attributable to:	**45,196**	**39,639**	**82,164**	**84,289**	**13,813**	**74,947**	**50,155**	**12,732**	**89,565**	**57,730**	**10,813**

Accumulated Funds at the start of the year	757,403	717,943	754,670	795,918	836,885	843,485	850,591	858,926	864,154	870,753	878,769
Net surplus for the year	26,952	36,727	41,248	40,967	6,600	7,106	8,335	5,227	6,599	8,016	3,004
Accumulated Funds at the end of the year	**784,355**	**754,670**	**795,918**	**836,885**	**843,485**	**850,591**	**858,926**	**864,154**	**870,753**	**878,769**	**881,774**
Fair value through equity reserve at start of the year	20,892	20,892	20,892	20,892	20,892	20,892	20,892	20,892	20,892	20,892	20,892
Net movements	-	-	-	-	-	-	-	-	-	-	-
Fair value through equity reserve at end of the year	**20,892**	**20,892**	**20,892**	**20,892**	**20,892**	**20,892**	**20,892**	**20,892**	**20,892**	**20,892**	**20,892**
Asset revaluation reserves at the start of the year	324,395	400,683	403,596	444,511	487,832	495,045	562,886	604,706	612,211	695,177	744,891
Gain on revaluations	18,245	2,912	40,915	43,321	7,213	67,840	41,820	7,505	82,966	49,714	7,808
Asset revaluation reserves at the end of the year	**342,640**	**403,596**	**444,511**	**487,832**	**495,045**	**562,886**	**604,706**	**612,211**	**695,177**	**744,891**	**752,700**
Resticted Equity at the start of the year	6,154	4,407	4,407	4,407	4,407	4,407	4,407	4,407	4,407	4,407	4,407
Movements during the year	-	-	-	-	-	-	-	-	-	-	-
Council reserves at the end of the year	**6,154**	**4,407**	**4,407**	**4,407**	**4,407**	**4,407**	**4,407**	**4,407**	**4,407**	**4,407**	**4,407**
Equity at the end of the year	**1,133,149**	**1,183,564**	**1,265,728**	**1,350,016**	**1,363,829**	**1,438,776**	**1,488,931**	**1,501,664**	**1,591,229**	**1,648,959**	**1,659,772**

Prospective Statement of Cash Flows

Rotorua Lakes Council: Prospective statement of Cashflows	Annual Plan	Long-term Plan									
	2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Cash Flows from Operating Activities											
Receipts from Rates Revenue	101,569	111,811	117,968	123,544	130,470	135,109	138,591	141,544	146,944	153,708	157,584
Receipts from Customers and Other Services	12,031	18,315	19,433	19,550	21,979	22,762	23,233	23,877	24,695	25,429	25,997
Receipts from Grants & Subsidies	46,306	43,401	45,940	51,013	14,229	11,477	15,252	14,968	16,338	16,609	12,985
Goods and Services Tax (Net)	-	-	-	-	-	-	-	-	-	-	-
Interest Received	134	630	550	568	502	435	369	337	307	258	497
Development Contributions	-	-	2,363	3,421	4,764	6,677	4,561	2,517	2,338	3,024	2,209
Payments to Suppliers	(63,574)	(80,557)	(81,641)	(74,807)	(78,078)	(79,012)	(80,299)	(81,718)	(84,182)	(85,640)	(88,032)
Payments to Employees	(27,668)	(31,276)	(32,105)	(32,655)	(34,508)	(35,822)	(36,745)	(37,858)	(39,004)	(40,187)	(41,404)
Interest Paid	(8,720)	(8,136)	(9,795)	(11,463)	(12,194)	(12,782)	(13,248)	(13,647)	(15,086)	(17,667)	(17,634)
Income Tax Refund/(Paid)	-	-	-	-	-	-	-	-	-	-	
Net Cash from Operating Activities	**60,078**	**54,188**	**62,713**	**79,171**	**47,163**	**48,844**	**51,712**	**50,022**	**52,350**	**55,534**	**52,203**
Cash Flows from Operating Activities											
Proceeds from Medium Term Investments	-										
Proceeds from Sale of Property, Plant and Equipment	2,000	-	-	-	3,484	-	3,915	3,915	-	-	-
Proceeds from Community Loan Repayments	-		2,000	2,000	2,000	2,000	1,000	1,000	1,500		
Purchase of Property, Plant and Equipment	(117,104)	(145,960)	(141,619)	(105,144)	(64,909)	(61,329)	(54,099)	(55,073)	(60,894)	(59,293)	(40,057)
Loan Advances Made	(1,750)	-	-	-	-	-	-	-	-	(5,500)	(1,500)
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of Other Investments	-	(1,302)	(1,034)	(339)	(209)	(114)	62	31	(58)	(99)	181
Net Cash from Investing Activities	**(116,854)**	**(147,262)**	**(140,654)**	**(103,483)**	**(59,634)**	**(59,443)**	**(49,123)**	**(50,126)**	**(59,452)**	**(64,892)**	**(41,377)**
Cash Flows from Financing Activities											
Proceeds from Borrowings	57,012	112,571	110,513	38,336	33,303	31,440	20,260	36,977	24,998	19,265	-
Payments of Borrowings	-	(20,000)	(37,000)	(16,700)	(21,000)	(21,000)	(23,000)	(37,000)	(18,000)	(10,000)	(10,923)
Net Cash from Financing Activities	**57,012**	**92,571**	**73,513**	**21,636**	**12,303**	**10,440**	**(2,740)**	**(23)**	**6,998**	**9,265**	**(10,923)**
Net Increase/(Decrease) in Cash and Cash Equivalents	237	(503)	(4,429)	(2,676)	(168)	(159)	(151)	(128)	(103)	(93)	(97)
Cash and Cash Equivalents at Beginning of the Year	6,959	9,757	9,254	4,826	2,150	1,983	1,823	1,673	1,545	1,442	1,349
Cash and Cash Equivalents at end of the Year	**7,196**	**9,254**	**4,826**	**2,150**	**1,983**	**1,823**	**1,673**	**1,545**	**1,442**	**1,349**	**1,252**

Council-wide Funding Impact Statement

Rotorua Lakes Council: Funding Impact Statement for 2021-2031 (whole of council)	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	59,728	67,906	71,751	74,469	78,414	81,656	83,705	85,866	89,747	93,998	96,446
Targeted Rates	42,284	44,366	46,602	49,417	52,406	53,812	55,254	56,070	57,615	60,139	61,563
Subsidies and grants for operating purposes	3,745	4,596	4,783	4,935	5,307	5,475	5,576	5,721	5,914	6,034	6,191
Fees and charges	3,442	12,658	13,878	13,989	16,269	16,897	17,211	17,688	18,330	18,882	19,271
Interest and dividends from investments	134	630	550	568	502	435	369	337	307	258	497
Local authorities fuel tax, fines, infringement fees, and other receipts	8,589	5,657	5,555	5,561	5,711	5,864	6,022	6,189	6,365	6,547	6,726
Total operating funding (A)	**117,922**	**135,814**	**143,120**	**148,940**	**158,609**	**164,140**	**168,137**	**171,872**	**178,277**	**185,858**	**190,694**
Applications of operating funding											
Payments to staff and suppliers	92,701	104,415	107,503	108,233	113,375	115,642	117,873	120,453	124,115	126,781	130,382
Finance costs	8,720	8,136	9,795	11,463	12,194	12,782	13,248	13,647	15,086	17,667	17,634
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**101,421**	**112,551**	**117,298**	**119,696**	**125,570**	**128,424**	**131,121**	**134,099**	**139,201**	**144,447**	**148,016**
Surplus (deficit) of operating funding (A-B)	**16,501**	**23,263**	**25,821**	**29,244**	**33,039**	**35,716**	**37,016**	**37,773**	**39,076**	**41,411**	**42,678**
Sources of capital funding											
Subsidies and grants for capital expenditure	42,561	47,785	48,460	46,078	8,921	6,002	9,675	9,247	10,424	10,575	6,794
Development and financial contributions	-	-	2,363	3,421	4,764	6,677	4,561	2,517	2,338	3,024	2,209
Increase (decrease) in debt	57,012	83,591	66,209	21,636	12,303	10,440	(2,740)	(23)	6,998	9,265	(10,923)
Gross proceeds from sale of assets	2,000	-	-	-	3,484	-	3,915	3,915	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funding (C)	**101,573**	**131,375**	**117,032**	**71,135**	**29,472**	**23,119**	**15,411**	**15,656**	**19,761**	**22,865**	**(1,920)**
Applications of Capital Funding											
Capital expenditure											
• to meet additional demand	2,675	10,893	10,030	9,933	6,112	8,745	3,717	4,765	5,001	3,168	808
• to improve the level of service	89,142	91,646	94,687	67,932	31,683	24,216	21,959	22,254	23,433	25,620	8,208
• to replace existing assets	24,509	43,317	36,799	27,174	27,007	28,259	28,312	27,941	32,345	30,388	30,923
Increase (decrease) of investments	1,750	8,782	1,338	(4,661)	(2,291)	(2,386)	(1,562)	(1,531)	(1,942)	5,099	819
Increase (decrease) in reserves	-	-	-	-	-	-	-	-	-		-
Total applications of capital funding (D)	**118,076**	**154,638**	**142,853**	**100,379**	**62,511**	**58,835**	**52,427**	**53,428**	**58,837**	**64,275**	**40,758**
Surplus (deficit) of capital funding (C-D)	**(16,503)**	**(23,263)**	**(25,821)**	**(29,244)**	**(33,039)**	**(35,716)**	**(37,016)**	**(37,773)**	**(39,076)**	**(41,411)**	**(42,678)**
Funding balance ((A-B)+(C-D))	-	-	-	-	-	-	-	-	-	-	-

Depreciation and Amortisation by Activity

Depreciation and Amortisation by Activity	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Community Leadership	5,146	5,436	5,484	5,580	5,609	5,622	5,625	5,552	5,565	5,600	5,630
Community Wellbeing	7,886	8,628	9,847	10,792	11,320	12,038	12,290	12,639	13,427	13,857	14,235
District Development and regulatory	102	99	109	119	129	129	129	129	129	129	129
Roading and footpaths	6,790	7,435	7,488	7,542	8,261	8,318	8,397	9,141	9,195	9,248	10,066
Sewerage and Sewage	6,153	6,259	6,361	7,456	8,044	8,310	9,238	9,252	9,268	10,151	10,177
Stormwater and Land Drainage	3,003	2,618	2,625	2,828	2,875	2,928	3,221	3,248	3,275	3,606	3,612
Waste Management	14	151	151	151	151	151	151	151	151	151	151
Water Supplies	3,019	3,141	3,151	3,222	3,639	3,675	3,720	4,046	4,072	4,088	4,508
Total depreciation and amortisation	**32,112**	**33,767**	**35,216**	**37,689**	**40,027**	**41,171**	**42,771**	**44,157**	**45,082**	**46,830**	**48,508**

Reconciliation of Funding Impact Statement to Prospective Statement of Comprehensive Revenue and Expense

Reconciliation of Council Wide Funding Impact Statement to Prospective Statement of Comprehensive Revenue and Expense	Annual Plan 2020/21 ($000)	Long-term Plan									
		2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Operating Funding per Funding Impact Statement	117,922	135,814	143,120	148,940	158,609	164,140	168,137	171,872	178,277	185,858	190,694
Add: Subsidies and grants for capital expenditure	42,562	47,785	48,460	46,078	8,921	6,002	9,675	9,247	10,424	10,575	6,794
Add: development contributions	-	-	2,363	3,421	4,764	6,677	4,561	2,517	2,338	3,024	2,209
Add: other adjustments		104	104	104	104	104	104	104	104	104	104
Total per statement of Comprehensive Revenue and Expense	160,484	183,703	194,047	198,543	172,401	176,927	182,484	183,749	191,155	199,574	199,816
Application of Operating funding per the Funding Impact Statement	**101,421**	**112,551**	**117,298**	**119,696**	**125,570**	**128,424**	**131,121**	**134,099**	**139,201**	**144,447**	**148,016**
Total expenditure per statement of revenue and expense	133,532	146,976	152,799	157,575	165,800	169,821	174,149	178,521	184,555	191,558	196,812
Less: Depreciation	-32,112	-33,767	-35,216	-37,689	-40,027	-41,171	-42,771	-44,157	-45,082	-46,830	-48,508
Less: other adjustments	-	-658	-285	-190	-203	-226	-257	-265	-272	-281	-287
Total applications of operating funding	**101,421**	**112,551**	**117,298**	**119,696**	**125,570**	**128,424**	**131,121**	**134,099**	**139,201**	**144,447**	**148,016**

Aerial View - Rotorua CBD

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.

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 (100% owned), InfraCore Limited (100% owned), and Kauae Cemetery Trust Board by a special relationship. The Council's subsidiaries and jointly controlled entities are incorporated and domiciled in New Zealand.

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

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 Council's Long-Term Plan, it is only the parent accounts that are relevant for public consultation.

The prospective financial statements of the Council are for the period 1 July 2021 to 30 June 2031. The prospective financial statements were authorised for issue by Council on 30 June 2021.

BASIS OF PREPARATION

Statement of Compliance

The prospective financial statements of the Council have been prepared following the requirements of the LGA, and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with a generally accepted accounting practice in New Zealand (NZ GAAP), except for the Funding Impact Statement (FIS).

The Council has designated itself and the Group as public benefit entities (PBEs) to comply with generally accepted accounting practice and applies New Zealand Tier 1 Public Benefit Entity accounting standards (PBE Standards).

The prospective financial statements (with the exception of the FIS) have been prepared in accordance with and comply with Tier 1 PBE Standards, including PBE FRS 42 Prospective Financial Statements.

Measurement Base

The prospective financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

The prospective financial statements have been prepared on a going concern basis.

Presentation Currency And Rounding

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

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

Standards Issued And Not Yet Effective And Not Early Adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted by Council but will be applied in the applicable financial period when applicable are:

Cash Flow Statements:

Amendments to PBE IPSAS 2 Cash Flow Statements is mandatory for annual periods beginning on or after 1 January 2021. This Standard establishes new requirements for entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Council plans to apply the new standard in preparing the 30 June 2022 financial statements. The Council and Group have assessed the effects of these amendments and conclude that they do not result in a material change to the Council and Group's reporting requirements.

Financial Instruments:

In March 2019, the XRB issued PBE IPSAS 41 *Financial Instruments*, which supersedes PBE IFRS 9 *Financial Instruments* and parts of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. It is effective for annual periods beginning on or after 1 January 2022, with early adoption permitted. The main changes under PBE IPSAS 41 *Financial Instruments* 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 2023 financial statements. The Council and Group are currently assessing the effects of the new standard, although the impact is unlikely to be material.

Service Performance Reporting:

PBE FRS 48 *Service Performance Reporting* is mandatory for annual periods beginning on or after 1 January 2022. This Standard establishes new requirements for public benefit entities to select and present service performance information.

The Council plans to apply the new standard in preparing the 30 June 2023 financial statements. The Council and Group have not yet assessed the effects of this new standard, although the impact is unlikely to be material.

Changes in accounting policies

The accounting principles set out below have been applied consistently to all periods presented in the long term plan, except where specifically stated for the adoption of PBE IPSAS 41 as detailed above.

Council has elected in these prospective financial statements to apply PBE IPSAS 41 prospectively from the date of application (in accordance with the transitional provisions of the standard), with no restatement of comparative information.

This has the effect of the Annual Plan and the 2021/22 year being prepared using different financial instrument accounting policies than the 2023-2031 years. Refer the specific accounting policies for additional information.

There have been no other changes in accounting policies.

Significant accounting policies

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.

Subsidies and grants

Waka Kotahi NZ Transport Agency roading subsidies

The Council receives funding assistance from the Waka Kotahi NZ Transport Agency, which subsidise part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions about 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.

Development and financial contributions

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

Other Revenue

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.

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 the balance date.

Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

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 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).

Dividend Income

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

Building and resource consent revenue

Fees and charges for building resource consent services are recognised on a percentage completion basis regarding 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 (when operational). Revenue from entrance fees is recognised upon entry to such facilities.

Sale of goods

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

Finance Revenue and Costs

Interest income

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

Interest expense

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

Personnel Costs

Superannuation schemes

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Scheme, 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 plan accounting as it is not possible to determine from the terms of the scheme, 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.

Other expenses

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 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.

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 the Council and the approval has been communicated to the applicant.

Taxation

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 income 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 the 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.

Cash and cash equivalents

Cash and cash equivalents include cash on 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.

The carrying value of cash at bank and short term deposits with maturities less than three months approximates their fair value.

Receivables

In accordance with PBE IPSAS 29 (2021/2022)

Short-term debtors and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, 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.

Provision for impairment of receivables

The impairment provision is calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collective history and debt write offs.

In accordance with PBE IPSAS 41 (2023-2031)

Short-term receivables are recorded at the amount due, less any allowance for expected credit losses (ECL).

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected.

Rates are "written off":

- when remitted in accordance with the Council's rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002

Provision for impairment of receivables

The provision for impairment of receivables is determined based on an expected credit loss model.

In assessing credit losses for receivables, the Council and Group apply the simplified approach and record lifetime expected credit losses (ECLs) on receivables. Lifetime ECLs result from all possible default events over the expected life of a receivable. The Council and Group use the provision matrix based on historical credit loss experience upon initial recognition of the receivable, based on reasonable and available information on the customers.

In assessing ECLs on receivables the Council and Group consider both quantitative and qualitative inputs. Quantitative data includes past collection rates, ageing of receivables, and trading outlook. Qualitative inputs include past trading history with the Council and Group.

To measure the expected credit losses, all receivables have been grouped based on shared credit risk characteristics and the days overdue. Expected loss rates are applied based on payment profiles and corresponding historical credit losses experienced within the year. Expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle their debt.

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, 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 indicators 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.

Associates

An associate is an entity over which the Council and Group have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

Investments in associates are measured using the equity method in the Council and Group financial statements.

Equity method of accounting in Group financial statements

Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council and Group's share of the change in net assets of the entity after the date of acquisition. The Council and Group's share of the surplus or deficit is recognised in the Council and Group surplus or deficit. Distributions received from the investee reduce the carrying amount of the investment in the Council and Group financial statements.

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

Associates of the Council and Group:

- Mountain Bike Events Limited
- Pukaki Trust
- Rotorua Museum Centennial Trust

Other Financial assets

Shares in subsidiaries

Rotorua Regional Airport Limited

Rotorua Economic Development Limited

Infracore Limited

Kauae Cemetery Trust Board

The Council and Group consolidate in the Group financial statements those entities it controls. Control exists where the Council and Group is exposed, or has rights, to variable benefits (either financial or non-financial) and can affect the nature and amount of those benefits from its power over the entity. Power can exist over an entity if, under its purpose and design, the relevant activities and how the relevant activities of the entity can be directed has been predetermined by the Council and Group.

Investments in subsidiaries are measured at fair value through other comprehensive revenue and expense using the net asset backing value method in the Council financial statements.

The net asset backing method is assessed as an appropriate fair value technique as the assets and liabilities on the entities' balance sheets are predominantly carried at fair value rather than cost.

Investments in subsidiaries are assessed at each year-end for impairment. A significant or prolonged decline in the fair value of the investment below its costs is considered to be objective evidence of impairment. If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit. Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

The Council and Group 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.

Shares in other entities

BOP Local Authority Shared Services Limited

Waikato Local Authority Shared Services Limited

Civic Financial Services Limited

In accordance with PBE IPSAS 29 (2021/22)

Shares (other than shares in subsidiaries) and listed bonds (other than those designated as held to maturity) are initially recognised at fair value plus transaction costs and are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares and listed bonds are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below its costs is considered to be objective evidence of impairment. For listed bonds, significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments is considered to be objective evidence of impairment.

If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit. Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

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

In accordance with PBE IPSAS 41 (2023-2031)

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 or deficit.

On initial recognition the Council has made the irrevocable election to designate Investments in Other Entities as at fair value through other comprehensive revenue and expense (FVTOCRE). Designation at FVTOCRE is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which PBE IFRS 3 applies. Subsequent to initial recognition equity investments at FVTOCRE are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive revenue and expense. The cumulative gain or loss will not be reclassified to surplus or deficit on disposal of the equity investments, instead, they will be transferred to accumulated surplus.

There is no assessment for impairment when fair value falls below the cost of the investment.

Borrower notes

Borrower notes are subordinated convertible debt instruments that the Council subscribes for in an amount equal to 1.6% of the total borrowing from LGFA. LGFA will redeem borrower notes or convert to equity under specific circumstances when the Council's related borrowings are repaid or no longer owed to LGFA.

Borrower notes are recognised at fair value through surplus or deficit and the fair value is calculated using the discounted cash flow method. The significant input used in the fair value measurement of borrower notes is the forward interest rate yield curve.

Inventory

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 cost.

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 of the Council and Group are classified into three categories:

Operational assets – These include property, plant and equipment used to provide core council services, either as a community service, for administration or as a business activity. These operational assets include land, buildings, library books, motor vehicles, art collections, plant and equipment, and landfill post-closure.

Infrastructure assets – These include land under roads and systems and networks integral to the city's infrastructure. These assets are intended to be maintained indefinitely, even if individual assets or components are replaced or upgraded. These infrastructure assets include land, parks and reserves, recreational forests, roading and footpaths, sewerage assets and water assets. Each class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Restricted assets - Restricted assets include property and improvements where the use or transfer of title outside the Group or the Council is subject to restrictions.

This includes restriction imposed by legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the asset can be used). These restricted assets include airport infrastructure, land and landfill pre-closure.

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.

Initial recognition:

Property, plant and equipment is measured at initial costs 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 as at the date of acquisition.

Subsequent costs:

Costs incurred 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 or Group 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.

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.

Revaluations:

Land (operational, infrastructural, restricted and land under roads), buildings (operational and restricted), art collections, infrastructural assets (including landfill pre-closure) and airport 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 (except for airport assets which are at least every 5 years). 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, then the off-cycle asset classes are revalued.

The value of recreational forests is at deemed cost. All other assets are carried at depreciated historical cost.

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.

Work in progress:

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

Depreciation:

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

- Land is 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.

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

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.

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
Airport Assets	
Runway, Taxiways, Aprons	*10 to 80 years*
Other paved areas	*13 years*
Surround security fences	*10 years*
Landfill improvements	3 to 100 years
Roads and footpaths	
Seal - First coat and base	*80 years*
Seal - second coat	*12 years*
Footpaths (concrete)	*100 years*
Footpaths (bitumen)	*7 to 20 years*
Bridges	*40 to 100 years*
Water	
Treatment plants and facilities	*5 to 100 years*
Water and reticulation (other assets)	*10 to 130 years*
Sewage system	
Treatment plants and facilities	*5 to 100 years*
Wastewater and reticulation (other assets)	*10 to 140 years*
Stormwater drainage	10 to 130 years

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

Impairment of property, plant and equipment

Property, plant and equipment subsequently measured at cost that have a finite useful life are reviewed for impairment at each balance date or 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 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. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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 the deemed cost of the area of forest evidenced within a felling plan is offset against proceeds and felling costs at the time. The net value is recognised in surplus or deficit.

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

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

Investment property

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

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

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

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

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.

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. 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 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 based on the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to 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, costs associated with maintaining computer software and costs associated with the development and maintenance of the Council's website are recognszed as an expense 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

Payables and deferred revenue

Short-term creditors and other payables represent amounts payable within 12 months of balance date and are recorded at their face value. Payables and deferred revenue are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables and deferred revenue approximates their fair value.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

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, sick leave and e-Bike loans.

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

A liability and an expense are recognised for bonuses where the Group has contractual obligation 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 non-current liability.

The expense relating to these provisions is presented in the Statement of Comprehensive Revenue and Expense net of any reimbursement.

Provisions

The Council and Group recognise a provision for the 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 an un-related party, its fair value at inception is equal to the consideration received. When no consideration is received the 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 at the amount of the loss allowance determined in accordance with the ECL model described.

Financial guarantees are subsequently measured at the higher of:

- the amount determined in accordance with the ECL model as described; and
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

Equity

Net assets/equity is the community's interest in the 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 funds; and
    - Reserves, consisting of:
    - Self-funding reserves;
    - Council-created reserves;
    - Restricted reserves;
    - Fair value through equity reserve; and
    - Asset revaluation reserves.

Reserves

Self-funding reserves

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

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.

Fair value through equity reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into functional currency (NZD) 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.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and 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 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.

A new cost allocation model with updated cost drivers have been implemented from year 1 of the Long Term Plan.

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 the period 2021-2031:

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 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 liability is not recognised until it is expected that the condition will be breached.

Classification of Property

The Council owns several properties that 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 a 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 years.

Critical accounting estimates and assumptions

In preparing the Long Term Plan 2021 – 2031 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 3,964 new rateable properties over the 10 years of the Long Term Plan
- Sale of $11.3m of property over the 10 years of the Long Term Plan
- In addition to the above list, a full list of significant risks can be found in out significant forecasting assumptions section from page 160.

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 the 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

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

What activities should the Council fund?

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

The range of activities undertaken by the 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 the Council's day-to-day expenditure comes into this category. This includes contributions to the wear and tear on assets used (depreciation), the interest charged on borrowing for capital projects and corporate overheads.

The Council generates sufficient cash inflow from revenue sources (including rates) to meet cash outflow requirements for operating expenditure over the long term.

The 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.

The 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.

The Council's 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 several factors, including:

- The cost of providing the service
- The estimate of the user's 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 council's ability to charge user charges is limited by powers conferred on it by many statutes and regulations. As a 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 the Council may set fees at greater than the cost of providing the service. The Council considers it appropriate to include corporate overhead charges in the determination of the cost of providing a service.

Where the Council is charging for the sale of goods or services not required by statute, the Council's preference is to charge market price. This includes leases, rents, licences for land and buildings.

Fees and charges may be set by the Council at any times and are reviewed by the 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 subsides 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).

The Council expects to continue receiving substantial subsidies of road maintenance from the 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

The Council does not collect revenue from these sources to fund operating costs.

Reserve funds

The Council maintains a small number of reserve funds. Some of these reserves are available to meet 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.

The Council may establish targeted rates to fund operating costs where benefits can be measured and beneficiaries identified.

The 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.

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

The 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.

The 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

The Council relies on significant subsidies for capital works in its roading activity. Other activities can 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

The Council does not currently collect development contributions to fund capital costs necessary to service growth over the long term.

The Council will be developing a Developments contribution policy during 2021 with a view of introducing the policy in 2022.

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

The 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.

The 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

The 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

The 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

The 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.

The 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.

The 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 a 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 over 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 revaluations have been completed and will come into effect for rating purposes on 1 September 2020. The general revaluation will cause the 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

The 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 secondary use. Where Council considers the secondary use is significant then 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

The 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

The 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 the Council are provided in the body of the 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
	Total community	Individual users			
Community Wellbeing					
District Library	•	•	Users and borrowers	LT	N
Rotorua Museum	•	•	Visitors to museum	LT	N
Sir Howard Morrison Performing Arts Centre	•	•	Users of venues. Also businesses that benefit from visitors coming to Rotorua	LT	N
Gardens, Reserves and Sportsgrounds	•	•	Sports groups, reserve users (if area booked for event) and burials	LT	N
Aquatic facilities	•	•	Users of Aquatic Centre	LT	N
Energy Events Centre	•	•	Users of venues. Also businesses that benefit from visitors coming to Rotorua	LT	N
Community Leadership					
Governance and Community Engagement	•		All residents equally. Individual property owners	A	N
Emergency Management	•		Whole community	A	N
Pensioner Housing	•		Pensioner housing beneficiaries	LT	N
District development & Regulatory					
Animal Control	•	•	Animal owners and whole community	A	Yes (dog owners)
Inspection	•	•	Individual property owners, specific businesses and the whole community	Mostly A	Premises servicing food and/or liquor and properties connected to geothermal
Building Services	•	•	Property owners	LT + INTG	Yes, property owners who undertake new building or alterations
Parking Enforcement	•	•	Visitors and residents parking in the CBD	LT	Exacerbators are the visitors and residents who do not comply with parking regulations

Key: LT - Long Term A - Annually INTG - Intergenerational

Will proposeed funding allow residents access to facility or service?	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
Yes	Ratepayers in outer rural areas possibly have less opportunity to access facility	Yes	N/A	5-10%		90-95%	
Yes	Residents able to access without fee. Businesses benefit from facility being an attraction	Yes	N/A	40-45%		55-60%	
Yes, although residents can be excluded from venues as a result of high revenue events and conference securing bookings	Increased visitors which assists businesses however, also increase in traffic congestion arising from major events	Yes	N/A	45-50%		50-55%	
Yes	User groups and ratepayers.	Yes	N/A	5-10%		90-95%	
Yes (although some lower socio-economic families may not always be able to use)	Users of facility will be affected directly by any fee change	Yes	N/A	0-5%		95-100%	
Yes, although residents can be excluded from venues as a result of high revenue events and conference securing bookings	Increased visitors which assists businesses however, also increase in traffic congestion arising from major events and sports	Yes	N/A	40-45%		55-60%	
Yes		Yes	N/A	0-5%		95-100%	
Yes	No	Yes	N/A	0-5%		95-100%	
Yes	Perceptions of inequality in support provided	Yes	N/A	95-100%		0-5%	
Some people may not be able to afford to own dog	Dog owners (affordability) and ratepayers	Yes	Yes. By setting the fees at an affordable level it does not act as a barrier to dog owners registering their dogs	90-95%		5-10%	
Yes	Businesses servicing food and liquor. Property owners connected to geothermal	Yes	Yes	50-55%		45-50%	
Yes	Affordability for property owners doing building or alterations	Yes	Yes. By setting the fees at an affordable level it does not discourage obtaining the necessary consents	70-75%		25-30%	
Yes	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%	

Funding policy table (continued)

Activities	Who Benefits: Total community	Who Benefits: Individual users	Users/beneficiaries	Period of benefit (intergenerational equity principle)	Are there exacerbators Y/N
District development & Regulatory (continued)					
Planning, Policy and Consenting Services	•	•	Individual property owners and the whole community	A + LT	Individuals and groups wanting resource consents ndividuals and groups wanting resource consents
Tourism	•	•	Visitors, businesses and community as a whole	A + LT	
Economic Development	•		Visitors, businesses and community as a whole	A + LT	
Roads and Footpaths					
Roads and Footpaths	•	•	Individual road users and community as a whole	LT	N
Sewerage and Sewage					
Sewerage and Sewage	•	•	Properties that are connected /able to be connected to wastewater system. Also community as a whole	LT	N
Stormwater and Land Drainage					
Stormwater and Land Drainage	•		Property owners where systems in place and community as whole	LT	N
Waste Management					
Waste Management	•	•	Individuals disposing of waste, and community as a whole	LT	Some exacerbators: fly tipping
Water Supplies					
Water Supplies		•	Properties that are supplied/able to be supplied water	LT	N

Key: LT - Long Term A - Annually INTG - Intergenerational

Will proposeed funding allow residents access to facility or service?	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
Yes	No	Yes	Yes. Encourages environmentally positive actions.	50-55%		45-50%	
Yes	Greater share of cost charged to business as considered they benefit more from activity	Yes	N/A		80-85%	15-20%	
Yes	Greater share of cost charged to business as considered they benefit more from activity	Yes	N/A		80-85%	15-20%	
Yes	More of roading budget spent in rural area	Yes	N/A	5-10%		90-95%	
Yes (where provided)	High cost for property owners connected to new schemes	Yes	N/A	0-5%	95-100%		
N/A	Moving a portion from general rate allocated on land value will reduce the impact on farming and rural residential. Businesses with high capital values may pay an increased share	Yes	N/A	0-5%		95-100%	
Yes	No	Yes	Landfill fees and limited collection service can result in greater level of littering		70-80%	20-30%	
Yes (where provided)	Greater cost for those connected to smaller schemes. Could consider amalgamating schemes	Yes	No incentive to conserve water as uniform targeted rate (except those on water by meter)	0-5%	95-100%		

Please note: *the funding policy will not be achieved for the Museum and Sir Howard Morrison Performing Arts Centre while closed for renewal work.*

Papa whakatipu | Outstanding places to play

Waahi pūmanawa | Vibrant city heart

Whakawhanake pākihi | Business innovation and prosperity

Kāinga noho, kāinga haumaru | Homes that match needs

He hāpori pūmanawa | A resilient community

He huarahi hou | Employment choices

Tiakina to taiao | Enhanced environment

Rates for 2021/22

- 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									
2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
30,166	30,727	31,184	31,625	32,046	32,443	32,812	33,086	33,334	33,559

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
2021/22		
1. General Rate – Base	1.0	0.002310
2. General Rate – Business	1.72	0.003974

The amount to be collected for 2021/22 is $54,770,534.

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

Uniform annual general charge

Council sets a uniform annual general charge as a fixed amount of $425.00 per rateable rating unit.

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

- Community Wellbeing
- Community Leadership
- District Development
- Roads and Footpaths
- 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 2021/22 is $12,089,427

Targeted rate for lakes enhancement

Council sets a targeted rate for lakes enhancement as a fixed amount of $18.98 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 2021/22 is $515,513.

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 2021/22 is $6,954,037.

Rotorua is a place where Council, partners and the community work together to achieve our common goals.

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

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	Relative differentials	Rate per $ of capital value
Business Urban and Rural	5,326,269	0.002528
Industrial	577,793	0.000828
Farming	621,470	0.000172

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 used for industrial purposes.

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

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 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

The relationship between the differential categories for the waste collection rates and the amount of the rate for the 2021/22 year is as follows:

Waste Collection	Relative differentials (%)	2021/22 rate $
The total amount to be collected in 2021/22 is $5,451,000		
Serviced	100	221.27 per SUIP
Serviced (CBD business SUIP)	200	442.53 per SUIP
Serviced (Rural)	100	221.27 per SUIP
Serviceable	50	110.63 per rating unit

Description of differential categories for the refuse collection and waste management services rates – rateable properties

Serviced: All rating units that receive this service within the area shown on Map V, excluding rating units within the CBD area identified in Map Y.

Serviced (CBD business SUIP): All rating units used for commercial purposes within the CBD area identified in the map X.

Serviced (Rural): All rating units identified on map W.

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 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 $11,411,368.

The targeted rates for water supply are as follows:

Water supply (except Kaharoa and Reporoa) (Service areas shown on Map A, Map B, Map C, Map D, Map E, Map F)	Relative differentials (%)	Factor of liability	2021/22 Rate $
The amount to be collected is Metered water $4,330,000; General water rate $6,030,368			
A differential targeted rate of:			
For rating units within the service areas that are receiving the service	100	Per SUIP	297.88
For rating units within the service areas to which water supply is available	50	Per rating unit	147.44
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	1.2405
Kaharoa (Service areas shown on Map G)	**Relative differentials (%)**	**Factor of liability**	**2021/22 Rate $**
The amount to be collected is $306,000			
A targeted rate of a fixed amount per connection to a rating unit		Per connection	339.00
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	0.4369
Reporoa (Service areas shown on Map H)	**Relative differentials (%)**	**Factor of liability**	**2021/22 Rate $**
The amount to be collected is $745,000			
A differential targeted rate:			
A fixed amount per connection on each Domestic/Non-Farming rating unit connected	64	Per connection	198.70
A fixed amount per connection on each Farming/Dairy-Factory rating unit connected	100	Per connection	310.50
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	0.5972
A fixed amount on each metered water connection to a Farming/Dairy factory rating unit per cubic metre supplied in excess of the 82 cubic metres per quarter	64	Per cubic metre	0.3822

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	2021/22 Rate $
The amount to be collected is $19,473,353.			
1. Rating unit connected:			
Category 1 - means the rating units with 1 to 4 toilets (water closets or urinals).	100	Per WC/urinal	558.06
Category 2 - means the rating units with 5 to 10 toilets (water closets or urinals).	84	Per WC/urinal	468.77
Category 3 - means the rating units with 11 or more toilets (water closets or urinals).	76	Per WC/urinal	424.13
2. Serviceable			
- means the rating units which are serviceable rating units.	49	Per rating unit	273.45

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 $3.07 per rating unit.

The rate funds the cost of sewerage capital work in the Ngongotahā, Fairy Springs and Hinemoa Point areas.

The amount to be collected in 2021/22 is $68,141.

Targeted Rates for Capital Cost of Sewerage Schemes

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

- Ōkawa Bay
- Mourea
- Marama Point
- Amora Lake Resort
- Hinemoa Point
- Brunswick
- Brunswick stages 4 and 6
- Rotokawa
- Lake Ōkareka/Blue lake
- Ōkere Falls/Otaramarae/Whangamarino
- Paradise Valley
- Hamurana/Awahou
- Waikuta Marae
- Vision Charitable Trust

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

	Factor of liability	2021/22 Rate $
Amora Lake Resort (Rating unit 06961 052 00)		
The amount to be collected is $12,250 A fixed amount per rating unit	Per rating unit	12,250.34
Brunswick Stages 4 and 6 (Service areas shown on Map M)		
The amount to be collected is $9,953. A fixed amount on each household unit equivalent (HUE)	Per HUE	292.74
Brunswick (Service areas shown on Map N)		
The amount to be collected is $54,244 A fixed amount on each household unit equivalent (HUE)	Per HUE	609.49
Hamurana/Awahou (Service areas shown on Map O)		
The amount to be collected is $126,120 A fixed amount on each household unit equivalent (HUE)	Per HUE	426.08
Hinemoa Point (Service areas shown on Map K)		
The amount to be collected is $25,505 A fixed amount on each household unit equivalent (HUE)	Per HUE	495.25
Lake Ōkareka/Blue Lake (Service areas shown on Map P)		
The amount to be collected is $164,885 A fixed amount on each household unit equivalent (HUE)	Per HUE	897.09
Marama Point (Service areas shown on Map Q)		
The amount to be collected is $14,692 A fixed amount on each household unit equivalent (HUE)	Per HUE	233.20
Mourea (Service areas shown on Map J)		
The amount to be collected is $26,688 A fixed amount on each household unit equivalent (HUE)	Per HUE	291.67
Ōkawa Bay (Service areas shown on Map L)		
The amount to be collected is $9,089 A fixed amount on each household unit equivalent (HUE)	Per HUE	454.46
Ōkere Falls / Otaramarae / Whangamarino (Service areas shown on Map R)		
The amount to be collected is $105,890 A fixed amount on each household unit equivalent (HUE)	Per HUE	404.47
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
Rotokawa (Service areas shown on Map T)		
The amount to be collected is $31,953 A fixed amount on each household unit equivalent (HUE)	Per HUE	187.96
Waikuta Marae (Service areas shown on Map U)		
The amount to be collected is $2,137 A fixed amount on each household unit equivalent (HUE)	Per HUE	356.14
Vision Charitable Trust (rating unit 6972 275 04)		
The amount to be collected is $15,541 A fixed amount per rating unit	Per rating unit	15541.30

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 exists, each household unit additional to the primary dwelling will be assessed on the following basis:

Floor Area of Additional Household Unit	% Charge/HUE
Less than 40m²	No charge*
40m² to less than 60m²	50% HUE
60m² to less than 70m²	60% HUE
70m² to less than 80m²	70% HUE
80m² to less than 90m²	80% HUE
90m² to less than 100m²	90% HUE
100m² or greater	100% HUE or 1 HUE

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

Definition of separately used or inhabited part of a rating unit

Separately used or inhabited part (SUIP): A separately used or inhabited part of a rating unit means 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 2021/22 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.

Initial Charges One-Off (plus GST at the prevailing rate)	**Charging Unit**	**2021/22**
Application Fee	One-Off	$88.89
Contribution to Counselling	One-Off	$250.00
Half Year Interest Charges		
Interest calculated on councils marginal borrowing rate 6 monthly on all amounts outstanding		
Annual Charges (plus GST at the prevailing rate)	**Charging Unit**	**2021/22**
Annual Account Fee	Annual	$44.44
Administration Fee	Annual	1.0%
Reserve Fund Fee	Annual	0.25%
Property Insurance *	Annual	TBA
** Property Insurance: A ratepayer must submit a current insurance certificate annually. If the ratepayer cannot afford separate cover council will arrange cover, and the cost will be added to the balance of postponed rates.*		

Due dates for payment of rates

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

Instalment	Due Date	Penalty Date
Instalment Number 1	20 August 2021	23 August 2021
Instalment Number 2	20 November 2021	23 November 2021
Instalment Number 3	20 February 2022	22 February 2022
Instalment Number 4	20 May 2022	23 May 2022

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 2021/22 is 2.0 %.

We borrow to meet the demands of building new, we do not borrow to fund our services or to renew existing assets.

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 2021 to rates assessed in any previous financial year and which remain unpaid on 30 June 2021.
- A further penalty of 10% will be added on 7 January 2022 to rates assessed in any previous financial year, plus any previous further penalty, and which remain unpaid on 6 January 2022.

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 'Māori Freehold land title'; and
    - Is under multiple ownership; and
    - Is unoccupied

Due dates for payment of targeted rates for metered water supply

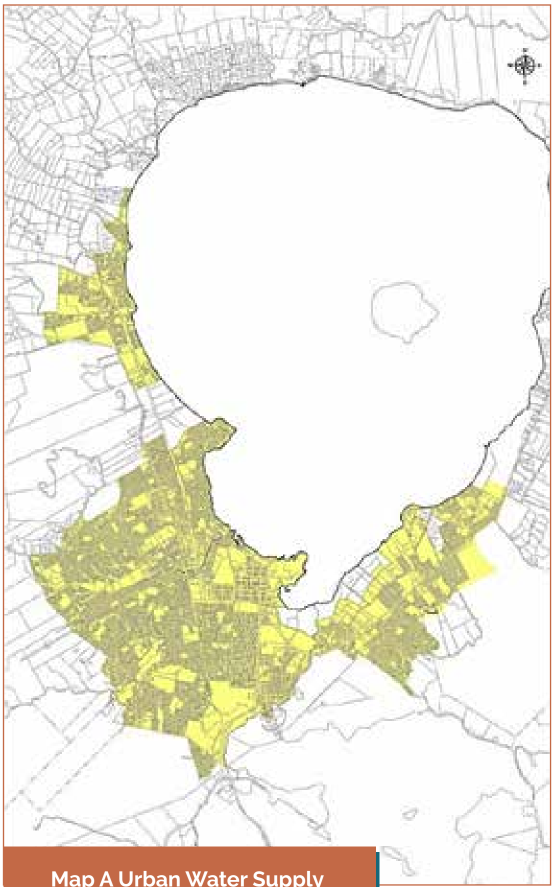
Targeted rates for metered water supply will be read and invoiced quarterly. The due date for payment for each of the quarters is as follows:

Billing Cycle	Billing Month	Due Date	Penalty Date
May – August	August	25 September 2021	28 September 2021
August – November	November	20 December 2021	24 December 2021
November – February	February	25 March 2022	28 March 2022
February – May	May	25 June 2022	28 June 2022

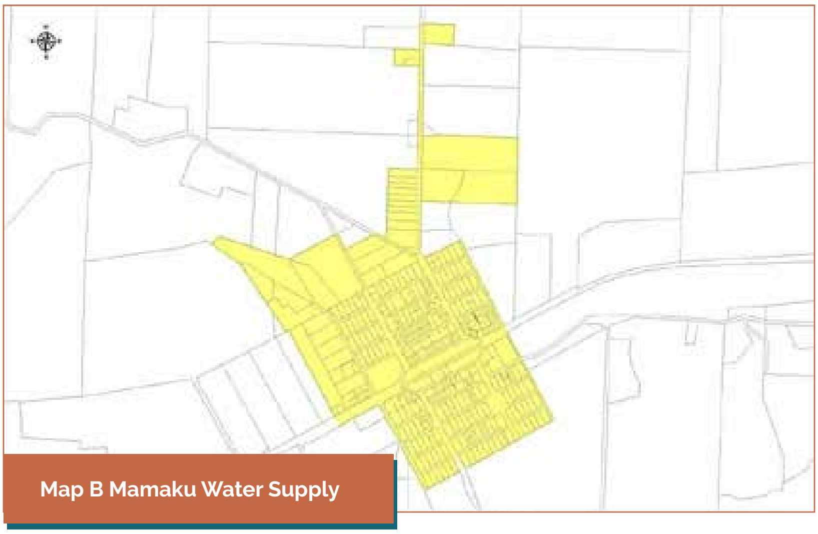
Penalties on unpaid water invoices

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.

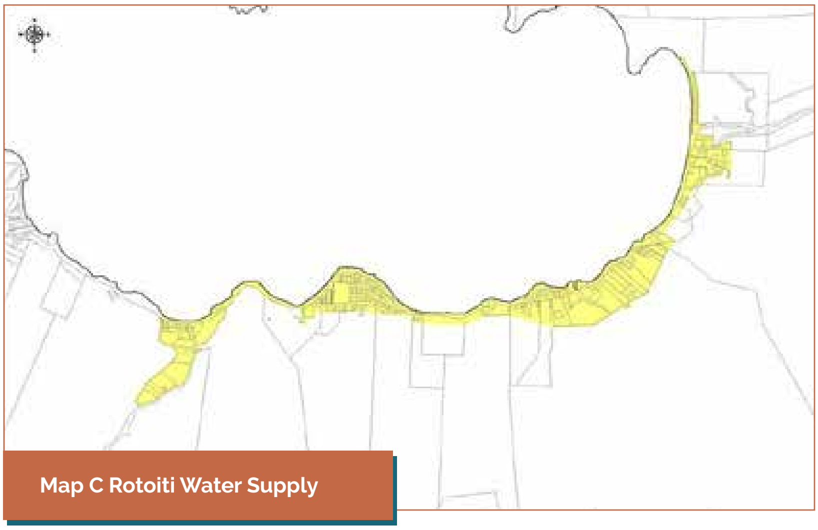
Rating maps



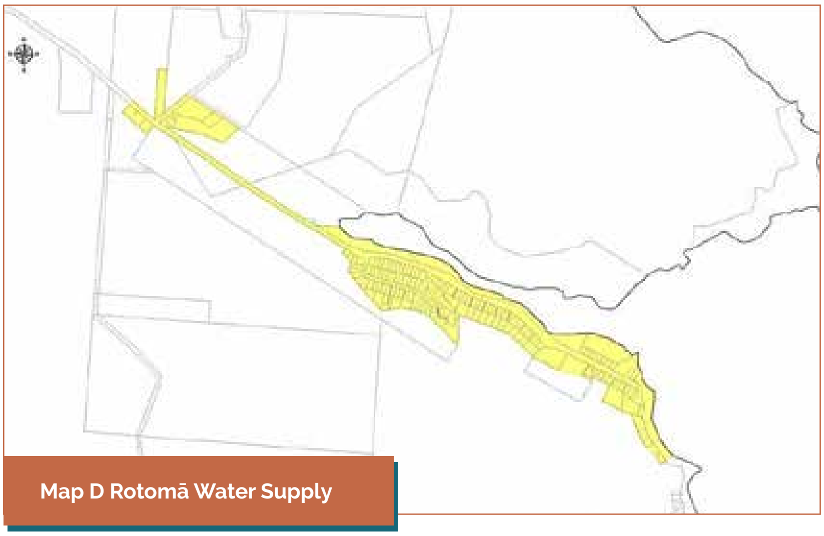
Map A Urban Water Supply



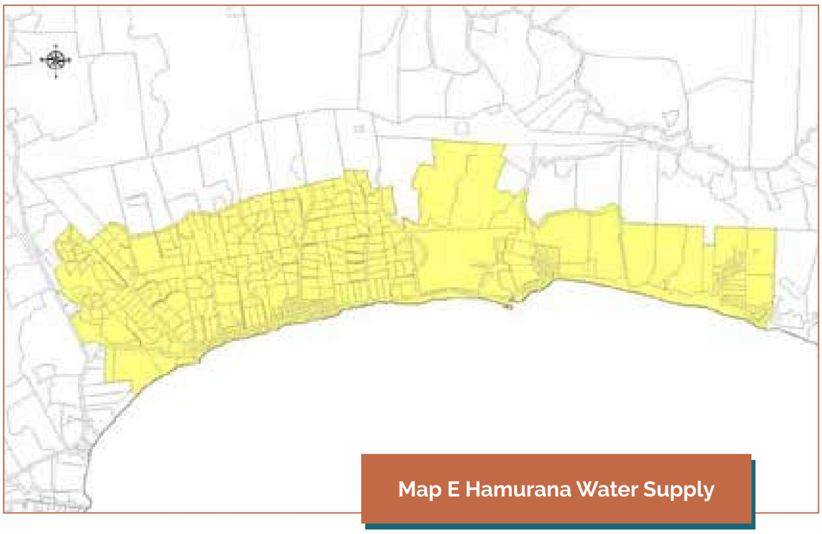
Map B Mamaku Water Supply



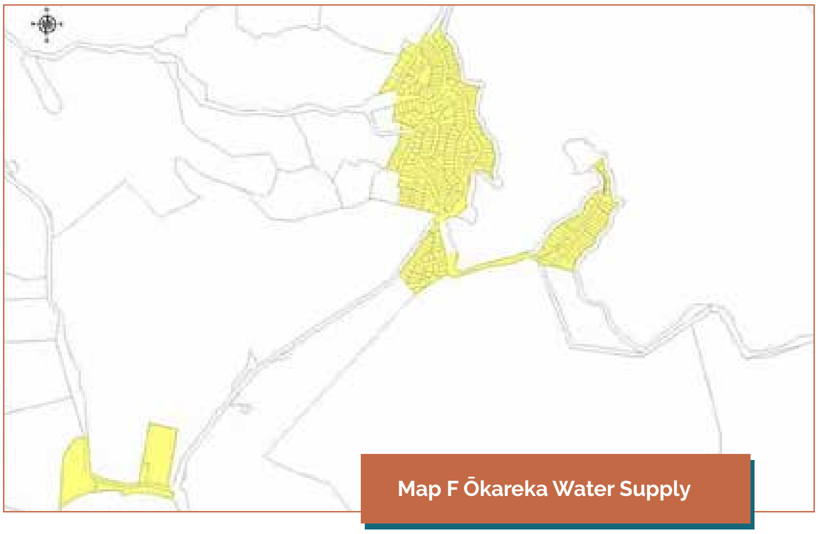
Map C Rotoiti Water Supply



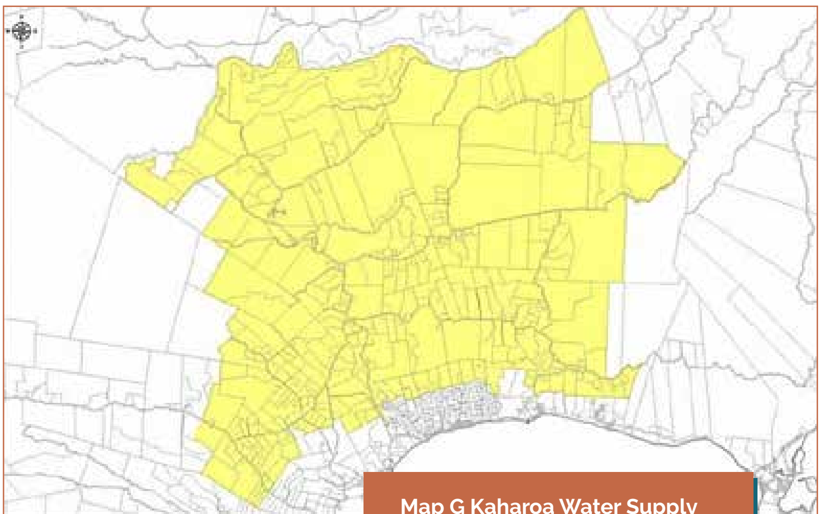
Map D Rotomā Water Supply



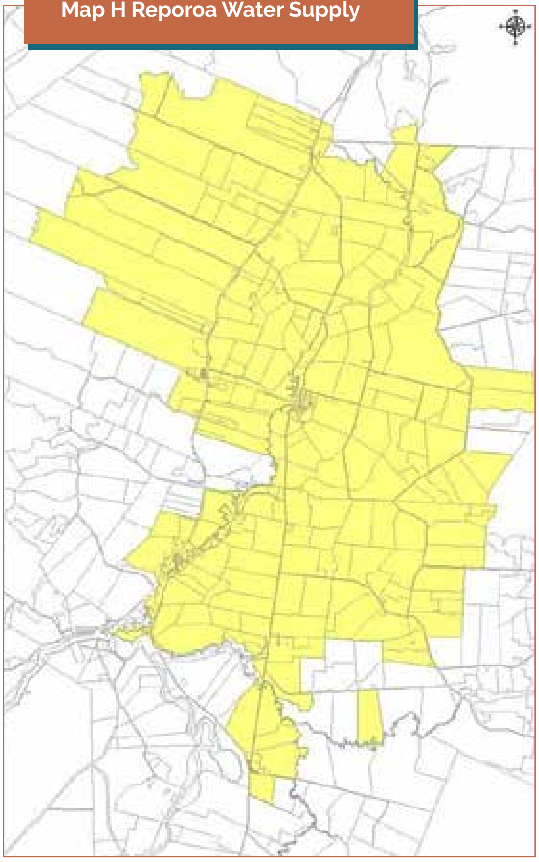
Map E Hamurana Water Supply



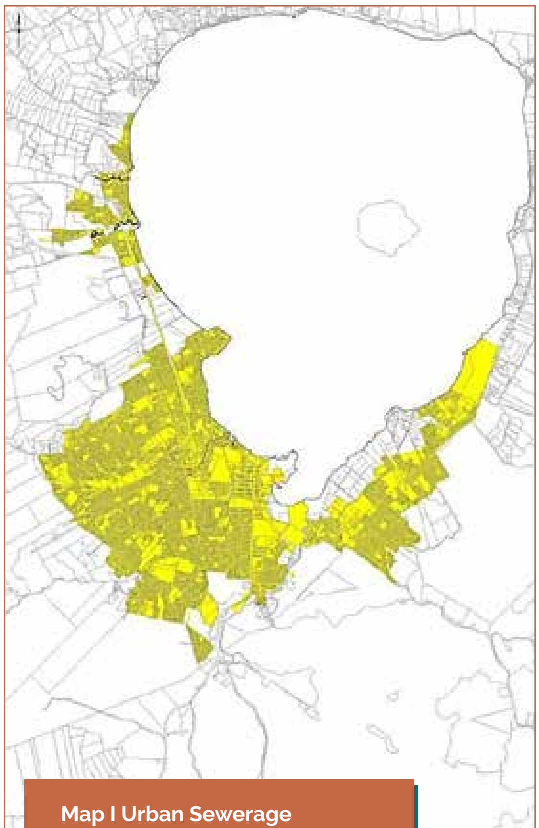
Map F Ōkareka Water Supply



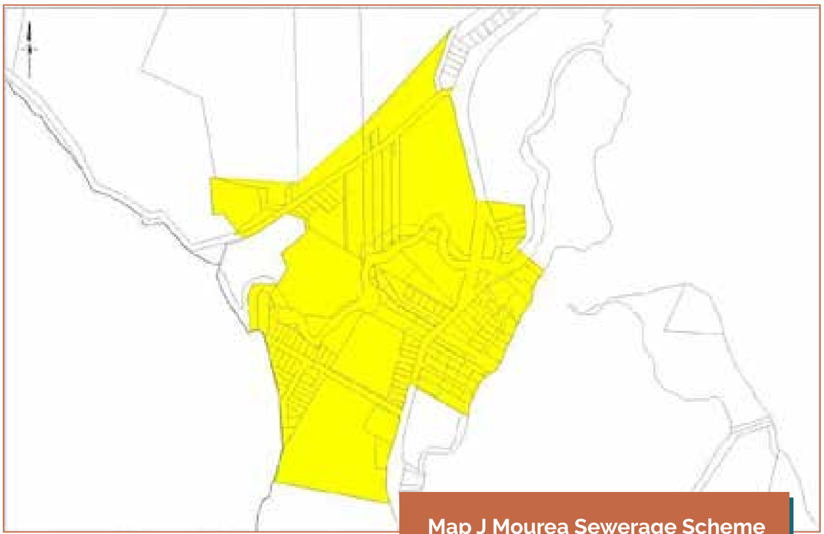
Map G Kaharoa Water Supply



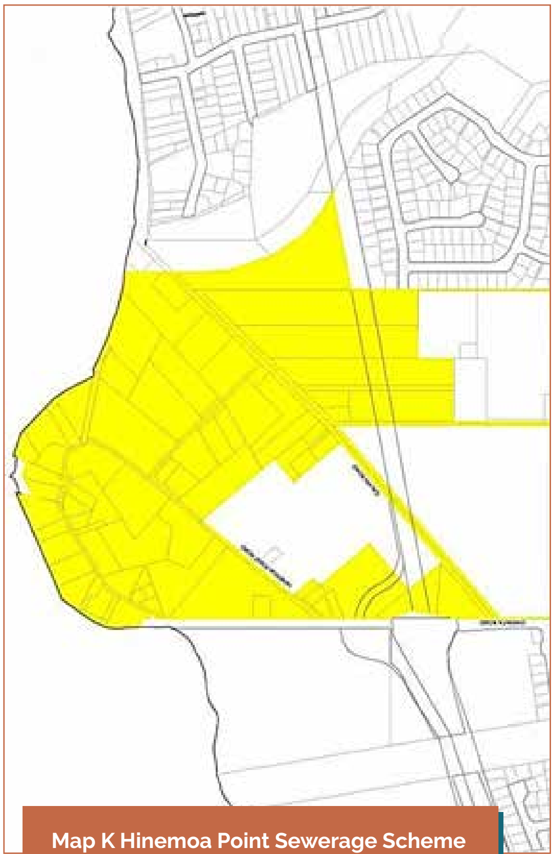
Map H Reporoa Water Supply



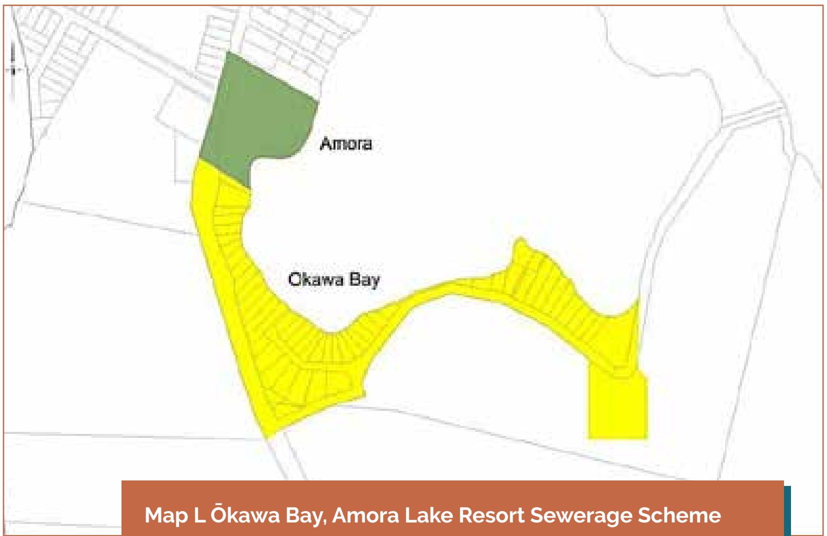
Map I Urban Sewerage



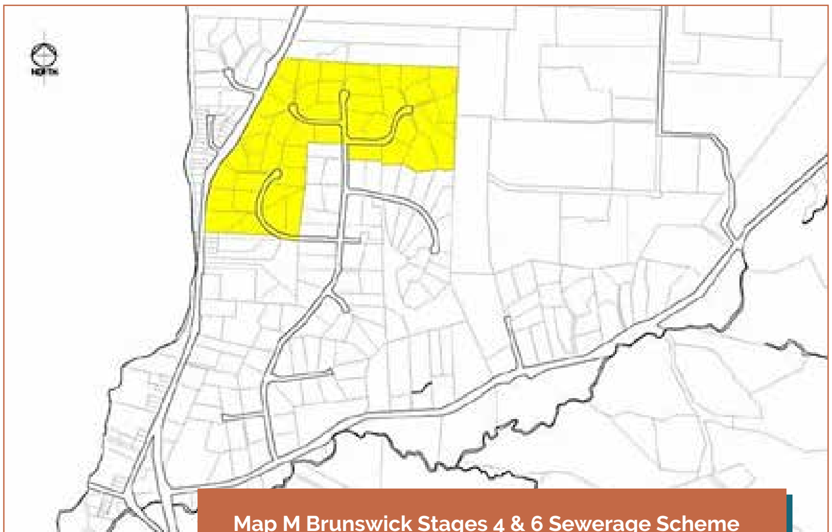
Map J Mourea Sewerage Scheme



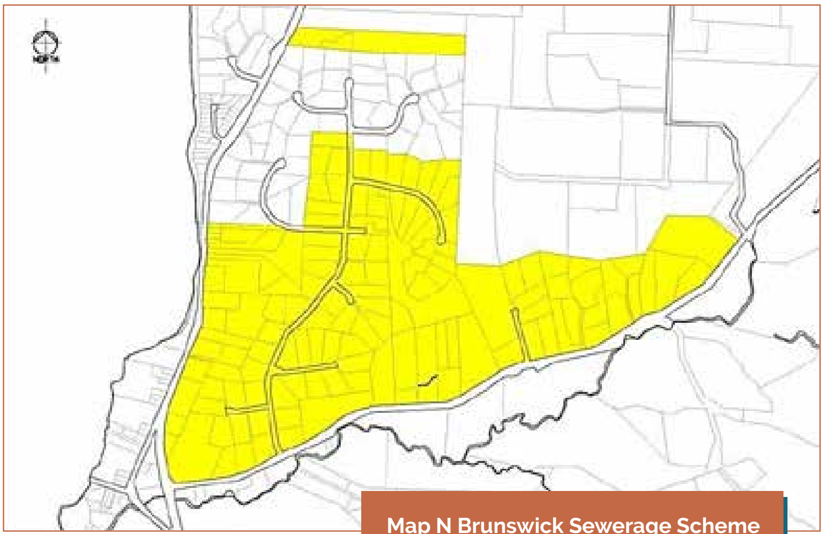
Map K Hinemoa Point Sewerage Scheme



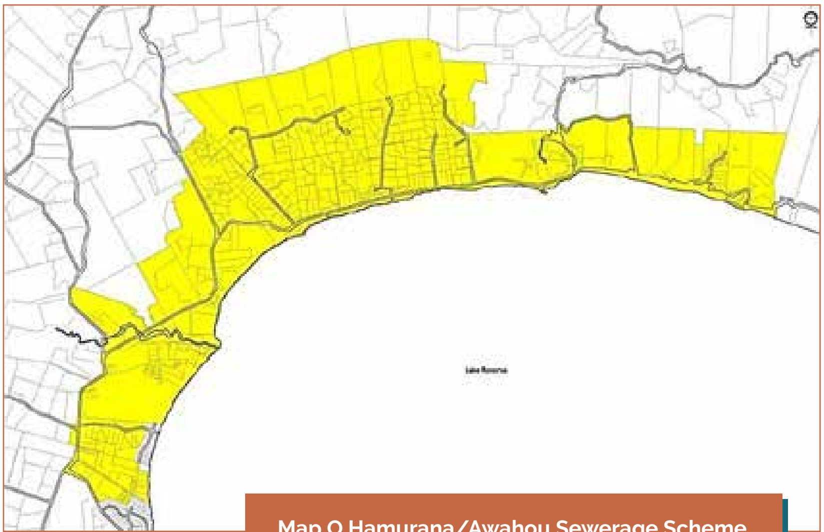
Map L Ōkawa Bay, Amora Lake Resort Sewerage Scheme



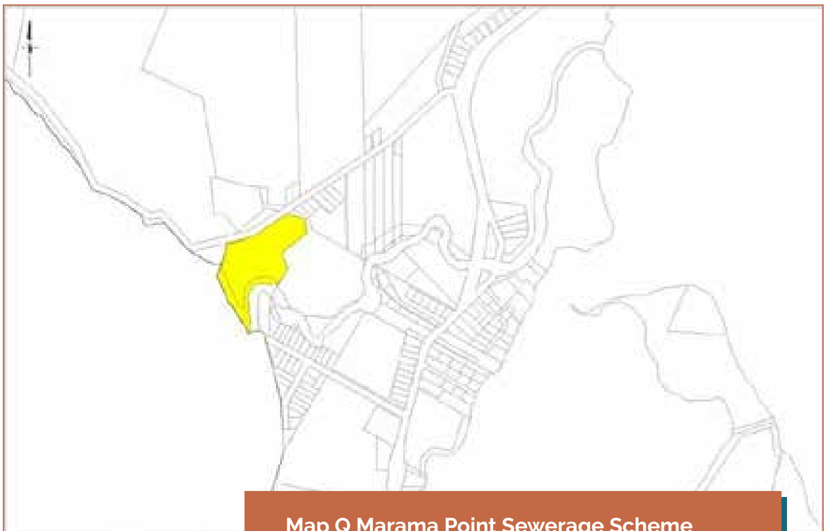
Map M Brunswick Stages 4 & 6 Sewerage Scheme



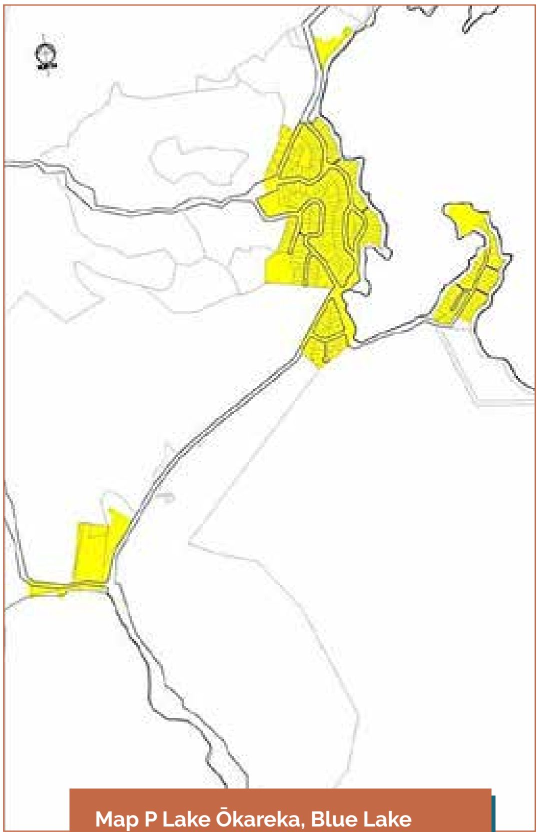
Map N Brunswick Sewerage Scheme



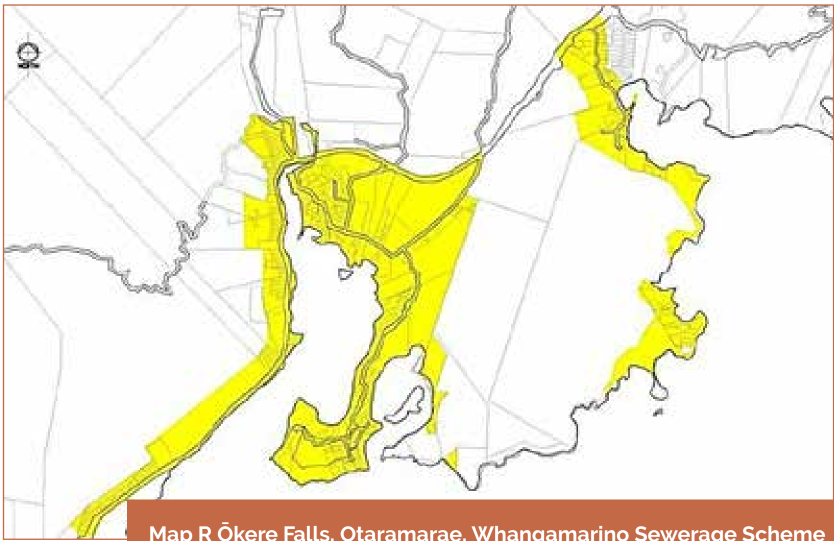
Map O Hamurana/Awahou Sewerage Scheme



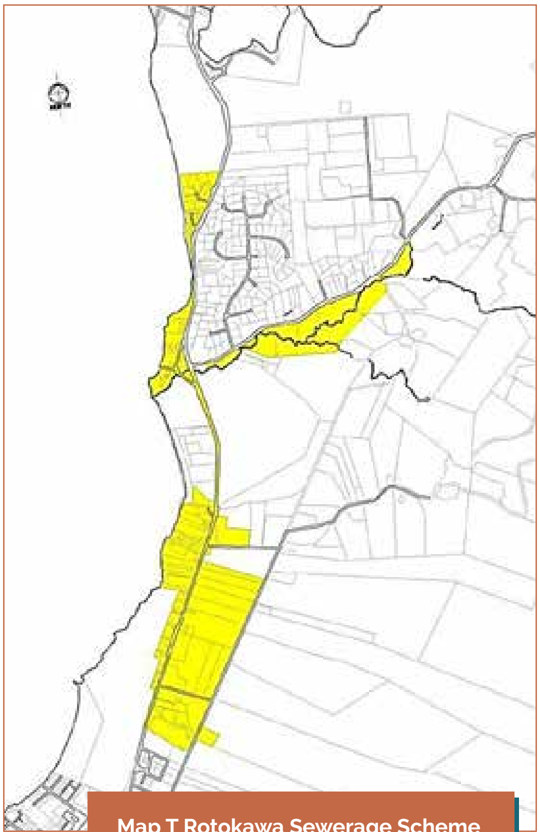
Map Q Marama Point Sewerage Scheme



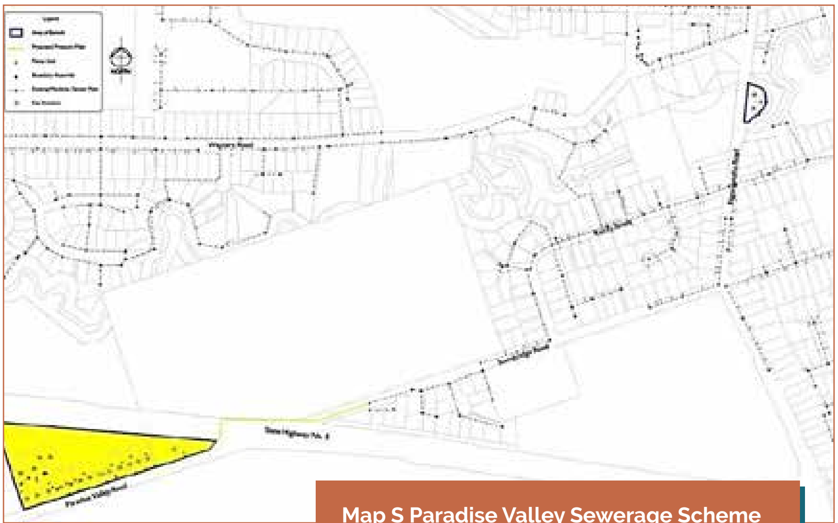
Map P Lake Ōkareka, Blue Lake Sewerage Scheme



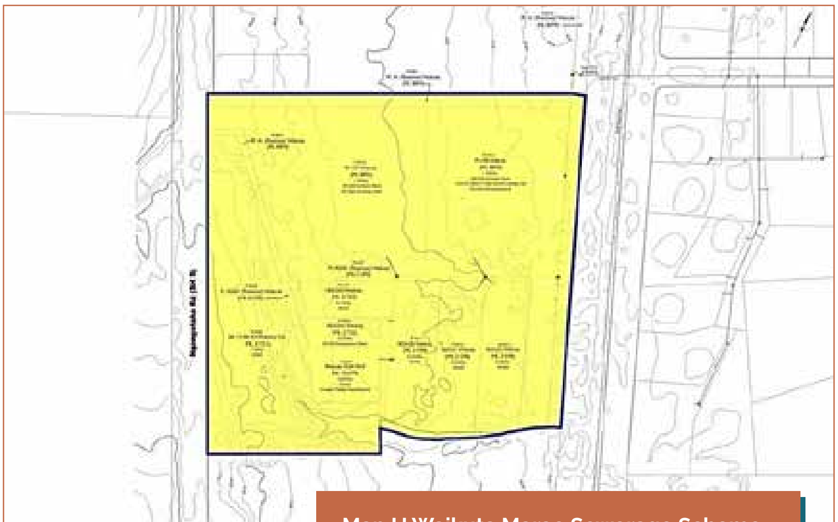
Map R Ōkere Falls, Otaramarae, Whangamarino Sewerage Scheme



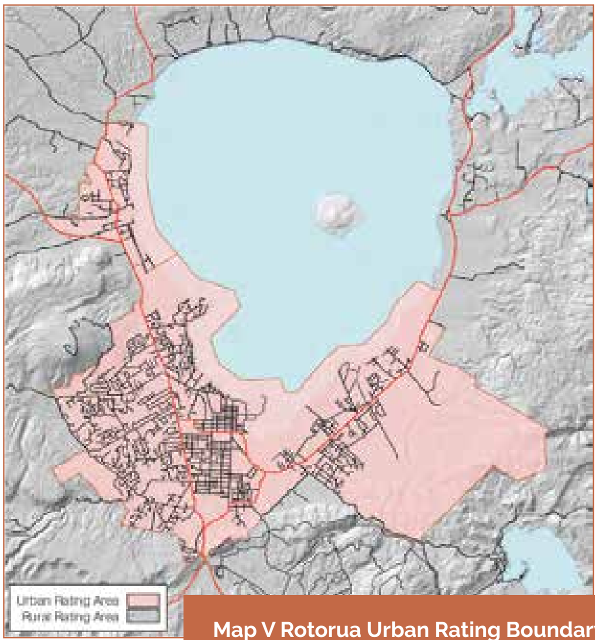
Map T Rotokawa Sewerage Scheme



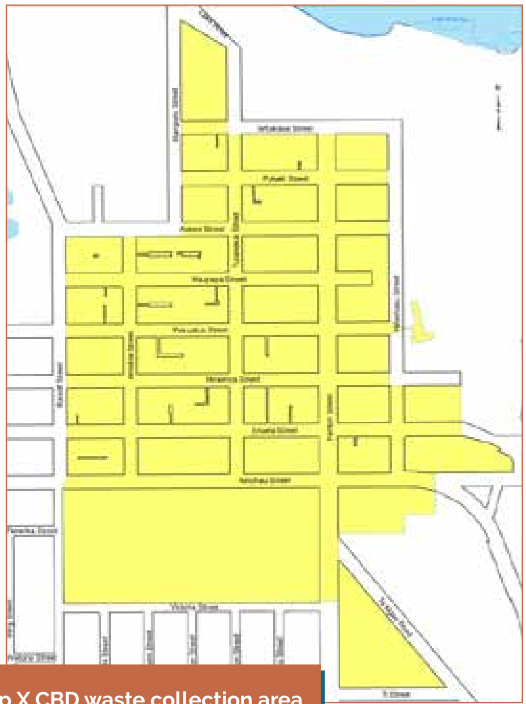
Map S Paradise Valley Sewerage Scheme



Map U Waikuta Marae Sewerage Scheme

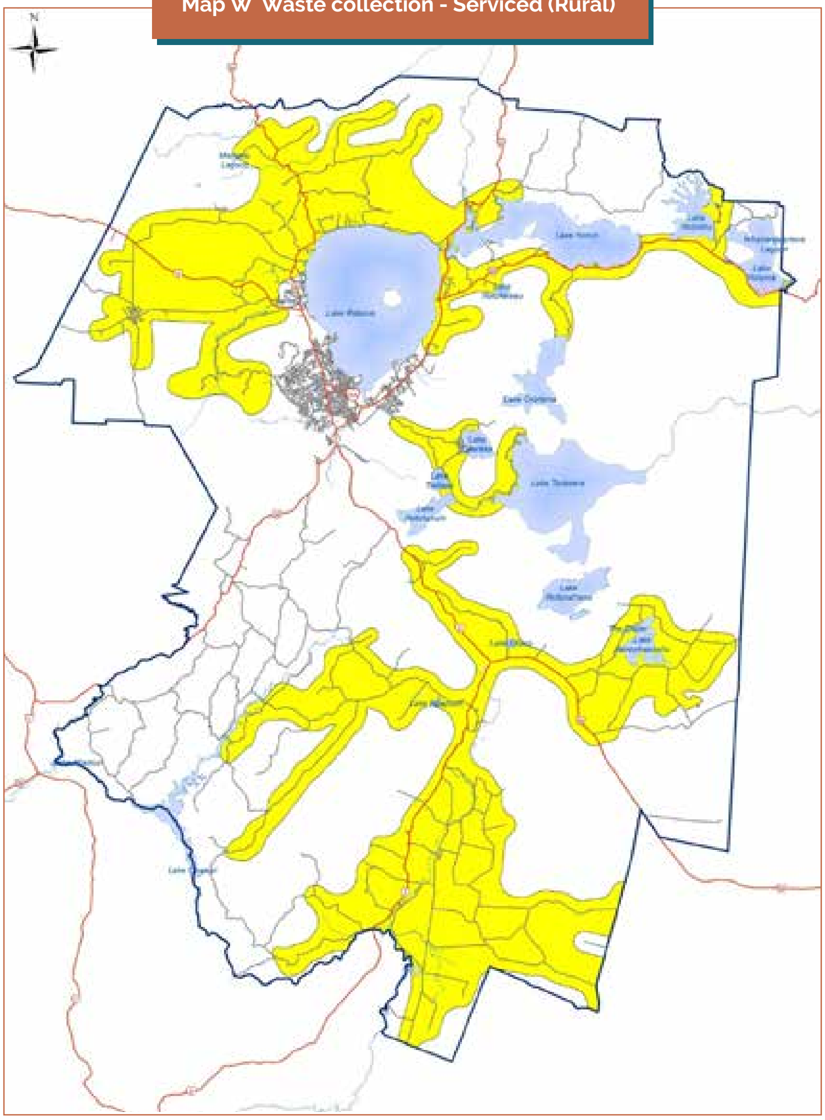


Map V Rotorua Urban Rating Boundary



Map X CBD waste collection area

Map W Waste collection - Serviced (Rural)

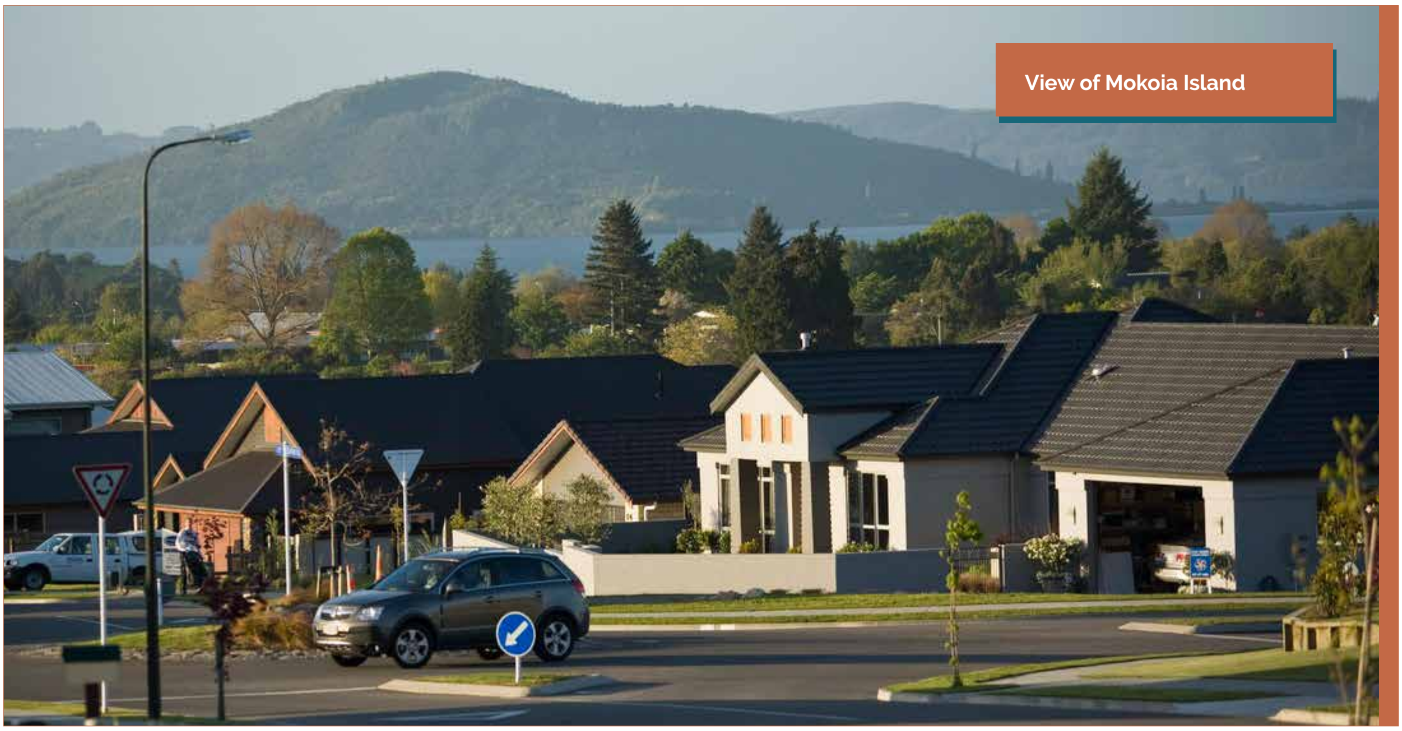


Refuse Collection – Service Non-Rateable Land

Valuation Number	Location
06500 001 07	1240 HINEMARU STREET
06500 042 00	1158 PUKAKI STREET
06500 066 02 F	1149 ERUERA STREET
06500 111 01 B	1277 TUTANEKAI STREET
06500 231 01	1127 HAUPAPA STREET
06500 718 02	2B RANOLF STREET
06500 765 04	1479 HINEMOA STREET
06500 774 02	1358 HINEMOA STREET
06500 823 00	1351 AMOHAU STREET
06511 081 00	276 FENTON STREET
06511 109 00	24 WARD AVENUE
06511 167 00	42 HILDA STREET
06511 168 00	40 WARD AVENUE
06512 114 00	44 VICTORIA STREET
06512 180 01 B	40 SEDDON STREET
06512 182 00	112 RANOLF STREET
06512 358 00	303 FENTON STREET
06512 406 01	FENTON STREET
06512 803 03	20 HEMO ROAD
06520 210 00	72 MALFROY ROAD
06520 221 00	100 MALFROY ROAD
06520 451 06	14 LARCH STREET
06520 539 02 A	55 HIGH STREET
06531 063 00	TUNOHOPU STREET
06531 199 00	26 TAREWA ROAD
06531 255 01	63 TAREWA ROAD
06531 284 01	21A TAREWA ROAD
06532 063 01	39 OLD TAUPO ROAD
06532 292 00	62 TALLYHO STREET
06532 408 00	122 RIRI STREET
06532 419 00	96 RIRI STREET
06533 297 03	7 DINSDALE STREET
06533 349 00	23 GEDDES ROAD
06533 391 00	20 BIAK STREET
06533 396 01	2 DEPOT STREET
06533 422 00	39 BIAK STREET
06533 431 00	57 DEPOT STREET
06541 024 00	35 TAHARANGI STREET
06541 145 00	38 KOUTU ROAD
06542 208 01	41 RUSSELL ROAD
06551 014 01	5 ROWI STREET
06551 074 00	36 KEA STREET
06552 101 00	155 CLAYTON ROAD
06552 252 00	46 FAIRVIEW ROAD
06552 598 00	13 THOMAS CRESCENT
06552 603 01	3 THOMAS CRESCENT
06552 603 04	219 CLAYTON ROAD
06553 020 02	30 MILNE ROAD
06553 180 01	11 MAY ROAD
06553 538 00	18 GEM STREET
06553 619 00	50 HOMEDALE STREET
06553 882 00	6 EMERALD STREET
06555 113 00	87 SUNSET ROAD
06561 248 00	114 SUNSET ROAD
06561 267 00	63 FORD ROAD
06561 374 01	21C BELLINGHAM CRESCENT
06561 729 00 B	324 MALFROY ROAD
06561 731 01	DEVON STREET
06570 251 00	187 OLD TAUPO ROAD
06570 476 00	271 OLD TAUPO ROAD
06580 190 00	307 OLD TAUPO ROAD
06590 139 03	105 OTONGA ROAD
06599 103 00	55 PUKEHANGI ROAD
06951 118 00	296 KAHAROA ROAD
06951 119 00	310 KAHAROA ROAD
06961 674 00	97 WHANGAMOA DRIVE
06971 111 09	LAKE ŌKATAINA ROAD
06971 500 00 B	1620 S HWAY 30
06992 276 02 A	34 SUNRISE AVENUE
06992 346 24	10 BRONTE PLACE
06992 353 44	244 VAUGHAN ROAD
06993 511 00	43 ROBINSON AVENUE
06996 143 00	6 MOANA TERRACE
06996 178 00	3A LYNBERT ROAD
06997 134 00	8 ILES ROAD
06997 619 00	7 ALASTAIR AVENUE
06997 629 00	18 ALASTAIR AVENUE
06998 281 00 A	24 PORIKAPA ROAD
06998 405 00	36 WHARENUI ROAD
07010 465 07 B	25 ASH PIT ROAD
07011 312 00	71 ŌKAREKA LOOP ROAD
07030 220 00 B	63 MASSEY ROAD
07030 220 03	589D SETTLERS ROAD
07030 220 08 C	26 MASSEY ROAD
07030 220 09	597 SETTLERS ROAD
07030 226 00	13 GUTHRIE ROAD
07030 228 01	48 MASSEY ROAD
07030 249 00 B	3834 BROADLANDS ROAD
07030 264 01	31 MASSEY ROAD
07050 180 00 A	54 TARENA STREET
07062 713 00	438A NGONGOTAHĀ ROAD
07063 273 00	278 NGONGOTAHĀ ROAD
07064 002 00	16 SCHOOL ROAD
07064 091 00	13 HALL ROAD
07065 169 00	3 ARIKI STREET
07065 352 00	12 TAUI STREET
07065 425 01	12 HALL ROAD
07065 431 00	19 SCHOOL ROAD

Rates Impacts – indicative rating examples

Category	Capital Value 2017	Capital Value 2020	Capital Value % Change	Sector % Average Change	Total Rates 2020/21	Proposed Rates 2021/22	Rates Increase/ (decrease) $	% Increase/ (decrease)	Sector Ave % Change
Business				21%					8.17%
Lower CV	323,000	391,000	21.1%		3,720	3,958	238	6.4%	
Medium CV	540,000	615,000	13.9%		5,451	5,636	185	3.4%	
Upper CV	2,430,000	2,850,000	17.3%		19,993	21,287	1,294	6.5%	
Upper CV	4,940,000	5,660,000	14.6%		45,798	48,250	2,452	5.4%	
Farming				2%					-5.18%
Lower CV	515,000	720,000	39.8%		1,900	2,260	360	18.9%	
Medium CV	895,000	790,000	-11.7%		2,917	2,434	-484	-16.6%	
Medium CV	1,310,000	1,750,000	34%		4,234	5,058	824	19.5%	
Upper CV	3,980,000	3,670,000	-7.8%		11,566	10,046	-1,520	-13.1%	
Upper CV	7,190,000	6,400,000	-11.0%		20,532	17,267	-3,264	-15.9%	
Residential Rural				38%					15.43%
Lower CV	293,000	410,000	39.9%		1,420	1,613	193	13.6%	
Medium CV	570,000	785,000	37.7%		2,118	2,479	361	17.1%	
Upper CV	1,875,000	2,360,000	25.9%		5,408	6,119	711	13.1%	
Residential Urban				41%					11.56%
Lower CV	288,000	440,000	52.8%		2,239	2,538	299	13.4%	
Lower CV	325,000	500,000	53.8%		2,332	2,677	344	14.8%	
Medium CV	447,000	620,000	38.7%		2,640	2,954	314	11.9%	
Upper CV	685,000	915,000	34%		2,961	3,341	380	12.8%	
Upper CV	740,000	1,100,000	49%		3,378	4,063	685	20.3%	
Upper CV	935,000	1,300,000	39%		3,870	4,525	655	16.9%	



View of Mokoia Island

Paddling at Lake Tikitapu

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 reserve balances represent accumulated balances to date of such activities.

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

Reserve Funds Statement	Opening Balance 1 July 2021 ($000)	Deposits ($000)	Revaluations ($000)	Withdrawals ($000)	Closing Balance 30 June 2031 ($000)	Activities to which the reserve relates
Council created reserves						
Reporoa Domain	72				72	Community Wellbeing
Waikite Domain	5				5	Community Wellbeing
Total council Created Reserves	**77**	**-**	**-**	**-**	**77**	
Restricted reserves						
Reserves Development	4,310				4,310	Community Wellbeing
Creative NZ Reserve	19				19	Community Wellbeing
Total Restricted Reserves	**4,329**	**-**	**-**	**-**	**4,329**	
Total Council Created and Restricted Reserves	**4,407**	**-**	**-**	**-**	**4,407**	

Council created reserves

Council created reserves are established by Council resolution. Transfers to and from these reserves are 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 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.

Restrictions

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 Council allocates funds on behalf of Creative New Zealand on application for funding. Funding rounds occur approximately two times per year, dependent on funds available.

Reserve Funds Statement	Opening Balance 1 July 2021 ($000)	Deposits ($000)	Revaluations ($000)	Withdrawals ($000)	Closing Balance 30 June 2031 ($000)	Activities to which the reserve relates
Development Contributions	-	31,874	-	-31,874	-	Sewerage and Sewage, Stormwater, Water Supplies, Roading and Footpaths
Fair Value through equity reserve	20,892	-	-	-	20,892	

Property, Plant and equipment Assets Revaluation Reserve						
Intangible Assets	124				124	Community Leadership
Art Collections	18,935				18,935	Community Wellbeing
Buildings	60,176		77,859		138,035	Community Leadership
Land - Operational	17,883		25,416		43,299	Community Leadership
Land Restricted	39,296				39,296	Community Leadership
Landfill	7,370		2,895		10,265	Waste management
Library Books	335				335	Community Wellbeing
Roading and Footpaths	104,640		85,280		189,920	Roading and Footpaths
Sport Recreation and Environment	5,841		4,358		10,199	Community Wellbeing
Stormwater	68,871		31,028		99,899	Stormwater
Sewerage	18,661		75,117		93,778	Sewerage and Sewage
Water Supplies	58,552		50,063		108,615	Water Supplies
Total Property, Plant and equipment Assets Revaluation	**400,684**	**-**	**352,017**	**-**	**752,700**	

Total other Reserves	**421,576**	**31,874**	**352,017**	**-31,874**	**773,592**	

Asset Revaluation Reserves

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

Fair Value through Equity Reserve

This reserve comprises the cummulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense

Fishing on Lake Rotorua

Long term plan disclosure statement (for period commencing 1 July 2021)

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.

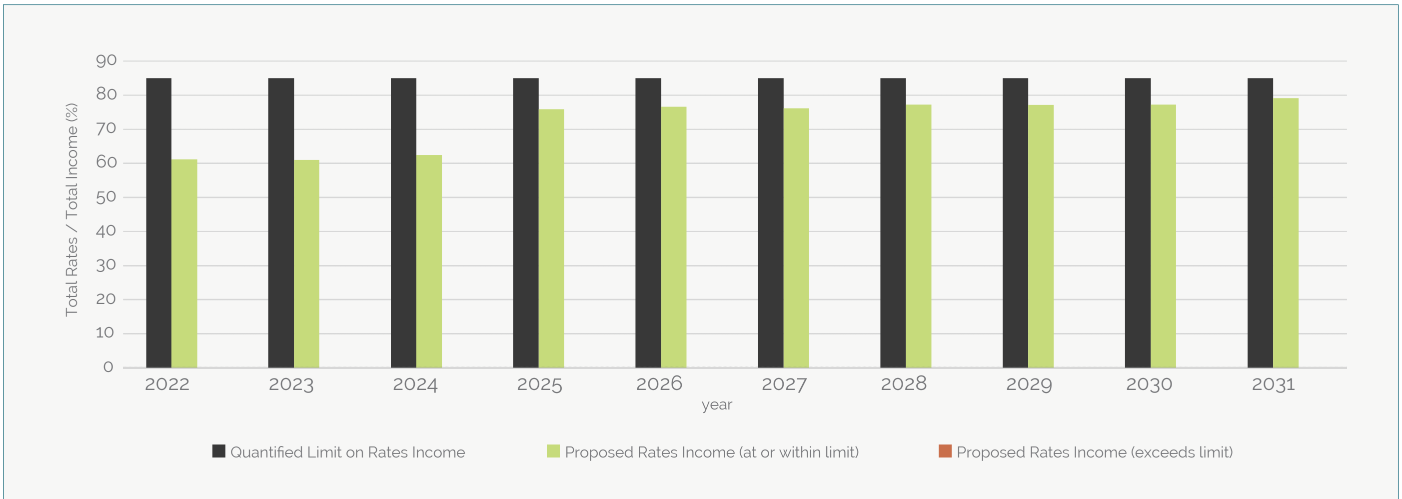
Rates affordability benchmark

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.

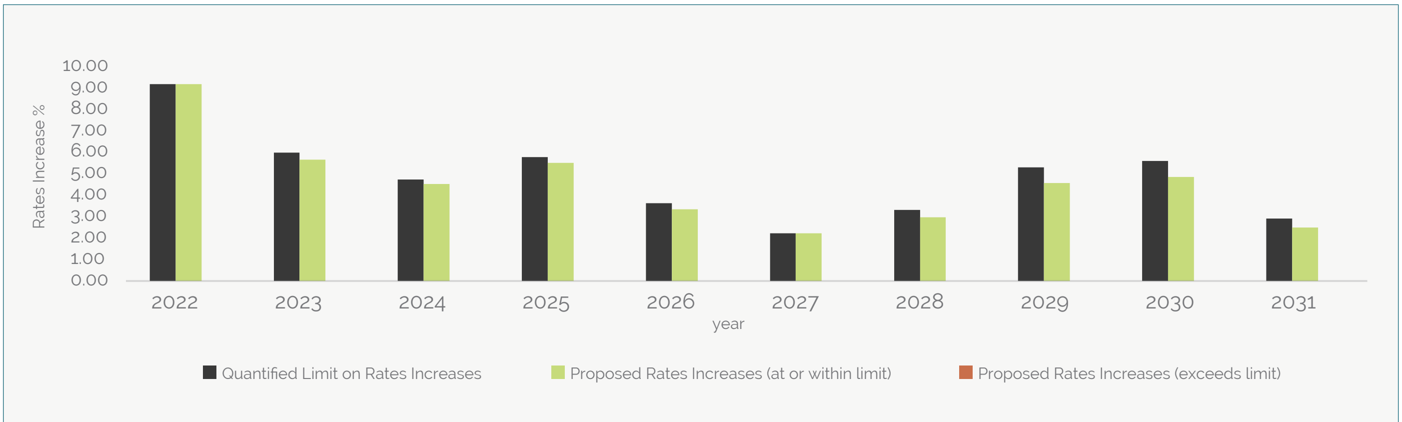
Rates (income) affordability

The councils planned rates with a quantified limit on rates contained in the financial strategy included in the long-term plan. The quantified limit is rates as a proportion of total revenue is less than 85%.



Rates (increases) affordability

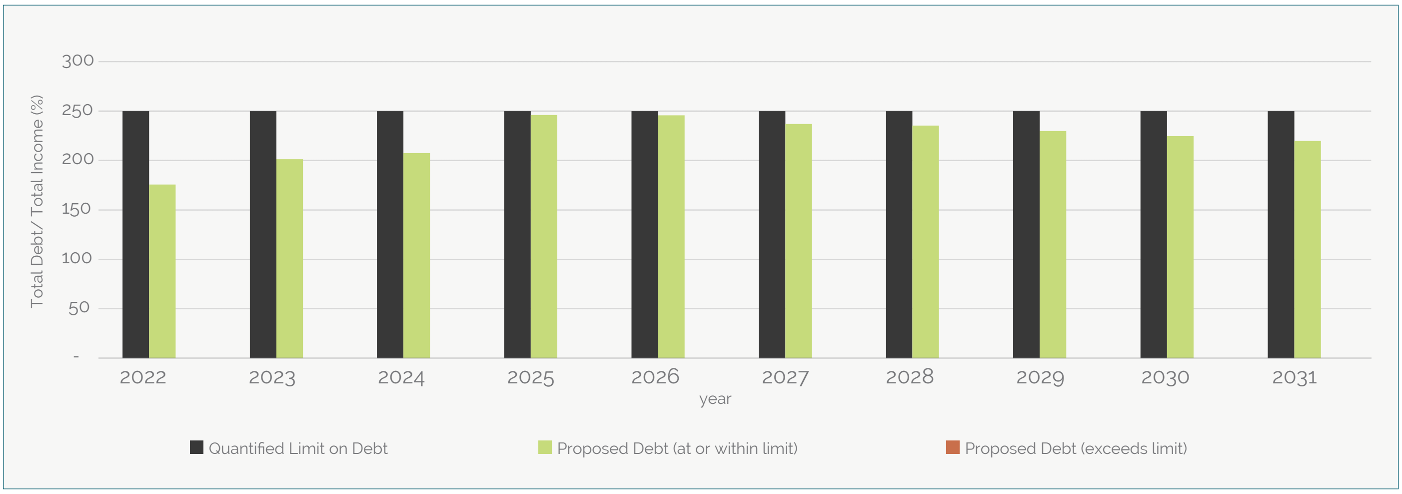
The council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in the long-term plan. The quantified limit is a one-off 9.2% increase in the first year, with an average increase of 4% from year 2 to year 10.



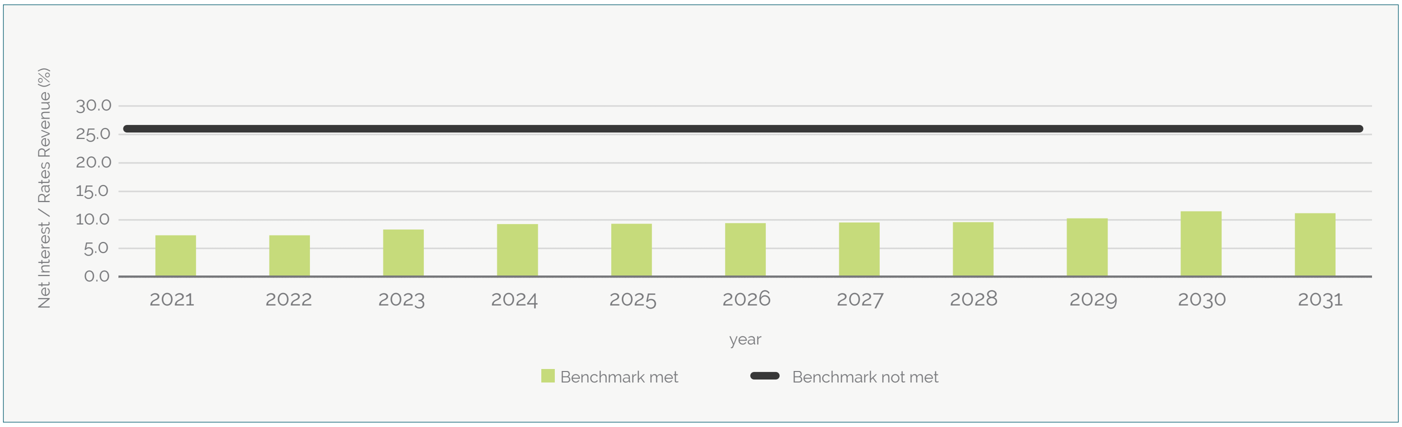
Debt affordability benchmark

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 in this Long--term Plan. The quantified limit is that net debt will be lower than 250% on total revenue. Refer to Treasury Policy for definition of net debt and total revenue.



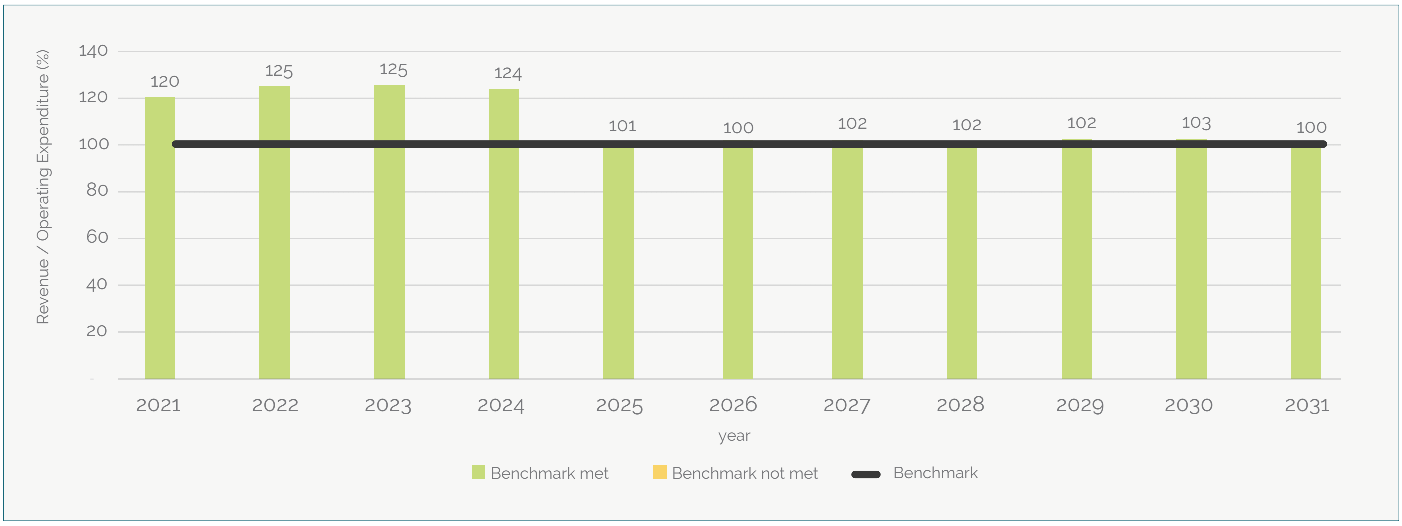
The following graph compares Council's planned debt with a quantified limit on borrowing contained in the financial strategy in this Long-term Plan. The quantified limit is that net interest on external debt as a percentage of annual rates revenue will not exceed 25%. Refer to Treasury Policy for definition of net interest and annual rates income.



Balanced budget benchmark

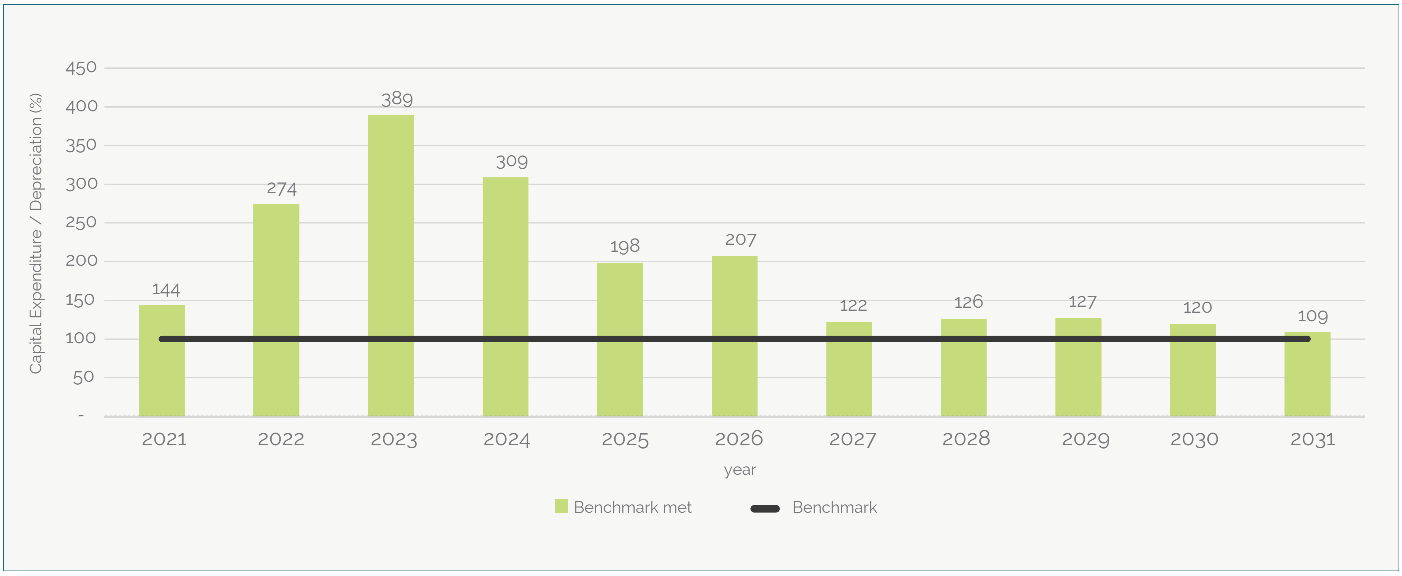
The council's planned revenue (excluding development contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

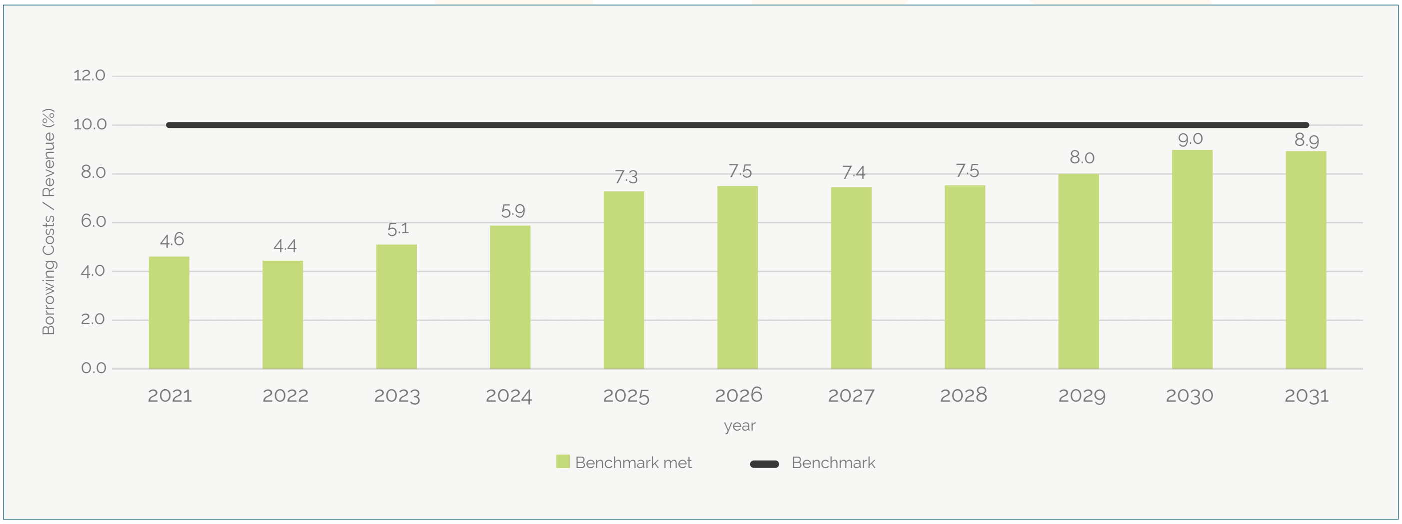
The council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The 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 faster than the national population is projected to grow, it meets the debt servicing benchmark if it's planned borrowing costs equal or are less than 10% of its planned revenue.



Brief Statement

Council has the following rates relief policies, effective from 1 July 2021, 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;
- Remission of rates for Significant Natural Areas
- 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 Māori freehold land;
- Rates postponement;
- Postponement of rates on Māori 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.

Ruato Bay - Lake Rotoiti

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:

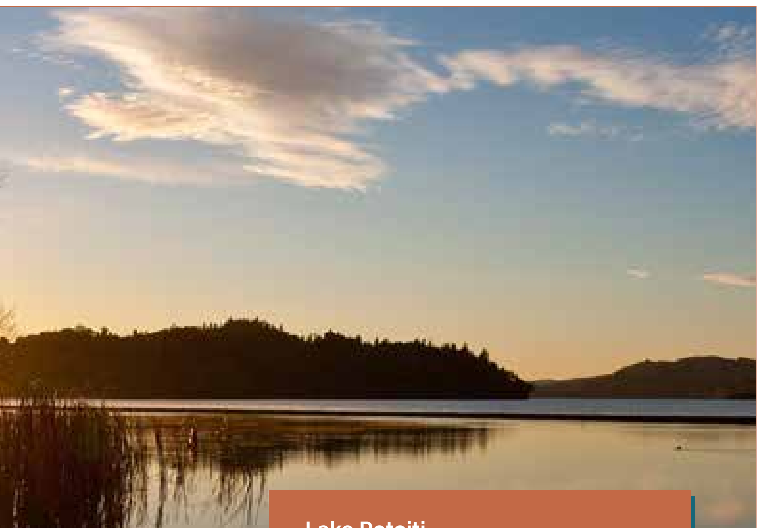
a. significant family disruption, including death, illness or accident to a family member as at the due date; or

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.



Lake Rotoiti

Remission of Penalties on Current Overdue Metered Water Invoices

Policy objective

To enable Council to act fairly and reasonably in its consideration of penalties on metered water invoices where payments have not been received by Council by due date.

Conditions and criteria

Council will consider remission of penalties on a current overdue metered water invoice when the late payment has resulted from:

a. significant family disruption, including death, illness or accident to a family member as at the due date; or

b. matters outside the ratepayer's control, including payments going astray in the post, non-receipt of the instalment notice before penalty date, the late issue of a sale notice, and a late clearance payment by the solicitor on a property settlement.

Council may also consider remission of a penalty when the late payment has apparently been inadvertent and the ratepayer has a good payment history.

"Good payment history" would generally be where there has been no penalty incurred during the previous 12 months.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so. Applications for remission must be in writing.

Remission of Penalties on Arrears

(arrears comprises rates from any previous rating year).

Policy objective

To enable Council to act fairly and reasonably in its consideration of penalties on rates that are in arrears.

Conditions and criteria

Council will consider remission of penalties on arrears when:

a. a request for remission has been made in writing; and

b. the request includes full supporting reasons and evidence satisfactory to Council; and

c. the remission contributes to prompt settlement in full of the remaining debt or to the sale of the property and clearance of the debt in the short term.

Conditions and criteria for remission of future penalties on arrears and on future instalments in cases of severe hardship

Council will consider remission of future penalties on arrears in cases of severe hardship when:

a. a request for remission has been made in writing; and

b. the request includes full supporting reasons and evidence satisfactory to Council; and

c. the purpose of the request is for the ratepayer to reach and maintain fully paid status; and

d. the ratepayer enters into a rates settlement arrangement that provides for collection of both current rates and arrears in full over an acceptable timeframe, provided that:

   i. the arrangement will be annulled if the applicant does not adhere to it; and

   ii. Council may vary the arrangement on request; and

   iii. Council may in extreme cases elect to also remit some or all of the penalty arrears existing at the time the arrangement was entered into if the arrangement has been adhered to and this brings about settlement in full.

All remissions will be considered on their merits and remission will only be given where Council considers it just and equitable to do so.

Remission of Rates on Land Used for Certain Purposes

Policy objective

To facilitate the ongoing provision of non-commercial community services and non-commercial sporting and recreational opportunities for the residents of the district. Providing rates remissions will achieve this by assisting the organisation's survival and making services of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, and economically disadvantaged people.

Conditions and criteria

This part of the policy will apply to land owned or occupied by a charitable, sports or recreation organisation where they are recorded in Council's Rating Information Database as the ratepayer or are occupying Rotorua Lakes Council 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 rates for Significant Natural Areas

Policy Objective

To provide rates relief for land that is classified as a Significant Natural Area (SNA) due to its indigenous vegetation or being a significant habitat for indigenous species.

Conditions and Criteria

Council will provide a uniform rates remission of $5 per hectare for rateable land that is identified as an SNA in the Rotorua district plan where the area of rateable land that is identified as an SNA is a minimum of 20 hectares. Remission will be provided each year to all rating units that meet the specified criteria. Refer to Rotorua District Plan appendix 2 – Natural Heritage Inventory.

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 of the remission will be the difference between the average consumption of the property prior to the leak, as deemed reasonable by Council, and the consumption over and above that average.

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.

Whakarewarewa geothermal activity

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 Māori 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.

Ohinemutu - Lake Rotorua

Remission of rates on Māori 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 Māori, and their culture and traditions, with their ancestral lands.
- Avoiding further alienation of Māori 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 Māori 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 Māori freehold land means Māori 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 Māori freehold land. Accordingly, Māori 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 Māori 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.

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; and,
- 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.

St Faith's Church - Ohinemutu

Summary of Significant Assumptions

The following assumptions have been used in preparation of estimated financial statements in this Long-term Plan:

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	Local Government Reform	Likely	Medium	Moderate
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	Likely	Medium	Medium
15	Emissions trading scheme	Possible	Minor	Low
16	Insurance	Possible	Medium	Low
17	Other Revenue	Possible	Minor	Low
18	External funding for major capital projects	Possible	Medium	Moderate
19	Societal change	Unlikely	Minor	Low
20	Sources of funds for future replacement of significant assets	Possible	Medium	Low
21	Total number of rating units	Likely	Medium	Moderate
22	Water reform	Likely	Major	Major
23	Pandemic event/lockdown & government changes to alert level warnings	Likely	Moderate	Moderate

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
Computer Software	3 to 7

Risk

The risk is that the assets will not last as long as forecast and will need replacement earlier than planned. This would require the funding of replacements to also be brought forward. One option may be to see if other replacements could be delayed to avoid having to increase the rates required to fund this. Council's modelling does not depreciate assets until the year after capitalisation. However if not, then rates would increase in the year of the replacement, but not be required in the year the replacement was planned, so it is only a timing issue. Additional costs associated with the timing and lives of assets would be an interest component and/or depreciation component impacting rates and/or debt. For every $1 million movement in debt there would be an approximate interest impact of $30,000.

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 used Infometrics growth assumptions for its 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 Infometrics target of approx. 4,000 new residential dwellings over the ten-year period. 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 strong population growth for the Rotorua District.

Stats NZ: Resident Population Estimate; Rotorua District			
Year to June	Population	Change	% Change
2017	73,700	1,400	1.90%
2018	74,800	1,100	1.50%
2019	75,800	1,000	1.30%
2020	77,300	1,500	2.00%

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 uses the Infometrics growth assumptions for its planning.

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 (e.g. water supplies) and the 30 Year Infrastructure Strategy.

#3 Cost growth

Assumption

YEARS ENDING 30 JUNE:	LAND AND PROPERTY	ROADS	WATER	OPERATING - LGCI STAFF (%)	OPERATING - LGCI OTHER (%)
2022*					
2023*				1.0	
2024*				1.0	
2025	2.7	2.9	2.7	3.0	2.5
2026	2.9	2.9	2.9	3.0	2.5
2027	2.8	2.9	2.8	3.0	2.5
2028	3.2	2.9	3.2	3.0	2.6
2029	3.3	2.9	3.3	3.0	2.7
2030	3.4	2.9	3.4	3.0	2.7
2031	3.1	2.9	3.1	3.0	2.6

The Reserve Bank Act requires that price stability be defined and negotiated between the government and the Reserve Bank.

This is called the Policy Targets Agreement (PTA) and defines price stability as annual increases in the Consumers Price Index (CPI) of between 1 and 3 percent on average over the medium term, with a focus on keeping future average inflation near the 2 percent target midpoint.

The inflation assumption currently used by Treasury after five years is the mid-point of the RBNZ target range of 1.0% pa to 3.0% pa, being 2.0% pa. History has shown that 2.5% (0.5% above midpoint) is a probable outcome, typically, in the shorter term.

However, the Monetary Policy Committee noted in its November 2020 summary that due to COVID-19 inflation (and employment) are expected to remain subdued for a prolonged time. The Business and Economic Research Limited (BERL) price change estimates are shown above for the major areas used in this Long-term Plan (% are per annum change).

**Inflation has been applied to the material fixed contracts in place. A year-by-year bottom-up, business requirements approach to budgeting has been implemented and therefore Council has decided to take the prudent decision to not apply a blanket cost base inflation to years 1 – 3. However, in order to continue to attract and retain talent Council has applied an overall 1% uplift to staff costs in years 2 and 3.*

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 56%. This subsidy comes from road user charges and petrol tax, and is allocated to roading projects at the rates listed below, depending on the type of project.

Financial Assistant Rates	%
Year 1 -2021	56
Year 2 – 2022	56
Year 3 - 2023	56

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 2020 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 material cash investments will net 1% 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
2021	3.10%
2022	2.80%
2023	2.68%
2024	2.80%
2025	2.86%
2026	2.92%
2027	3.00%
2028	3.10%
2029-31	3.70%

Risk

The risk is that interest rates will be in excess of the assumptions. A movement in interest rates of 0.5% on debt of $100 million 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 one to fifteen 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 employs 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 Local Government Reform/ Central Government Collaboration

Assumption

Election 2020 has provided Labour with a mandate to move at speed to implement its major policies free of interference from coalition or confidence and supply partners. Every single one of Labour's major policy initiatives directly or indirectly involves working with communities and co-opting local government as an important delivery agent (affordable housing, three waters, RMA reform).

Local government is pivotal to this. Local council's have a major role to play in enabling the economic, social, cultural and environmental outcomes required to address the pressing local issues at a local level.

Central and local government need to have a genuine dialogue with and within communities, enabling co-decision-making and co-production - essentially bringing communities into the ownership of policy development and implementation.

Risk

The challenge, as anyone within local government well knows, is that central government and its officials lack the basic understanding and capability required to be genuinely effective at enabling and working with communities. This is the core business of local government recognised by research and practice worldwide.

Local government will also face the challenge of demonstrating New Zealand councils have the same capability as many of their fellows globally of working with and enabling empowered communities in ways which support the basic objectives of public policy.

Risk Assessment

Getting the best out of the initiatives central government wishes to pursue means getting the best out of working with and enabling communities. There is an urgent need for local government itself to understand its potential in enabling the communities and community processes needed to get the best out of central government's initiatives. This means Local Government New Zealand in particular shifting from the relative generalisations of its current Localism policy to a highly focused, informed and evidence-based approach to enabling communities. Local Government New Zealand on behalf of its member councils needs to be able to sit down with central government and say "community involvement; we can do it and this is how".

#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.

#13 Local Natural Disaster

Assumption

It has been assumed that there will be no significant natural disaster during the term of the Long-term Plan.

Risk

The risk is that there could be a significant natural disaster within the next ten years that is in Rotorua or close enough to Rotorua to have a major impact on our levels of service. Council's mitigating control for this is having business continuity plans in place.

Risk Assessment

The assessment is the chance of a catastrophic event happening is low, however the effects on the district of such catastrophic event would be major and a combination of Business Continuity Planning and Natural Disaster insurance are utilised to address such risk.

#14 Climate Change

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. We also have a climate action plan in place.

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. However, they are taken into account in our long-term infrastructure planning.

Risk

If the impacts of climate change have a greater impact that 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 surrender obligation at the landfill within its management contract currently entered into with Waste Management.

Risk

The risk is there are unknown costs associated with ETS that are not included in the Long-term Plan. ETS Price rises may reflect an increase of the Gate rate charge set by Waste Management and agreed to by Council This could have an effect on rates required.

Risk Assessment

Variations in the ETS associated costs and their effects on waste cost centre have been considered in the financial model for waste services with a view towards risk mitigation. 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 appears settled and it is assumed in the Long-term Plan that with this stability that there will be no further major cost adjustors for insurance.

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 been built into the existing premiums and the risk of further significant price increases is considered low. We continue to work with our Insurance partners to stay abreast of, or to mitigate any, material changes and to ensure appropriate levels of insurance are in place with an acceptable tolerance of risk.

#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.

#18 External Funding for Major Capital Projects

Assumption

Capital Project Description	Type	Budget 2021 – 2031 ($M)	Anticipated subsidy
Tarawera Sewerage Scheme	los	22.50	7.25
Rotorua Museum Enhancements	los	58.38	27.54
Sir Howard Morrison Performing Arts Centre Enhancements	los	19.45	4.05
Lakefront Development	los	19.67	5.6
Rotoiti/Rotomā sewerage scheme	los	13.00	10.00
Crown Infrastructure Partnership Funding..	los	41.70	20.00
Westbrook Precinct	loS	61.22	12.67
Aquatic Centre (Option 3)	los	28.36	10.43

Assumption
$6.5m committed by Ministry for the Environment and a further $0.75m has been committed by the Bay of Plenty Regional Council. The remaining funding will be charged as a 75/25 split between a one off targeted rate and term targeted rate to Tarawera residents.
The Museum is an iconic building for both New Zealand and Rotorua and because of Council relationships; we have been able to secure significant funding to offset the cost to our community. The Museum is not only a national icon but also a key attraction and landmark for Rotorua. The council has a successful track record of securing partnership funding for the Museum restoration project. This success is not only from Government but also various philanthropic organisations within the country. Council has secured full funding for the earthquake strengthening and restoration of the building and is confident of securing the remaining funding to complete the redevelopment of its exhibitions. The rebuild is expected to be complete in the next 3-4 years allowing time for further funding and partnerships to be arranged. In the unlikely event though that this remaining funding is not secured, Council will reassess its options which may include a delay in opening or down scaling its exhibition redevelopment programme in order to reduce the total amount required. A total of $6m of unsecured funding with the following sponsors to provide further funding: ● Ministry of Business, Innovation and Employment - $5m ● Lotteries - $4m ● Ministry of Heritage & culture - $2.5m ● Rotorua Energy Charitable trust - $10m
Confirmed funding from Sir Owen Glenn - $3m and a further ~$1.0m from Rotorua Energy Charitable Trust
Funding provided by the Ministry of Business, Innovation and Employment
Ministry for the Environment have committed $3m, 50%, funding for the completion of this scheme. In addition, the underspend on Lake Rotorua and Lake Okereka of $3.45m will be provided from Bay of Plenty Regional Council. Council has secured an additional $3.5m funding from Ministry of Environment.
CIP funding - $15m for the development of the Wharenui estate and a further $1.7m to complete the roading works (this $1.7m was a proportion of a total of $5m, which was received with the balance in the 2020/21 financial year).
This project will create an iconic central sporting hub based on the key strengths of the Rotorua district.as a result council fully expects that funding can be sourced from a number of sources. Various asset (land) sales will also be required which will assist in the funding of this project (not shown in these figures). Council is committed to sourcing funding from partner and other commercial organisations, as well as government linked sporting associations to ensure the required funding is met. Council has a good record of securing large amounts of funding so there is expertise and confidence in generating funding for the project. This will be a landmark project bringing Māori sports to the home of Māori, Rotorua. Given the timelines whilst at the start of the LTP uncertainty on the availability of funding is high we are confident with the relationships we have built and our commitment to building Rotorua back better that this funding will be secured. In the unlikely event, we are unable to secure the full funding requirement then the scope of the project will be reviewed at the relevant time.
Partnership funding is to be sourced to enable the completion of the commercial and destination aspects of this option. Council has a strong record of securing large amounts of funding so there is expertise and confidence in generating funding for the project. Council is committed to sourcing funding from partner and other commercial organisations, as well as government linked sporting associations to ensure the required funding is met. This will be a "destination shaping" project putting Rotorua at the heart of waterpark must see attractions. We are confident with the relationships we have built and our commitment to building Rotorua back better that this funding will be secured. In the unlikely event we are unable to secure the full funding requirement then the scope of the project will be reviewed at the relevant time and may mean we defer the completion of option 3 until the full level of funding is required.

Walking in the Redwood Forest

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

Assumption

The Long Term Plan has been prepared taking into account the following societal trends:

There will be an increasing proportion of Māori 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 Māori 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.

#20 Sources of Funds for Future Replacement of Significant Assets

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.

#21 Total number of rating units

Assumption

The estimated growth in Rotorua's ratings units for each of the 10 years of the Long Term Plan as estimated by Infometrics:

Year	Growth	Household change	Number of rating
2021/22	1.9%	571	30,166
2022/23	1.9%	561	30,727
2023/24	1.5%	458	31,184
2024/25	1.4%	441	31,625
2025/26	1.3%	421	32,046
2026/27	1.2%	397	32,443
2027/28	1.1%	369	32,812
2028/29	0.8%	275	33,086
2029/30	0.7%	247	33,334
2030/31	0.7%	225	33,559

Risk

Rating units could grow at an increased rate or lower rate than projected.

Risk Assessment

An increase in the overall rating base could result in a decrease in rates for rating units as the total rates are spread across a larger base. If the rating base was to reduce, there could be an increase in rates. Variances between the forecast and actual growth in the rating base are likely to cause changes to the total rates revenue collected.

Council has used growth modelling and current property information from its valuation service provider to assess the level of growth in rating units, along with an assessment of year-by-year increases from recent years and applied this modelling to the growth levels applied.

The rating base is reviewed annually when determining the rates for the year.

Hamurana Springs

#22 Water Reforms

Assumption

The council will ensure that three water services are delivered over the life of the LTP, Council anticipates maintaining overall strategic direction, services stewardship and high level asset management responsibilities.

The Government and representatives of the local government sector (working through the Joint Central/Local Government Three Waters Steering Committee) continue to develop the policy framework for guiding the proposed reform process. There is currently no fully developed three waters reform proposal to take to the community.

Regardless of the outcome of any reform process, we know for an absolute certainty that communities will need drinking water, wastewater and stormwater management services. While questions such as the number of future service providers are important national water services system design questions, they may not resonate with the readers of an LTP as much as knowing what the potential cost impacts may be.

Therefore, our communities interest is best served by Council through both:

presenting the community with a clear set of information about the likely financial impacts of providing three water services under the present ownership and delivery arrangements and the changes expected in the current and future regulatory settings; and

ensuring that the supporting information as well as the systems that manage the information are as robust and up-to-date as possible. RLC is able to provide any new proposed three waters service entity with all of the required information and the systems that are needed to manage the services as well as the Council's strategic expectations on how the three waters must support and promote our communities'

Dining on Eat Streat

Risk

In the absence of a formulated proposal now, Council operates based on informed assumption. There is an inherent degree of uncertainty. This is potentially a high impact effect, especially if the proposed reforms result in three waters assets and rates setting authority being transferred to a new water service entity.

Risk Assessment

Three Waters reform has potential direct impacts on:

- any operating revenues (as indicated in the funding impact statement for the relevant groups);
- the direct costs of providing the activity;
- what overhead has been allocated to the activity (refer people to the notes to the accounts for details of the methodology);
- the value of the three waters assets (as incorporated into the balance sheet and disclosed separately as required by the Financial Reporting and Prudence regulations); and,
- any balance sheet implications that a movement of assets, debts or revenues might have for the financial strategy.
- Disclosure: there will be probable second order impacts, which RLC will assess as part of its analysis of the proposal (when the proposal is received).

#23 Pandemic event/lockdown & government changes to alert level warnings

Assumption

Rotorua along with the rest of New Zealand can assume that for the foreseeable future, the district/country can expect to move in and out of alert level restrictions as the world fights the COVID-19 pandemic.

Council will ensure that in lockdown events all essential services will continue to be provided for the safety and wellbeing of the Rotorua district and visitors.

Risk

Ongoing or prolonged periods of lockdown will reduce the council's revenue (rates and fees and charges). Lockdown events will also compromise the provision of essential services as the people needed to provide the service become vulnerable themselves and resources become limited.

Risk Assessment

Council have developed business continuity plans for all business activities. These plans identify the essential services and the requirements needed to continue to provide the service in a level 3/4 pandemic lock down.

Council have identified where revenue will be compromised as a result of pandemic restrictions and will continue to monitor these as part of council's ongoing financial stewardship. Should issues arise, council will need to consider the effects of turning off services or maintaining them and deciding to borrow in order to fund some operational shortfalls. A decision of the council will be required in any such eventuality.

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.

#1 Pūtake | Policy Purpose

The purpose of the policy is to:

- 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 Whakamāramatanga | 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 Whakahirahiratanga | 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).

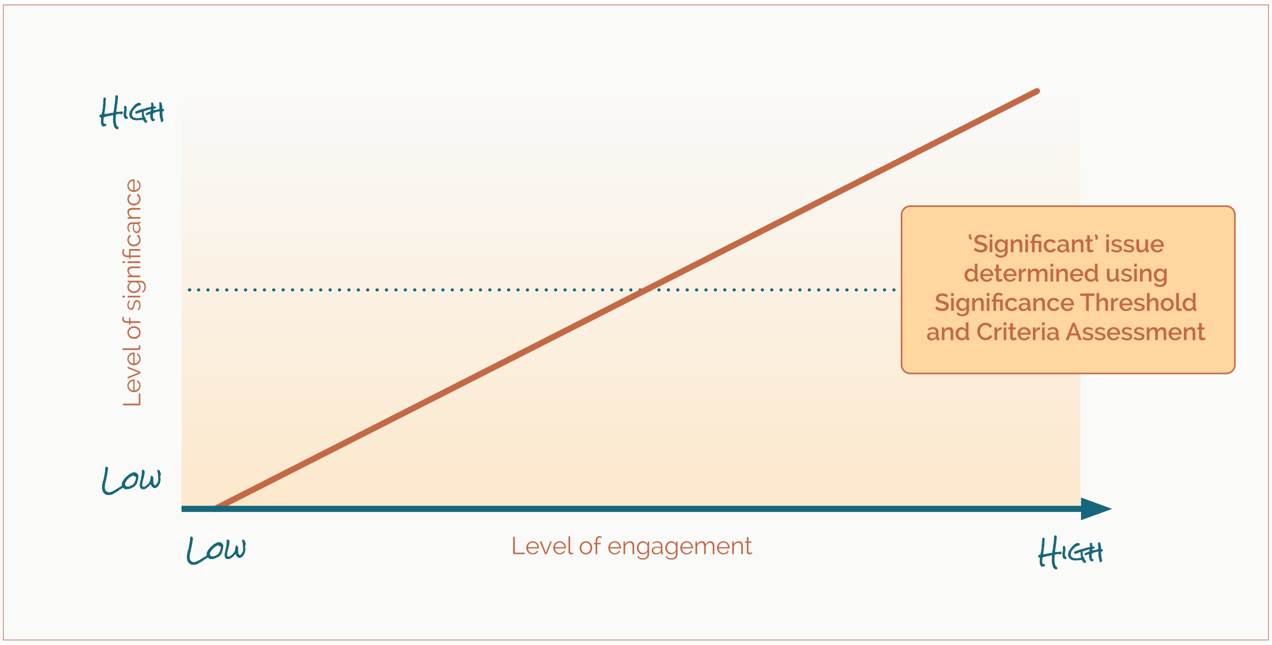
When a high degree of significance is indicated by two or more criteria, the issue is likely to be significant. The criteria merely provides a mechanism for identifying whether a matter is likely to be significant – they are not necessarily determinative of significance. Ultimately, in assessing the significance of a decision, Council will need to have regard to all relevant circumstances.

#4 Tūtakitakitanga | 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. 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.

4.5 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.

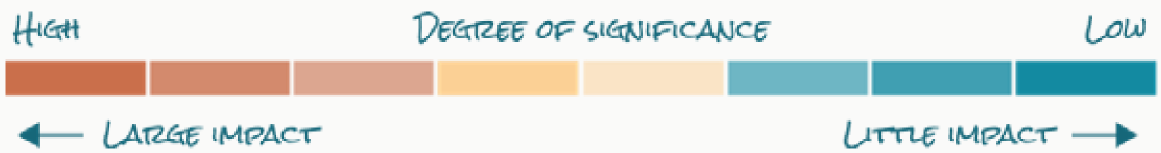
These principles align with LGA 2002 principles, ensuring we meet our statutory responsibilities in this regard.

Te Manawa - Rotorua CBD

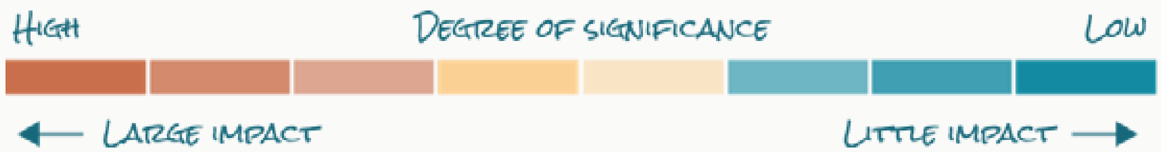
- **Appendix 1 – Factors and criterion of determining and assessing significance**
- **Appendix 2 – Strategic assets/ activities**
- **Appendix 3 – IAP2 spectrum**
- **Appendix 4 – Engagement principles**

Appendix 1: Factors and criterion of determining and assessing significance

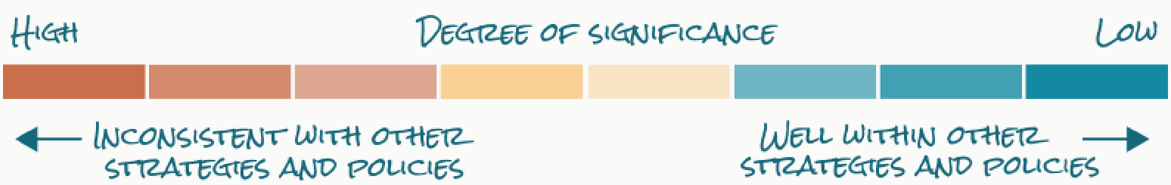
Criterion	**Importance to Rotorua District**
	The extent to which the matter under consideration impacts on the environment, culture and people of Rotorua, now and in the future (Large impacts would indicate high significance).
Factors	**Factors that might impact on community well-being are:**
	• Any 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). • Extent of costs, opportunity costs, externalities and subsidies. • Uncertainty, irreversibility, and the impact of the decision in terms of the community's sustainability and resilience.



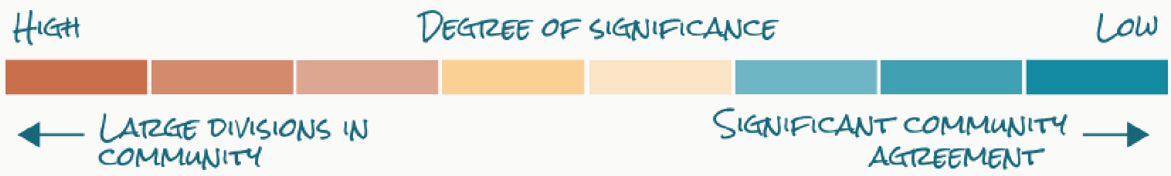
Criterion	**Importance to Te Arawa**
	The extent to which the matter under consideration impacts on the environment, culture and people of Te Arawa, now and in the future (Large impacts would indicate high significance).
Factors	**Factors that would indicate a high degree of significance are:**
	• High levels of prior public interest or the potential to generate interest or controversy. • Large divisions in views on the matter. • Extent of costs, opportunity costs, externalities and subsidies. • Uncertainty, irreversibility, and the impact of the decision in terms of Te Arawa's community's sustainability and resilience.



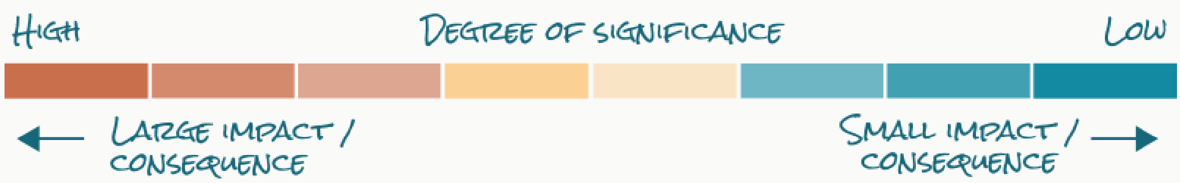
Criterion	**Consistency with Existing Policies and Strategies**
	The extent to which the matter is consistent with Council's current policies and strategies
Factors	**Factors that would indicate a high level of significance are:**
	Decisions which are substantially inconsistent with current policies and strategies.



Criterion	**Community Interest** The extent to which individuals, organisations, groups and sectors within the community are particularly affected by the matter.
Factors	**Factors that would indicate a high level of significance are:** ● High levels of prior public interest or the potential to generate interest or controversy. ● Large divisions in community views on the matter. ● A moderate impact on a large proportion of the community. ● A large impact on a moderate number of persons.



Criterion	**Impact on Council's Capacity and Capability** 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.
Factors	**Factors that would indicate a high degree of significance are:** ● Transfers of strategic assets to or from council ● The financial cost of the decision, in the short, medium and long term. ● The extent of the impact on rates and/or debt (including cumulative effects). ● The extent to which the decision is consistent with the Financial Strategy. ● A financial transaction that involves a budgeted project ($10million or greater) that has an anticipated cost increase of 50% or greater. ● A financial transaction that involves an unbudgeted expenditure of $5million or greater.



Appendix 2: 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.

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
- 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	SIGNIFICANCE VERY LOW DEGREE OF SIGNIFICANCE – 'NOT IMPORTANT'	POINT AT WHICH ALL PROPOSALS AND DECISIONS BECOME 'SIGNIFICANT'
Level of Community engagement	Lowest level / No Community Engagement may be needed	Lower level of Community Engagement may be 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
Focus of Public Participation	Inform	Dialogue
Types of issues that we might use this for	• Water restrictions • Temporary road closure • Emergency repair works to Council infrastructure • Annual report adoption • Smoke-free policy for Council open spaces	• Establishment of: » Skate park or play ground » New gardens » Walkways • Signage • Leases, concessions and licences to occupy
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.
Engagement Techniques Council might use (not a definitive list)	• Public notices • Websites & e-updates • Information flyer • Media releases • Ratepayers newsletters • Community noticeboards • Billboards / Displays / Stands • Progress charts	• Formal hearings • Surveys • Open house events/expo • Roadshow • Public meetings • Hui

Significance

Point at which all proposals and decisions become 'significant' → Very high degree of significance – 'critical'

Community Engagement is needed		Greatest level of Community Engagement is needed
The SCP should be considered but may not always be appropriate	The SCP should be considered as a minimum along with other engagement forms	
Involve	Collaborate	Empower
• District Plan • Annual Plan where there are no significant or material differences to the LTP • Rates review	• Adoption or amendment of the LTP • Significant bylaw • Annual Plan – where the LTP may be amended • Strategic Asset(s) changes in ownership or control • Significant change in provision of any significant activity • Portfolios & their strategies • Alternative energy / geothermal developments	• Representation • Election voting systems (MMP, STV or first past the post)
Council would generally provide the community with a greater lead in time to allow them time 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 time to be involved in the process e.g. typically a month or more.
• Workshops • Focus groups • Citizens Panel • Iwi/Māori and community leaders • Round table meeting • E-engagement • Hui	• External working groups (involving community experts) • Steering Committees • Symposium • Hui	• Binding referendum • Citizen's Jury • Local body elections • Champion/s of the cause

Appendix 4: Engagement principles

Principles *Councils that achieve consistent, effective and high quality engagement with the community follow these principles*	**Indicators** *Engagement processes that follow these principles commonly exhibit the following characteristics*	**Outcomes** *High quality engagement often produce the following outcomes and benefits*
Transparency Council ensures that decision-making is accessible, open, honest and understandable. Our community receives the information needed, and with enough lead time, to participate effectively	Council will: conduct community and stakeholder engagement in a genuine effort to listen to, and consider with an open mind, community and stakeholder input; when presenting options for community and stakeholder feedback, ensure the options are realistic and deliverable; ensure that questions are objective (ie: not leading), allowing people to express their views freely; allow enough time and provide adequate resources to ensure participants have been provided fair opportunity to understand the matter and contribute their views allow time to allow for issues that might arise during an engagement process; value contributions made and time given; give timely feedback on the results of the public's input and decisions made; value, respect and give weight to local knowledge.	Community members have a better understanding of the proposal or decision and are better able to participate effectively Council understanding of community opinions and needs is enhanced
Building Relationships and Community Capacity Community engagement processes invest in and develop long-term, collaborative working relationships and learning opportunities with community partners and stakeholders. The Council should make itself aware of, and should have regard to, the views of all its communities	Council will: Build ongoing relationships with the community through a range of approaches (such as those included in the engagement guide set out in Schedule 3) Provide community members and stakeholders with a reasonable opportunity to present their views and to participate in a way that suits them Provide ways for the community to raise issues directly with the Council so that it is a two-way relationship Identify opportunities to work in partnership with community organisations and leaders to encourage greater community ownership and participation Ensure good information sharing of community view and preferences within council	Engagement processes leave neighbourhoods and communities stronger, better informed, increase their capacity to participate in the future, and develop new leader A better decision or proposal will result from community participation The decision or proposal will have greater community acceptance

Principles *Councils that achieve consistent, effective and high quality engagement with the community follow these principles*	**Indicators** *Engagement processes that follow these principles commonly exhibit the following characteristics*	**Outcomes** *High quality engagement often produce the following outcomes and benefits*
Inclusiveness and Equity Engagement and decision-making processes identify, reach out to, and encourage participation of the community in its full diversity. Processes respect a range of values and interests and the knowledge of those involved. Historically excluded individuals and groups are included authentically in processes, activities, and decision and policy making. Impacts, including costs and benefits, are identified and distributed fairly.	Council will: 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 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 Provide more than one way for people to participate When required, invest in community capacity building to enable participation Use culturally appropriate and effective strategies and techniques to involve diverse constituencies Use plain language and avoid jargon and acronyms Follow up with under-engaged groups to see how the process worked for their community members	Council decisions, proposals, policies, projects and programmes respond to the full range of needs and priorities in the community Trust and respect for the Council increases among community members Council staff and members of more traditionally engaged communities understand the value of including under-engaged communities Equity is increased by actively involving communities that historically have been marginalised or excluded from decision making processes New decisions and policies do not further reinforce the disadvantaged position of historically disadvantaged people or groups
Māori and Tangata Whenua participation 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.	Council will: Recognise and protect Māori and Tāngata Whenua rights and interests within Rotorua District Actively consider how to address and contribute to the needs and aspirations of Māori Engage early with Māori in the development of appropriate plans, policies and decisions Take guidance from Māori in the ways Council will engage with them Support Māori to fully engage with the Council, for example through but not limited to capability and capacity building	Te Tatau o te Arawa partnership outcomes are met and fulfilled. Treaty obligations are met Equity is increased by actively involving communities that historically have been marginalised or excluded from decision making processes New decisions and policies do not further reinforce the disadvantaged position of historically disadvantaged people or groups

1.0 Introduction

The purpose of the Treasury Policy (Policy) is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Rotorua Lakes Council (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, interest rate risk management limits to ensure prudent management of interest rate risks, and that investment returns are maximised within an acceptable risk management framework, to ensure capital preservation, for the benefit of current and future ratepayers.

2.0 Scope and Objectives

2.1 Scope

This document identifies the policy and procedures of Council in respect of treasury management activities.

2.2 Objectives

The objective of this Policy is to control and manage costs and investment returns that can influence operational budgets and public equity. Specifically:

2.3 Statutory Objectives and requirements

- All projected external borrowing, investments and incidental arrangements (such as the use of interest rate hedging instruments) will meet the requirements of the Local Government Act 2002, and incorporate the Liability Management and Investment Policy.
- Council is governed by the following relevant legislation:
    - 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 2019 (effective 30 January 2021). 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 2019 Part 4 Investments.
    - Public Bodies Lease Act 1969.
    - Property Law Act 2007.
    - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
- 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.

- Lenders and debenture trust deed covenants, including the specific requirements to the New Zealand Local Government Funding Agency which Council joined in February 2013 as a borrower and guarantor.
- 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.
- Council will not enter into borrowings denominated in a foreign currency.
- Council will not transact with any Council Controlled Organisation ("CCO") or Council Controlled Trading Organisation ("CCTO") on terms more favourable than those achievable by Council itself, (subject to the exemption as per Section 9 of the Local Government Borrowing Act 2011, lending and financial accommodation provided to the Local Government Funding Agency).
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
  - The period of indebtedness is less than 91 days (including rollovers); or
  - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate amount determined by resolution of the Council as not being so significant as to require specific authorisation.

2.4 General Objectives

- Comply with financial ratios and limits stated within this Policy.
- Ensure that all statutory requirements are adhered to.
- Borrow funds, invest funds and transact risk management instruments within an environment of control and compliance under the Council approved Policy, so as to protect Council's financial assets.
- Minimise Council's costs and risk in the management of any external borrowings.
- Minimise Council's exposure to adverse interest rate movements.
- Maintain appropriate liquidity levels and manage cash flows to meet known and reasonable unforeseen funding requirements.
- Monitor, evaluate and report on treasury performance, including Policy compliance, financing/borrowing covenants and ratios, and lending/security obligations.
- Minimise Council's exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.
- Manage any investments to optimise returns in the long term, whilst balancing risk and return considerations giving proper regard to the distribution between present and future generations of ratepayers.
- Monitor Council's return on all investments.
- Develop and maintain relationships with financial institutions, the LGFA, credit rating agencies, trustees and investors.
- Ensure Council, management, and all relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.

3.0 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 external borrowing programme through adopting Annual Plan	Council	Unlimited (subject to legislative and other regulatory limitations)
Acquisition and disposition of investments (other than financial investments)	Council	Unlimited
Approving new and refinanced bank debt facilities	Council	Unlimited
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
Appointing Debenture Trustee	Council	Unlimited
Re-financing existing debt	Chief Financial Officer	Per risk control limits
Approving transactions outside policy	Council	Unlimited
Adjusting the interest rate risk profile	Chief Financial Officer	Per risk control limits
Managing funding maturities	Chief Financial Officer	Per risk control limits
Managing cash/liquidity requirements	Chief Financial Officer	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 Financial Officer Financial Controller Business Performance Manager	$50 million $30 million $15 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 Financial Officer	Approved by Council
Ensuring compliance with Policy	Chief Financial Officer	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.

4.0 Liability Management Policy

Council's liabilities comprise borrowing and various other liabilities. Council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes Council to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements. Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong credit rating, and manage its relationships with its credit rating agency, investors and financial institutions. Lease and guarantee transactions that expose Council to financial liability are considered to be immaterial, and are therefore not required to be actively managed as part of the risk control limits contained within this Policy.

4.1 Purpose

The Liability Management Policy outlines the principles that Council follows to manage the risk associated with Council's borrowing programme. Namely:

- The re-pricing risk involved with financing new and/or existing debt at acceptable rates (fees and borrowing margins), and on the same terms as existing debt.
- The 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 borrows funds as it determines by resolution arising from the Long term planning and Annual planning processes, with projected future debt levels arising from cash flow and debt forecasting undertaken during these planning processes. Council raises debt for a number of different purposes including:

- To fund capital expenditure for new assets relating to additional demand, new levels of service and/or growth and those that require intergenerational funding.
- Short term working capital.
- Special projects as determined from time to time by Council.

4.2 Objectives

The objectives of the Liability Management Policy are consistent with local authority sector best practice, and will take into account Council's Long Term Plan ("LTP"). The key objectives in relation to borrowings are to:

- Prudently manage Council's external borrowing activities to ensure Council remains adequately funded on an ongoing basis.
- Borrow only under Council approved facilities and as permitted by this Policy.
- Minimise external borrowing costs within risk management control limits.

4.3 Borrowing Limits

Total Council borrowings will be managed within the following limits, in line with LGFA requirements: (Covenants are measured on Council only, not on the consolidated basis).

Ratio	Council Limit	LGFA Limit
Net Debt/Total Revenue	<250%	<250%
Net Interest/Total Revenue	<20%	<20%
Net Interest/Annual Rates Income	<25%	<30%
Liquidity [external debt + liquid funds to external debt]	>110%	>110%

4.4 Definitions Relating to Borrowing Limits

- Total revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, development contributions, financial and other revenue income, excludes non-government capital contributions (e.g. vested assets).
- Net debt is defined as total debt less liquid funds, including LGFA borrower notes.
- Net interest is defined as total interest expenses less interest income, excluding interest income from debt on lending to CCOs.
- CCOs are defined as 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.
- Liquid funds are cash and cash equivalents defined as being:
- Overnight bank cash deposits.
- Wholesale/retail bank term deposits no greater than 30 days.
- Registered Certificate of Deposit with a term of no greater than 180 days
- Bank term deposits linked to prefunding of upcoming maturing term debt exposures cannot be included in liquid funds as they are encumbered.
- Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue from other local governments for services provided and for which the other Local Governments rate.

4.5 Asset Management Plans

In approving new borrowings, Council will consider the impact on its external borrowing limits as well as the economic life of the asset that is being funded, and its overall requirement to match the funding of assets over their economic life/period of benefit to best achieve intergenerational equity objectives.

4.6 Borrowing Mechanisms

Council is able to borrow externally through a variety of different market mechanisms including issuing directly into the short and long term wholesale/retail debt capital markets (e.g. FRNs, bonds, and commercial paper), direct bank borrowing, and accessing the LGFA. In evaluating strategies for new borrowing (in relation to source, term, size and pricing), Council takes into account the following:

- Available terms from banks, the LGFA and debt capital markets.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at re-issue/rollover.
- Prevailing interest rates and bank/credit margins relative to term for debt issuance.
- The outlook on future interest rate and borrowing margin movements.
- Legal documentation and financial covenants together with security and credit rating considerations.
- For internally funded projects, to ensure that finance terms for those projects are at least as equitable as with those terms from external borrowing.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

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 fall due.
- Have diversified funding sources and maturity dates to avoid one off event risk unduly impacting on overall interest expense levels.
- Manage its image in the marketplace and its relationship with banks, brokers and investors.

Council will not enter into any borrowings in denominated in a foreign currency.

4.7 New Zealand Local Government Funding Agency Limited (LGFA)

Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA, e.g. LGFA borrower notes.
- Provide guarantees of the indebtedness of the other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.
- Subscribe for shares and uncalled capital in the LGFA.

4.8 Debt Repayment

The funds from all asset sales, operating surpluses, grants and subsidies will be applied to the reduction of debt and/or a reduction in borrowing requirements, unless Council specifically directs that funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or renegotiated, as and when, appropriate. In certain circumstances (where market interest rates allow), Council may repurchase and cancel existing borrowings before maturity.

4.9 Security

Security will usually be provided to banks for the provision of debt facilities and treasury products and also to other investors in Council's debt. Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue, offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Rating Act. This security offered by Council ranks equally (pari passu) with other lenders.

From time to time, and only with Council approval, security may be offered by providing a charge over one or more of Council's assets.

Physical assets will only be charged where:

- There is a direct relationship between the debt and the purchases or construction of the asset that it funds (e.g. project finance).
- Council considers a charge over physical assets to be appropriate.

Any pledging of physical assets must comply with the terms and conditions contained within the security arrangement.

Utilisation of internal funds for internal borrowing purposes will be on an unsecured basis.

4.10 Guarantees/Contingent Liabilities and Other Financial Arrangements

The Council may act as a guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business units when the purposes of the loan are in line with Council's strategic objectives. Council is not allowed to guarantee loans to Council controlled trading organisations (CCTOs) under Section 62 of the Local Government Act.

Financial arrangements include advances to community organisations.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed any amount agreed by Council or an appropriate council committee in aggregate. All guarantees will be reported as part of the Quarterly Treasury Report.

4.11 Borrowing Intra Group

Council's debt is managed on a centralised basis as the parent of 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 market place, and can accordingly provide a financial benefit to CCOs. Council can pass funding on to CCOs at cost, or include a margin to reflect its support as approved by 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, which will be advanced at Council's average cost of funds.

4.12 Lending to Council Controlled Organisations

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any on-lending arrangement to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the CFO considers the following:

- Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- Impact on Council's credit standing, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- The form and quality of security arrangements provided.
- The lending rate given factors such as; CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- Lending arrangements must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- Accounting and taxation impact of on-lending arrangement.

All on-lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed and approved by Council's independent legal counsel.

5.0 Investment Management Policy

5.1 Introduction

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.

Investments and associated risks are monitored, managed and regularly reported to Council.

Specific purposes for maintaining investments include:

- For strategic purposes consistent with Council's LTP.
- To reduce the current ratepayer burden.
- The retention of vested land.
- Holding short term investments for working capital and liquidity requirements.
- Holding investments that are necessary to carry out Council operations consistent with Annual Plans and the Long Term Plan, to implement strategic initiatives, or to support inter-generational allocations.

Invest amounts allocated to accumulated surplus, Council created restricted reserves and general reserves.

- Invest proceeds from the sale of assets.

Council recognises that as a responsible public authority, all investment held should be low risk. Council also recognises that low risk investments generally mean lower returns.

5.2 Objectives

The objectives contained within this Investment Policy are consistent with market best practices, and will take into account the requirements of Council's Annual and Long Term Plans. 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.
- Manage investments in accordance with the Local Government Act 2002 and the Trustee Act 2019; administer, manage and account for its funds and exercise the care, diligence and skill that a prudent person of business would exercise in the managing affairs of others.
- Invest in only those investments that are approved under this policy maintain an appropriate level of diversity. Accordingly, only creditworthy counterparties are acceptable.
- Support the Council's liquidity requirements.
- Minimise the potential risk due to adverse interest rate movements.
- 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.

5.3 Policy

Council's general policy on investments is that

- Council may hold financial, property, forestry, and equity investments if there are strategic, economic or other valid reasons (e.g. where it is the most appropriate way to administer a Council function).
- Council will keep under review its approach to all investments and the credit rating of approved financial institutions.
- Council will review its policies on holding investments at least every three years.

5.4 Mix of Investments

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.

Council's debt investments include treasury assets, such as cash or cash equivalent investments, loan advances and LFGA equity related requirements. Council holds other debt investments, each tagged for specific purposes, which may include loans to CCOs.

5.5 Specific Investments

Council considers its specific equity investments (presented in the table below) as representing the best interests of the community and ratepayers. Council's exposure to risk would be that of any other financial shareholder. Specific investments include the following:

Company	Council Shareholding	Principle 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
Waikato Local Authority Shared Services Limited	6.14%	Efficient Government	Nil
BOP LASS Limited	16.13%	Efficient Government	Nil
Civic Financial Services Limited	<1%	Risk Management	Nil
Mountain Bike Events Limited	49%	Economic Development	Nil

5.6 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. Any loans related to community organisations will be on a commercial basis.

5.7 New Zealand Local Government Funding Agency Limited Investment

Despite anything earlier in this Policy, Council is able to enter into a commitment that could result in it becoming a shareholder in the New Zealand Local Government Funding Agency Limited (LGFA). In borrowing from the LGFA, Council can agree to the issue of borrower notes to the value of 1.6% of the total amount borrowed (if drawn down between the period 2011 and May 2020) thereafter the value is increased to 2.5% for any additional lending from that date. These will be held by the LGFA while the borrowing is outstanding and may in certain scenarios convert to shares in the LGFA. Also, as a Guaranteeing Local Authority, Council is required to commit to subscribe for redeemable shares in the LGFA in certain circumstances. As the LGFA is a Council Controlled Organisation (CCO), Council has undertaken specific consultation to satisfy the requirements of Section 56 of the Local Government Act 2002. Council's objective in making any such investment will be to:

- Obtain a return on the investment.
- Ensure the LGFA has sufficient capital to remain viable, meaning that it can continue to be a source of debt funding for Council,

Because of these dual objectives, Council may invest in LGFA shares in circumstances where the return on that investment is potentially lower than the return available with alternative investments. If required in connection with the investment, Council may also subscribe for uncalled capital in the LGFA.

5.8 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.

6.0 Risk Recognition, Identification and Management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risks of Council is detailed below and applies to both the Liability Management Policy and the Investment Policy.

7.0 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.

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 external debt forecast amounts 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.

7.1 Interest Rate Risk Control Limits

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 time periods, given the long term inter-generational nature of assets being funded. The fixed rate percentage at any point in time should be within the following maturity bands:

Debt Interest Rate Policy Parameters (calculated on a rolling monthly basis):		
Term of Exposure	Minimum Fixed Rate Exposure	Maximum Fixed Rate Exposure
Current Year	0%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	0%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	50%
Year 9	0%	50%
Year 10	0%	50%
Year 11	0%	25%
Year 12	0%	25%
Year 13	0%	25%
Year 14	0%	25%
Year 15	0%	25%

"Fixed rate" is defined as all known interest rate obligations on forecast external debt, including where hedging instruments have converted floating rate obligations into firm commitments.

"Floating rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.

A fixed rate maturity profile that is outside the above limits, however self corrects within 90 days is not in breach of this Policy. Maintaining a maturity profile that is outside the above limits for longer than 90 days requires specific approve by Council.

Interest rate swap maturity is limited by the maximum offered LGFA Bond maturity, beyond this approval is required by Council.

8.0 Liquidity Risk/Funding Risk

8.1 Risk Recognition

Cash flow deficits in various future periods based upon long term financial forecasts are reliant upon the maturity structure of cash, financial investments, term loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to refinance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms. .

The prudent management of Council's borrowings is important because several risk factors can arise, which cause adverse movements in borrowing margins, term availability and general flexibility including:

- Local government risk is priced to a higher fee and margin level.
- Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.
- An individual lender to the Council experiences their own financial/exposure difficulties resulting in Council not being able to manage their debt portfolio as optimally as desired.
- New Zealand investment community experiences a substantial 'over supply' of Council investment assets.
- Financial market shocks from domestic or global events.

Where possible, Council seeks a diversified pool of borrowing and ensures that bank borrowings are only sought from approved strongly rated New Zealand registered banks.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of funding maturities at one point in time so that if one off external negative credit events occur, the overall borrowing cost (through adverse credit margin movement) is not materially increased and general flexibility reduced.

8.2 Liquidity/Funding Risk Control Limits

Council must approve all external borrowing through the adoption of the Annual Plan.

Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

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.
- 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.
- External debt, together with liquid funds must be maintained at an amount of at least 110% over the Plan current external debt.

Council has the ability to prefund up to 18 months forecast external debt requirements including debt re-financings and invest any cash surpluses with approved counterparties for a term of no more than 18 months.

The CFO or delegate has the discretionary authority to refinance existing debt on more favourable terms. Such action is to be reported and ratified by Council at the earliest opportunity.

To minimise concentration risk the LGFA require that no more than the greater of NZD $100 million or 33% of Council's borrowings from the LGFA will mature in any 12 month period.

The maturity profile of the total committed funding in respect to all loans and committed facilities is to be controlled by the following system:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
5 7 years plus	0%	60%

A funding maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, a maturity schedule outside these limits for greater than 90 days will require specific Council approval.

9.0 Approved Financial Instruments

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities Fixed Rate Bond (Medium Term Note/Bond) and Floating Rate Note (FRN) Retail and wholesale debt security Commercial paper (CP) Financial and operating leases
Investments (term <12 months)	Call deposits Bank term deposits Registered Certificates of Deposit (RCD)
Investments (>12 months)	LGFA borrower notes Bank term deposits (linked to prefunding activity)
Interest rate risk management	Forward rate agreements (FRAs) on bank bills Interest rate swaps including: Forward start swaps (start date <36 months, unless linked to existing maturing swaps with notional amounts not exceeding maturing swap. Amortising swaps (whereby notional principal amount reduces). Swap extensions and shortenings. Interest rate options on: Bank bills (purchased caps and one for one 'collars'). Interest rate swaptions (purchased swaptions and one for one collars with matching notional values only).
Foreign exchange risk management	Spot exchange contracts Forward exchange contracts

Conditions of instrument use:

Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate "in-the-money".

Interest rate options with a maturity beyond 12 months that have a strike rate (exercise rate) higher than 2.0% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

Any other financial instrument must be specifically approved by Council on a case-by-case basis, and only applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits. The following types of investment instruments are expressly excluded:

Structured debt where issuing entities are not a primary borrower/issuer.

Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and hybrid notes such as convertibles.

10.0 Counterparty Credit Risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Council is a party. Prudent credit management can reduce Council's risk of loss from a counterparty failing to meet its obligations. The credit risk to Council in a default event will be weighted differently depending on the type of instrument entered into.

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 Council. Where 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 or equivalent credit ratings from Moody's or Fitch Ratings.

Credit risk will be regularly reviewed by Council. Treasury related instruments will only be entered into with organisations specifically approved by Council.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

The following matrix guide will determine limits:

Counterparty/Issuer	Instruments	Minimum short term credit rating (<12 months)	Minimum long term credit rating (>12 months)	Maximum exposure per counterparty
NZ Government	Treasury Bills, NZ government bonds	N/A	N/A	Unlimited
LGFA	LGFA borrower notes, commercial paper	N/A	N/A	$34.0m
NZ registered bank	Bank deposits, interest rate and foreign exchange contracts	A-1	AA- A	$30.0m $21.0m

The equivalent dollar value for maximum counterparty credit exposures is updated annually based upon the most recent audited financial statements. The percentages used for these calculations are presented below:

- LGFA: 40%.
- NZ registered bank (AA-): 35%.
- NZ registered bank (A): 25%.

The calculation methodology for Council's exposures is outlined below. For the purposes of these calculations, when replacement cost (marked-to-market) is below zero (i.e. negative) the value used in the calculation will be zero (prescribed factors are displayed in the following table):

- Investments (such as bank deposits) – Replacement Cost + Notional x Prescribed Factor
- Interest rate risk management contracts (such as swaps, FRAs) – Replacement Cost + Notional x Prescribed Factor
- Foreign exchange risk management contracts (such as FECs) – Replacement Cost + Notional x Prescribed Factor

Current term to maturity	Treasury Investments	Interest rate contracts	Foreign exchange contracts
Less than one year	100%	0.0%	10.0%
Between one and five years	100%	0.5%	12.0%
Longer than five years	100%	1.5%	15.0%

11.0 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. Individual commitments in excess of NZD 100,000 are defined as an exposure. Foreign exchange exposures may be hedged using spot and forward exchange contracts with approved New Zealand Registered banks once expenditure is approved by the CFO and/or Council.

12.0 Operational Risk

Operational risk is the risk of loss as a result of human error (or fraud), systems failures or inadequate processes, procedures or controls.

12.1 Dealing Authorities and Limits

Transactions will only be executed by those persons within limits approved by Council.

12.2 Segregation of duties

Adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, setting and accounting/reporting. When there are a small number of people involved in borrowing and investment activity, the strict segregation of duties is not always achievable.

12.3 Legal risk

Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may also be exposed to such risks. Council will undertake the following to minimise legal risk:

- The use of standard dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contracts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow up of anomalies.
- The use of expert advice for any non-standardised transactions.

12.4 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council. All ISDA Master Agreements for financial instruments must be signed under seal by Council.

Council's internal/appointed legal counsel must sign off on all legal documentation.

13.0 Performance Measurement

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to Council or an appropriate sub-committee of Council on a quarterly basis.

13.1 Operational Performance

The performance of the borrowing activity will be measured against pre-determined benchmarks:

- Adherence to Policy and in particular borrowing limits.
- Comparison of actual monthly and year to date borrowing costs v budget borrowing costs.
- Comparison of actual monthly borrowings amounts with budgeted borrowings amounts.
- Comparison of actual borrowing limit ratios (both Council and LGFA) to budgeted borrowing limit ratios as per the Annual Plan and Long Term Plan.

14.0 Reporting

The CFO has responsibility for ensuring appropriate reporting of the Treasury function is completed for senior management and 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 CEO 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.

The following reports are to be produced:

Report Name	Frequency	Prepared by	Recipient
• Daily Cash Position Treasury Spread Sheet	Daily	Accountant	Business Performance Manager
• Treasury Exceptions Report	As required	Accountant	Financial Controller
• Monthly Treasury Report (signalling significant changes in treasury management strategy)	Monthly	Business Performance Manager	Chief Financial Officer
• Quarterly Treasury Report • Policy limit compliance • Borrowing limits • Funding and interest rate position • Funding facilities • New treasury transactions • Cost of funds v budget • Cash flow forecast report • Liquidity risk position • Counterparty credit • Treasury performance • Outstanding guarantees and loan advances	Quarterly	Business Performance Manager Chief Financial Officer	Council
• Half-Yearly Financial Statements	Six monthly		Council
• Half Yearly Reporting Certificate	Six monthly		Council
• Annual Report	Annual		Council
• Annual Reporting Certificate	Annual		Council
• Auditors Report	Annual		Council
• Insurance Certificate	Annual		Council
• Annual Plan/Long Term Plan	Annual/Triennially		Council
• Revaluation of Financial Instruments	Quarterly		Council
• LGFA Compliance Report	Annual / As required		Council

15.0 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 new debt on the sustainability of overall debt service costs.
- Relevant margins under each borrowing source.
- Prevailing interest rates relative to the term of borrowing.
- The term of borrowing.
- Legal compliance and financial covenants.
- Other terms and conditions.

The core members of the TMG are as follows:

- Chief Financial Officer.
- Financial Controller.
- Business Performance Manager.

The CEO is invited to attend all TMG meetings, but is not a permanent member, as are representatives of Council's independent treasury advisor (if one is appointed). Other Council officers and Council's internal treasury advisors are invited to attend as required.

16.0 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 it detailed in the Accounting Manual.

Under NZ IPSAS accounting standards, changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.

All financial instruments must be revalued (marked-to-market) quarterly for risk management purposes.

17.0 Policy Review

This Policy is to be formally reviewed at least every three years, in conjunction with the Long Term Plan process, or earlier if required.

The CFO has the responsibility for reviewing a review report to be presented to Council for consideration and approval.

The report should include:

- Recommendations as to changes, deletions and additions to the Policy.
- Overview of how the treasury function has been achieving its stated treasury objectives.
- Summary and review of breaches and one off approvals outside Policy to highlight areas of tension.

Appendices

Long-term Plan 2021-2031

Appendix i: Financial Strategy (full)

Appendix ii: Infrastrsucture Strategy (full)

Financial Strategy (full)

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 250% 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 provides clarity on how this will be managed over the next 10 years.

A short summary is provided below, however, each of the core individual components that make up the complete financial strategy is explained further in more detail.

Summary

This LTP is built around Council ensuring we finish the projects that we started e.g Museum, Lakefront, SHMPAC and investing in developing our communities and district by creating conditions for safe, thriving communities and housing development. To enable this, there will need to be an approx. 9.2% rates increase in the first year which will fund the required level of investigation and planning into ensuring we can develop both greenfield and brownfield opportunities, retain and attract the best talent for pursuing and delivering our goals, financing our debt and covering depreciation, maintenance and renewal costs; invest in transforming legacy technological systems to ensure a modern and fit for purpose operating platform as well as invest in our core essential services such as Roading, Waste and 3 Waters.

There will also be some level of early operational investment required to enable the reopening of the Museum and SHMPAC facilities such as advertising and personnel hires although once these assets are fully operational it is expected that these will adhere to the revenue and funding policy targets.

Debt will be increasing from a 2021 forecast year end position of $249million to over $440million in ten years. This increase does not breach any of Councils legislated covenants e.g. 2.50x revenue, and is expected to be below 2.25x by 2031. The increase in debt will be monitored closely and is considered financially viable not only due to the population growth expected in the district with an increase of close to 4,000 properties but also due to the current and expected long term suppression of financing costs.

We are not investing just on our own, other government agencies e.g MBIE, MFE and private funders attracted by our aspirational vision and goals are willing to partner with us. By partnering with external funders who see the long term benefit that these investments will bring to our community we are able to provide a greater level of delivery and total investment than if simply only applying council funds.

Although it would be impossible and naïve to try insulate ourselves from future economic impacts e.g. COVID-19 or natural disasters, the financial strategy does allow for a significant investment into Rotorua. This investment is expected to drive and cater for population growth and subsequent employment opportunities, infrastructure requirements to mitigate climate change effects and maintain a level of borrowing buffer should we need to fund emergencies or decreases in user charges over the short term. Should the consensus be that any detrimental impact is going to be over the longer term then this will necessitate a review of the financial strategy at that time.

Fees and charges

Revenue from fees and charges comes from things such as admission and hiring rates for venues and facilities, liquor licenses, 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 some other councils. However, recent catastrophic global events such as COVID-19 have proven the prudency in this approach by establishing a stable revenue base with which to maintain essential services without requiring debt funding.

As a result of the recent lessons from COVID-19 a target has been set over the course of the Long-term Plan to limit rates revenue to not more than 85%. This will however, necessitate an increase in fees and charges for some activities e.g. Animal Control. In addition, with the closure of Sir Howard Morrison Performing Arts Centre and the Museum there has been a higher reliance on rates to fund these facilities which will be part of the higher rates income %, however, when the Museum and Sir Howard Morrison Performing Arts Centre facilities recommence generating revenue this target will be reassessed.

Any increase to fees and charges is to ensure that those who directly generate a need for, and gain the highest benefit from a service will pay for that service and associated benefit.

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 new or increased service levels, inflation and changes to interest expenses and depreciation resulting from the investment into capital expenditure over the 10 year plan.

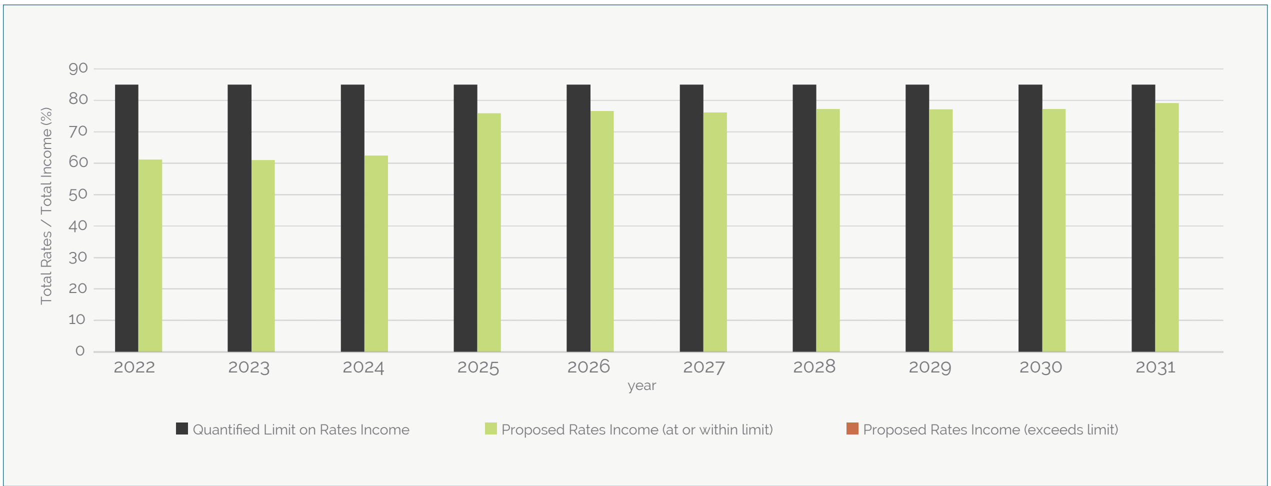
Overall rates proposed rates increases (after allowing for growth in the rating base) and the limits will be:

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Proposed Rates increases (%)*	9.17	5.66	4.51	5.11	3.36	2.59	2.96	4.57	4.86	2.49
Quantified Limit on Rates increases (%)*	9.17	5.90	4.70	5.40	3.70	2.80	3.30	5.30	5.60	2.90
* *Excluding Tarawera*										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Proposed Rates increases (%)**	9.17	5.66	4.51	5.51	3.35	2.22	2.96	4.57	4.86	2.49
Quantified Limit on Rates increases (%)**	9.17	5.99	4.73	5.78	3.36	2.22	3.30	5.30	5.60	2.90
** *Including Tarawera*										

The rate limits are the proposed rate increases across existing ratepayers covering both general and targeted rates and reflecting an adjustment for future risk. 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 maintain this limit of 85% for three 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 general or targeted rates and thirdly, the lessons from COVID-19 have shown the benefits in a lower reliance on fees and charges during a crisis.

The below graph demonstrates the level that rates income will be over the period of the LTP and does not exceed our limit of 85%.



For additional context, the table below serves to highlight how Councils source of revenue is comprised over the LTP period.

Income sources (inflated $m)	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Fees and Charges	18	19	20	22	23	23	24	25	25	26
Rates	112	118	124	131	135	139	142	147	154	158
Subsidies (Operational and Capital)	52	53	51	14	11	15	15	16	17	13
Development Contributions	0	2	3	5	7	5	3	2	3	2
Other	1	1	1	1	0	0	0	0	0	0
	184	**194**	**198**	**172**	**177**	**182**	**184**	**191**	**199**	**200**

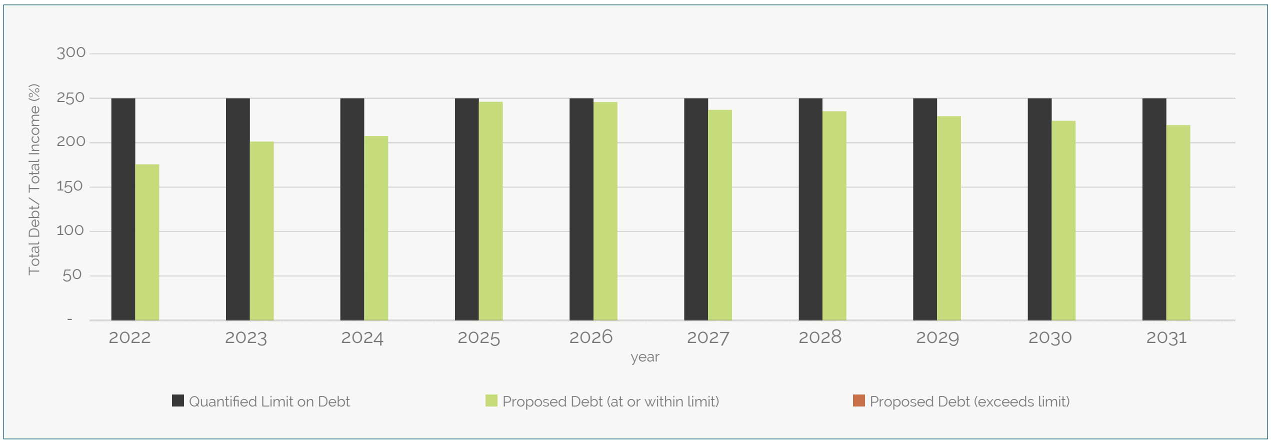
Borrowing

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.

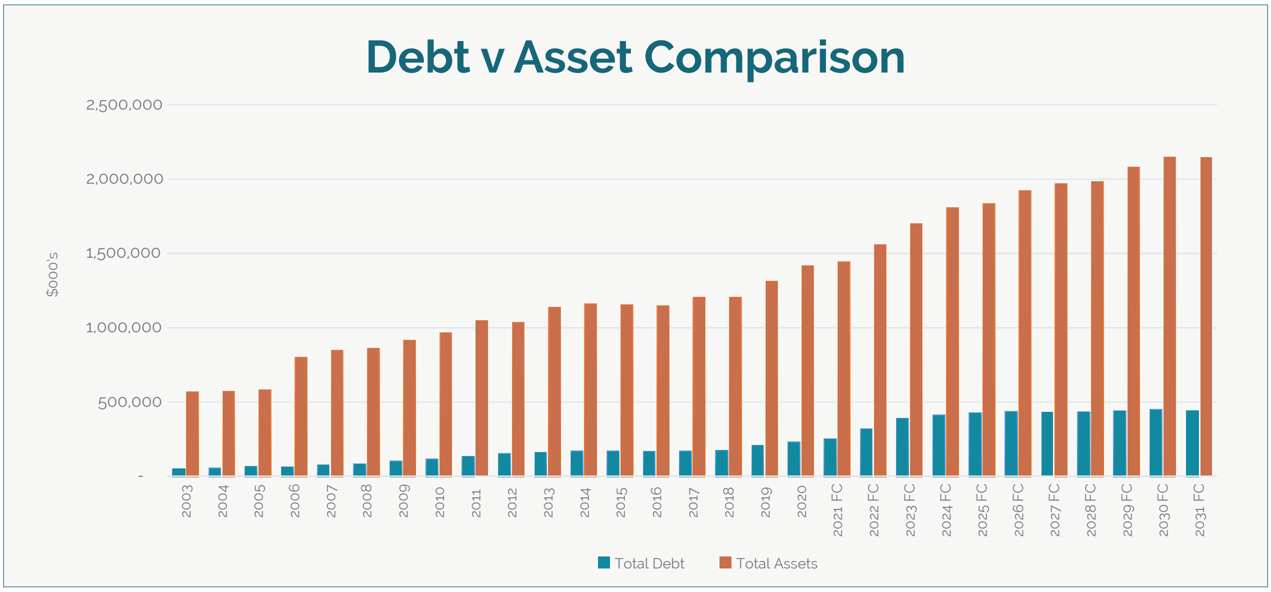
As shown by the graph below, across the profile of the LTP, net debt does not exceed our limit of 250%. Debt is expected to increase from the 2021 forecasted year end position of $249million to over $440million as we invest in both essential and strategic capital programmes. The graph demonstrates that debt will be paid down towards the back end of the LTP. With the wider macro-economic challenges posed by economies needing to recover post COVID_19 stimulus packages, it is widely expected that this will keep a lid on inflation and subsequently minimise interest rate increases. As a result of this, council has taken the prudent step of using these historic low levels of financing to invest in our community.

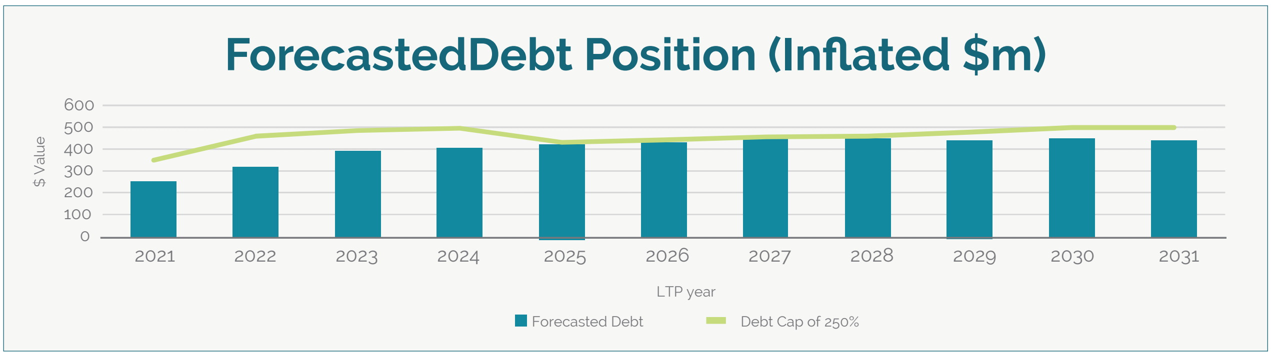
Refer to Treasury Policy for definition of net debt and total revenue.



In line with the above, the graph below shows that over the course of the ten years we will have increased our assets by $707 million to $2.1 billion. During the same period our debt will increase by $197 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 $448 million.





This remains within our debt limits

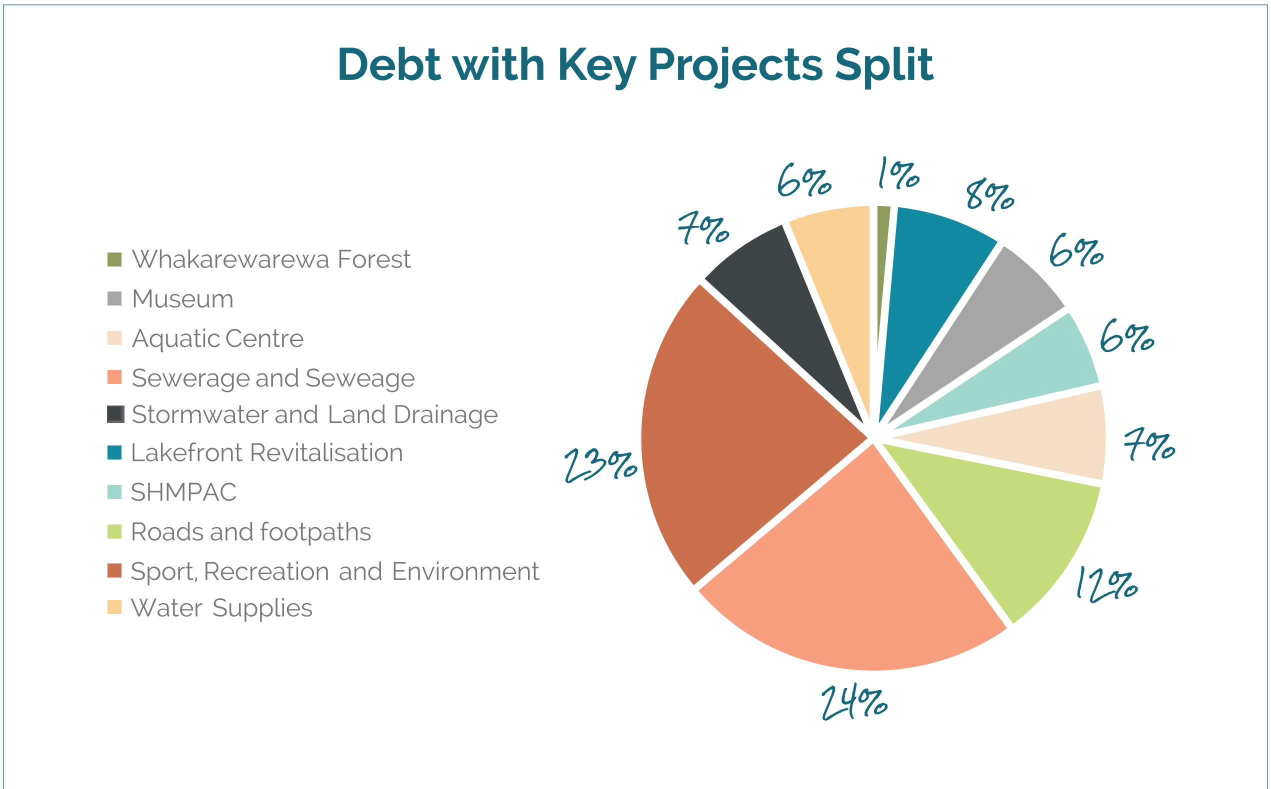
- Net debt to Total Revenue 246% against a limit of 250%
- Net interest to total revenue 8.9% against a limit of 20%
- Net interest to Annual Rates Income 11.50% against a limit of 25%

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 not more than 2.5x (250%) revenue.

Council's debt forecast to revenue ratio as at 30 June 2021 is approximately 178% and whilst this will rise to around 246% through years 2025-2026 is forecast to be 219%, in 10 years' time.

The increased debt is driven in part by completing a number of large projects identified as contributing to the Vision 2030 goals and growth aspirations and as part of Councils investment in homes and thriving communities.

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



Quantified limits on borrowing

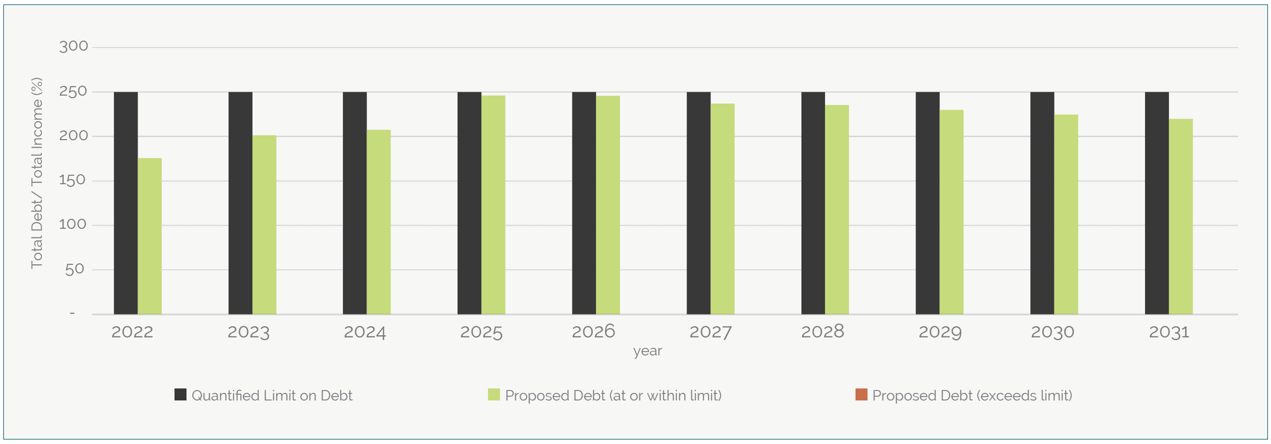
Consistent with Councils treasury policy in managing debt, Council will adhere to the following limits:

- Net interest expense on external debt as a percentage of operating revenue will not exceed 20%; and
- Net interest on external debt as a percentage of annual rates revenue will not exceed 25%; and
- Net external debt as a percentage of annual operating revenue will not exceed 250%.

As part of Councils financial strategy, to maintain debt at acceptable levels, the ratio set for this limit within this financial strategy is 250%. This is to ensure Council has adequate borrowing capacity in the future to fund unforeseen projects or be able to respond to an emergency. Council will stay below this threshold and although the debt ratio increases for periods of time to ensure sufficient investment in our community is maintained we remain within the 250x limit. In the current climate of record low interest rates this is deemed a prudent use of long term funding to keep rates low but provide inter-generational benefit such as the placemaking projects e.g. Lakefront revitalisation project or the upgrade to the districts Sewerage plants or stormwater capability.

The debt to revenue ratio and external debt levels for the Long-term plan are:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Forecasted Debt Level	249,351	318,027	387,630	411,602	423,864	434,349	431,821	431,957	439,001	448,260	437,614
Proposed Debt %	178	173	200	207	246	246	237	235	230	225	219
Quantified Limit on Debt %	250	250	250	250	250	250	250	250	250	250	250



Asset Sales

The Council is investigating selling some assets in order to reduce pressure on levels of debt. Council has budgeted for sales of approximately $11 million over the next ten years. These assets will only be sold if the Council gets a fair price. Council is prepared to wait until it can get a fair return.

Growth

Managing growth over the period of this plan and beyond is challenging. Rotorua is currently experiencing solid growth. In the three years to June 2020 our population grew at a compound annual growth rate of 1.6% (compared to 0.8% 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 invest in infrastructure. It is very expensive to not only put in new infrastructure but also, to renew and replace 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 Council's growth assumption for LTP 2021-31 projects our population to grow from approx. 77,000 in 2020 (based on latest StatsNZ figures) to 85,000 in 2031.

This increase is based on the growth projections from Infometrics and is an underlying driver for the significant investment into development over the LTP period. The Infometrics population projections have been used to help prepare demand forecasts for Councils Infrastructure Strategy and the related capital expenditure programme for the 10 year plan. The financial strategy has assumed a realistic view of the proposed population growth projections over the 10 year period. The achievability of the longer term population growth projections will require Council to ensure that land does become and is available for development. This achievability of population growth and or development is not deemed high risk given the level of funding and planning that is already taking place and will continue to take place over the short to medium term.

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.

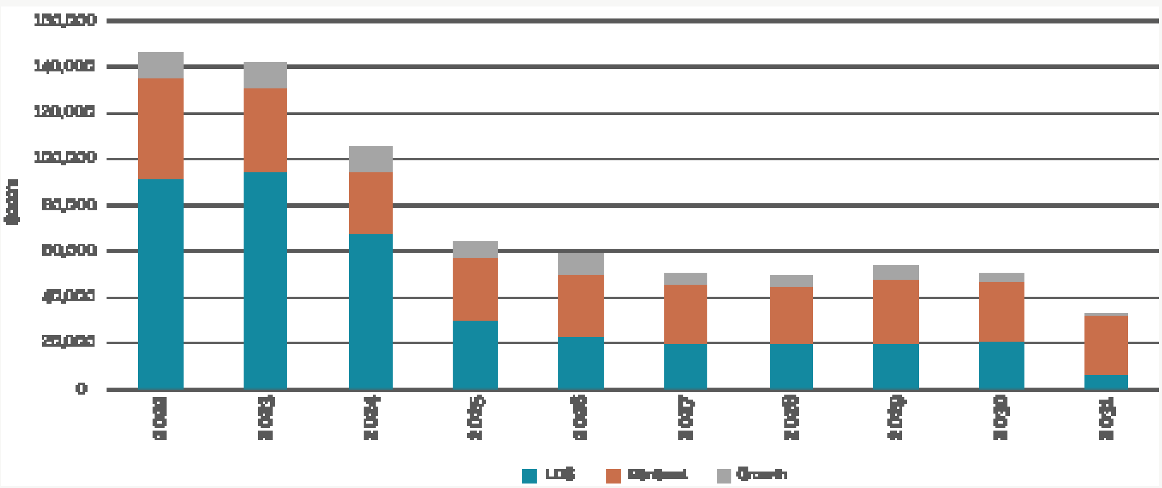
Funding of capital expenditure

Prevailing interest rates are at record lows and are expected to remain suppressed for an extended period however, we aim to continue to use debt prudently whilst investing strongly into the district to pay for asset spending benefitting multi-generations e.g. Lakefront revitalisation and Sewerage plant upgrades rather than from rates. Council believes it is prudent to utilise operating surpluses to fund capital expenditure where possible 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 that will have an intergenerational benefit.

Capital Expenditure

The Long-Term Plan provides for $749 million (uninflated) 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 developed in consultation with in-house and external experts and held in our asset management systems which groups assets, holds condition assessments, applies assumptions and averages. These in turn are used to determine estimated useful lives and expected replacement dates and values. This forms the basis of our capital expenditure program for the next 10 years (all capital expenditure figures are quoted in uninflated $).

Capex Split by Type



** uninflated*

2021-2031 10 Year Plan ($'000)			
Activity by Group	Levels of Service	Growth	Renewals
Sewerage	108,670	5,720	55,998
StormWater	5,000	40,346	30,000
Roading	42,106	7,300	74,570
Water	13,940	7,010	30,800
Other	226,929	0	100,239
Total	**396,645**	**60,376**	**291,607**

** uninflated*

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, currently anticipated from year 2 of the Long Term Plan. 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. Of the $397million proposed above that is going towards Level of Service projects just under $170million will be to complete the key placemaking projects that we started in the previous LTP, namely the Museum, SHMPAC, Whakawarewa Forest, Lakefront and the Waste Water Upgrade. The investment into the Museum is to enable the reopening of our iconic landmark that will also be strengthened for seismic risk. Other improvements into the building such as the redesign of the air conditioning systems will mean that Rotorua will be able to attract a greater variety of cultural and international treasures than was previously possible. This investment will therefore continue to ensure we attract visitors and locals alike to share in our history.

The expenditure into the Sir Howard Morrison Performing Arts Centre is taking the current building and turning into a world class venue with a new seating arena, capable of hosting approx. 1000 patrons, enhanced acoustic ability to allow a wider variety of performances to be shown and an improved foyer and open space facilities with the flexibility to be reset for other functions such as conferences or weddings to further act as a magnet and attraction for locals and tourists alike.

Rotorua is and will continue to be a mecca for mountain bike, trail walking/running and outdoor enthusiasts. This attraction supports the wider Rotorua GDP by creating employment opportunities. To ensure we maintain this competitive advantage the Whakawarewa forest development has a number of initiatives to improve services to leverage off recreation and wellness opportunities.

In partnership with MBIE funding and iwi landowners, new family friendly trails and a proposed Great Ride loop around the forest are being created to accompany the new Te Pūtake o Tawa car park and commercial hub on the eastern side of the forest. The popular access point on the northern side, Titokorangi Drive, has been upgraded and a new Visitor Centre will be developed to widen the attraction to the forest experience.

The Lakefront is one of Rotorua's natural environment drawcards and the $20million that council is putting into this project is match funded by a further $20million of government funding. There are other investment multiplier effects as a result of this expenditure as further commercial opportunities are developed and established. The Lakefront project will provide for improved user facilities and cultural storytelling, walking and cycling access links and destination playgrounds in a family friendly environment.

We need to keep both our community and by extension our environment safe. The investment into the main Rotorua Waste Water Treatment Plant will ensure that we build the additional capacity for full containment of the current and future waste water demand and will have the capability to treat waste water at a much higher level that protects our lakes, addresses cultural concerns, protects bathing water standards and reduces the risk of unconsented overflows. The upgraded plant will allow Rotorua's population growth to be facilitated in a manner that meets the highest possible waste water quality and safety discharge standards and respects the essence of the Te Arawa settlement agreement. There is also additional funding included in the level of service expenditure that will be required to complete the Rotoiti/Rotoma sewerage scheme. This is so that the communities in these areas are connected with efficient and safe reticulation and processing capabilities eliminating the adverse effects of septic tanks leachate on the water quality of the lakes and the health of those communities and visitors.

To provide the appropriate level of sporting facilities which can cater for both current and future demand, provide sustainable sports club facilities and improve utilisation of the Rotorua Stadium we are exploring the creation of the Westbrook sport and recreation precinct. This will see a number of widely spread sub-standard playing field areas replaced with higher quality fields catering for local users across a wider range of sports codes. It will also provide a tournament event venue to support high visitation events that have multiplier benefits for the district.

The remaining levels of service spend are spread across a number of other projects with over $40million going into our Roading network, more than $20million to support economic recovery projects aimed at developing both commercial possibilities as well as used where needed to fund and drive residential land development to support improving the prosperity of the district. Council will be collaborating with investment partners to ensure that where possible there is economic return to Council for this expenditure which is aimed at developing Rotorua's commercial appeal and capability. .

It is also seeking almost $180 million (inflation adjusted) of external funding to enhance key assets and complete new projects e.g. Museum, Lakefront and SHMPAC with funding coming mainly from key government agencies. 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 borrows all its debt requirements from the Local Government Funding Agency which provides long term borrowing at favourable rates compared to 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.

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
Waikato Local Authoritiy Shared Services Limited	100%	Efficient Government	Nil
BOP LASS Limited	16.13%	Efficient Government	Nil
Civic Financial Services Limited	<1%	Efficient Government	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 no less than approx. $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 $35 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. This cover is currently obtained by direct placements into the London insurance markets and is based on "maximum probable loss" approach rather than reinstatement value for all assets. Maximum probably loss is the anticipate 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 (full)

Executive Summary

Introduction

Rotorua Lakes Council (RLC) is responsible for the provision of key services that support the daily life of the Rotorua community. Our physical infrastructure needs to be adequate to meet the community demand now and the projected future demand as our city grows. This 30-year Infrastructure Strategy summarises our plan to provide additional infrastructure capacity to support our growth in a measured and fiscally responsible way, while maintaining and renewing the infrastructure we have already.

This Infrastructure Strategy sets out the work we need to do to maintain our core infrastructure in a stable condition to ensure we provide a reliable service to our community. The core physical infrastructure we provide to enable our community to function are land transport (roads and footpaths) and three waters (drinking water, stormwater and wastewater).

The purpose of an Infrastructure Strategy is to identify significant infrastructure issues for a council during the period covered by its strategy, the principal options for managing those issues, and the implications of those options. This strategy includes the core infrastructure assets identified in section 101B (6) of the Local Government Act being:

- Water supply
- Sewerage and the treatment and disposal of sewage (wastewater)
- Stormwater drainage (stormwater)
- Roads and footpaths (land transport).
- Assets at a glance

RLC own and manage $1.446 billion (replacement value as at June 2020) of infrastructure assets which can be summarised as follows.

Table 1 Asset summary

Activities	Description
Water supply	Ten defined supply areas including three urban areas Eleven water sources Nine water supply treatment plants Approximately 768km of pipelines 15 water pump stations
Wastewater	405 km of gravity pipelines and 150km rising mains Services three urban areas of Rotorua (Ngongotahā, city and eastern suburbs) and some rural lakeside communities Two wastewater treatment plants 81 wastewater pump stations
Stormwater	284km urban reticulated pipelines 153km of open drains Service three urban areas of Rotorua (Ngongotahā, city and eastern suburbs) Reporoa land drainage scheme
Land transport	1,008 km of roads - 886 km sealed and 122 km unsealed 82 road bridges 26 major culverts 385 km of footpaths 43 km of shared paths, 4.8km of cycle lanes and 1.3km of cycle paths 140 bus shelters

Source: RLC's Revaluation FY20 CPI (as at 25 September 2020)

Current asset state

The current state of our assets in terms of age has been assessed for the major land transport and three water asset classes (29 in total). This has been assessed as the percentage of design life expended and remaining useful life (median). It was found that most major assets classes are quarter to halfway through their design life. A summary of this analysis is provided in Section 5.1 of this strategy.

Gravity wastewater mains, stormwater mains and street lighting brackets are asset classes identified in poor or at risk categories (based on age analysis only). These asset classes need to be monitored to ensure the future renewal programmes are adequate, as shown in Table 2, based on the age analysis only (as described above).

Table 2 Renewal investment based on current asset state

Activities	Major asset classes	Renewal investment	Renewal action
Water supply	Backflow, meters, plant	–	Business as usual, continue with normal monitoring and renewals
	Mains	↑	Start planning for renewal investment
Wastewater	Gravity mains, other	↑↑	• Asset at risk, accelerate investigation and increase investment • A focus area is to assess the condition of the wastewater gravity mains with an accelerated CCTV survey programme. This will help provide evidence to develop condition-based renewal for this asset class and inform the 2024 Long Term Plan
	Pressure mains, manholes, plant chambers, grinder pumps	-	Business as usual, continue with normal monitoring and renewals
	Other	↑	Start planning for renewal investment
Stormwater	Mains	↑↑	• Asset at risk, accelerate investigation and increase investment • Start planned condition surveys of stormwater pipelines. This will also help us to develop condition-based renewal programme.
	Consents	↑	Start planning for renewal investment
	Channels, other	–	Business as usual, continue with normal monitoring and renewals
Land transport	Bridges	↑	• Start planning for renewal investment • Complete the survey of large culverts and replace the assets assessed in very poor condition. This will contribute to strengthening our transport network resilience.
	Footpaths, street lighting (poles and lights), surface water channels, minor structures, retaining walls, islands, signals, traffic facilities, Pavement – surfaces	–	Business as usual, continue with normal monitoring and renewals
	Street lighting – brackets	↑↑	Asset at risk, accelerate investigation and increase investment
	Drainage	↑	• Start planning for renewal investment • Complete the survey of large culverts and replace the assets assessed in very poor condition. This will contribute to strengthening our transport network resilience.
	Railings	↑	Start planning for renewal investment
	Pavement – basecourse	↑	Start planning for renewal investment

It is intended to complete this analysis with future infrastructure strategies and through the activity / asset management plans. This will ensure we keep our core infrastructure within acceptable industry benchmarks to ensure sustainable future investments.

Asset condition and performance has been assessed at a high level for each activity and is covered in Section 5.1 of this strategy.

Significant issues

There are significant issues facing our city, which may intensify in future years unless RLC takes active steps to manage and mitigate them. These strategic issues will impact on what infrastructure we deliver, where and how.

In preparing this strategy, we have identified seven strategic issues that need to be at the forefront of infrastructure planning and decision making. Table 3 summarises key strategic issues, implications and Council's response. Section 2.2 of this strategy details the actions we will take to respond to the key strategic issues at district level as these are common to all activities.

Table 3 Significant issues affecting our infrastructure

Strategic issue	Implications	Council's response
Maintaining assets in a stable, reliable, and safe condition	We know that we need to continue to invest in our core infrastructure. We need to keep ahead so there is not an unsustainable deficit that is unaffordable for our current and future ratepayers. Investment is also required to ensure that our assets meet the levels of service to our communities, meets legislative requirements, and resilient to any disruption.	• Implement risk based critical asset renewal • Critical asset condition assessment as a priority • Systematic proactive maintenance
Meeting future demands on infrastructure	It is difficult to predict the timing for growth enabling infrastructure undertaken by RLC, particularly in the new world with the global pandemic. Under one scenario, the economy slows with significant job losses in the district. Under a different scenario, more land needs to be developed to meet the strong housing demand. Housing is one of the biggest issues the Rotorua community faces. Identified issues include a shortfall of 1,500 to 1,750 homes (as at the end 2019), homeless, and increasing waiting list for social housing. As a result, Te Arawa and RLC have identified safe, secure housing for all our people as our top shared priority to ensure positive, thriving communities. This is a council priority for the 2021 Long Term Plan.	• Implement Master Plans for optimal capital investment to meet demand in sequence of proposed developments • Te Arawa and RLC developed the He Papakáinga, He Hápori Taurikura Homes and Thriving Communities Strategic Framework (2020). RLC's infrastructure asset groups including three waters and land transport need to be aligned to the strategic framework for future demand planning.
Managing the impacts of legislative and policy change	There are significant changes to legislation that are either planned or underway that will impact the delivery of core infrastructure including water reforms, Freshwater management, Zero Carbon, Road to Zero Strategy, and new Government Policy Statement on Land Transport.	• Awareness and compliance with Standard Operating Procedures • Reflect changes in financial planning • Participate and influence freshwater management and three waters reforms
Embedding cultural values into the way we manage our infrastructure	It can take considerable time and cost to ensure our capital projects are culturally appropriate and supported by our community. In some cases, we need to explore alternative options and stage appropriate solutions overtime. Increasingly, legislation is requiring that iwi have a greater role in the governance or decision making for key assets such as water.	• Apply relationship protocols • Meet cultural elements and performance in designs • Reinforce partnership with iwi
Climate change and environmental sustainability	We are preparing for the impacts of climate change on the infrastructure assets as we are already experiencing impacts such as prolonged droughts and higher temperatures. Increased frequency and intensity of high rainfall events, which creates flooding risks and a health risk for our potable / drinking water. It is expected that this will impact the core infrastructure particularly: • Quantity and quality of water available from water supply sources • Flood management and hazard risk to infrastructure • Road slips isolating communities such as Tarawera.	• Design infrastructure for climate change demands • Ongoing emission reductions • Identify and apply mitigation responses • Adaptation of existing systems to climate demands

Strategic issue	Implications	Council's response
Resilience of critical infrastructure	A key focus is strengthening the infrastructural resilience of our core assets. Infrastructure resilience is tested in Rotorua as it 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.	● Prioritise interventions based on risk ● Develop redundancy for critical parts of infrastructure
Maintaining institutional knowledge and capability (i.e. people resilience).	Many of RLC's senior engineers are nearing the end of their careers. This reflects a national issue of limited capability and capacity in the industry. It is recognised that there is a need for technical staff to be developed and have real opportunities to be retained within the industry long term.	● Optimise the balance of residual and contracted capability to ensure Council has an integrated capacity to address emerging demand

Funding depreciation

Figure 1 shows the annual renewals of $18.5 million versus annual depreciation of $20 million for the combined core assets. This shows that the forecast renewal expenditure for all activities is maintained to broadly match depreciation over the 30 year period. The gap is mainly due to wastewater renewals being less than annual depreciation at this point in time. We expect that this gap will reduce as we collect better data on the state of our wastewater assets and develop condition-based renewal programmes.

Figure 1 Combined renewals and depreciation (uninflated) 2021-2051

Overall investment strategy

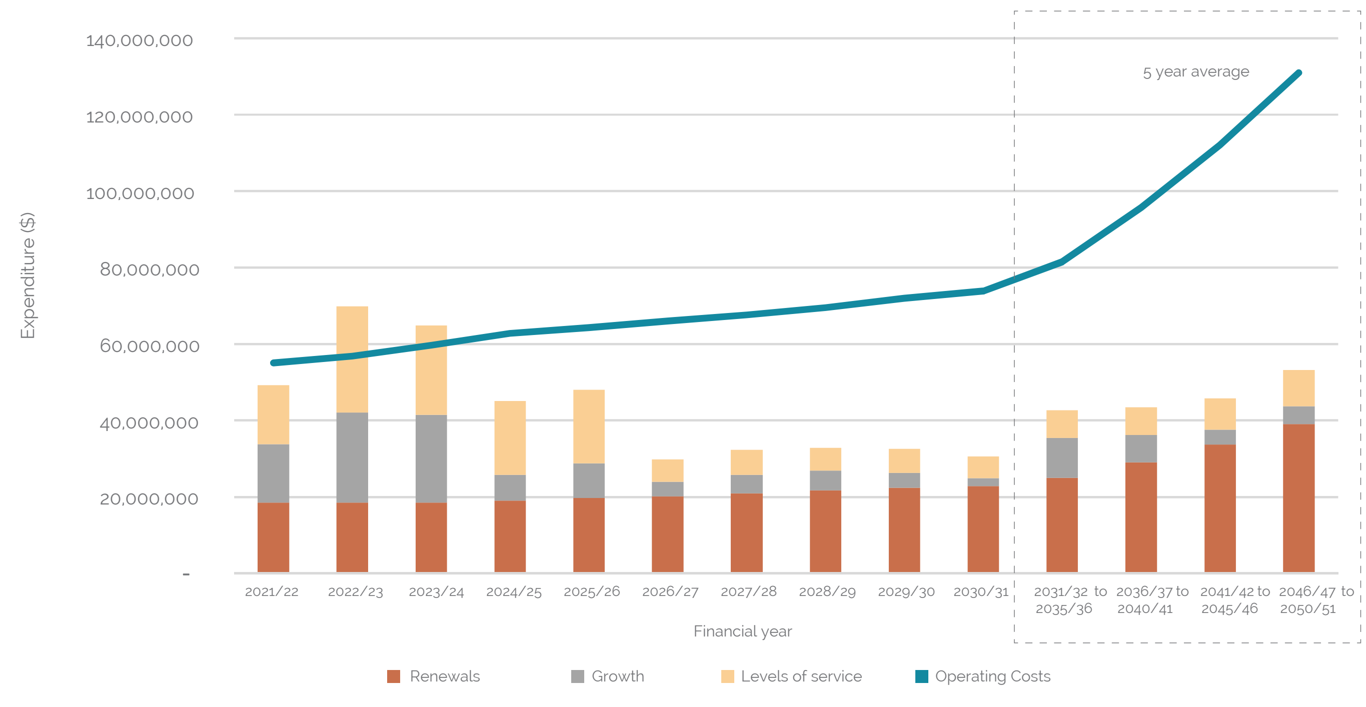
Table 4 shows the total expected capital and operational expenditure for each infrastructure activity over the 30 year period 2021 to 2051.

Table 4 Expected total operating and capital expenditure (inflated)

Activity	Captial Expenditure			Operational Expenditure
	Renewals	Growth	Levels of Service	Operating
Water Supply	$139,074,187	$16,988,859	$17,037,683	$524,161,156
Waste Water	$232,550,281	$63,252,518	$71,547,092	$955,864,331
Stormwater	$136,794,283	$122,808,855	$22,799,047	$290,406,717
Land Transport	$327,646,278	$24,573,623	$185,428,097	$978,517,503
Sub Total	**$836,065,029**	**$227,623,854**	**$296,811,920**	**$2,748,949,708**
Total	**$4,109,450,511**			

Figure 2 shows the most likely scenario for total operating and capital expenditure for combined assets

Figure 2 Combined infrastructure operational and capital forecast (inflated) 2021-2051



Over the next 30 years it is expected that:

- planned expenditure on renewals across all infrastructure activities is generally constant
- capital expenditure on levels of service improvements is focused on strengthening infrastructure resilience for core infrastructure
- the Rotorua Wastewater Treatment Plant Upgrade in the first ten years takes a large portion of the capital expenditure programme (growth and levels of service)
- capital expenditure for installing bulk infrastructure to service future growth areas and infill areas, and to support the Homes and Thriving Communities Strategic Framework
- resealing about 7% of our roads each year for the next 30 years to ensure assets renewed sustainably

Introduction

Rotorua Lakes Council (RLC) is responsible for the provision of key services that support the daily life of the Rotorua community. Our physical infrastructure needs to be adequate to meet community demand now and the projected demand as our city grows. This 30-year Infrastructure Strategy summarises our plan to provide additional infrastructure capacity to support growth in a measured and fiscally responsible way, while maintaining and renewing the infrastructure we already have.

This Infrastructure Strategy sets out the work we need to do to maintain our core infrastructure in a stable condition to ensure we provide a reliable service to our community. The core physical infrastructure we provide to enable our community to function are land transport (roads and footpaths) and three waters (drinking water, stormwater and wastewater).

Our infrastructure must be safe, reliable and in a stable condition to meet future demand and our levels of service. We want no shocks or surprises, so we aim to understand what we have and ensure that it is fit for purpose. To do this we need to understand and plan for how infrastructure will need to change to remain fit for purpose. Change can be required to meet new technologies, environmental considerations (such as carbon neutrality), changing community expectations and patterns of use.

We need to consider how our population is changing and what impact this may have on demand for our core infrastructure. We need to be able to answer the questions: Where do we need to provide new capacity? Where and how might we redevelop redundant capacity or transform our infrastructure?

We also need to consider how the national, regional and local economies are changing with the impact of the global pandemic. As a nation we have learnt from the global financial crisis that it is not wise to cut spending in core infrastructure. The 2021 Infrastructure Strategy outlines the investment programmes to ensure we are meeting our legislative obligations as well as maintaining service levels to our communities. This investment will also stimulate our local economy as part of Council's Rotorua Economic Recovery Plan: Build Back Better. We have learnt through the various national lockdowns how important essential services are for the community and our core infrastructure must be reliable 24/7.

The 2021 Infrastructure Strategy is broadly aligned with the intent of the 2018 strategy, and we aim to clearly present information gaps for our core assets and the steps to gather this evidence in the short to medium term. We wish to understand the state of our assets better to inform our works programmes.

Purpose of this strategy

The Infrastructure Strategy aims to ensure that our infrastructure services are provided to an appropriate standard. This strategy will identify the significant capital decisions that we need to make over the next thirty years to deliver safe, reliable, and stable infrastructure that keeps pace with demand and the changing face of our city.

The strategy is a component of the Long Term Plan. It identifies what we are going to do to provide our services, manage our infrastructure, continue to grow our city sustainably, care for our environment, and overcome our issues and challenges. It aligns with our Financial Strategy, in which we determine what we can afford to do, when we can afford to do it and how we will fund it.

Through our Long Term Plan and subsequent annual plans, we will consult with our community about our infrastructure plans, balancing risks and financial trade-offs to allocate funds to maintain, renew and improve our core infrastructure to meet the agreed levels of service.

This strategy has been prepared in accordance with the requirements of section 101B of the Local Government Act 2002. This strategy includes the core infrastructure assets identified in section 101B (6) of the Local Government Act being:

- Water supply
- Sewerage and the treatment and disposal of sewage (wastewater)
- Stormwater drainage (stormwater)
- Roads and footpaths (land transport

The purpose of an infrastructure strategy is to identify significant infrastructure issues for a council during the period covered by its strategy, the principal options for managing those issues and the implications of those options. This strategy also outlines the most likely scenario for the management of a council's infrastructure assets during its 30-year period, the estimated costs of managing those assets, the nature and timing of expected significant capital expenditure decisions and the assumptions on which the scenarios are based.

Significant issues

There are significant issues facing our city, which may intensify in future years unless RLC takes active steps to manage and mitigate them. These issues will have a flow on impact on what infrastructure we deliver, where and how.

RLC operates in a financially constrained environment which requires regular trade-offs to be made between competing priorities. We struggle to achieve our priorities within our means, needing to fund deferred maintenance and renewals of our infrastructure assets, and fund our ambitious economic growth plans as these are pivotal in driving future employment and prosperity for our community. Strategic issues have been identified that make it hard to balance our infrastructure services while meeting our strategic priorities and regulatory requirements.

Given the nature of our community, we need to keep rates affordable. Many in our community are already under financial pressure, which is likely to be exacerbated by the predicted economic downturn and rise in unemployment in the aftermath of the Covid-19 pandemic. We must find other ways to generate revenue, and partners committed to investing in the development of our city. Central government is already taking a lead on funding our transformational projects, such as the Kāinga Ora housing development.

In preparing this strategy, we have identified seven strategic district infrastructure issues that need to be at the forefront of infrastructure planning and decision making.

1. Maintaining assets in stable, reliable and safe condition
2. Meeting future demands on infrastructure
3. Impacts of legislative and policy changes
4. Embedding cultural values
5. Climate change and environmental sustainability
6. Resilience of critical infrastructure
7. Maintaining institutional knowledge and capability (i.e. people resilience)

Table 5 details the implications and the actions we will take to respond to the key strategic issues at district level as these are common to all activities. The significant issues for each activity are covered in Section 5.

Table 5 Significant district issues affecting our infrastructure

Significant district issues	Discussion and implications	Council's response
Ongoing effort to maintain assets in stable, reliable and safe condition	We know that we need to continue to invest in our core infrastructure. We need to keep ahead so there is not an unsustainable deficit that is unaffordable for our current and future ratepayers. Investment is also required to ensure that our assets meet the levels of service to our communities, meets legislative requirements, and resilient to any disruption.	Land transport: We monitor the age and condition of our transport assets through inspections and analysis in our RAMM database. We also monitor and report on our customer and technical service levels for the infrastructure assets (this applies to three waters as well). We report to our funding partner Waka Kotahi New Zealand Transport Agency (Waka Kotahi) on various performance measures and we are compared with other similar sized councils.
		Three waters: We are moving towards proactive and risk-based waters renewal strategy as good industry practice, rather than using asset age. To enable this, we will be gathering evidence in the next three to ten years to inform our renewal programmes with a focus on water supply and wastewater assets. Capacity drives our stormwater upgrades more than the current asset state. We are surveying our critical below ground wastewater assets in the short to medium term (about 20% of our pipelines). The assessment programmes are being accelerated through our long-term contractor.
Meeting future demands on infrastructure	Rotorua is continuing to grow, with substantial greenfields development predicted, along with intensification of existing residential areas. While much of our infrastructure has capacity to provide for some of this growth-related demand, our service provision is not consistent. Factors such as more extreme storm events (climate change) are already placing pressure on our infrastructure in some locations. It is difficult to predict the timing for growth enabling infrastructure undertaken by RLC, particularly in the new world with the global pandemic. Under one scenario, the economy slows with significant job losses in the district. Under a different scenario, more land needs to be developed to meet the strong housing demand. Housing is one of the biggest issues the Rotorua community faces. Identified issues include a shortfall of 1,500 to 1,750 homes (as at end 2019), homeless, and increasing waiting list for social housing. As a result, Te Arawa and RLC have identified safe, secure housing for all our people as our top shared priority to ensure positive, thriving communities. This is a Council priority for the 2021 LTP.	All activities: Develop and periodically update the district's growth model. Optimise the infrastructure capital programmes to ensure investment provides for current and future demand. Run different scenarios in the growth model so infrastructure planning is agile and aligned with the national and regional economies and other factors. In 2019, RLC and the Ministry of Housing and Urban Development worked together to understand the housing challenges in the Rotorua District. This informed the development of Te Arawa and RLC's He Papakáinga, He Hápori Taurikura Homes and Thriving Communities Strategic Framework (2020). The strategy describes the challenges the district faces and the strategies that will be used to ensure everyone can enjoy a good quality of life, now and into the future. This strategy belongs to the communities of the Rotorua district, and is overseen by the critical partnership between Te Arawa, the wider community and RLC. RLC's infrastructure asset groups including three waters and land transport need to be aligned to this strategic framework for future demand planning.
		Land transport: There is an ongoing annual traffic counting programme to understand current vehicle demand. The travel time reliability is being established across five routes. Once the benchmarks for travel time are established, RLC will monitor these to understand the effectiveness of various programmes.
		Three waters: Use the master plans to identify and plan for the infrastructure and investment required in the growth areas of the city. The capital investment for bulk infrastructure is included in RLC's Long Term Plan process. We have developed master plans for the identified growth areas of the city to plan for where new three waters infrastructure will be required.

Significant district issues	Discussion and implications	Council's response
Legislative and policy changes	There are significant changes to legislation that are either planned or underway that will impact the delivery of core infrastructure: Water reforms – The pending water reforms will impact the way we deliver three waters to our communities and the cost of providing these services. The Government's latest Three Waters Reform Programme is strongly encouraging Councils to aggregate at regional / sub regional level to be considered for the funding package. Regional approaches will be favoured for the funding with conditions attached.	Three waters: We will maintain a watching brief on the Government's Three Waters Reform Programme and evaluate other options as information becomes available. We have entered a long-term wastewater contract that could be expanded to cover water supply at a later stage.
	Freshwater Management - The Action for Healthy Waterways package sets higher standards around the cleanliness of swimming spots, includes a new bottom line for nitrogen toxicity, sets controls for farming practices like winter grazing and how much synthetic fertiliser is used, and requires mandatory and enforceable farm environment plans. There are new requirements with the National Policy Statement for Freshwater Management 2020 including giving effect to Te Mana o to Wai, improving degraded water bodies, and maintaining or improving all others using bottom lines, and an expanded national objectives framework.	Three waters: Rotorua Te Arawa Lakes Strategy has been developed with partner organisations Te Arawa Lakes Trust and Bay of Plenty Regional Council for a holistic and integrated management approach, and as the platform for co-management
	Zero Carbon - The Climate Change Response (Zero Carbon) Amendment Act includes a target of reducing emissions of biogenic methane within the range of 24 to 47% below 2017 levels by 2050, and an interim target of 10% by 2030. It also has a target of reducing net emissions of all other greenhouse gases to zero by 2050.	All activities: The Zero Carbon Act will impact Council's asset portfolios including three waters and land transport. The Act does not explicitly exclude any activities such as methane produced at wastewater treatment plants. We have developed a Climate Change Action Plan on a pathway through Global Covenant of Mayors for Climate and Energy (refer to below).
	Road to Zero - The Government has recently released its proposal for the new road safety strategy, Road to Zero. The proposed Vision Zero is based on a world leading approach that says no death or serious injury while traveling on our roads is acceptable.	Land transport: Road safety is an ongoing focus with mandatory reporting. We consider safety elements with all our programmes for managing the land transport activity from road marking, capital improvements at intersections to community education programmes. We will continue to implement our multi-faceted programmes to address safety issues. We will start to implement the Road to Zero Strategy to assess and prioritise safety risks across the network in a holistic manner.
	Government Policy Statement - The Government Policy Statement on Land Transport (2021) (final September 2020) a signals Government's shift to investing in improving people's wellbeing and the liveability of places with a separate inclusive access. This recognises the importance of society. Modal shift and Urban form are major issues to address.	Land transport: The Rotorua Modeshift Plan is being developed in collaboration between Waka Kotahi, Bay of Plenty Regional Council and Rotorua Lakes Council. It is a strategy to deliver on multi-modal approach.

Significant district issues	Discussion and implications	Council's response
Embedding cultural values into the way we manage our infrastructure	It can take considerable time and cost to ensure our capital projects are culturally appropriate and supported by our community. In some cases, we need to explore alternative options and stage appropriate solutions overtime. Increasingly, legislation is requiring that iwi have a greater role in the governance or decision making for key assets such as water. Some councils are responding by establishing co-governance models for water, iwi advisory boards and formalising processes for input from iwi.	All activities: We have adopted this approach with finding an acceptable solution for the Rotorua Wastewater Treatment Plant. The three parties (RLC, Te Arawa Lakes Trust and CNI Iwi Holdings) have Kawenata (a partnership agreement) to find the right outcome for mana whenua and the wider Rotorua community. The kawaneta has been guided by Te Tūāpapa o ngā Wai o Te Arawa (Te Arawa Cultural Values Framework) and under the agreement, the parties will work to develop a long-term solution. Agreement of stakeholders is sought before new infrastructure projects commence to ensure cultural requirements are embedded in the design solution and have been included in the capital project costings.
Climate change and environmental sustainability	We are preparing for the impacts of climate change on the infrastructure assets as we are already experiencing impacts such as prolonged droughts and higher temperatures. Increased frequency and intensity of high rainfall events, which creates flooding risks and a health risk for our potable / drinking water. It is expected that this will impact the core infrastructure particularly: Quantity and quality of water available from water supply sources Flood management and hazard risk to infrastructure Road slips isolating communities such as Tarawera. BOP Regional Council Climate Change Action Plan 2019 proposes the setting of greenhouse gas emissions targets for the region. This will include a focus on: Promoting and supporting a shift to more sustainable transport modes Improving the efficiency of buildings and infrastructure in the region Supporting the use of renewable energy.	All activities: The Sustainable Living Strategy is part of our Rotorua 2030 Goal of commitment to environmental leadership. It includes an objective on approaching post-carbon economy through greater energy efficiency and reduction in greenhouse gas emissions. Current initiatives include: Designing stormwater systems for increased rainfall modelling Promoting cycling and walking and developing facilities to support active transport Upgrading wastewater treatment plant, including increasing holding capacity to better manage inflows during storm events. As part of our Climate Change Action Plan, we have taken the following approaches as a response to climate change. Emissions reduction - Adopting an emissions reduction target that aligns with the New Zealand national target Mitigation - Identified five priority themes to shape our actions for the next ten years. This includes Transportation and urban form and Leadership, advocacy and economic opportunity themes. Adaptation – Identified key areas where we need to reduce our vulnerability to the impacts of climate change. Refer to Section 4.4 - Risk Management on specific proposed climate change actions.

Significant district issues	Discussion and implications	Council's response
Resilience of critical infrastructure	Infrastructure resilience is tested in Rotorua as it 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. Ultimately the effect of the Rotorua Geothermal Field on underground assets is that gas and heat speed up material decomposition whilst metal above ground assets are affected by the corrosive gases. As a result, asset lives are reduced by as much as 50%. Parts of the transport network are susceptible to weather related events. However, most of the network has alternative routes except for Tarawera community. It is important to respond to incidents such as closed roads due to road slips or under slips, as well as keeping the road drains fully maintained.	All activities: Renewals planning – Our critical assets are the priority for our renewal programmes. Non -critical assets are managed on reactive repairs / replacement. We renew our assets with a risk based approach as follows: Public safety renewals are implemented with shortened timeframes using the best information available Renew assets classified as critical before the end of their effective life Run to failure non-critical assets and replace reactively. Refer to Section 5 on our strategic approach for each activity.
		Land transport: Operational response - We will continue with our operational response including closed roads due to road slips or under slips. We will continue with road drainage maintenance including hotspots in urban areas that are prone to blockages and cause flooding. Alternative routes – We will continue to accommodate emergency diversions from State Highway routes in collaboration with NZTA. We will invest in risk mitigation on vulnerable sections of the transport network. Lakeside communities - We will continue to utilise emergency planning for potentially isolated communities. We will explore capital investment options to strengthen resilience for the isolated lakeside communities where practical and affordable. Capacity of bridges - We will continue to aim for network that meets mass limit rules. Our focus will be to further investigate and strengthen the identified bridges where practical to cope with new mass limit rules.
		Three waters: Operational response – Standby generators are located at large pump stations and treatment plants. Infrastructure planning - Critical three water assets have been identified at a high level. Three Waters Infrastructure Resilience Study completed. Low pressure systems are used for new wastewater pipelines located in lakeside communities and hilly terrains.
Maintaining institutional knowledge and capability (i.e. people resilience)	Many of RLC's senior engineers are nearing the end of their careers. This reflects a national issue of limited capability and capacity in the industry. It is recognised that there is a need for technical staff to be developed and have real opportunities to be retained within the industry long term. This is exacerbated with the global pandemic crisis in 2020 resulting in stopping any new hires as well as increasing compliance requirements.	All activities: Develop a workforce capability plan for core infrastructure including creating a pipeline of qualified staff with clear career pathways and suitable training opportunities including apprenticeships. Adapting and strengthening our people is important for resilience as well as our hard infrastructure.

Strategic Context

National context

New directions and expectations are being set by central government which include the reinstatement of the four well-beings in the Local Government (Community Well-being) Amendment Act 2019 and the re-introduction of Treasury's Living Standards Framework.

Local authorities are now required to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach.

Water reforms are a key focus for central government. The Taumata Arowai Water Services Regulator Act has been passed and the complementary Water Services Bill is expected to be passed later in 2020. This is likely to include significantly strengthened compliance, monitoring and enforcement. Reforms may require significant change for three waters, including major investment in new infrastructure, systems, and processes to meet new standards.

Increasingly, legislative reform is moving to enhance the statutory requirements for Māori involvement in the management of key taonga or assets. Water holds a central role in Māori sense of identity and well-being, which has been recognised in the Water Services Regulator Act with the establishment of a Māori advisory board for the water regulator and increased engagement requirements by local government with their local iwi.

Changing expectations of local government place further pressure on already constrained budgets. Many councils, like RLC, are facing issues maintaining their current service levels, renewing aging assets, and future proofing for growth, while managing the impact on rates and debt levels.

While the medium and longer-term impacts of Covid-19 on the New Zealand and Rotorua's economy have not yet been realised, these may include increased unemployment, the need for increased rates remissions, and a decline in retail and tourism related income. The effects of the pandemic may significantly impact RLC's projected financial position.

Rotorua context

Mana whenua

Rotorua was established over one hundred years ago, with the signing of the Fenton agreement between the Crown and Ngāti Whakaue on 25 November 1880.

According to oral history, many of Rotorua's Māori residents trace their ancestry to Tamatekapua, the captain of the Arawa canoe that is believed to have arrived in New Zealand six centuries ago. Kahumatamomoe, a Te Arawa ancestor, is then said to have journeyed inland where he discovered Lake Rotorua and settled at what is now Kawaha Point.

Today, Rotorua continues to have a strong Te Arawa culture and manaakitanga (hospitality) which underpins the experience sought by many tourists to the district. We are considered a centre for Māori culture and expression.

The partnership with mana whenua is embedded in the way RLC works. A partnership agreement with Te Tatau o Te Arawa, who represents the collective interests of Te Arawa, captures our shared vision and goals and our intention to build an enduring partnership that is beneficial to the Rotorua community.

Major infrastructure projects require significant input from mana whenua to ensure cultural considerations are understood and provided for, alongside other factors. Our aim is to collectively agree what and how our new infrastructure is constructed to ensure our growth is sustainable and we protect the values and taonga that make our district special.

Our district

Within New Zealand, Rotorua's volcanic landscape of lakes, calderas and geothermal features is unique. The compact size of the city, the geothermal features and the ready access to parkland, lakes, forests and rural landscapes, are attractive for residents and visitors alike. The total size of the Rotorua district is 261,906 hectares. This consists of 41% forest, 43% agriculture and 8% lakes. The region includes 18 lakes, three major rivers and seven geothermal fields.

Climate change will impact the Rotorua district. We need to plan for the impact of an increased number of storm events on our core infrastructure and the impact of increased temperatures on the quality and availability of our drinking water supply and on the levels of our lakes and rivers.

Natural hazards

The two major natural hazards that impacts Rotorua district are geothermal and flooding.

The Rotorua Geothermal System is one of twelve systems in the Bay of Plenty Region and is a by-product of volcanic activity in the Taupō Volcanic Zone. The Taupo Volcanic Zone is a geothermal field extending from White Island off the Bay of Plenty Coast to Mt Ruapehu far to the south.

The Rotorua Geothermal System underlies part of Rotorua City, from the southwestern end of Lake Rotorua to the Whakarewarewa Valley, as shown in Figure 3 Geothermal hazards include high temperature fluids and steam, gas, ground collapse and hydrothermal eruptions. About 20% of our underground assets are affected as the gas and heat speed up material decomposition. Above ground assets of metallic material are affected by the corrosive gases.

The urban stormwater systems were designed to cater for the initial development and engineering standards at that time. As the development area expands, the existing stormwater system requires increased capacity. Flooding sometimes occurs where growth planning has occurred in ad hoc manner and infrastructure has not been upgraded.

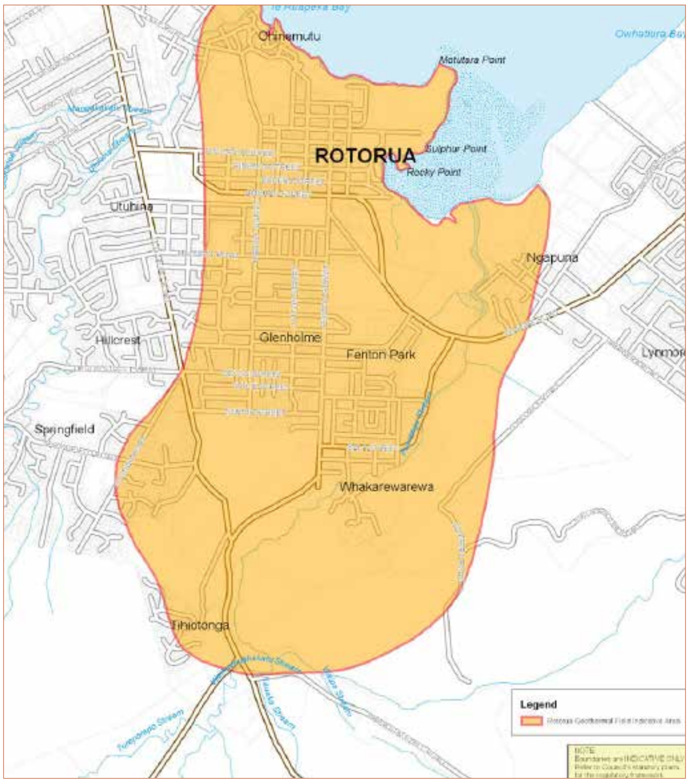


Figure 3 - Indicative boundary of Rotorua Geothermal System

Source: Bay of Plenty Regional Council, The Science Story (July 2019)

Our economy

A strong tourism sector has been a key element in our district's economic success. While Rotorua has a diverse economy including forestry and wood processing, agribusiness, research and manufacturing, tourism is its largest employer. In 2019, international overnight visitors made up 35% of visitors to Rotorua while domestic visitors were 65% of our overnight visitors.

The impact of the Covid-19 pandemic on our economy is not yet fully understood and is evolving rapidly. In the short term, Covid-19 may impede our rate of growth, given the immediate impact of closed borders on international tourism and the flow on effect on employment. However, increased domestic tourism may somewhat ameliorate any anticipated downturn in our tourism related activity. Long term impacts on the economy are still being assessed at a national level in collaboration with local government.

Government initiatives are also expected to a mitigate the impact of the pandemic on our local economy. For example, the construction of social houses as part of the Kāinga Ora initiative.

Long term projections are that Rotorua will continue to experience strong growth in tourism, with approximately 60% growth in overnight visitor numbers predicted by 2051. We are continuing to master plan for growth, ensuring we understand and plan for what new infrastructure or capacity we will need, where and when.

Our community

The Rotorua Lakes district is home to approximately 76,200 people. Our population is projected to continue growing, reaching approximately 90,800 by 2051 (under the baseline scenario).

Our population is aging. Currently, 15% of our population is aged 65 years or above, which is projected to increase to 23% by 2051 (under the baseline scenario). While we have many young people, 22% of our population is under 14, this is expected to decline to 18% by 2051.

While Rotorua has a diverse range of family structures, the predominant household type, 32%, is couples without children. Family households make up 41% of households, 13% of which are single parent families.

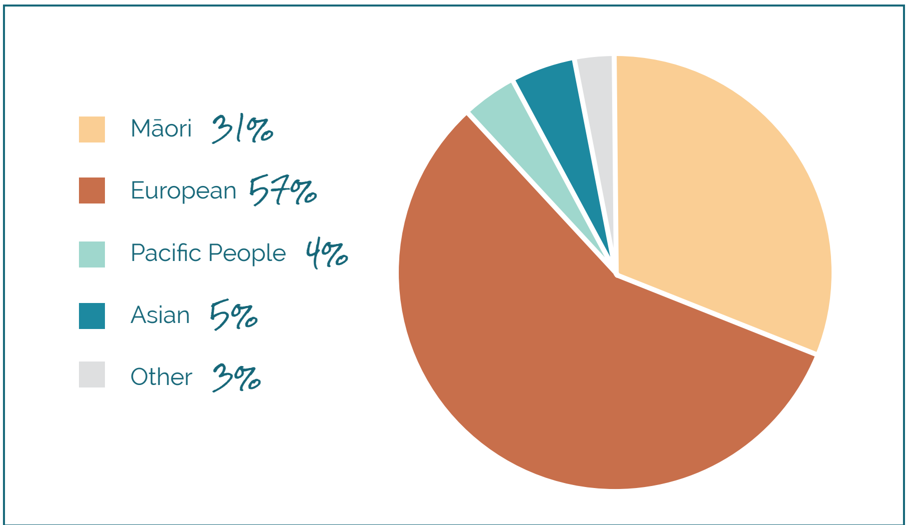


Figure 4 Ethnic composition of Rotorua Lakes district

Source: Infometrics, Rotorua District Employment, Population, Household and Visitor Projections (March 2020)

While our economy is improving, many in our community are struggling financially. In 2019, 1/3 of households without children and 25% of households with children were either in public housing or receiving an accommodation supplement.

The number of households is projected to grow from 29,000 in 2020 to 37,000 in 2051 (under the baseline scenario). Given the aging population the average household size is also expected to fall.

Approximately one third of our district's population identifies as Māori (refer to Figure 4).

In 2019, 35,600 people were employed in Rotorua district. Employment is projected to increase, with an additional 10,000 people employed by 2051. This growth in employment is predicted to principally occur in public administration and safety, health care and social assistance, education and training and arts and recreation services industries.

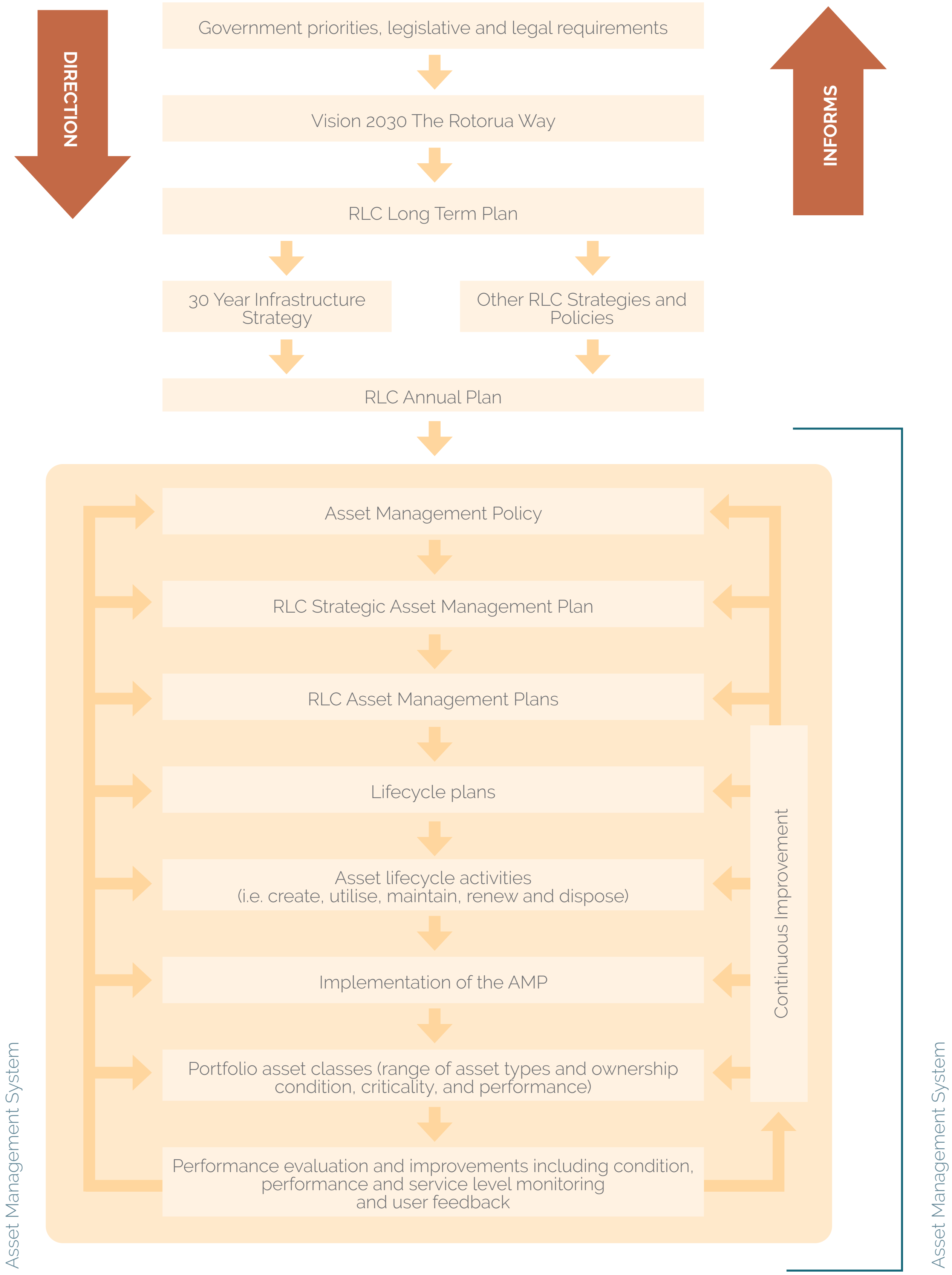
Strategic infrastructure linkages

RLC's Vision 2030, the Rotorua way, seeks to continue developing 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. Supporting this vision are seven goals.

The link between our strategic vision and goals in Vision 2030 and our asset management framework are illustrated in Figure 5. Importantly, this link is in two directions. Our strategic documents direct our infrastructure planning, the nature and level of our asset management investment, and our asset management system provides key information and inputs that inform our strategic thinking.

- **Papa whakatipu | Outstanding places to play**
- **Waahi pūmanawa | Vibrant city heart**
- **Whakawhanake pākihi | Business innovation and prosperity**
- **Kāinga noho, kāinga haumaru | Homes that match needs**
- **He hāpori pūmanawa | A resilient community**
- **He huarahi hou | Employment choices**
- **Tiakina to taiao | Enhanced environment**

Figure 5 The relationship between RLC's strategic documents and the Asset Management System



Emerging infrastructure trends

In developing this strategy from an infrastructure service delivery view, RLC has considered what the district and community may look like in thirty years' time, and what that might mean for its infrastructure. At a high-level RLC anticipates for infrastructure assets that:

- modes of transport will continue to change. Although building from a low base, an increasing proportion of our community is already moving to the use of bikes, electric bikes and electric scooters as their preferred mode of transport. In thirty years, autonomous cars may be the dominant transport type, with significantly reduced traffic volumes. Our transport corridors will be repurposed and segmented to provide for a broader range of transport modes.
- patterns of use and the volume of traffic using our roads may change. Following the Covid-19 pandemic, more people may permanently shift to home-based working. We anticipate this trend may continue.
- our core infrastructure will contribute to RLC's zero carbon objectives, with sustainable solutions the norm
- we will continue to be an amazing destination for domestic and international visitors and our infrastructure will have the capacity to service the demand safely and reliably
- we will have an enduring partnership with Māori on infrastructure co-design and implementation that is recognised internationally as an exemplar of best practice in co-governance and management
- through investing in its young people, the Te Arawa will have developed substantial capability, capacity and expertise in infrastructure planning and will be contributing significantly to the development of our city
- the percentage of our population identifying as Māori will have increased, as more Māori return to the area as they approach retirement age
- new communities have developed and are thriving in our greenfield areas.

How We Manage Infrastructure

Achievements since 2018

We have made some progress on implementing the key actions identified in the 2018 Infrastructure Strategy, as outlined below.

Table 6 Summary of key achievements

Asset class	Achievements since 2018
Water supply	• Developed a Water Supply Master Plan (2020) to guide long term planning to consider interrelated issues including consent requirements, resilience, demand management as well as growth • Developed an aggressive demand management programme to ensure water is managed sustainably (still to be implemented • Boundary Backflow Prevention Policy was adopted to further safeguard the quality of our water supply • Mamaku Water Treatment Plant upgrade completes all our water sources meeting water quality standards
Wastewater	• RLC has worked with key stakeholders including iwi to explore and identify a better, more sustainable wastewater treatment and management alternative • Developing sewerage scheme proposals for the lakeside communities to mitigate the impacts on the lake water quality • A resource consent application has been lodged for the proposed upgrade of the existing plant • The wastewater treatment plant to service both the Rotoma and Rotoiti communities has been constructed and commissioned • RLC has entered into a long term contract with an experienced operator as a partner to manage the wastewater network and treatment • Developed Wastewater Master Plan (2020) to guide long term planning to consider interrelated issues including consent requirements, resilience, environmental performance as well as growth
Stormwater	• The Comprehensive Stormwater Resource Consent for the urban areas was lodged with the Regional Council (but has not been approved) • Developing a Stormwater Master Plan (similar to water supply) to ensure that we make cost effective investment decisions
Land transport	• Speed Limit Bylaw - new speeds on Hamurana Rd and many other district streets • Ranolf to CBD cycleway and shared path completed adding to the urban cycleway network • The procurement process for the single integrated Roading Network Maintenance and Management Contract was completed and contract awarded • Set up of the steering group for the development of the Rotorua Modeshift Plan in collaboration between Waka Kotahi, Bay of Plenty Regional Council and Rotorua Lakes Council

Strategic principles

We will manage our core infrastructure in accordance with the following principles:

- Reliable, safe infrastructure now and into the future
- Prudent management of our infrastructure, including keeping abreast of trends
- Partnership with Māori
- Managing risk and resilience
- Planning for climate change
- Strong sustainability practices and environmental protection

Levels of service

The level of service framework in Figure 6 below, shows the alignment and strategic linkages between our Vision 2030, 2030 Goals (Community Outcomes), Infrastructure Strategy, Asset Management Plans and the activities. Major long term service level changes and implications are identified in the Infrastructure Strategy. Section 5 of this strategy identifies changes in service level at activity level.

The customer levels of service for infrastructure are set out in Table 7 which include customer outcomes (i.e. responding to unplanned water interruptions) as well as meeting legislative requirements (i.e. compliance with resource consents). The technical Activity (Asset) Management Plans provide supporting detail and technical levels of service for each activity, performance measures and past results against targets. The performance measures include mandatory for reporting to Department of Internal Affairs, customer and technical, and measures used for reporting to Waka Kotahi against the One Network Road Classification.

Figure 6 Levels of service framework

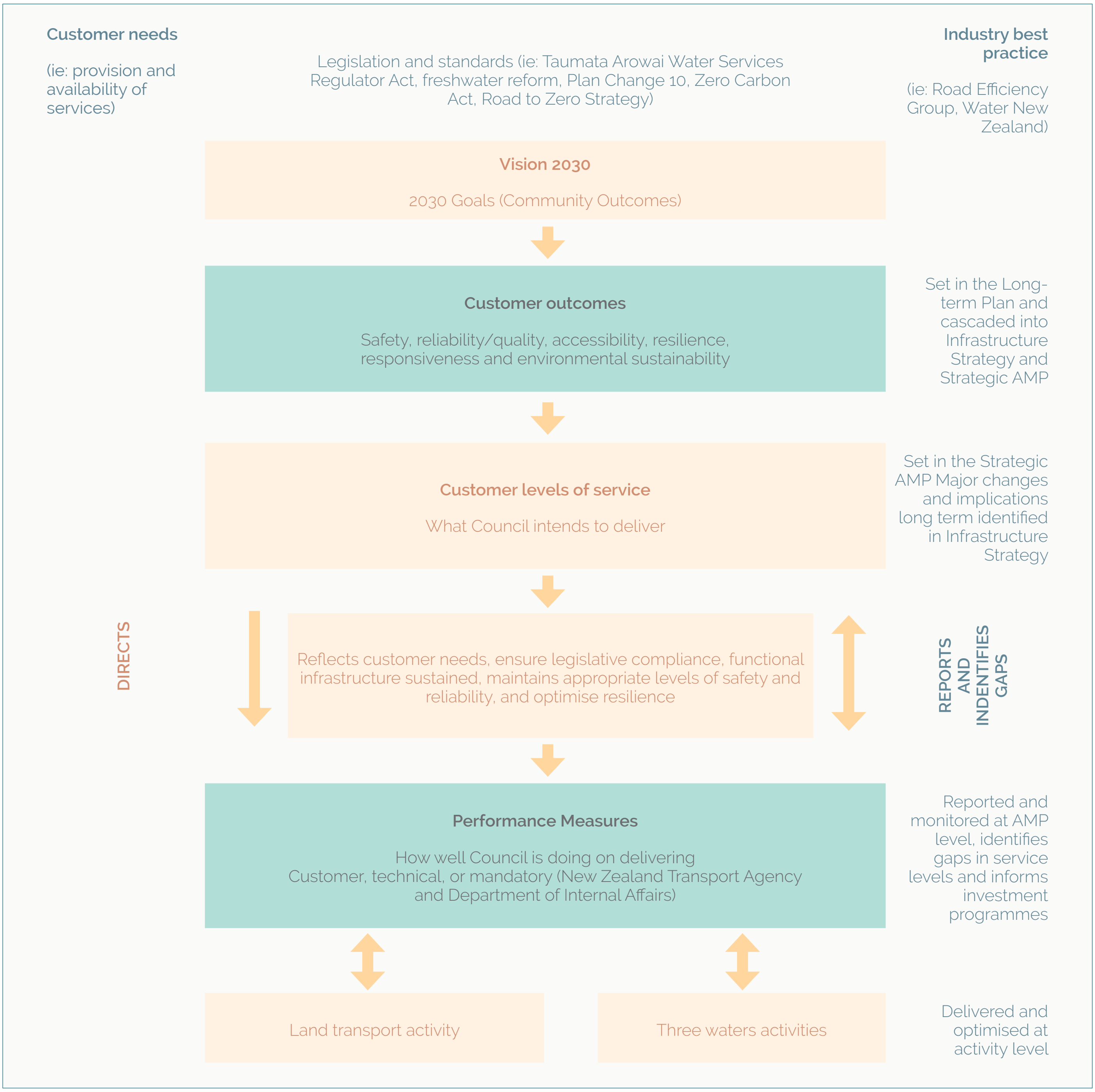


Table 7 Customer levels of service

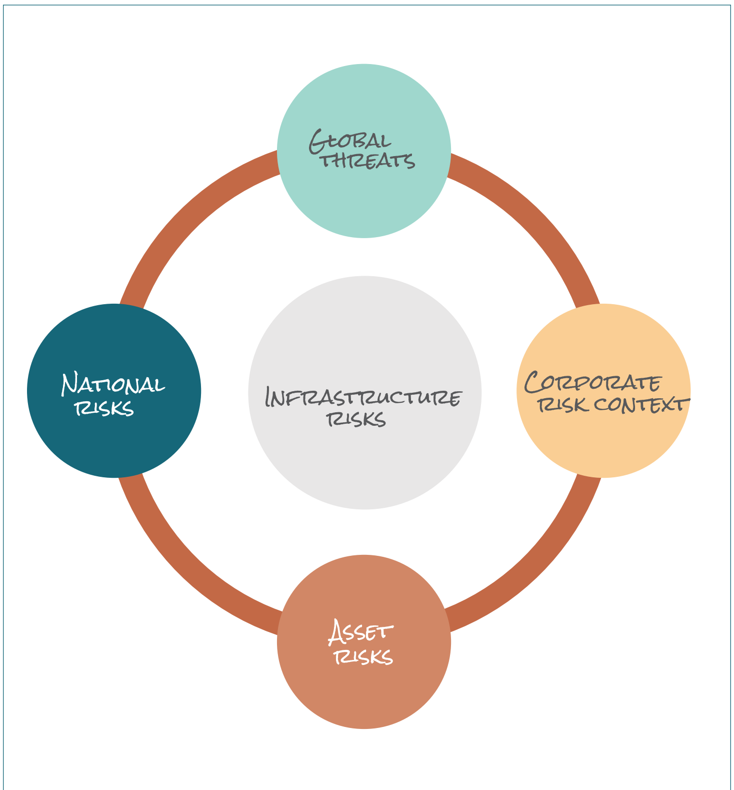
2030 Goals (Community Outcomes)	Customer Outcomes	Customer levels of services – activity outcomes			
		Water supply	Wastewater	Stormwater	Land transport
	Safety	Water is safe to drink	Mitigate the risk of environmental and public health impacts	Stormwater systems protect houses from flooding in urban areas	Provides safe network for users and community to use
		Good quality water is supplied to consumers			
	Quality / Amenity / Reliability	To provide reliable water networks	To provide reliable wastewater networks	To provide reliable stormwater networks	Provide an effective and good quality transport network
					Footpath assets are fit for purpose
					Provide reliable travel times in and around the city
	Resilience	Water supply disruption during natural disaster events is minimised	Wastewater disruption during natural disaster events is minimised	Stormwater disruption during natural disaster events is minimised	Access is provided to the network of local roads
	Accessibility / Availability	Water pressure and flow appropriate for its intended use	All urban residents are provided with adequate wastewater provision	All urban residents are provided with adequate stormwater outlet	Community has access to a range of travel choices
					The land transport network is managed in a manner that assists the economic development of the district
	Responsiveness	Provide prompt responses for service	Provide prompt responses for service	Provide prompt responses for service	That customer service requests are dealt with promptly and appropriately
	Environmental sustainability	Water resources are used efficiently and sustainably	Protection is provided to the environment	Protection is provided to the environment	Effects on the natural environment are minimised

Kāinga noho, kāinga haumaru | Homes that match needs
He hāpori pūmanawa | A resilient community
He huarahi hou | Employment choices
Tiakina to taiao | Enhanced environment
Papa whakatipu | Outstanding places to play
Waahi pūmanawa | Vibrant city heart
Whakawhanake pākihi | Business innovation and prosperity

Risk management

The approach for managing our core infrastructure balances risk and performance while providing cost effective services. Infrastructure risks can be considered in terms of global, national, corporate and asset risks, as conceptualised in Figure 7. At an activity level, these various infrastructure risks need to be considered holistically as part of the asset management planning approach, and not taken in isolation. The Activity / Asset Management Plans for each activity provides the detail as to how this is addressed.

Figure 7 Infrastructure risk concept



Global threats - climate change impacts and actions

Climate change is a major management issue facing all infrastructure providers and the built environment. The major trends expected by 2040 to be as a result of climate change for Rotorua's climate are (based on risk assessment of Intergovernmental Panel on Climate Change and NIWA):

- A change in frequency of extreme rainfall events, 5% increase in frequency.
- Average temperature increase of 1.10 Celsius.
- Climatic drought duration increasing by 7%.

RLC's overarching response to climate change is detailed in Section 2.2 including the development of the Climate Change Action Plan. Our specific proposed actions are outlined in Table 8 at activity level with further detail in each activity / asset management plan.

Table 8 Proposed climate change actions

Activity	Most likely effect due to climate change	Proposed actions
Water supply	Access to water (land / springs ownership) Potential contamination of water sources from extreme flooding events Vulnerability of critical pipelines to land slips	• Investigate additional water sources for future years through the Water Supply Master Plan process • Review the Water Safety Plans including investigate mitigation measures • Continue to use seismically resistant materials for critical assets
Wastewater	Inflow and infiltration increases, and reduces pipeline capacity during events resulting in more overflow events Increased electricity costs to pump highly diluted wastewater due to higher volume of inflow and infiltration Pump station vulnerability due to flooding inundation	• Identify wastewater pump stations at risk due to flooding inundation • Development of cost effective inflow and infiltration programme and policy direction on private laterals • Assessment of critical underground wastewater pipelines • Entered into a long term wastewater contract to have appropriate resources for keeping the wastewater network resilient.
Stormwater	Increased flooding due to pipe capacity issues Land stability issues	• The development of the Stormwater Master Plan that takes into consideration climate change modelling and levels of uncertainty for infrastructure design
Land transport	Road slips / under slips Erosion undermining road sections and bridges No / limited access to communities with single roads	• Identification of critical bridges and culverts and development of renewal management strategies • Increased need to waterproof road surfaces (more sealing lengths) • Increased frequent inspection / maintenance of road drainage systems • Identification of vulnerable road corridors to water erosion, slips, undermining • Entered into a long term road maintenance contract to have appropriate resources for keeping the land transport network resilient

Key national risks

The key national risks that we are managing are summarised in Section 2.2 – Significant Issues, and mostly related to legislative changes. It is expected that these risks will increase with the proposed three waters reforms and Action for Healthy Waterways as there will be increased compliance and quality management requirements. The new Government Policy Statement on Land Transport signals the Government's shift to investing in improving people's wellbeing and the liveability of places.

Corporate risk context

Our approach to risk management is defined in our Risk Management Policy (2018). We are committed to organisation wide risk management principles, framework and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes. A culture of risk management ensures RLC understands and considers risk when making decisions. It also recognises that risk management can also provide opportunities for improvement.

Our risk management approach is underpinned by the following risk hierarchy (decreasing order):

- Corporate risk register
- Activity risk register
- Project risk assessments.
- Key asset risks

We manage our asset risks through our asset management planning process, maintaining our institutional knowledge and capability supported by our service providers. The asset management planning process follows an annual cycle. The latest asset information including risks, and user requirements are analysed and input to the development of the renewal forward work programmes.

The overarching approach for renewal programmes is to define timely asset replacement and the consequences (i.e. a reduction in level of service or increase in risk) if these are deferred (although these practices are still evolving). This helps inform the decision makers and prioritise the significant capital programme. The Activity / Asset Management Plans contain the justification for programmes to inform the budgets.

A key element of our asset management planning approach is to define our critical and non-critical assets. This helps us with the day to day operations of the core infrastructure as well as our renewal strategies. An overarching principle is not to have any unforeseen critical asset failures. Our risk based approach to renewing our assets gives priority to public health issues first then critical assets (refer to Section 2.2). This will ensure we have resilient infrastructure.

Infrastructure Overview

Assets at a glance

Asset summary

We own and manage $1.446 billion (replacement value as at June 2020) of infrastructure assets which can be summarised as follows.

Table 9 Asset summary

Activities	Description
Water supply	Ten defined supply areas including three urban areas Eleven water sources Nine water supply treatment plants Approximately 768km of pipelines 15 water pump stations
Wastewater	405 km of gravity pipelines and 150km rising mains Services three urban areas of Rotorua (Ngongotahā, city and eastern suburbs) and some rural lakeside communities Two wastewater treatment plants 81 wastewater pump stations
Stormwater	284km urban reticulated pipelines 153km of open drains Service three urban areas of Rotorua (Ngongotahā, city and eastern suburbs) Reporoa land drainage scheme
Land transport	1,008 km of roads - 886 km sealed and 122 km unsealed 82 road bridges 26 major culverts 385 km of footpaths 43 km of shared paths, 4.8km of cycle lanes and 1.3km of cycle paths 140 bus shelters

Source: RLC's Revaluation FY20 CPI (as at 25 September 2020)

Current asset state – age

The current state of our assets in terms of age is summarised in the following table for each activity at major asset class level. This has been assessed as the percentage of design life expended and remaining useful life (median). The current state of our assets in terms of condition and performance is detailed in the following sections for each activity.

This shows that most major assets classes are quarter to halfway through their design life. Gravity wastewater mains, stormwater mains and street lighting brackets are asset classes identified in poor or at risk categories (based on age analysis only). These asset classes need to be monitored to ensure the future renewal programmes are adequate.

Specific actions for asset classes identified to increase renewal investment are:

A focus area is to assess the condition of the wastewater gravity mains with an accelerated CCTV survey programme. This will help provide evidence to develop condition based renewal for this asset class and inform the 2024 LTP.

Start planned condition surveys of stormwater pipelines. This will also help us to develop condition based renewal programme.

Complete the survey of large culverts and we will replace the assets assessed in very poor condition. This will contribute to strengthening our transport network resilience.

Start asset condition surveys of the critical above ground assets and take samples of critical below ground assets. Start analysing breaks of the underground pipes. Use this data collected on our critical assets to inform the development of risk based renewal programmes.

It is intended to complete this analysis with future Infrastructure Strategies and through the Activity / Asset Management Plans. This will ensure we keep our core infrastructure within acceptable industry benchmarks to ensure sustainable future investments.

Table 10 Total remaining useful lives based on age =

Activities	Major asset class	Median across asset class		Renewal investment
		% of design life expended	% of remaining useful life	
Water supply	Backflow	27%	73%	–
	Mains	43%	57%	↑
	Meters	30%	70%	–
	Plant	20%	80%	–
Wastewater	Gravity mains	63%	37%	↑↑
	Pressure mains	8%	92%	–
	Manholes	46%	54%	–
	Chambers	8%	92%	–
	Grinder pumps	32%	68%	–
	Other	53%	47%	↑
Stormwater	Mains	64%	36%	↑↑
	Channels	5%	95%	–
	Consents	54%	46%	↑
	Other	40%	60%	–
Land transport	Bridges	53%	47%	↑
	Footpaths	38%	62%	–
	Street lighting – poles	47%	53%	–
	Street lighting – brackets	63%	37%	↑↑
	Street lighting – lights	37%	63%	–
	Drainage	56%	44%	↑
	Surface water channels	35%	65%	–
	Minor structures	32%	68%	–
	Railings	54%	46%	↑
	Retaining walls	18%	82%	–
	Islands	20%	80%	–
	Signals	33%	67%	–
	Traffic facilities	40%	60%	–
	Pavement – basecourse	54%	46%	↑
	Pavement – surfaces	50%	50%	-

The grades for categorising the percentage of the remaining useful lives are:

Table 11 Grades for remaining useful lives

Grade	Grade description	% of remaining useful life
1	Excellent Fit for future	% of RUL ≥ 85%
2	Good Adequate for now	85% % of RUL ≥ 60%
3	Fair Continue with normal monitoring	60% % of RUL ≥ 40%
4	Poor At risk	40% % of RUL ≥ 10%
5	Very poor Unfit for sustained service	% of RUL < 10%

The grades for categorising the percentage of the total design lives expended are:

Table 12 Grades for design lives expended

Grade	Renewal investment		% of design life expended
1	–	Business as usual	% of design life expended ≤ 40%
2	–	Continue with normal monitoring and renewals	40% < % of design life expended ≤ 50%
3	↑	Start planning for renewal investment	50% < % of design life expended ≤ 60%
4	↑↑	Asset at risk, accelerate investigation and increase investment	% of design life expended > 60%

Asset condition and performance:

Water supply

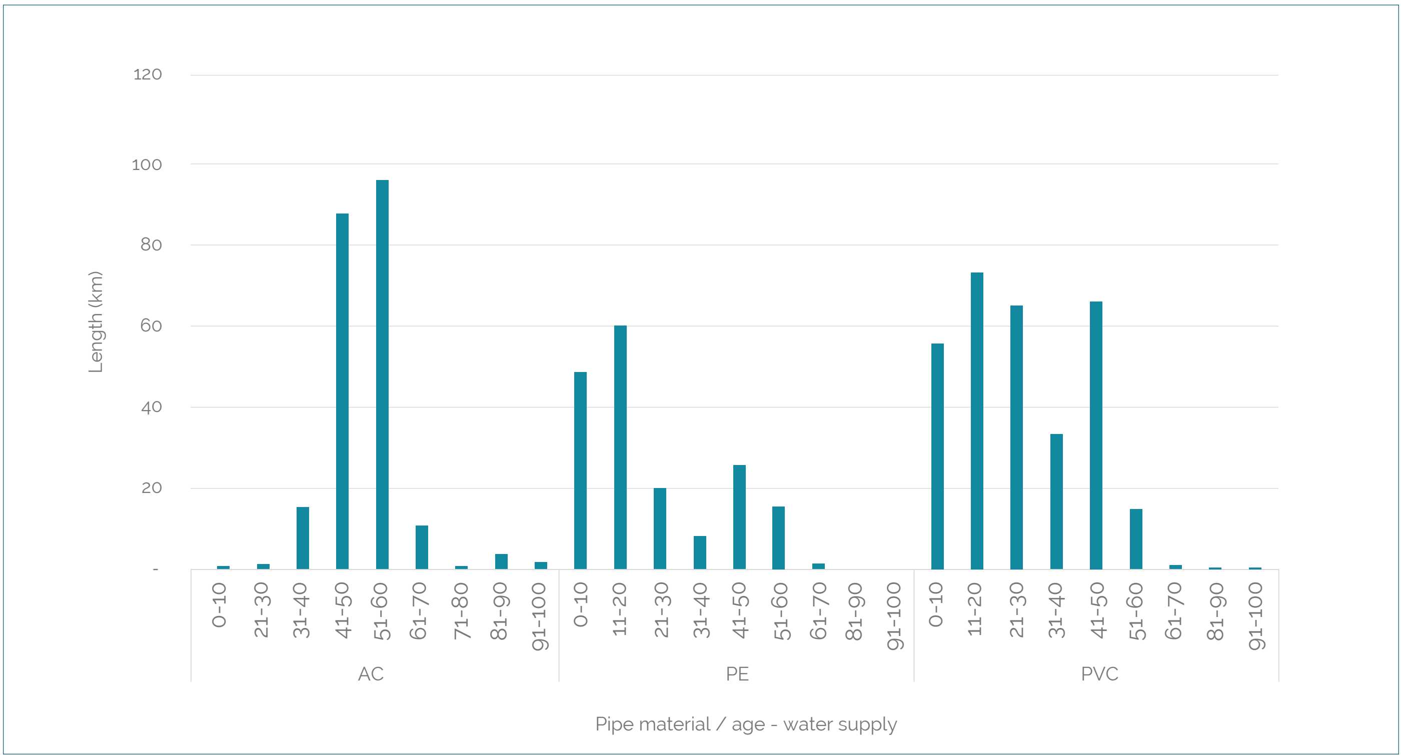
There are gaps in our knowledge of the three water assets and we have plans underway to improve this as noted above. There may be implications on maintaining the levels of service as well as increased costs for unplanned maintenance with assets failing. This is mitigated by:

Ongoing monitoring of the achievement on meeting the performance measures as set out in our Asset Management Plans and against acceptable industry benchmarks (this applies to wastewater and stormwater as well)

A proactive regime is in place to monitor the proper balance between planned and unplanned maintenance expenditure to understand trends overtime with our Network Maintenance Contractors / Partners.

Most of the water supply pipelines (or 64%) are plastic pipes (PE and PVC materials) as presented in Figure 7. They are between 10 and 50 years old so are considered relatively young.

Figure 8 Water supply pipeline age and material



Source: RLC's Infor (as at July 2020)

Our oldest watermains are asbestos concrete pipe material (28% of the pipelines) and are between 40 and 60 years old. This group is indicative of the problematic pipe materials that are known to fail. These assets will need replacement in the short to medium term. There is a replacement programme in place to address the asbestos concrete pipelines. There is risk that customers will have unacceptable water outages as it takes time to implement our targeted renewal programme. We have complete records of the pipe material types and age.

We have defined our critical water supply assets that are significantly important to our community at a high level as cross country mains, mains between water sources / head works and reservoirs, rising mains, pump stations, treatment plants, reservoirs, and pressure control valves. We still need to record this criticality at asset component level in our asset management system as good industry practice (this applies to wastewater and stormwater as well).

Asset performance of Council's water supply network is assessed in terms of water leakage and water quality as follows:

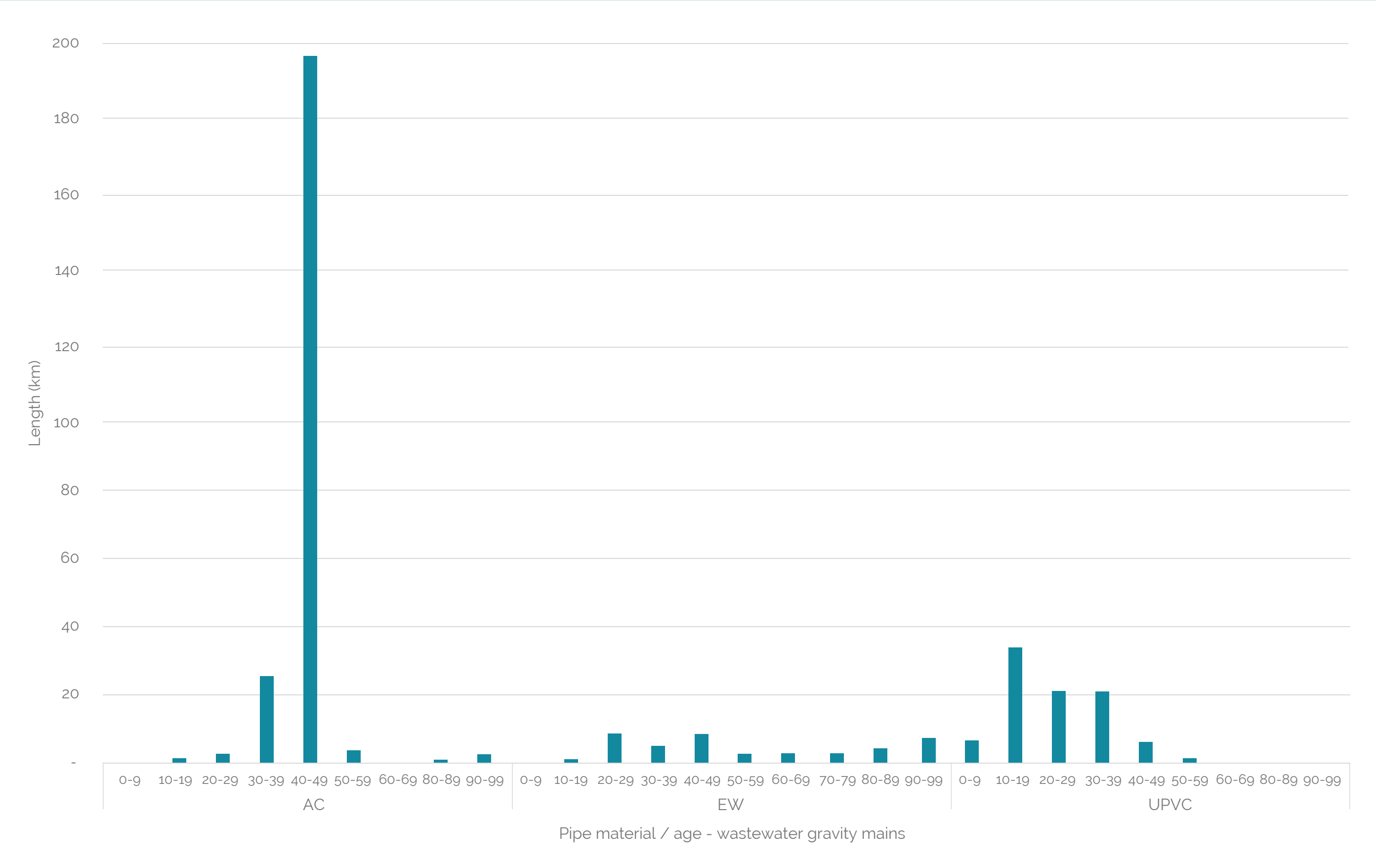
- Water leakage - Council assessed its water losses as part of the water master planning process as noted above. Water loss can happen for a range of reasons, including leaks and breaks in the network and this results in Council treating more water than is needed. Part of this programme was assessing the assumed real water losses using an acceptable industry benchmark known as the Infrastructure Leakage Index. The three supply areas were assessed at 2.5 for Eastern, 3.2 for Central and 4.6 for Ngongotahā (without the demand management programme). The area with the highest water loss performance indicator was Ngongotahā. As an indicator, between 4 and 6 is considered poor leakage management. Note that an index less than 4 equates to possibilities for further improvement.
- Water quality – Council has a suite of plans and processes to provide assurance that it is providing safe drinking water. These include the water safety plans, operating procedures, and operations and maintenance manuals for the treatment plants.

Council's water quality is measured monthly against the mandatory performance measures and reported in the Annual Report. All nine water treatment plants are now compliant with the New Zealand Drinking Water Standards with the recent Mamaku plant upgrade.

Wastewater

About half (57%) of the wastewater network (underground gravity mains) is made of asbestos concrete material and most are 30 to 50 years old as shown in Figure 9. Asbestos concrete pipe material is known to be brittle. Although there is less than 10% of our rising mains in asbestos concrete pipe material, these need to be replaced. These are our critical assets and have unacceptable consequences if they fail (i.e. overflow incidents and potentially environmental pollution of waterways).

Figure 9 Wastewater pipes by material and age



Source: RLC's Infor (as at July 2020)

We intend to get a better understanding of the current state of the wastewater assets with our long term contractor with a focus on the critical below ground assets as noted above. There is a large amount of asbestos concrete pipes of similar age that may need to be replaced at a similar time, but we need to gather evidence to inform the renewal programme.

We have defined our critical wastewater assets that are significantly important to our community at a high level as rising mains, pump stations and treatment plants. We understand the asset condition of our above ground assets operationally, but these have not been assessed formally to date.

Asset performance of Council's wastewater network is assessed in terms of overflows and inflow and infiltration as follows:

- Dry weather overflows. A dry weather overflow is an uncontrolled wastewater discharge that is not associated with a rain event. All pump stations are connected to a monitoring system so we can monitor and report failures. This helps us to effectively mitigate dry weather overflows from entering the environment and for reporting to the Regional Council.
- Dry weather overflows are reported on as a mandatory performance measure and to the Bay of Plenty Regional Council. Blockage incidences occur from time to time but our asset performance for dry weather overflow events meet the industry accepted benchmarks.

- Wet weather overflows. These incidents occur periodically, mainly during significant rainfall events at weak points in the system such as pump stations and low lying areas where gully traps are inundated with floodwaters. A wet weather overflow has limited environmental effect as it is diluted and the need to address this is being tested.

We have a known overflow hotspot at Victoria Street where two pump stations feed into a large gravity main. During high intensity rainfall events, both pump stations experience significant flow increase that necessitates all pumps in each pump station to operate simultaneously for prolonged periods. This can result in wastewater overflows at the receiving manhole. The increase in flow is a quick response to rainfall and is mainly attributed to inflow and infiltration to the network system.

Inflow and infiltration. We know operationally that some of our catchments are leaky. This is the term used to describe groundwater and stormwater entering into dedicated wastewater system resulting in the system becoming overloaded and overflows occurring.

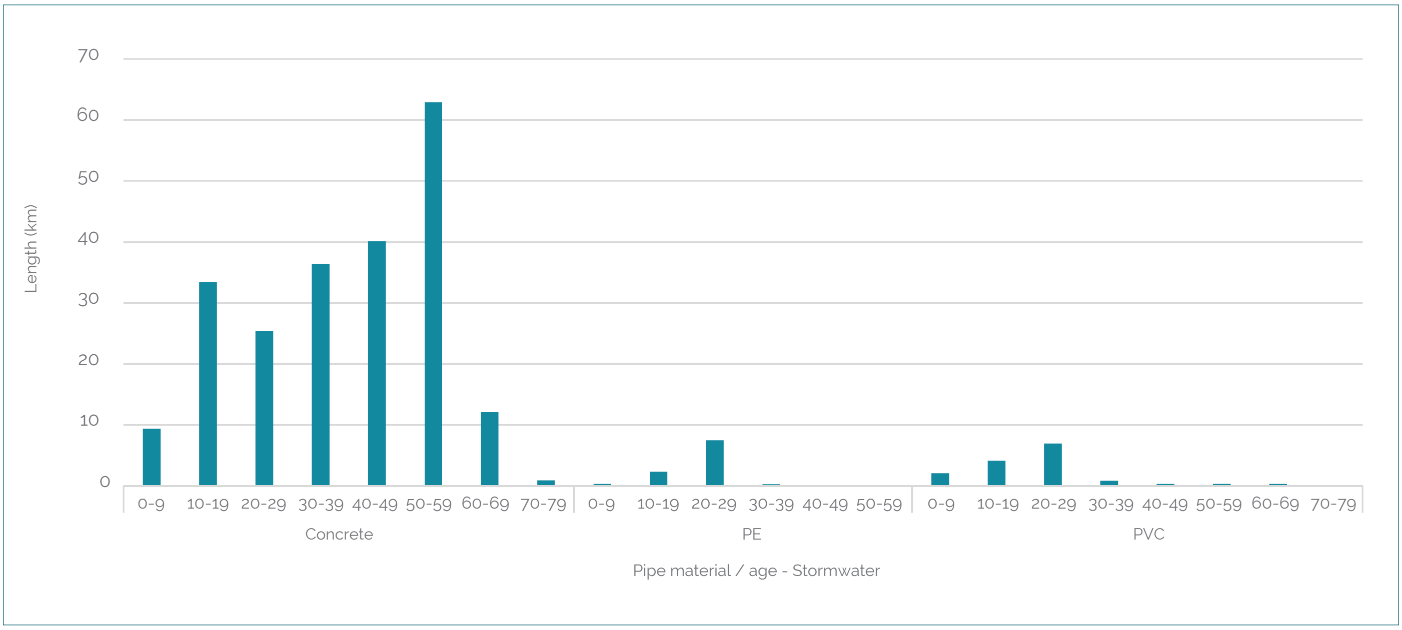
As part of improving the network resilience, we intend to assess inflow and infiltration across the catchments to prioritise our efforts and develop a cost effective and targeted programme. A preliminary assessment of a leaky catchment (Pukuatua and Ranolf Streets) showed that there was not significant improvement after the rehabilitation works of the defective pipes.

Effective inflow and infiltration management will be achieved through ongoing detection and reduction strategies employed by our long term contractor, and policy direction on private laterals established. The inflow and infiltration programme will also inform our proposed wastewater capital works programme, so all the interrelated issues are considered at catchment level.

Stormwater

Most of the stormwater network (78%) is concrete material and most are 10 to 50 years old as shown in Figure 10. Although there is a proportion of the network towards the end of its life of 80 years, stormwater assets can generally still function if there is structural integrity (i.e. no major defects).

Figure 10 Stormwater pipes by material and age



Source: RLC's Infor (as at July 2020)

Asset condition has not been formally assessed for the stormwater network to date. We intend to move to a programme of planned condition surveys to help us better understand the state of our stormwater assets.

We have defined our critical stormwater assets that are significantly important to our community at a high level as pump station, rising main, culverts and ponds.

Asset performance of our stormwater network is assessed in terms of capacity constraints (flood protection) and stormwater quality. More than 70 habitable floors flooded from the 29 April 2018 event including the Ngongotahā catchment as noted above. There was one flood incident reported in 2018/19 as a mandatory performance measure.

Land transport

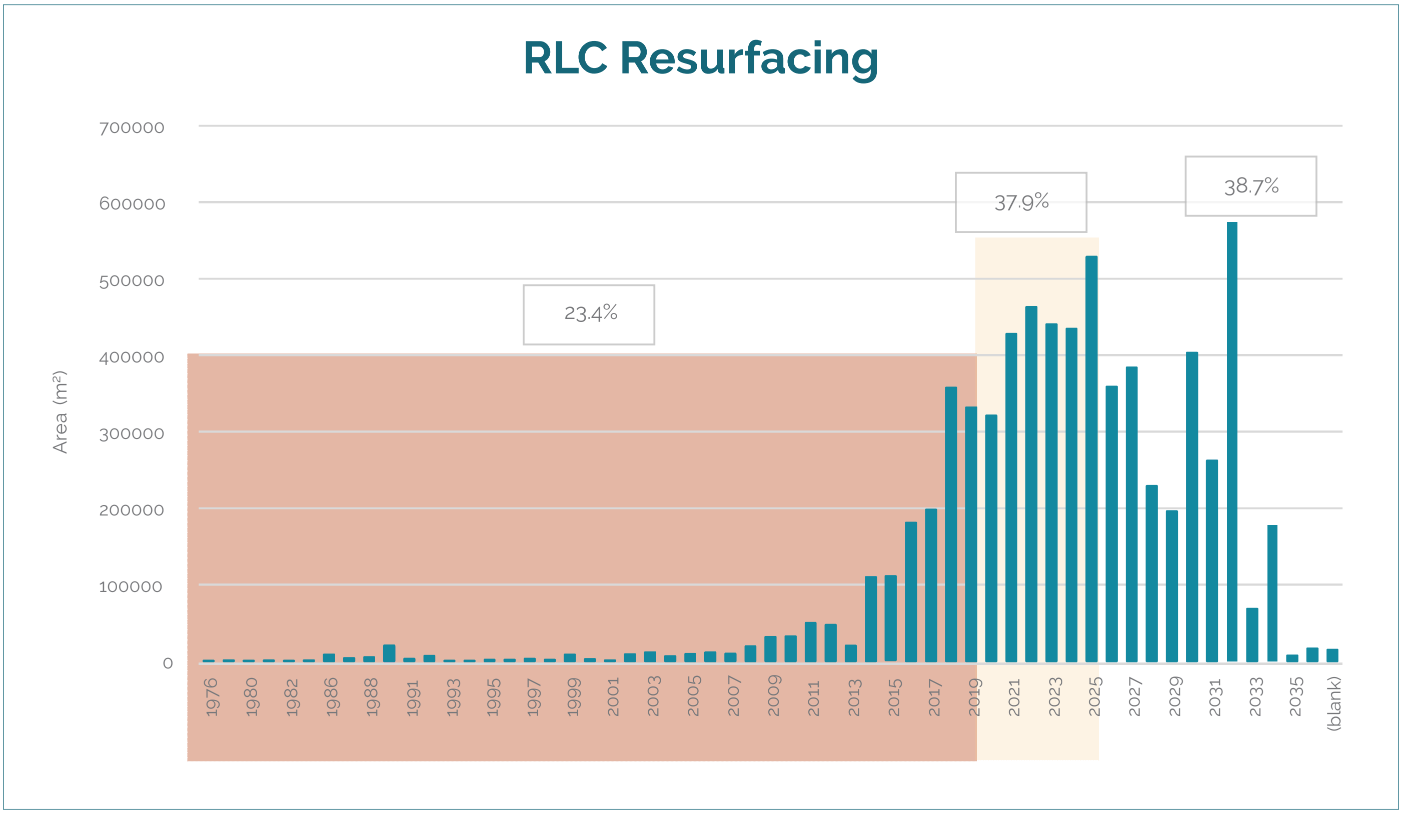
Performance and condition across the various land transport asset classes is as follows:

Pavements

As our assets continue to age, they also deteriorate and require replacement to be kept in a fit for purpose condition.

In regard to the road surfacing, 23.4% of the network sealed area has exceeded the theoretical asset life and 37.9% due to be resealed within the next five years, as shown in Figure 11. This shows that most assets are resurfaced within the optimal time (7 to 8% per year). Some assets have exceeded their predicted design life but generally are performing adequately. Most of the network is performing adequately but cannot sustain reduction in investment levels.

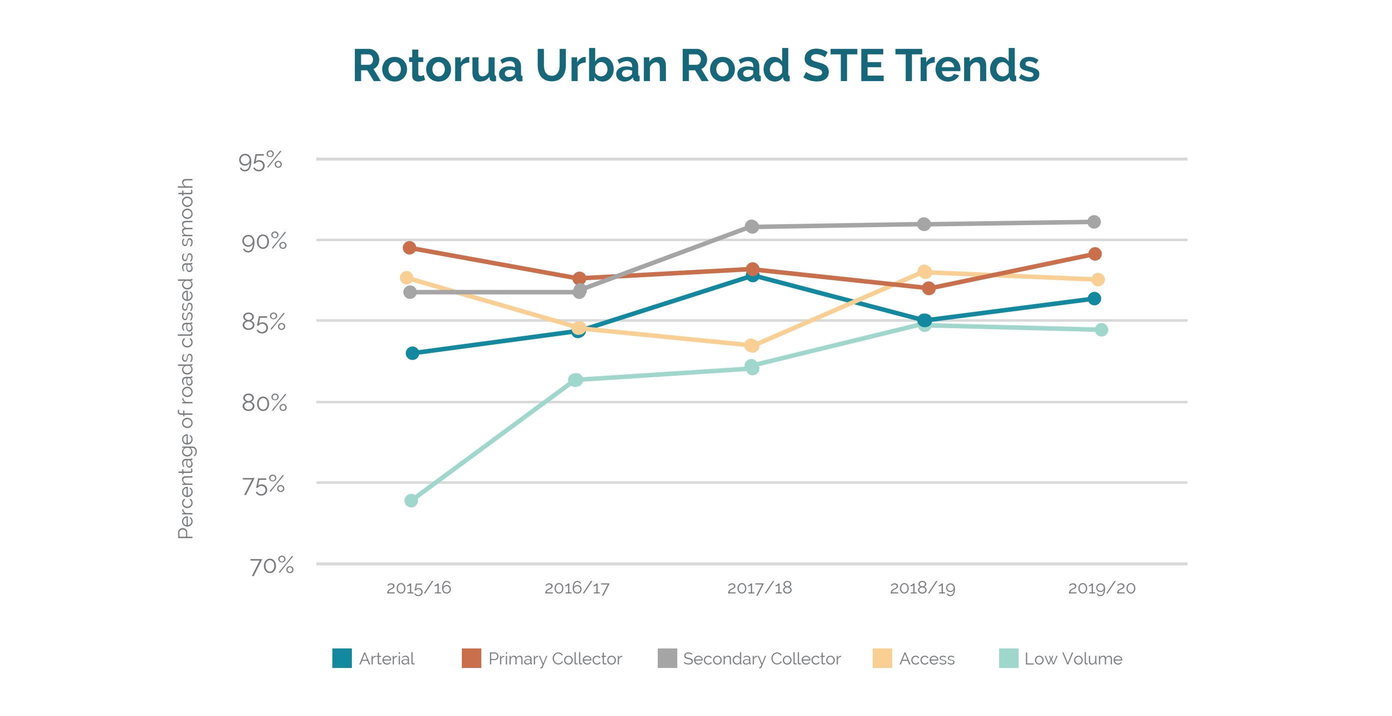
Figure 11 Resurfacing age profile



Source: RLC RAMM database (as at June 2020)

The average quality of roads is measured in terms of Smooth Travel Exposure. In this area, Rotorua Lakes Council performs well when benchmarked against our peer groups (Grey, South Waikato, New Plymouth and Queenstown Lakes District Councils). The trends in Figure 12 by the road classification categories show an improvement year on year.

Figure 12 Ride quality trends



Source: ONRC Reporting Tool

Critical road condition – Waka Kotahi's One Network Road Classification is used to categorise the criticality of roads with a consistent framework nationally. The condition of the urban roads in terms of peak roughness is better than our peer group. On rural roads we do not perform as well on higher classification roads compared to these peers. Overall Council generally performs well when benchmarked and trends show an improvement year on year as noted above.

Road safety – The national reporting on road safety suggests that there is a trending increase in crash rates in some road categories. While the baseline is low, Council is a partner in the Road to Zero Strategy and supports the philosophy of this strategy. Statistics for the last five years highlight that our crash trends are increasing. The 2019/20 results show an increase across all classifications and the need to keep investing in safety activities and initiatives and investments to drive these results downwards. Road safety remains a major focus.

Unsealed road condition – The condition of our unsealed roads is heavily influenced by the weather, particularly the rain. A general lack of aggregate and running surface, due to lack of funding, makes repairs to scouring, aggregate loss, corrugations and potholes to have limited long-term lasting effect. Add forestry logging activities which exacerbate the issue as their loadings accelerate deteriorations. Our roads were never designed to sustain harvesting loads, and this continues to be an ongoing challenge.

Unsealed road performance – The unsealed network is inspected monthly in accordance with Council's Roading Maintenance Standards (2020). The road network maintenance contractor utilises a specialised smart phone application to carry out visual and roughness assessment on a cyclic basis. This is used to help in the management of the unsealed network.

Bridges

Bridge condition – Over half of the bridge stock (55%) are over 50 years old (oldest being 88 years old), a further 19% is between 21 and 49 years old and the remainder less than 20 years old. The useful life of bridges for Council is currently set at 100 years. Asset condition is not currently recorded in the RAMM database.

Bridge performance – It is important that Council's bridge network is accessible to heavy vehicles that support the district's economy. Changes in legislation allows heavier, longer, higher and more trucks on New Zealand roads and need to ensure the resilience of our infrastructure meets these factors. There are currently eight bridges that are inadequate for the heavy vehicles (known as 50Max High Productivity Motor Vehicles).

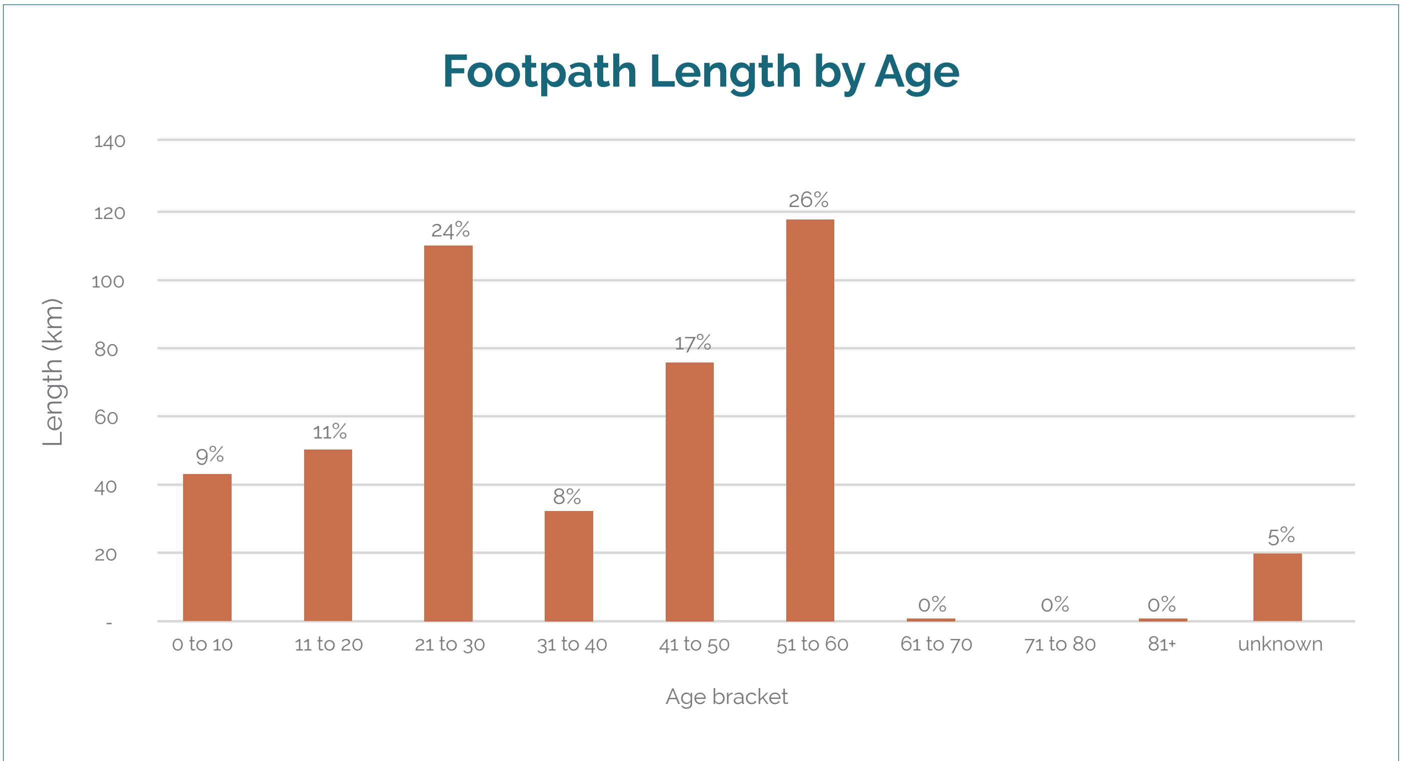
Footpaths

Footpath condition – Most of the footpath network (or 89%) is constructed from concrete, with 6% asphalt concrete and the remaining 5% from other materials (such as timber, metal or interlocking blocks). Useful life for concrete footpaths is set at 100 years. This puts 70% of the network length under halfway through their asset life as shown in Figure 13.

The asset condition of footpaths is assessed through the identification of defects with inspections. There is limited condition data held in the RAMM database about the footpaths.

Footpath performance - There is approximately 80km of footpaths that do not meet RLC's current minimum width standard of 1.4m. Asset condition along with footpath width are used to inform our footpath renewal programme.

Figure 13 Footpath length by age



Source: RLC RAMM database (as at August 2020)

Road drainage

Catchpits – Over half of the assets (64%) are over the useful life of 50 years. Keeping the renewal programme up with the rate of deterioration is important.

Culverts – Most of the assets (88%) are over 50 years old and have a useful life of 100 years, so are half-way though their life. Culverts play an important part in the drainage management process that allows the network to remain open. We are surveying our large culverts (greater than 600mm in diameter) to assess the condition grades. Keeping these critical assets in good condition is important for strengthening our transport network resilience.

Water supply

Background

We are responsible for the provision of safe drinking water to ten defined water supply areas. Nine water treatment plants supply reticulated schemes with approximately 768km of pipes supplying properties through approximately 24,180 connections.

Public water supply is provided to domestic, commercial, industrial, and rural communities to ensure public health. Our commercial and industrial water users are metered as well as the rural users. The three urban schemes (Central, Eastern and Ngongotahā) supply a total of 78% of all water demand. The Central scheme accounts for 58% of all district water supply.

Water key challenges

Renewing infrastructure

Asset age is generally still used for planning the water renewals programme. Although the water supply network is relatively young and therefore in generally good condition, we know that we need to adopt a proactive and risk-based renewal strategy as good industry practice. We intend to undertake asset condition surveys of the critical above ground assets and take samples of critical below ground assets.

We will start analysing breaks of the underground pipes. We will use the data collected on our critical assets to inform the development of risk based renewal programmes.

Providing for growth

Servicing new development areas

The Rotorua Lakes district is projected to increase in population. The Central and Eastern areas are where most of the development and growth are forecast to occur. These two areas are projected to have 3,201 and 4,150 additional household units by 2051 respectively based on the latest growth projections (as at March 2020).

Based on our Water Supply Master Plan (2020), the Central area is forecast to accommodate this additional demand if the existing consented take is rolled over and the proposed demand management programme is implemented. This will mean that no new source will be required until 2051. The two springs (Waipa and Hemo) that supply the Eastern area have sufficient capacity to accommodate this additional demand if the existing consented takes are rolled over.

Our current practices for growth planning are considered ad hoc. We know that strategic planning is important to guide long term infrastructure planning. We have developed the Water Supply Master Plan (2020) as an overarching framework to consider interrelated issues including consent requirements, resilience, demand management as well as growth and also promoting interconnection of the three large urban supplies. The Water Supply Master Plan is the basis for implementing our capital works programme.

Restrictive consent conditions

Most of the current water take consents are all expiring in the next ten years. The current abstraction limits may not necessarily be rolled over. If the water take is reduced, alternative sources will need to be developed such as groundwater. The consent for the Ngongotahā area has been successfully negotiated with revising the demand projections.

Managing risk and strengthening resilience

Infrastructure resilience

A key focus is strengthening our infrastructural resilience as some of our assets have limited redundancy. We have adopted an integrated approach with our water supply master planning process to consider growth, consenting requirements as well as reducing risk.

We have investigated improvements to strengthen resilience particularly between the Central and Eastern supply areas. This includes providing redundancy for the main spring that supplies the Eastern area with the duplication of the rising main from the Waipa pump station and installing a second storage tank. It also includes the interconnection of the Eastern and Central supply areas, and provision of link between the Ngongotahā and Central supply areas.

Seismic resistant materials are considered when we replace critical assets. Factors that are considered include location and consequences. We undertake a pragmatic evaluation at the renewal planning stage on a case by case basis.

Improving environmental outcomes

It is important that the water supply network is managed sustainably so that wastage is minimised. A demand management programme has been developed as part of the master planning process to plan for growth. The adopted demand management programme involves aggressive water loss reduction measures, nominal reduction of per capita domestic water use over time. At this point in time, universal metering (i.e. metering all water connections) has not been adopted. It may be considered in future as best industry practice and strong environmental benefits, and if supported by a strong business case.

Significant issues and options

Significant issues for the water supply activity and principal options for managing these issues are detailed in the following table. The highlighted option is preferred as the most likely scenario and when Council expects significant decisions will be required. Note that risk is assessed with the option undertaken. Indicative cost estimates are provided for evaluating wide range of options only and not part of Long Term Plan budgets (this applies to wastewater, stormwater and land transport).

Table 13 Significant issues and options for water supply

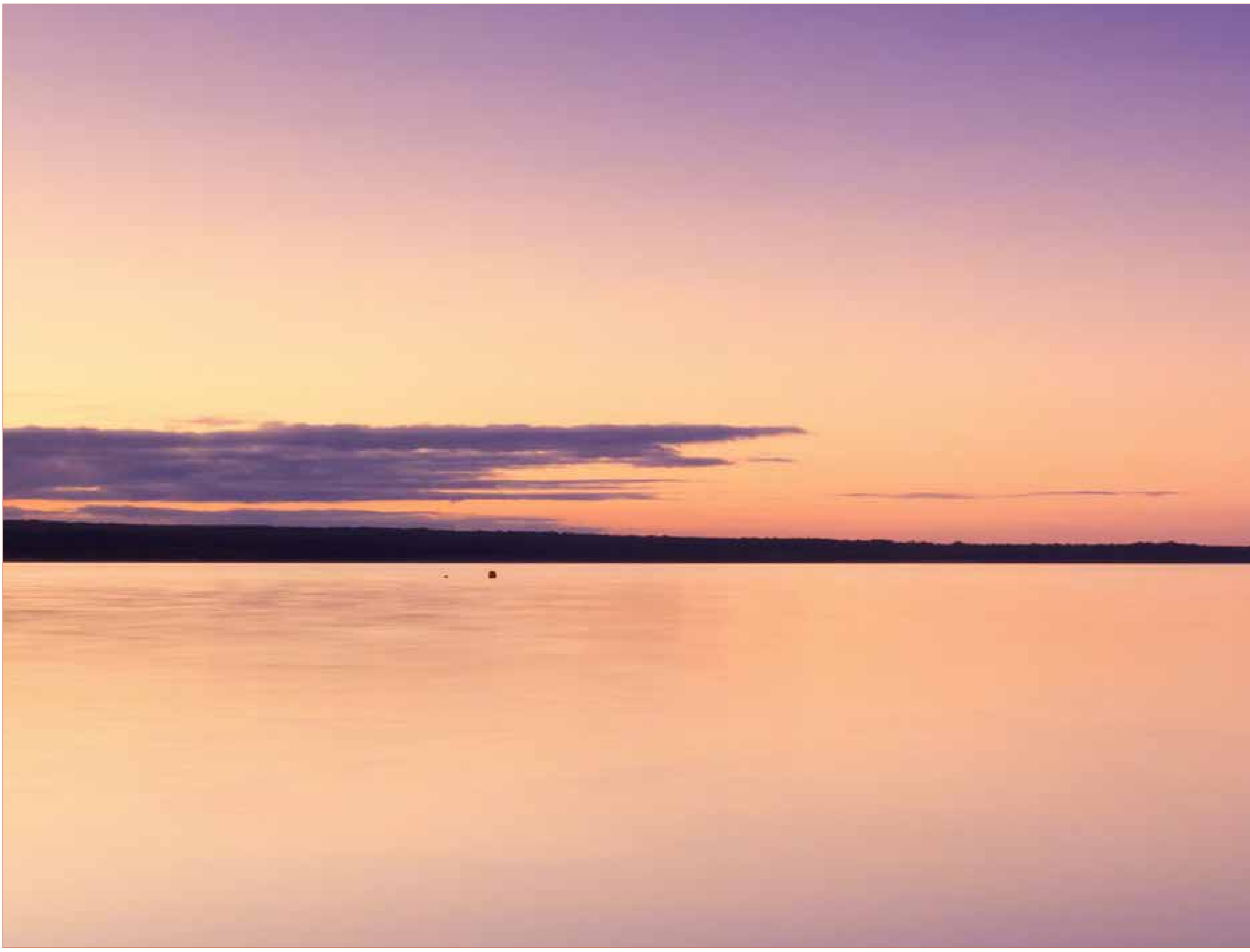
Significant water supply issue	Options	Implications of the options
Implications of the Government's three waters reform and changes to legislation are likely to result in higher standards for water treatment and compliance costs, and changes to Water Services Delivery Models.	Continue with water services remaining in house.	• There are likely to be increased costs to address health / safety concerns / issues from the Taumata Arowai • This will be resourced through existing budgets • Not eligible for funding through Government's three waters reform programme • Government may force amalgamation for councils that do not collaborate regionally
	Explore aggregation at regional / sub regional level with neighbouring councils to determine best service delivery model and be eligible for the Government's funding package.	• Costly to set up water Council Controlled Organisation but will be eligible for central government funding • A dedicated water Council Controlled Organisation with no other competing priorities will be expected to better prioritise investment decisions across the region leading to better environmental and community outcomes than the Councils can individually achieve • Potentially loss of community involvement in water decisions • Council needs to opt into reform programme to be eligible for funding
	Maintain a watching brief on the Government's Three Waters Reform Programme and evaluate other options as information becomes available.	• Central government may force amalgamation for councils that do not aggregate regionally • Implications from water reforms on service delivery including the impact of Taumata Arowai and changes to legislation are still unfolding and happening at a rapid pace
Resource consents need renewing but there is uncertainty about what the conditions involve.	Secure new resource consents at current abstraction limits.	Dependent on early engagement with stakeholders and iwi to be successful This option is dependent on the Regional Council rolling over current abstraction limits Additional / alternative water sources not required Dependent on implementing aggressive water loss management programme There are additional capital costs to develop new water source /s if the consent quantities are not rolled over
	Investigate alternative supplies and / storage for Central and Eastern supply areas if consent not rolled over and capital investment required.	Dependent on early engagement with stakeholders and iwi to be successful Takes time to plan, consult including cultural issues, secure funding, and implement new capital works
	Reduce demand through aggressive water loss management programme.	Demonstrates to the Regional Council using water wisely Reduces the volume of water needed from the springs and costs to treat the water Achieves good benefits but may require universal metering to be fully effective long term

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Current budgets are known ($55.6m for capital projects for 10 years inflated)	Current budgets are known ($56m for capital projects for 10 years inflated)	Current budgets are known ($61.5m for capital projects for 10 years inflated)	H
	Higher level estimates from industry of reduction in capital programme with aggregation (1.25% reduction per year, indicative estimated cost $650k reduction in capital programme over 10 years in real terms)	Reduction in capital programme with aggregation (indicative estimated cost $480k reduction in capital programme over 10 years in real terms)	Reduction in capital programme with aggregation (indicative estimated cost $385k reduction in capital programme over 10 years in real terms)	H
Option 3 is preferred as the most likely scenario - Continue to keep watching brief to understand the best service delivery option for our community. RLC has set up a long term wastewater contract that potentially could be expanded to cover water supply at a later stage. Decision required by Council – Decision on participating in reforms and preparation for the formation of water services entities expected from late 2021 to 2023 (legislation is still being passed)	Current budgets are known ($55.6m for capital projects for 10 years inflated)	Current budgets are known ($56m for capital projects for 10 years inflated)	Current budgets are known ($61.5m for capital projects for 10 years inflated)	H
Option 1 is preferred as the most likely scenario - Allocate funding and resourcing to secure new resource consents and monitoring of conditions. Decision required by Council – Underway and decision expected by the Regional Council by 2026. Decision required before expiration of current consents: Waipa and Hemo Springs: January 2024 Karamu-Takina Spring: October 2026 Rewarewa Spring: October 2026 Wai-iti Stream: October 2026 Lake Rotoma: October 2026 Mamaku Bores: January 2031	$0.7m by 2024 (2 springs for Eastern water supply); $1.37m by 2026 (4 other supply sources); (this may increase if cannot roll over current consent quantities)	$0.15m by 2031 (2 bores for Mamaku water supply)	-	H
	$2.02m (2 new bores) for Eastern water supply (10 new bores) for Central (2025/26 to 2026/27)	$1.01m (1 new bore) for Eastern water supply	$1.01m (1 new bore) for Eastern water supply	H
Option 3 is preferred as the most likely scenario - Undertake aggressive water loss management programme. Decision required by Council – This is conditional on budget being adopted then the water loss management programme can be implemented.	$300k (based on $30k per annum on demand management activities)	$300k over ten years	$300k over ten years	M

Significant water supply issue	Options	Implications of the options
Information on water supply asset condition is limited.	Continue to respond reactively to any defects / asset failures and use age as the basis for the planned renewal programmes.	Water outages to customers may become unacceptable particularly for priority customers such as schools, hospitals, industry, and vulnerable users The water renewal backlog may become unacceptable
	Undertake condition surveys of critical above ground assets and start analysing breaks of underground assets.	The replacement of critical assets (above and below) is risk based and planned to ensure adequate funding available and time to implement The unplanned water interruptions to customers are kept to a minimum acceptable level Data is analysed and used to develop risk based renewal programmes The non-critical water assets are still achieving the level of service
	Undertake condition surveys of all water supply assets (critical and non-critical / above and below assets).	Higher costs for extensive condition surveys
Strengthening our infrastructural resilience as some of our critical assets have limited redundancy.	Continue with adopted risk management approach and strengthening resilience at scoping design stage for renewal and new works projects.	Option 1 is the current general approach Opportunities are identified progressively as assets fail or upgraded Any significant expenditure would mitigate the high risk
	Replace the critical assets with modern materials and install duplicate mains to mitigate the risks in the Central (Matipo Utuhina Water Treatment Plant rising main) and Eastern supply areas (Waipa rising main).	Options 2 and 3 are interlinked The existing critical asset for the Central Supply Area is asbestos concrete material and less likely to fail once replaced with modern material The aged rising mains will be replaced with new assets and be more robust
	Connect the Central and Eastern supply areas with an emergency main to mitigate risk for priority customers, which will also provide additional temporary supply during peak demand to avoid exceeding consented water take limits. Construct a new 1,000m3 storage tank at Eastern Reservoir 1 Site in Tarawera Road and another 3,500m3 storage tank adjacent to Tarawera Road reservoir # 2.	Provides additional supply during emergencies for priority customers such as hospitals and schools Provides additional temporary supply during peak demand to avoid exceeding consented water take limits Improves security of supply and fire flow capacity to the Scion Innovation Park Development Area

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Budget impacts are known short to medium term ($4.8m operational costs pa in total to respond)	Budget impacts may be significant in the medium term (about $5.5m+ operational costs pa in total to respond)	Budget impacts may be significant in the long term (about $6m+ operational costs pa in total to respond)	H
Option 2 is preferred as the most likely scenario - Undertake condition surveys of critical above ground assets. Take samples of critical below ground assets as good industry practice. Start analysing breaks of underground assets to ensure meeting customer levels of service for outages. Decision required by Council – This is conditional on budget being adopted then the condition surveys can be implemented.	$3m renewals per annum (this may change as more information becomes available)	$3m renewals per annum	$3m renewals per annum	M
	Budget impacts may potentially be significant (about $0.5m to $1m pa)	(about $0.5m to $1m pa)	(about $0.5m to $1m pa)	M
Option 1 is preferred as the most likely scenario (ongoing)- Continue to look for opportunities to strengthening infrastructure resilience at scoping design stage for renewals and new works projects Decision required by Council – This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.	Medium cost for resilience strengthening as part of capital projects (about $1.8m+ over ten years)	Medium cost for resilience strengthening (about $1.8m+ over ten years)	Medium cost for resilience strengthening (about $1.8m+ over ten years)	M We have time to implement upgrades
Option 2 is preferred as the most likely scenario (medium term) - Undertake the critical asset replacement and install duplicate mains to mitigate the risks in the Central and Eastern supply areas Decision required by Council – This is conditional on budget being adopted then the capital works can be implemented.	$1.47m	-	-	M Reduces asset risk with this approach
Option 3 is preferred as the most likely scenario (medium term) - Undertake the emergency connecting mains to strengthen resilience between the two largest supply areas. Decision required by Council – This is conditional on budget being adopted then the capital works can be implemented.	$2.95m (for 2 new reservoirs) and $1.82m for (for connecting mains between Eastern and Central)	$0.6m (connecting main upgrade in Tarawera Road -Eastern to Central link)	-	M Reduces asset risk with this approach

Significant water supply issue	Options	Implications of the options
Limited strategic planning to enable growth on the city fringes.	Continue with ad hoc planning approach for water provision in growth areas based on Spatial Plan.	Bulk infrastructure is not planned to meet current or future demand, or sequenced Spatial Plan not based on the latest demand projections (used for 2018 Long Term Plan) District is unattractive for developers as Council difficult to work with Development occurs ad hoc
	Use the Water Supply Master Plan to guide long term planning and the capital works programme to address current and future demand for enabling sustainable development.	Bulk infrastructure is planned holistically Based on realistic forecast of development, where it will likely occur and when



Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Low cost from existing resources and budgets (about $250k pa for minor capital growth projects)	Low cost from existing resources and budgets (about $250k pa for minor capital growth projects)	Low cost from existing resources and budgets (about $250k pa for minor capital growth projects)	H
Option 2 is preferred as the most likely scenario - Implement and use the Water Supply Master Plan to guide long term planning and the capital works programme. Decision required by Council – This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.	$10.1m total (for ten years)	$6.2m total (for ten years)	$1m total (for ten years)	M

Water supply expenditure forecasts

Figure 14 presents the expenditure forecast for water supply which is based on the following assumptions:

- Demand forecasts are based on the adopted demand management programme.
- The current water take consents for the Eastern, Central and Hamurana Kaharoa areas will be renewed without any reduction from the current abstraction limits.
- Additional capital investment to develop new source will be required if current water takes limits are reduced.
- Universal water metering will not be adopted during the ten year Long Term Plan period unless supported by a strong business case.
- Existing service levels will be maintained.
- Legislation with the three waters reform will have a significant impact on this activity and at a rapid pace.
- We will provide services at the levels forecast in our Water Supply Asset Management Plan and 2021 Long Term Plan.
- Over the next 30 years it is expected that Council's major capital expenditure items include Asset condition - district wide pipe renewal programme
- Infrastructural resilience - Eastern and Central Supply Area improvements to address risk, security of supply and meet future demand.

Figure 14 Water supply expenditure forecasts (inflated)

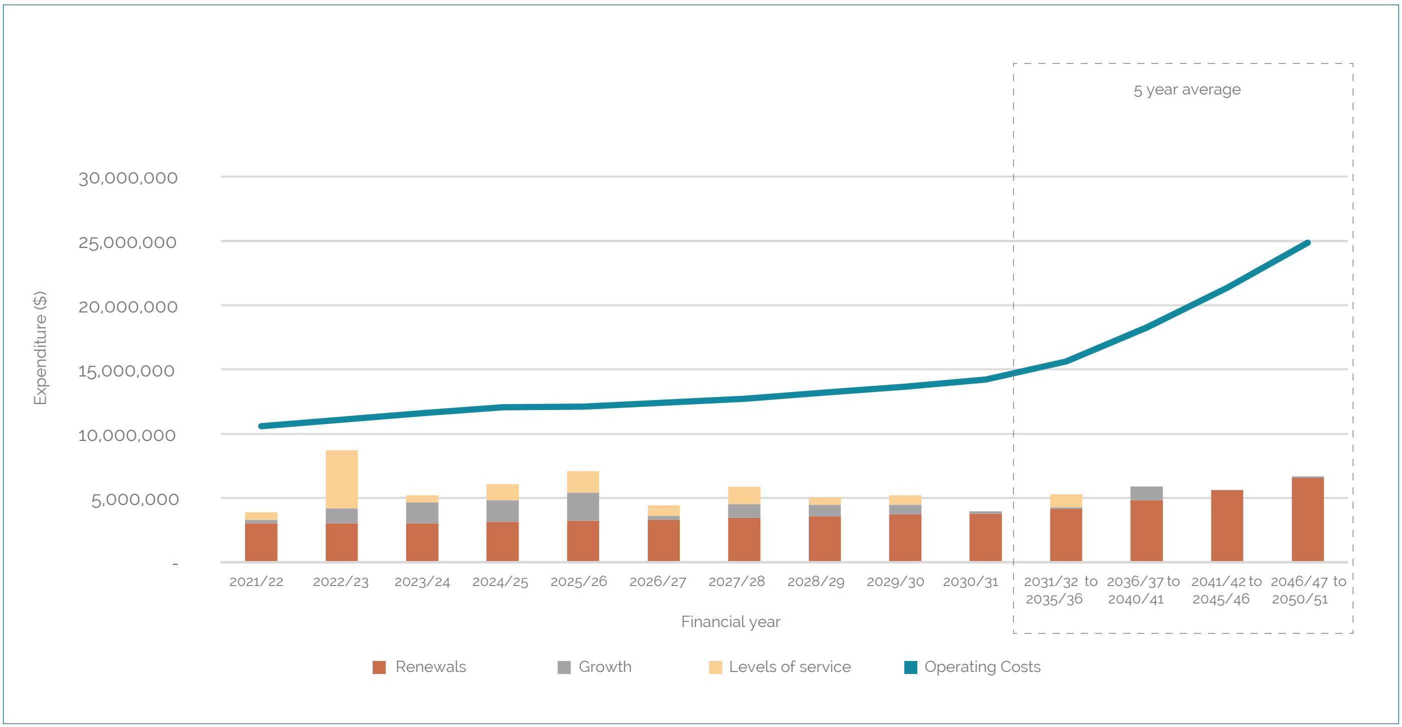
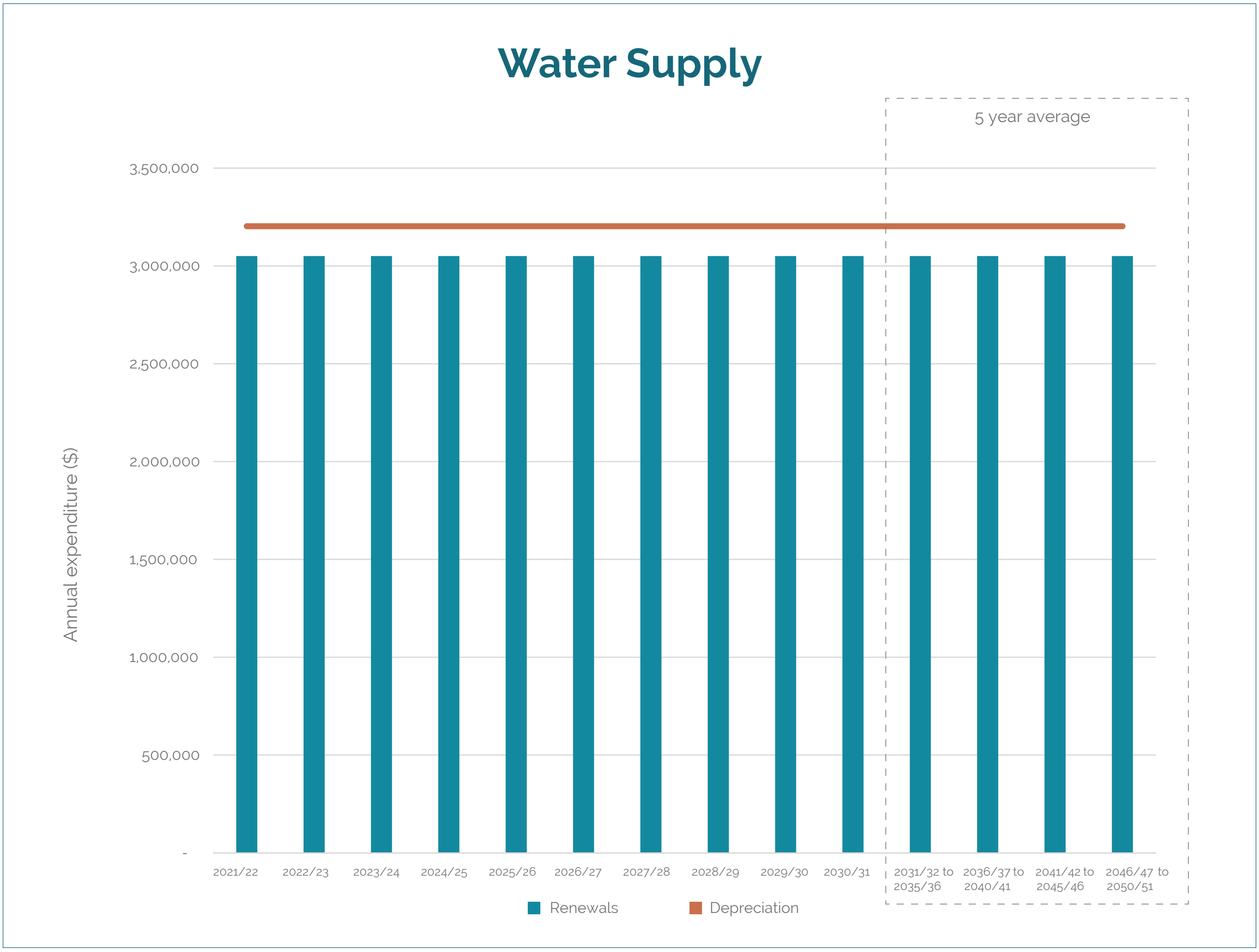


Figure 15 shows that our forecast renewal expenditure of $3 million per annual is maintained to broadly match the annual depreciation of $3.2 million.

Figure 15 Water supply renewals versus depreciation (uninflated)



Funding this activity

Council funds its water supply activity through:

- uniform annual charge for unmetered properties (included with the property rate charges)
- volume charge for metered properties (where meters are installed) based on the actual volume of water consumed

Wastewater

Background

We are responsible for the collection, treatment and disposal of wastewater from the three urban areas of Rotorua (Ngongotahā, city and eastern suburbs) as well as some rural lakeside communities. The public wastewater network of approximately 405km of gravity mains and 150km of rising mains that protect the community's public health and the receiving environments from the effects of wastewater and by-products. Two wastewater treatment plants service properties through approximately 22,696 connections.

Resource consents are required for discharging into water bodies and onto planted forestry and are issued by the Bay of Plenty Regional Council. The main purpose of a consent is environmental protection and is driven by the Resource Management Act. These consents are subject to requirements that restrict the volume of water that can be discharged and stipulate the water quality parameters the discharged water must meet.

Strategic wastewater challenges

Renewing infrastructure

We have limited information available for the current state of our underground assets and this is a focus in the short to medium term. We are surveying our critical below ground wastewater assets in the short to medium term (about 20% of our pipelines). The assessment programmes are being accelerated through our long-term contractor. A renewal programme will then be developed, and a significant capital investment programme is expected. We also need to formally understand the asset condition of our above ground assets (such as treatment plants, rising mains, and pump stations) as these are our critical assets.

Providing for growth and changes to levels of service

Resource consents

RLC, Te Arawa Lakes Trust and CNI Iwi Holdings have agreed to work together towards a new long-term solution for discharge of wai tātari (recovered wastewater) from the Rotorua Wastewater Treatment Plant. Currently, the treated effluent from the plant is irrigated to pass through the land in Whakarewarewa Forest before the groundwater discharges to Lake Rotorua to protect the lake water quality. Discharging through irrigation of Whakarewarewa Forest is no longer viable as a sustainable option for several reasons including cultural concerns. We are working with iwi on a solution that is culturally acceptable, including developing alternative solutions if necessary.

The three parties have Kawenata (a partnership agreement) to find the right outcome for mana whenua and the wider Rotorua community. The kawaneta has been guided by Te Tūāpapa o ngā Wai o Te Arawa (Te Arawa Cultural Values Framework) and under the agreement, the parties will work together to develop a long-term solution.

The parties have agreed to a Sustainable Forest Approach that will include upgrading the Rotorua Wastewater Treatment Plant, and the medium-term continuation of discharging treated wastewater in Whakarewarewa Forest – though modified in a more culturally appropriate and environmentally sustainable way than the current system.

Although an agreement has been reached, there are still major milestones to be achieved for the long-term solution for discharge of wai tātari from the Rotorua Wastewater Treatment Plant. These milestones will not be known prior to finalising the 2021 Long Term Plan due to the complexity and scale of wastewater treatment. The costs in the 2021 Infrastructure Strategy are high level and therefore indicative and provided for completeness.

The key milestones for the treatment plant upgrade and Sustainable Forest Approach workstreams are (independent of each other):

Treatment plant upgrade:

- Secure the resource consent for the construction of the plant (expected in mid-2021)
- Confirm design and construction cost for the upgrade with our long term contractor (expected in late 2021)
- Undertake the construction, testing and commissioning of the plant (over four years)
- Sustainable Forest Approach:
- Collaborate with iwi on the final form of the forestry discharge (may overlap resource consent process)
- Secure the bridging consent of five years to continue with current spraying regime
- Secure the resource consent for the preferred Sustainable Forest Approach option
- Undertake the construction, testing and commissioning of the preferred option (over three year period)

The upgraded Rotorua Wastewater Treatment Plant and new discharge point is expected to be undertaken over a five year period (i.e. from July 2021 to 2026).

Lake water quality:

The Rotorua Te Arawa Lakes are important for our District, regionally and nationally. They are often known as the jewels in the crown. They are also important to iwi historically and traditionally but also for the future. They are recognised for the future wealth they can bring to the region.

Due to the significance of the lakes, the Rotorua Te Arawa Lakes Strategy has been developed with partner organisations Te Arawa Lakes Trust and Bay of Plenty Regional Council for a holistic and integrated management approach, and as the platform for co-management.

The communities of Lake Tarawera, Lake Rotoehu (Kennedy Bay and Otautu Bay), Ngamotu and Mamaku are currently serviced by private wastewater systems. They are at risk of polluting our lakes. The new East Rotoiti / Rotomā Wastewater Treatment Plant has capacity to cater for additional demand (Lake Rotoiti and Rotoehu communities). The Lake Tarawera community may require a public scheme to be installed to protect the lake water quality as well as provide public health protection.

Servicing growth

We service growth in the following three ways:

1. Installing bulk infrastructure for new development areas
2. Extending services areas
3. Servicing other sewerage scheme areas with Council reticulation and treatment plants with initial focus on the communities of Lake Tarawera, Lake Rotoehu and Mamaku (as noted above).

There is pressure for Council to service other small communities / villages currently serviced by private wastewater systems. This includes the private scheme at Kainga Ora village which was previously a forestry housing settlement.

Long term wastewater approach

There are significant wastewater challenges driven by higher future consent requirements, environmental protection, Government's freshwater reform programme coupled with growth which will require significant investment. To address the significant wastewater issues that we are facing, we have entered into a long term contract with an experienced operator as a partner to manage the asset risks and provide cost certainty.

Future challenge - Lake Rotorua nutrient management

The Bay of Plenty Regional Council's Lake Rotorua Nutrient Management Proposed Plan Change 10 introduces rules to limit the amount of nitrogen entering Lake Rotorua from land use. The rules will affect rural properties in the Lake Rotorua Catchment as well as our Rotorua Wastewater Treatment Plant.

Lake Rotorua can cope with 435 tonnes of nitrogen a year from all sources in the catchment (urban and rural areas). The 435 tonnes have been shared and the Rotorua Wastewater Treatment Plant was given a Nitrogen Discharge Allocation of 30 tonnes, for the 2001 to 2003 benchmark period.

Our existing plant and land treatment system typically removes up to 370 tonnes of nitrogen a year. Increased volumes of stormwater and groundwater into our wastewater system reduces the treatment plant's ability to effectively remove nitrogen. After the proposed upgrade, the Rotorua Wastewater Treatment Plant will have increased ability to remove nitrogen and is anticipated to remove up to 450 tonnes of nitrogen a year by 2051.

Low levels of nutrients are returned to our environment even with best wastewater treatment practices. By 2031, the nitrogen discharged to the lake will be around 34.7 tonnes in an average rainfall year (41 tonnes in a high rainfall year). By 2051, the nitrogen discharged to the lake will be around 39 tonnes in an average rainfall year.

To protect lake water quality, we need to ensure the total load of nitrogen to the lake from all sources does not increase. As our population grows, we need to offset the increasing level of nitrogen discharged from the treatment plant with an equivalent reduction elsewhere. There are a number of ways we can achieve this:

- Buying, acquiring or transferring nitrogen discharge allocations.
- Actions to directly reduce the nitrogen entering the lake.

We are investigating charging an environmental fee (or a transfer of nitrogen in lieu of payment) that will be used to offset the increasing load of nitrogen in the treatment plant discharge as the population and community grow. The proposed environmental fee is still under discussion.

Significant issues and options

Significant issues for the wastewater activity and principal options for managing these issues are detailed in the following table. The option preferred as the most likely scenario has been identified and when Council expects significant decisions will be required.

Adventures in Whakarewarewa forest

Table 14 Significant issues and options for wastewater

Significant wastewater issue	Options	Implications of the options
Implications of the Government's Three Waters Reform including strengthening the stewardship of wastewater and stormwater with regional councils remaining primary regulators, and changes to the Water Services Delivery Models.	Continue with water services remaining in house.	• There are likely to be increased costs to address health / safety concerns / issues from Taumata Arowai • This will be resourced through existing budgets • Not eligible for funding through Government's three waters reform programme • Government may force amalgamation for councils that do not collaborate regionally
	Explore aggregation at regional / sub regional level with neighbouring councils to determine best service delivery model and be eligible for the Government's funding package.	• Costly to set up water Council Controlled Organisation but will be eligible for central government funding • A dedicated water Council Controlled Organisation with no other competing priorities will be expected to better prioritise investment decisions across the region leading to better environmental and community outcomes than the Councils can individually achieve • Potentially loss of community involvement in water decisions • Council needs to opt into reform programme to be eligible for funding
	Maintain a watching brief on the Government's Three Waters Reform Programme and evaluate other options as information becomes available.	• Central government may force amalgamation for councils that do not aggregate regionally • Implications from water reforms on service delivery including the impact of Taumata Arowai and changes to legislation are still unfolding and happening at a rapid pace
Expectations from stakeholders, regulator, and iwi for continued compliance to the standard / consent for the lake water quality.	Continue to meet existing resource consent conditions long term to keep within consented water quality limits to minimise the impact of the treated effluent discharged from the wastewater treatment plants.	• Meets current minimum resource consent requirements • May not result in substantial positive environmental improvements • Unlikely to receive long-term resource consent on the current terms
	Continue to implement the Rotorua Te Arawa Lakes Strategy with partner organisations Te Arawa Lakes Trust and Bay of Plenty Regional Council for a holistic and integrated management approach.	• Better alignment with Māori values and community aspirations • Meets longer term vision for the lakes as set out in the Rotorua Te Arawa Lakes Strategy • Improves lake water quality

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Current budgets are known ($165m for capital projects for 10 years inflated)	Current budgets are known ($100m for capital projects for 10 years inflated)	Current budgets are known ($102m for capital projects for 10 years inflated)	H
	Higher level estimates from industry of reduction in capital programme with aggregation (1.25% reduction per year, indicative estimated cost $2m reduction in capital programme over 10 years in real terms)	Reduction in capital programme with aggregation (indicative estimated cost $900k reduction in capital programme over 10 years in real terms)	Reduction in capital programme with aggregation (indicative estimated cost $650k reduction in capital programme over 10 years in real terms)	H
Option 3 is preferred as the most likely scenario - Continue to keep watching brief to understand the best service delivery option for our community. Decision required by Council – Decision on participating in reforms and preparation for the formation of water services entities expected from late 2021 to 2023 (legislation is still being passed).	Current budgets are known ($165m for capital projects for 10 years inflated)	Current budgets are known ($100m for capital projects for 10 years inflated)	Current budgets are known ($102m for capital projects for 10 years inflated)	H
	Current budgets are known (part of wastewater operational activity budget about $200k pa)	Current budgets are known (part of wastewater operational activity budget about $200k pa)	Current budgets are known (part of wastewater operational activity budget about $200k pa)	M
Option 2 is preferred as the most likely scenario - Continue to implement the Rotorua Te Arawa Lakes Strategy with the partner organisations. Decision required by Council – This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.	Current budgets are known but solution still to be agreed upon with consenting process; $60m for Rotorua Wastewater Treatment Plant upgrades and Sustainable Forest Approach; $22.5m for Tarawera wastewater scheme; indicative estimated cost $6m to $8m+ for Rotoehu wastewater scheme	Current budgets are known (about $200k pa for ongoing support)	Current budgets are known (about $200k pa for ongoing support)	M

Significant wastewater issue	Options	Implications of the options
Information on wastewater asset condition is limited.	Continue to respond reactively to any defects / asset failures and use age as the basis for the planned renewal programmes.	• Wastewater asset failures may become unacceptable and result in public health and / or environmental pollution issues due to overflows • The wastewater renewal backlog may become unacceptable • There is significant proportion of underground wastewater assets of asbestos concrete material and similar age that may fail in a short timeframe
	Undertake condition surveys (CCTV) of critical below ground and above ground assets as scheduled in the long term contract.	• Critical and aged asbestos concrete pipelines replaced before failure • Minimises public health and environmental risks to an acceptable level consistent with industry best practice • The replacement of critical assets (above and below) is risk based and planned to ensure adequate funding available and time to implement • Condition data is available, analysed and used to develop risk based renewal programmes • The non-critical wastewater assets still achieve the service levels
	Undertake condition surveys of all wastewater assets (critical and non-critical / above and below assets).	• Assets are replaced before they fail repeatedly but not linked to risk or service levels • Additional operational expenditure required for assessments
Implications of the Bay of Plenty Regional Council's Proposed Plan Change 10	Buying, acquiring or transferring Nitrogen Discharge Allocations.	• Requires proposed environmental fee to be accepted in the community • Directly links polluter and land use development with funding environmental improvements • Polluter pays principle still relatively new nationally
	Actions to directly reduce the nitrogen entering the lake.	• May take time to implement and see tangible outcomes with lake water quality improving • Involves various stakeholders • May not reduce the total load of nitrogen into lake • Eliminates pollution at source rather than mitigation options • Better alignment with iwi values and community aspirations
Limited strategic planning to enable growth on the city fringes.	Continue with ad hoc planning approach for wastewater provision in growth areas based on Spatial Plan.	• Bulk infrastructure is not planned to meet current or future demand, or sequenced • Spatial Plan not based on the latest demand projections (used for 2018 Long Term Plan) • District is unattractive for developers as Council difficult to work with • Development occurs ad hoc
	Use the Wastewater Master Plan to guide long term planning and the capital works programme to address current and future demand for enabling sustainable development.	• Bulk infrastructure is planned holistically • Based on realistic forecast of development, where it will likely occur and when

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Budget impacts are known short to medium term ($9.8m operational costs pa in total to respond)	Budget impacts may be significant in the medium term ($10.5m+ operational costs pa in total to respond)	Budget impacts may be significant in the long term ($11.5m+ operational costs pa in total to respond)	H
Option 2 is preferred as the most likely scenario - Undertake condition surveys of critical below ground assets with accelerated programme. Undertake condition surveys of critical above ground assets as scheduled. Decision required by Council – Trility have been engaged by RLC. CCTV survey is part of Trility's contract scope and will be the main basis for pipe replacement.	CCTV surveys are part of the Trility contract (about $250k to $350k pa)	(about $200k pa)	(about $200k pa)	M
	Budget impacts may potentially be significant (about $750k to $1m pa)	Budget impacts may potentially be significant (about $750k to $1m pa)	Budget impacts may potentially be significant (about $750k to $1m pa)	M
Option 1 is preferred as the most likely scenario (and longer term) - Buy, acquire or transfer Nitrogen Discharge Allocations funded by the proposed environmental fee. Decision required by Council – This approach may be contentious with the community. Expected full Council decision will be required in 2022 to 2024.	Options for charging proposed environmental fee still to be agreed and adopted; Develop policy internally and engagement process (about $200k); then implement policy at about $200k pa initially	Ongoing implementation of policy at about $20k pa	Ongoing implementation of policy at about $20k pa	H
	May require parties external to Council to action; Rotorua Treatment Plant upgrade $60m will reduce; Council will enforce through trade waste compliance (about $100k pa)	Council will enforce through trade waste compliance (about $100k pa)	Council will enforce through trade waste compliance (about $100k pa)	H
	Low cost from existing resources and budgets (about $250k pa for minor capital projects)	Low cost from existing resources and budgets (about $250k pa for minor capital projects)	Low cost from existing resources and budgets (about $250k pa for minor capital projects)	H
Option 2 is preferred as the most likely scenario - Implement and use the Wastewater Master Plan to guide long term planning and the capital works programme. Decision required by Council – This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.	(about $38.2m in total for growth capital projects)	(about $25m in total for growth capital projects)	(about $5m estimated in total)	M

Wastewater expenditure forecasts

Figure 16 presents the expenditure forecast for wastewater which are based on the following assumptions:

- The Government's freshwater reforms to improve ecological health will require a higher environmental standard.
- The conditions and cost implications of the future resource consents for the Rotorua Wastewater Treatment Plant are uncertain.
- The Rotorua Wastewater Treatment Plant upgrade and Sustainable Forest Approach costs are indicative as some workstream elements (including resource consents) are still to be secured and therefore the final design and extent of the upgrade and preferred option (for the Sustainable Forest Approach) are not yet known.
- Legislation with the three waters reform will have a significant impact on service delivery for this activity and at a rapid pace.
- We will work towards offsetting the increasing level of nitrogen discharged from the Rotorua Wastewater Treatment Plant through Nitrogen Discharge Allocations.
- Effective inflow and infiltration management will be achieved through ongoing detection and reduction strategies employed by our long term contractor, and policy direction on private laterals established.
- We will provide services at the levels forecast in our Wastewater Asset Management Plan and 2021 Long Term Plan.
- Over the next 30 years it is expected that Council's major capital expenditure items include:
- Upgrade of Rotorua Wastewater Treatment Plant and Sustainable Forest Approach to meet higher environmental standards and growth in the District in the first five years of this strategy ($60 million)
- Installing new public schemes for the communities of Lake Tarawera, Lake Rotoehu (Kennedy Bay and Otautu Bay), Ngamotu and Mamaku
- District wide pipe renewal programme to initially address the critical gravity mains in poor condition the replace assets as they deteriorate
- Bulk infrastructure to service future growth areas in central, eastern and western network zones and infill areas and to support the Homes and Thriving Communities Strategic Framework.

Figure 16 Wastewater expenditure forecasts (inflated)

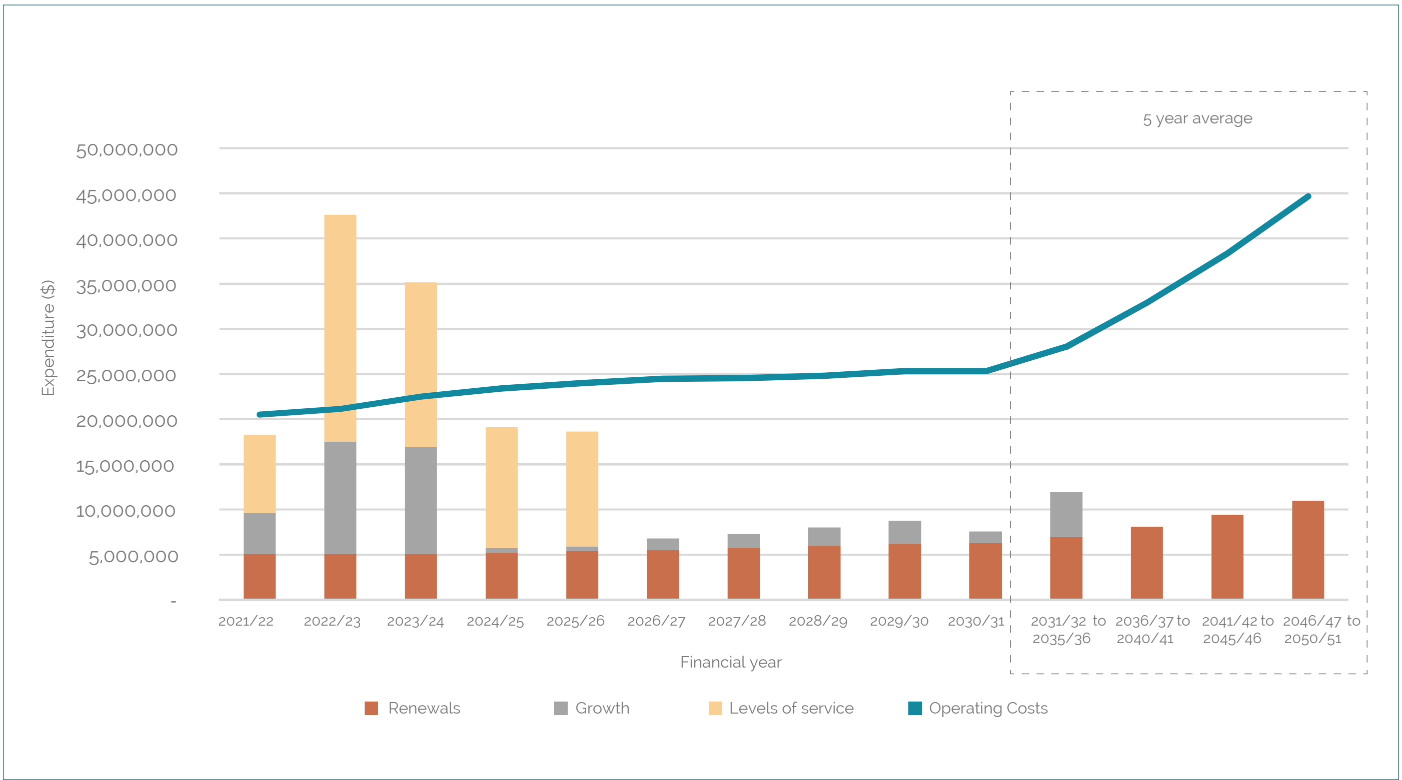
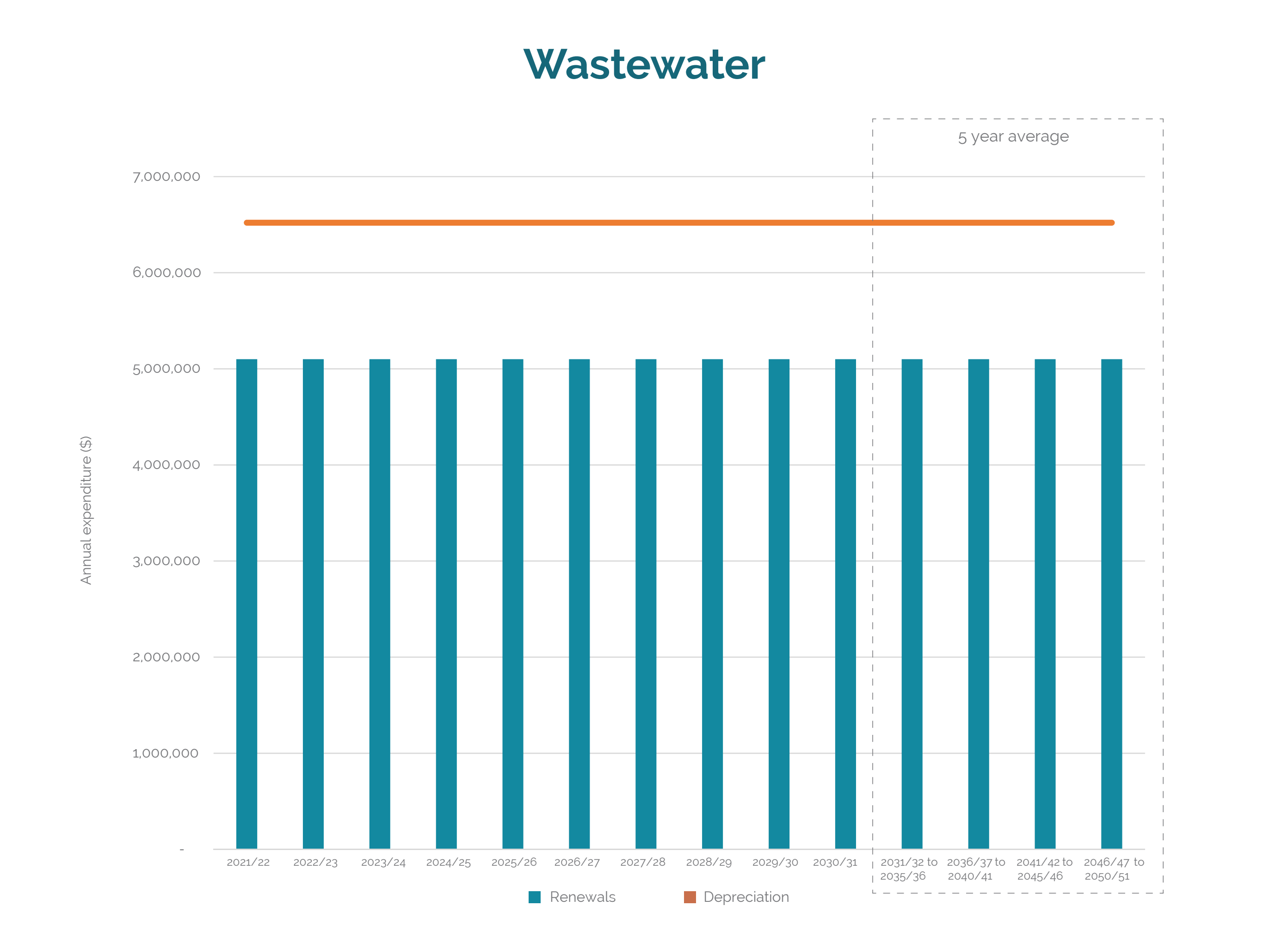


Figure 17 shows that our forecast renewal expenditure of $5.2 million per annum is slightly less than the annual depreciation of $6.5 million. We expect that this gap will reduce as we collect better data on the state of our wastewater assets and develop condition-based renewal programmes.

Figure 17 Wastewater renewals versus depreciation (uninflated)



Funding this activity

Council funds its wastewater activity through:

- targeted rate for sewerage disposal based on a per pan charge in urban serviced areas
- separate targeted rates for the capital costs for connected properties in defined rural areas
- trade waste fees and charges

Stormwater

Background

Stormwater is the runoff of rainwater which requires management and disposal using various drainage systems. The stormwater activity protects people and property from flood damage. It also minimises the adverse effects of stormwater discharges into the lakes and waterways of the district. We are responsible for 284km of urban reticulated pipelines and 153km of open drains.

There is stormwater reticulation servicing the three urban areas of Rotorua (Ngongotahā, city and eastern suburbs). The stormwater activity also includes the Reporoa land drainage scheme which serves the farming community.

Strategic stormwater challenges

Asset information and knowledge

Traditionally the stormwater activity is mainly a reactive service compared to water supply and wastewater activities. We have limited asset condition information and knowledge of our stormwater network. Condition surveys have generally only been undertaken in response to an issue. We intend to move to a programme of planned condition surveys to help us better understand the state of our stormwater assets.

Providing for growth and changes to levels of service

Resource consents

The Comprehensive Stormwater Resource Consent for the urban areas has been lodged with the Regional Council but has not been approved. At this stage we do not know what the minimum discharge standards will be. This will be influenced by the Government's suite of freshwater reforms to improve the freshwater ecological health. We know that there will be higher requirements than we currently have including comprehensive reporting. This will require us to be more proactive in stormwater management than our current practices.

Servicing growth areas

Although our population is projected to continue growing, stormwater demand is linked indirectly to population growth with the creation of impervious or paved surfaces. This is not a linear relationship. Demand for stormwater infrastructure is directly related to the creation of imperviousness and rainfall.

We do know that the existing stormwater systems at the bottom of catchments cannot cope with the effects of growth in urban areas (brownfield and greenfield development). These stormwater assets are undersized, and any additional paved surfaces may result in localised flooding.

We will need to invest more in bulk stormwater infrastructure to enable development and cater for increased scale and severity of rain events due to climate change impacts. We are developing a Stormwater Master Plan (similar to water supply) to ensure that we make cost effective investment decisions and install bulk infrastructure at the right location, at the right size and at the right time.

The Rotorua Stormwater Masterplan is being prepared for the eastern and western parts of Rotorua where most of the development is expected to occur. The objectives of the masterplan are to:

- bring together and build on prior flood studies
- identify integrated flood management solutions to facilitate future urban growth
- consideration of practical solution to address existing system deficiencies where possible (result of changing design standards and/or previously approved developments without providing appropriate additional system capacity)
- identify water quality treatment opportunities where practical.

Managing risk and asset performance

There was a major storm event on 29 April 2018 in Rotorua District. Although there was flooding throughout the district, the Ngongotahā catchment experienced severe flooding. We will need to further invest in stormwater infrastructure for the Ngongotahā and the other impacted catchments to mitigate the risk and effects of future flood events and ensure public safety.

Significant issues and options

Significant issues for the stormwater activity and principal options for managing these issues are detailed in the following table. The option preferred as the most likely scenario has been identified and when Council expects significant decisions will be required.

Table 15 Significant issues and options for stormwater

<table>
<tr><th>Significant stormwater issue</th><th>Options</th><th>Implications of the options</th></tr>
<tr><td rowspan="3">Implications of the Government's Three Waters Reform including strengthening the stewardship of wastewater and stormwater with regional councils remaining primary regulators, and changes to Water Services Delivery Models. The initial focus for the three waters reforms for stormwater will be collecting performance information as relatively limited data currently exists and promoting best practice. The Government may also set minimum standards for stormwater discharges after the initial phase of collecting performance information.</td><td>Continue with water services remaining in house.</td><td>● This will be resourced through existing budgets
● Not eligible for funding through Government's three waters reform programme
● Government may force amalgamation for councils that do not collaborate regionally</td></tr>
<tr><td>Explore aggregation at regional / sub regional level with neighbouring councils to determine best service delivery model and be eligible for the Government's funding package.</td><td>● Costly to set up water Council Controlled Organisation but will be eligible for central government funding
● A dedicated water Council Controlled Organisation with no other competing priorities will be expected to better prioritise investment decisions across the region leading to better environmental and community outcomes than the Councils can individually achieve
● Potentially loss of community involvement in water decisions
● Council needs to opt into reform programme to be eligible for funding</td></tr>
<tr><td>Maintain a watching brief on the Government's Three Waters Reform Programme and evaluate other options as information becomes available.</td><td>● Central government may force amalgamation for councils that do not aggregate regionally
● Implications from water reforms on service delivery including the impact of Taumata Arowai and changes to legislation are still unfolding and happening at a rapid pace</td></tr>
<tr><td>The implications of the National Policy Statement for Freshwater Management 2020 on RLC's water quality improvements.

This will dictate the re drafting of the Regional Policy Statement and will be the basis for assessing our Comprehensive Stormwater Resource Consent applications and setting conditions.</td><td>Negotiate with the Regional Council to ensure the conditions are similar to the lodged application.

. Develop evidence based strategy and programmes to be more proactive in stormwater quality than our current practices, aligned with the new requirements.</td><td>● Consent requirements are understood and budgeted for
● May not achieve good environmental outcomes
● Potentially not meet new requirements of the National Policy Statement for Freshwater Management 2020
● Meets longer term vision for the lakes as set out in the Rotorua Te Arawa Lakes Strategy
● Improves freshwater quality
● Achieves good environmental outcomes but may not be immediate
● There may ongoing operational costs that need to be considered as well as capital before adopting this approach
● Aligned to the new requirements
● Supports Council's vision of enhanced environment and protects the unique character of Rotorua</td></tr>
</table>

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Current budgets are known ($79m for capital projects for 10 years inflated)	Current budgets are known ($101m for capital projects for 10 years inflated)	Current budgets are known ($102m for capital projects for 10 years inflated)	H
	Higher level estimates from industry of reduction in capital programme with aggregation (1.25% reduction per year, indicative estimated cost $1m reduction in capital programme over 10 years in real terms)	Reduction in capital programme with aggregation (indicative estimated cost $1.3m reduction in capital programme over 10 years in real terms)	Reduction in capital programme with aggregation (indicative estimated cost $1.3m reduction in capital programme over 10 years in real terms)	H
Option 3 is preferred as the most likely scenario - Continue to keep watching brief to understand the best service delivery option for our community. Decision required by Council – Decision on participating in reforms and preparation for the formation of water services entities expected from late 2021 to 2023 (legislation is still being passed)	Current budgets are known ($79m for capital projects for 10 years inflated)	Current budgets are known ($101m for capital projects for 10 years inflated)	Current budgets are known ($102m for capital projects for 10 years inflated)	H
Option 2 is preferred as the most likely scenario - Develop evidence based strategy and programmes to be more proactive in stormwater quality. Decision required by Council – Strategy will be expected to be adopted by Council in the medium term (2024/25 to 2025/26).	Strategy development including data consolidation about $200k for external support; Stormwater quality capital improvements about $0.5m pa	Stormwater quality capital improvements indicative estimated costs $0.5m to $1m pa	Stormwater quality capital improvements indicative estimated costs $0.5m to $1m pa	H

Significant stormwater issue	Options	Implications of the options
Significant challenges with addressing the flooding in the existing area of the Ngongotahā Catchment and other impacted urban catchments after the major April 2018 storm event.	Continue to respond reactively to flood events and manage operationally.	• Politically unacceptable at local, regional, and national levels • Potential risk to life • High level of property damage • Local communities disrupted • Unaffordable for community to address as not planned for • Does not allow time to adapt and / mitigate to climate change effects
	Continue to develop Comprehensive Flood Risk Management Plan collaboratively with the Regional Council, iwi, key stakeholders, and the community (as recommended by the independent panel).	• Identifies predicted habitable floors that may flood in future district wide and how Council will mitigate this (may not necessarily be large pipe solution) • Effect of climate change on stormwater infrastructure can be planned long term
	Develop an Emergency Management Plan, in conjunction with the community, including clearly understood and communicated trigger levels for flood warnings and evacuations (as recommended by the independent panel).	• Coordinates efforts of the different agencies involved • Improved communication and readiness of the community • Improves resilience of people • Supports vulnerable people in the community particularly the elderly • Risk to life minimised
	Develop the investment programme to address the high priority flood prone areas in all urban catchment.	• The risks and effects of future flood events are mitigated • There is time to plan and implement flood protection works • Improvement works to ensure public safety (ie risk to life), property damage and disruption to local communities • Effect of climate change on stormwater infrastructure can be planned long term
	Ask private owners to invest in their own flood resilience solutions (i.e. flood readiness plans, ground contouring to prevent the overland flow from entering the house).	• Difficult to enforce • Requires high level of community engagement • May be politically unacceptable • Improves resilience of people instead of hard asset solution • Ongoing operational and development issues to respond to
Limited strategic planning to enable growth on the city fringes. Existing stormwater systems at bottom of catchment cannot cope with the effects of growth in urban areas (brownfield and greenfield development).	Continue with ad hoc planning approach for stormwater provision in growth areas based on Spatial Plan.	• Bulk infrastructure is not planned to meet current or future demand, or sequenced • Spatial Plan not based on the latest demand projections (used for 2018 Long Term Plan) • District is unattractive for developers as Council difficult to work with • Development occurs ad hoc • Flooding is exacerbated with additional impervious areas into existing stormwater networks
	Use the Stormwater Master Plan (once completed) to guide long term planning and the capital works programme to address current system deficiencies (where practical) and future demand for enabling sustainable development and mitigate environmental risk from more runoff.	• Bulk infrastructure is planned holistically • Based on realistic forecast of development, where it will likely occur and when • Opportunities to regenerate existing urban areas incorporating water sensitive design and improving amenity values for the community

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
				H
Option 2 is preferred as the most likely scenario - Continue to develop Comprehensive Flood Risk Management Plan to help better understand predicted habitable floor flooding. Decision required by Council – This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.				H
Option 3 is preferred as the most likely scenario - Develop an Emergency Management Plan as a high priority that can be used district wide. Decision required by Council – The Emergency Management Plan will be developed within existing budgets and does not require formal Council adoption to implement.				M
Option 4 is preferred as the most likely scenario (longer term) - The process and learnings from the extensive flooding in the Ngongotahā Catchment are applied to all urban catchments. Develop investment programmes prioritised district wide using hierarchy of flood mitigation options. Working with Regional Council on options. Decision required by Council – RLC's share of the investment programmes will be presented to full Council for approval as part of the Long Term Plan three yearly cycles (ie 2024, 2028, 2031).	Budget impacts expected to be significant. It is expected that most of the investment will be required on the Regional Council's stormwater network. (indicative cost share $5m to $10m in total)	Budget impacts expected to be significant (indicative cost share $5m to $10m in total)	Budget impacts expected to be significant (indicative cost share $5m to $10m in total)	M Reduces flood risk to acceptable level
	Low cost from within existing budget ($15k pa - part of staff costs to enforce / educate	Low cost ($15k pa - part of staff costs to enforce / educate	Low cost ($15k pa - part of staff costs to enforce / educate	M
	$40m for Eastern and Western growth enabling upgrades			
Option 2 is preferred as the most likely scenario (longer term) - Implement and use the Stormwater Master Plan to guide long term planning and the capital works programme. Decision required by Council – This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.				

Stormwater expenditure forecasts

Figure 18 shows the forecasted expenditure for stormwater which are based on the following assumptions:

- The Comprehensive Stormwater Resource Consent will be impacted by the new requirements of the National Policy Statement for Freshwater Management 2020 through the Regional Policy Statement.
- Legislative and regulatory changes will require stormwater treatment.
- Legislation with the three waters reform will have a significant impact on this activity and at a rapid pace.
- We will continue to replace end of life infrastructure with infrastructure sized to accommodate climate change.
- We will provide services at the levels forecast in our Stormwater Asset Management Plan and 2021 Long Term Plan
- RLC will use the Central Government funding for accelerating the Eastern and Western growth enabling upgrades.
- Over the next 30 years it is expected that Council's major capital expenditure items include:
- Stormwater reticulation enhancement to address local flooding
- Stormwater network expansion for Eastern and Western growth enabling upgrades.

Figure 18 Stormwater expenditure forecasts (inflated)

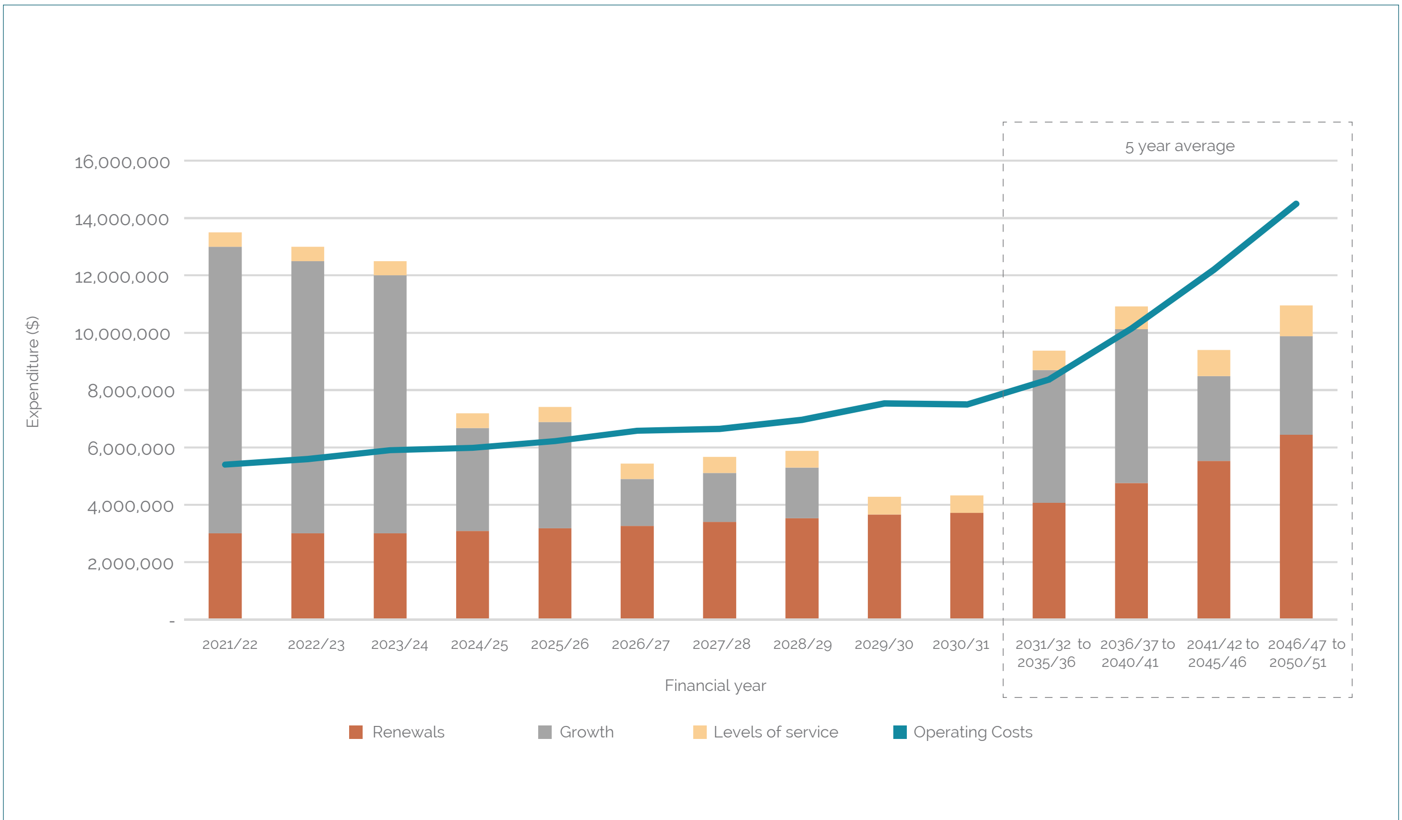
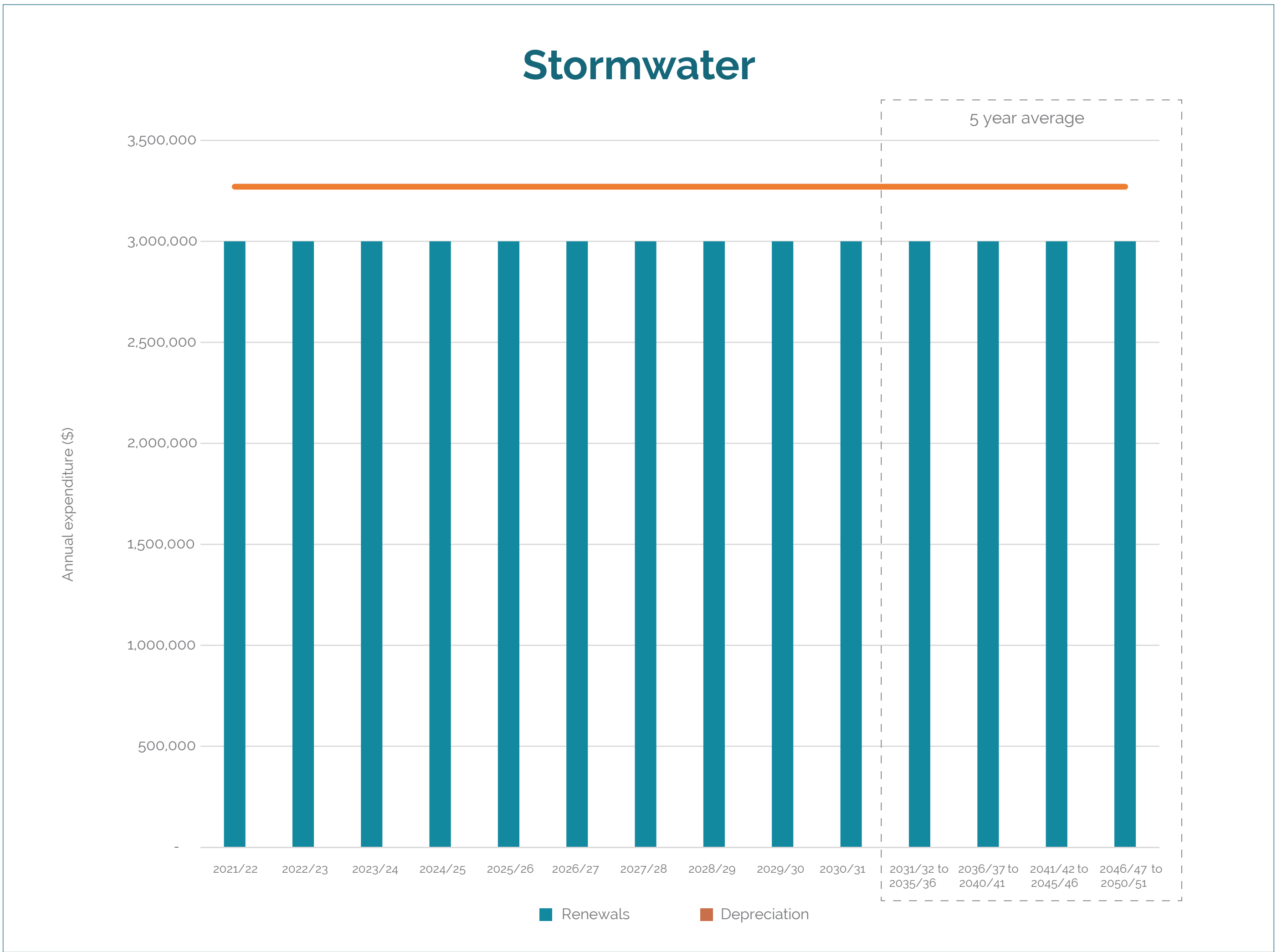


Figure 19 shows that our forecast renewal expenditure of $3 million per annum is maintained to match annual depreciation of $3.27 million.

Figure 19 Stormwater renewals versus depreciation (uninflated)



Funding this activity

We fund our stormwater services through the general rates (as a uniform annual general charge). RLC has secured Central Government funding for the Eastern and Western growth enabling upgrades ($22.5 million for the first three years).

Land transport

Background

Council owns and manage land transport assets including over 1,000km of roads (sealed and unsealed), 82 road bridges, 385km of footpaths, 43km of shared paths, 5,061 streetlights and 10,555 signs to mention a few. Rotorua is in the heart of the North Island and its transport system plays a key role in connecting the central and upper North Island. Rotorua has key routes that connect primary industry with the Port of Tauranga, is a tourist destination, and provides tourism links to Taupo, Waikato and Auckland. Rotorua Airport is regionally significant and serves both the district's tourism and business sectors.

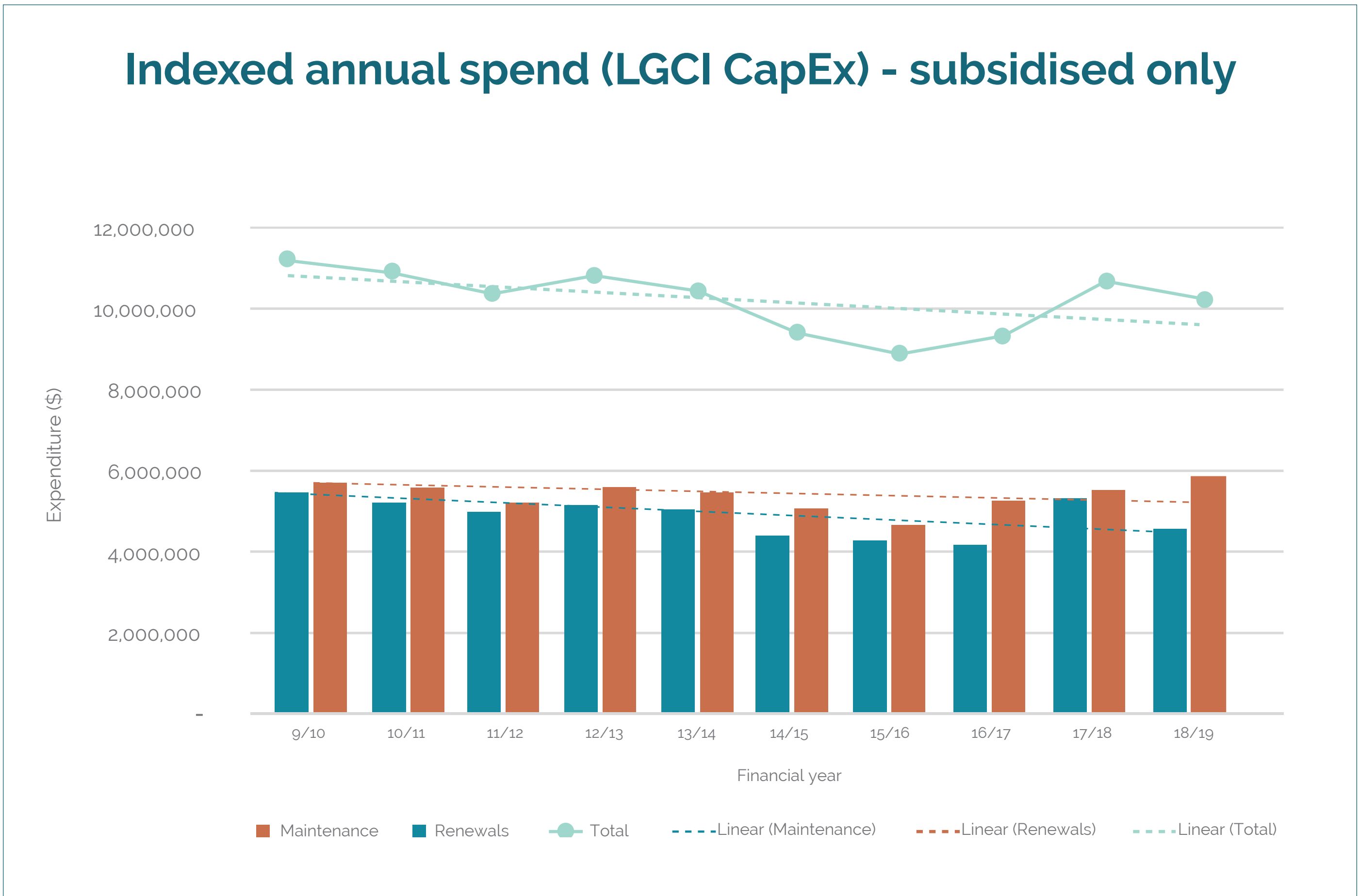
- Strategic land transport challenges
- Renewing infrastructure
- Sustainable investment programmes

Our sealed and unsealed networks have generally maintained condition but need to invest at a sustainable level and cannot accommodate funding reductions. Less than optimum funding levels may result in higher long-term costs.

There has been constant pressure over time to reduce funding particularly operational funding. This will potentially be aggravated by COVID-19. The reduction in funding puts both maintenance and renewal programmes at levels that will not keep pace with the rates of deterioration which will compound over time.

Figure 20 highlights the reduced annual funding for the last ten years. The greatest reduction has been in operational budgets which results in deferred maintenance.

Figure 20 Historical budget trends



Source: RLC's financial data

Impacts of forestry on pavement condition

Increasing logging activity over the last few years has also had a significant adverse impact on our unsealed roading network that was not designed to carry heavy traffic loads. This results in accelerated pavement failures. Government legislation promotes heavier, longer, wider, and higher vehicles to increase freight efficiencies. Our roads typically were historically not designed for the quantity and loading associated with logging haulage.

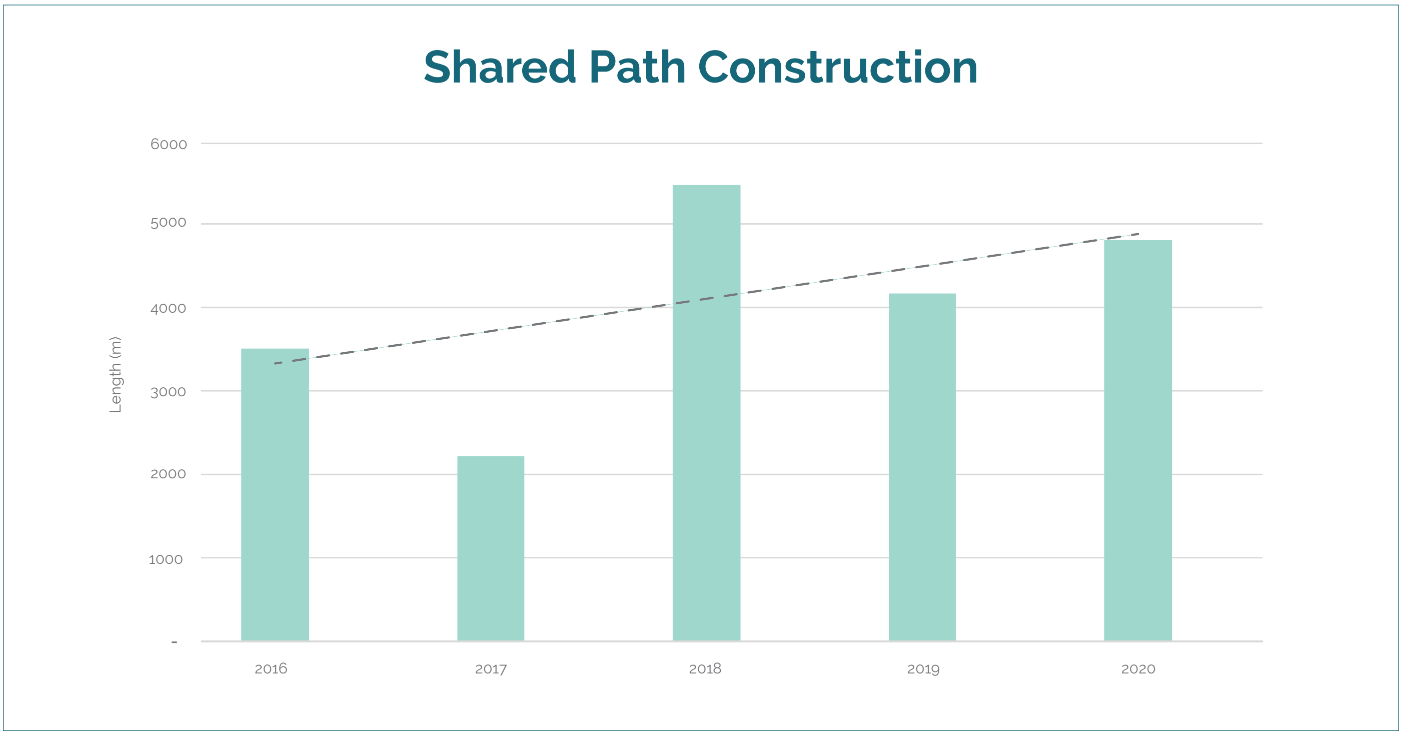
Mode demand

There is strong demand for providing transport infrastructure for multi transport modes especially cycling facilities and mobility access (refer to Figure 21). This comes directly from community groups representing these interests. It also aligns with the step changes outlined in Arataki through 'Transform urban mobility'.

In addition, passenger transport services provide a key transport option for both students and the general public. Patronage numbers for Rotorua CityRide and Murupara / Ruatāhuna bus services has been steadily reducing over time. Users are put off buses as they are perceived to be unreliable and journey times take longer than private vehicles. This adds to the traffic congestion in our city.

We need to reset how we approach mode demand and align with national direction. Mode share is one of the key strategic responses that RLC will invest in. The outcomes of such investments are multi-faceted including improved efficiency, reduced carbon emissions and decarbonised transport, and improved public health. We are developing the Rotorua Modeshift Plan in collaboration between Waka Kotahi, and Bay of Plenty Regional Council. We will continue to invest in expanding our cycle network.

Figure 21 Historical construction of shared and cycle lanes



Source: RLC's RAMM database (as at June 2020)

The Rotorua Modeshift Plan is a strategy to deliver on multi-modal approach. The change of transport modes is supported by data obtained on annual cycle counts. Results show that cycling is up 36% from 2019 results and 81% from the 2016 results.

Changes in legislation and policy

Transport legislation and strategy changes

There are significant changes to legislation that are either planned or underway that will impact the delivery of core infrastructure as outlined in Section 2.2 Significant Issues. The key changes to legislation that impacts the land transport activity includes Road to Zero Strategy, Zero Carbon Act and the new Government Policy Statement on Land Transport (2021) (final September 2020).

The One Network Framework is being developed nationally to provide a common language to reflect the role transport corridors play in the movement of people and freight across all land transport modes, the social spaces they provide and their role in providing access to adjacent land. This will ensure investment decisions are made consistently by local authorities rather than in an ad hoc manner. The network under this framework will be classified under a movement and place dimensions. Council will use the framework to guide its decisions on its transport network in the next Long Term Plan planning round. This will ensure that the transport network is accessible for the community, particularly the aging population.

New standards / regulations

Increases in infrastructure standards, regulations and legislation costs need to be met and adhered to. This has resulted in higher rates and services when the contract was tendered in early 2020. Cost escalations was 13% higher than expected, but in the lower quadrant than experienced from other Local Authorities.

Managing risk and increasing resilience

Rotorua's transport network is critical for the movement of people, goods and services, and for the daily operation and management of utility networks that support the people's wellbeing and the economy. In addition, the local road network provides a key detour route for State Highways when they are not available. Council has, in general, 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 significant number of people, is Tarawera Road serving the Lake Okareka and Lake Tarawera communities.

Nine bridges were identified of not capable of taking 44 tonnes based on a desktop screening. We will continue to aim for network that meets mass limit rules. Our focus will be to further investigate and strengthen the identified bridges where practical to cope with new mass limit rules.

The Rotorua district has the potential to be affected by several types of natural hazards which need to be considered to ensure resilience is built into our transport routes and increase their reliability. The major hazards that occur fall into two categories of occurrence:

- High probability events include storms which result in road closures due to flooding, slips and tree fall. These events can compromise access and services.
- Low probability events include earthquakes and volcanic activity, which while infrequent, have potential to cause significant transport disruption.

The Rotorua district has distinct natural characteristics which makes it known nationally and internationally for its geothermal activity. It is also exposed to variety of natural hazards including earthquakes and volcanic eruptions as noted in Section 3.2. The natural hazards are taken into account when new infrastructure is installed.

Significant issues and options

Significant issues for the land transport activity and principal options for managing these issues are detailed in the following table. The option preferred as the most likely scenario has been identified.

Horohoro Bluff

Table 16 Significant issues and options for transport

Significant land transport issue	Options	Implications of the options
Implications of the Government's Three Waters Reform including strengthening the stewardship of wastewater and stormwater with regional councils remaining primary regulators, and changes to Water Services Delivery Models. The initial focus for the three waters reforms for stormwater will be collecting performance information as relatively limited data currently exists and promoting best practice. The Government may also set minimum standards for stormwater discharges after the initial phase of collecting performance information.	Implementation of current safety initiatives including targeting programmes to address safety issues with a risk-based approach, addressing site issues at specific locations and community education	• May not necessarily assess and prioritise safety risks across the network • Fatal and serious crash numbers are likely to increase with associated costs and impacts on the health system • Not meeting key strategic direction set by the GPS • Negative perception of RLC and its road management
	Reset RLC's road safety programme so aligned with the Road to Zero Strategy along with safety education programmes and seek increased funding to implement	• Increased funding required • Increased safety for users of the district's transport network • Achieve set KPIs
Sustainable infrastructure - Funding will not be sufficient to maintain the transport assets to agreed level of service and at a sustainable level	Current maintenance and renewal programmes reduced in response to corporate drivers of expenditure reduction, particularly operational	• Deterioration of the network and ultimately increased costs • Not meeting the agreed levels of service • Assets are deteriorated to a point that the community cannot afford to pay for • Investment burden is shifted to the next generation to pay for • Compromises safety and resilience
	Fund the maintenance and renewal programmes at a sustainable level	• Appropriate level of investment that maintains transport assets in perpetuity • Ensures assets are functional and meets levels of service • Keep transport network within acceptable industry levels for asset renewals • Ensures safety issues are addressed • Supports the commercial that uses our roads and therefore the district's economy

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Current budgets are known ($545k pa for Road Safety Promotion; about $1.2m+ part of capital projects)	Current budgets are known ($545k pa for Road Safety Promotion; about $1.2m+ part of capital projects)	Current budgets are known ($545k pa for Road Safety Promotion; about $1.2m+ part of capital projects)	H
Option 2 is preferred as the most likely scenario - Reset RLC's road safety programme so aligned to the Road to Zero Strategy and seek increased funding to implement. Decision required by Council – Revising the Road Safety Programme is part of ongoing network management	Requires additional LTP and external funding for each individual capital works project ($545k pa for Road Safety Promotion; about $1.5m+pa for capital projects)	Requires additional LTP and external funding for each individual capital works ($545k pa for Road Safety Promotion; about $1.5m+pa for capital projects)	Requires additional LTP and external funding for each individual capital works ($545k pa for Road Safety Promotion; about $1.5m+pa for capital projects)	H
	Current budgets are known ($8.8m pa for maintenance programmes and $7.3m pa for renewal programmes)	Current budgets are known ($8.8m pa for maintenance programmes and $7.3m pa for renewal programmes)	Current budgets are known ($8.8m pa for maintenance programmes and $7.3m pa for renewal programmes)	H
Option 2 is preferred as the most likely scenario - Fund the maintenance and renewal programmes at a sustainable level. Decision required by Council – This is conditional on budget being adopted as part of the Long Term Plan then the maintenance and renewal programmes can be implemented.	$8.9m pa for maintenance programmes and $7.4m pa for renewal programmes. Requires additional LTP and external funding	$8.9m pa for maintenance programmes and $7.4m pa for renewal programmes. Requires additional LTP and external funding	$8.9m pa for maintenance programmes and $7.4m pa for renewal programmes. Requires additional LTP and external funding	H

Significant land transport issue	Options	Implications of the options
Efficiency – Challenge to manage future traffic growth from interaction with state highway, SH30A revocation, and land development proposals and appropriate funding	Continue with current initiatives including strategic growth planning, demand management and relationship building with NZTA	• Not providing adequate infrastructure for economic prosperity • Not meeting key strategic direction • Longer travel times throughout the city • Ongoing weight restrictions on bridges • Loss of network resilience • Development occurs ad hoc
	Understand the impacts of State Highway changes including SH30A revocation on local road network. Coupled with RLC collaborating with other agencies such as Kainga Ora and Waka Kotahi on supporting city growth and the provision of timely bulk infrastructure including commitment to adequate funding.	• Improved economic performance • Bulk infrastructure is planned holistically • Supports integrated planning for the city including with other agencies • Wider community benefits such as quality housing and improved amenity values • Increased safety outcomes
Mode demand – Increasing demand for multi modes and need for infrastructure to support this and Rotorua's bus services not attractive for users with steadily reducing patronage numbers	Continue with providing infrastructure to support the regional bus services	• Do not meet community requirements around mode demand • Do not meet government objectives of alternative transport modes • Patronage numbers continue to decline • Bus shelters perceived as unsafe and unattractive for users
	Adjust current programme including improved public transport network, developing urban cycle network, upgrading footpaths to cater for full range of users, coupled with developing a new multi-mode shift plan, Rotorua Modeshift Plan	• Increased share for various modes and reduced demand for car journeys • Arrests decline in patronage numbers • Holistic approach to mode share working with NZTA and BOPRC • Provides greater transport options to support changing demographics (i.e. aging population), increasing cycle demand and user expectations • Achieves better outcomes including improved efficiency, reduced carbon emissions and improved public health
Resilience – Parts of the network are vulnerable and susceptible to weather related events. Multiple problems to address including some lakeside communities with only one corridor, some bridges are not rated the new mass limit rules, and drainage maintenance needed to reduce risk of asset failure.	Continue with current initiatives including addressing stability issues where risk is high, undertake resilience assessments with planning capital projects, maintain Emergency Management Planning and collaborate with NZTA on suitability of diversion routes	• Lack of investment in resilience programmes will make the network more vulnerable to both high and low probability events • Increased delays in the ability for the network, businesses and communities to recover from events • Not meeting community outcomes and risk of isolating communities • Bridge damage resulting in network disconnection • Impact on the safety of road users • Ongoing weight restrictions • Limitation to the type of freight vehicles able to use Council roads
	Explore capital investment options for strengthening resilience for the isolated lakeside communities where practical and affordable	• May not be physically practical or economically viable to address with capital solution • Provision of an alternative and safe route if main route disrupted
	Continue with the accelerated programme to assess the condition of the large culverts. Replace the large culverts assessed in poor and very poor condition over ten years. Investigate and strengthen the bridges with weight restrictions to cope with new mass limit rules.	• Improved journey reliability and functionality of the network • Reduces risk of failure of the road drainage systems • Results in lowered risk of failure of pavements during storm events (i.e. road slips or under slips)

Most likely scenario for managing the issue	Year 1 to 10	Year 11 to 20	Year 21 to 30	Risk (L/M/H)
	Current budgets are known ($164k pa for operational traffic management)	Current budgets are known ($164k pa for operational traffic management)	Current budgets are known ($164k pa for operational traffic management)	M
Option 2 is preferred as the most likely scenario - Integrate the design between the state highway system and local roads. Collaborate with other agencies on supporting city growth and the provision of timely bulk infrastructure including commitment to adequate funding. Decision required by Council – This is conditional on budget being adopted so the growth driven programmes can be implemented.	$2.3m for capital support for growth (years 4 to 10). Additional operational budget as a result of SH30A revocation; Additional capital budget to enable growth	Additional operational budget; Additional capital budget (about $3m+ to support growth)	Additional operational budget; Additional capital budget (about $3m+ to support growth)	H
				M
Option 2 is preferred as the most likely scenario - Adjust current programme and develop and implement the Rotorua Modeshift Plan to achieve better outcomes. Decision required by Council - The Regional Council will adopt the Rotorua Modeshift Plan and RLC will then implement it (expected in 2022/23).	Mode demand budgets cover bus shelters, footpath renewals and cycleway network; Budget to implement Modeshift Plan not known ($4.1m pa for cycleways bus shelters and footpaths)	Medium costs for implementation expected (about $4.4m+pa)	Medium costs for implementation expected (about $4.4m+pa)	H
	Current budgets are known ($350k pa bridge strengthening)	Current budgets are known ($350k pa bridge strengthening)	Current budgets are known ($350k pa bridge strengthening)	H
	Potentially high capital costs (indicative estimated costs $10m+)	Potentially high capital costs (indicative estimated costs $10m+)	Potentially high capital costs (indicative estimated costs $10m+)	M
Option 3 is preferred as the most likely scenario - Complete the condition of the large culverts and replace assets in poor state. Coupled with investigate and strengthen the bridges with weight restrictions to cope with new mass limit rules. Decision required by Council – This is conditional on budget being adopted then the large culvert renewal and bridge strengthening programme can be implemented.	Large culvert renewals part of structural renewals at $350k pa. Bridge strengthening programme part of Low Cost Low Risk budget covering other initiatives and varies each year (estimated about $250k pa)	Large culvert renewals part of structural renewals at $350k pa. Bridge strengthening programme (estimated about $250k pa)	Large culvert renewals part of structural renewals at $350k pa. Bridge strengthening programme (estimated about $250k pa)	H

Transport expenditure forecasts

Figure 22 presents the expenditure forecast for transport which are based on the following assumptions:

Waka Kotahi will continue to provide us with subsidised funding for the road network over the next 30 years at the current levels.

We will continue to fund at the levels in the Long Term Plan and ten year forecasts stated in our Long Term Plan.

The Rotorua Modeshift Plan will provide the framework for a change in transport modes.

We will provide services at the levels forecast in our Land Transport Activity Management Plan and 2021 Long Term Plan.

Over the next 30 years it is expected that Council's major capital expenditure items include:

- $3.8 million to reseal 7% of our roads each year for the next 30 years to ensure assets renewed sustainably
- Replace the large culverts in poor condition
- Development of an urban cycleway network holistically
- Upgrading of the footpath network to cater for range of users
- Strengthening bridges to cater with new mass limit rules

Figure 22 Transport expenditure forecasts (inflated)

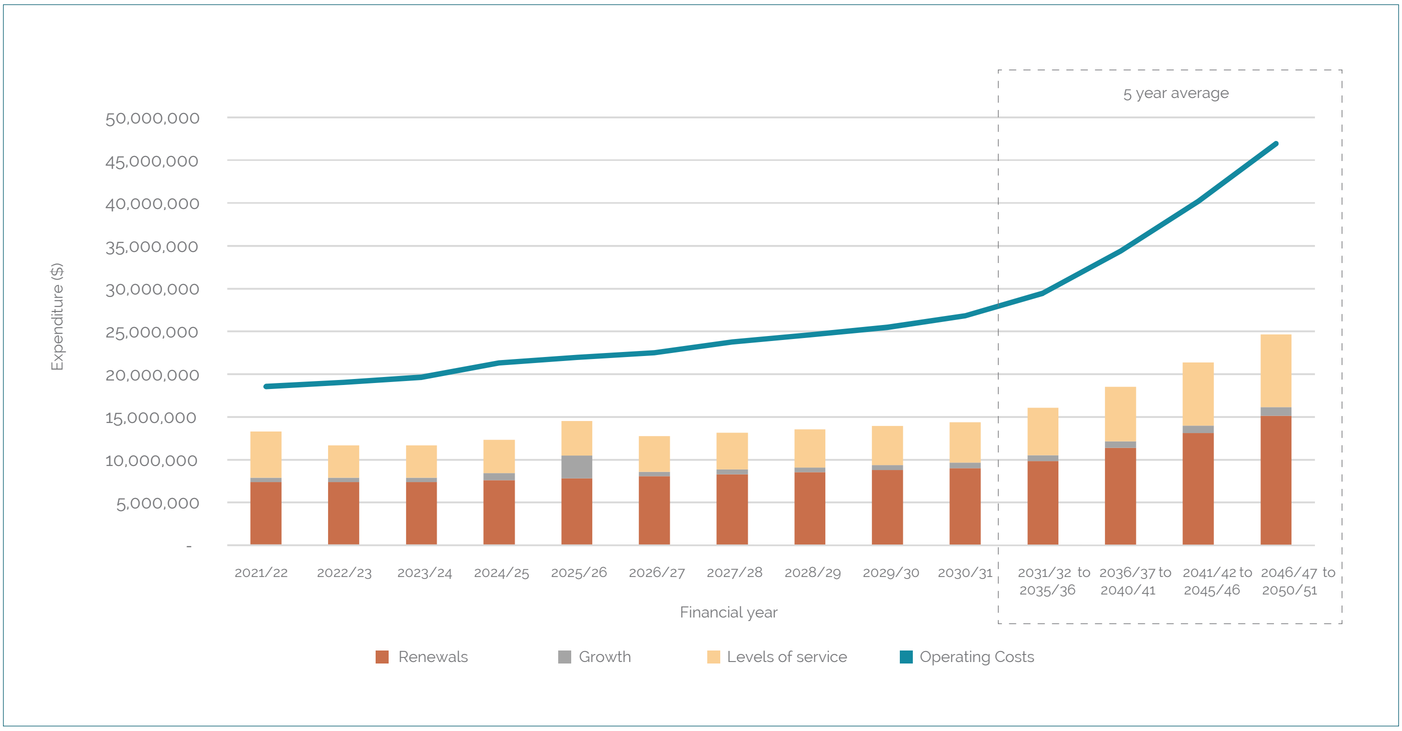
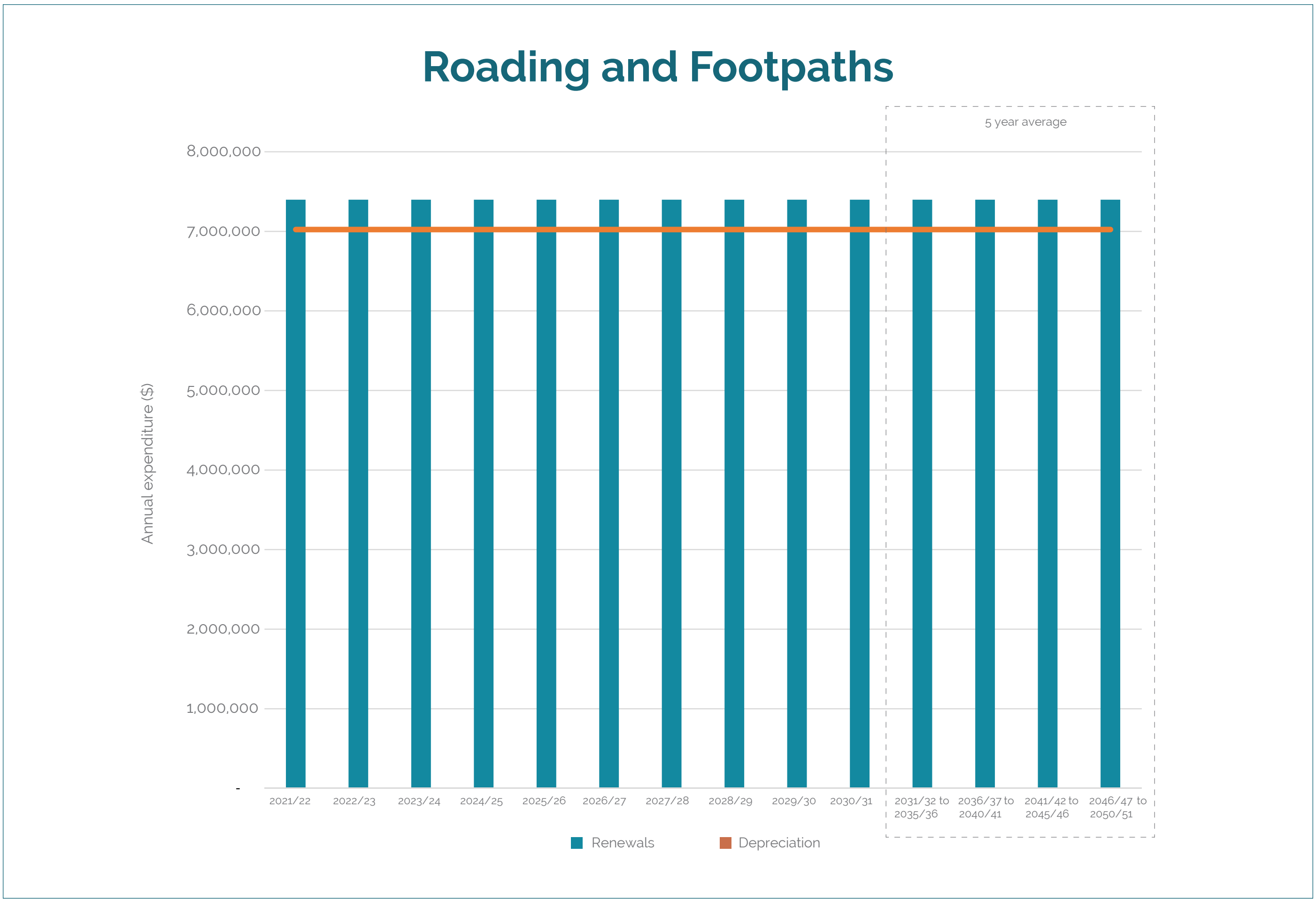


Figure 23 shows that our forecast renewal expenditure of $7.4 million (subsidised) is maintained to match depreciation annual depreciation of $7 million.

Figure 23 Transport renewals versus depreciation (uninflated)



Funding this activity

We fund our land transport services from a range of sources:

- Waka Kotahi subsidies (FAR)
- Targeted rate based on land value
- Fees and charges for road corridor access applications
- Other funding sources.

Financial Summary

Decisions we expect to make

We will need to make a number of key decisions over the duration of our strategy. Some of these decisions will be significant to the District and some will not. We consider our decision on three waters service delivery the most significant decision we will have to make.

Other key decisions and action that will need to be made by elected members over the next 30 years include:

Table 17 Summary of key decisions

Key decision	Decision required by Council
We will gather evidence particularly the condition of our critical assets in the next three to ten years to help us develop robust and risk based renewal programmes.	This is conditional on Long Term Plan budget being adopted then the condition surveys can be implemented. The wastewater network surveys are part of the Trility contract.
We will implement the Eastern and Central Supply Area improvements to address risk, security of supply, enable development, and meet future demand.	This is conditional on Long Term Plan budget being adopted then the capital works can be implemented.
We will work towards offsetting the increasing level of nitrogen in the urban discharge through Nitrogen Discharge Allocations.	Expected full Council decision will be required in 2022 to 2024.
We will continue to develop Comprehensive Flood Risk Management Plan collaboratively with the Regional Council, iwi, key stakeholders, and the community (as recommended by the independent panel).	This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.
We will use the process and learnings from the extensive flooding in the Ngongotahā catchment and apply to all urban catchments. We will develop investment programmes prioritised district wide using hierarchy of flood mitigation options.	RLC's share of the investment programmes will be presented to full Council for approval as part of the Long Term Plan three yearly cycles (ie 2024, 2028, 2031). It is expected that most of the investment will be required on the Regional Council's stormwater network.
We will implement the Road to Zero Strategy to prioritise safety risks across the network holistically.	Revising the Road Safety Programme is part of ongoing network management.
We will continue with our maintenance and renewal programmes that targets interventions at appropriate levels consistent with good industry practice and meeting agreed levels of service.	This is a current practice and will continue. This option is shown for completeness and therefore no formal Council decision is required.

Further detail is provided in each activity significant issues and options tables.

Summary of key financial assumptions

The financial assumptions for the most likely scenario for the district are as follows:

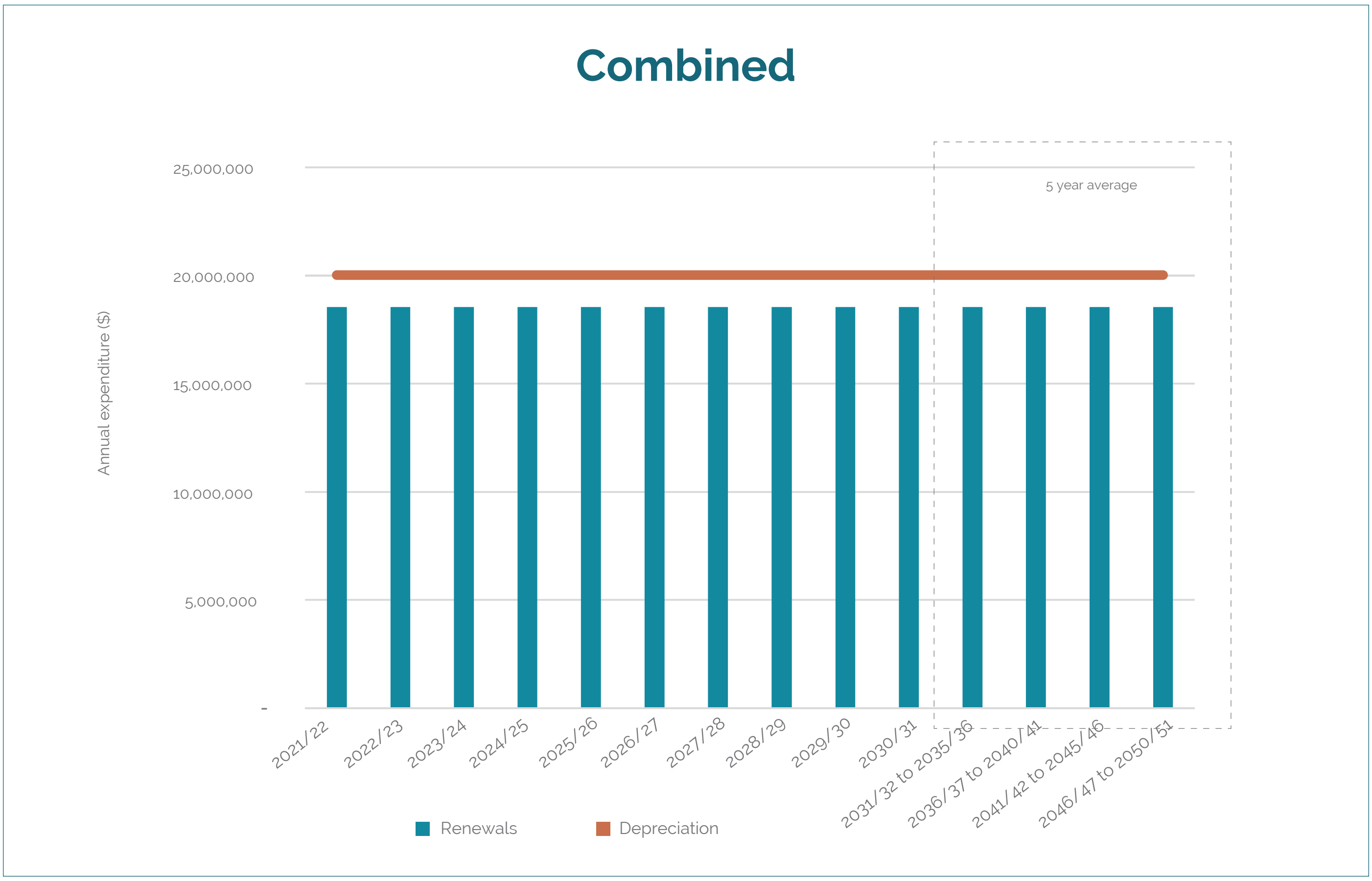
- There will need to be significant expenditure in the long term to meet higher environmental standards for wastewater discharges.
- There will need to be significant expenditure in the long term to meet requirements for the management of three waters and implement water reform requirements.
- We will maximise the useful and economic lives of our assets.
- We will use risk management practices to maximise assets and the management of risk of a critical asset failing.
- Climate change impacts will increase requiring better management of assets.
- There will be increased costs for the acquisition, implementation, compliance and monitoring of resource consents.
- Waka Kotahi will continue to provide subsidised funding to the Council for the road network over the next 30 years at the current level.

All financial information presented in our strategy includes inflation, except for the graphs which present the renewal and depreciation expenses.

Funding depreciation

Figure 24 shows the annual renewals of $18.8 million versus annual depreciation of $20 million for the combined core assets. This shows that the forecast renewal expenditure for all activities is maintained to broadly match depreciation over the 30 year period. The gap is mainly due to wastewater renewals less than annual depreciation at this point in time. We expect that this gap will reduce as we collect better data on the state of our wastewater assets and develop condition-based renewal programmes.

Figure 24 Combined renewals and depreciation (uninflated) 2021-2051



Financial forecasts

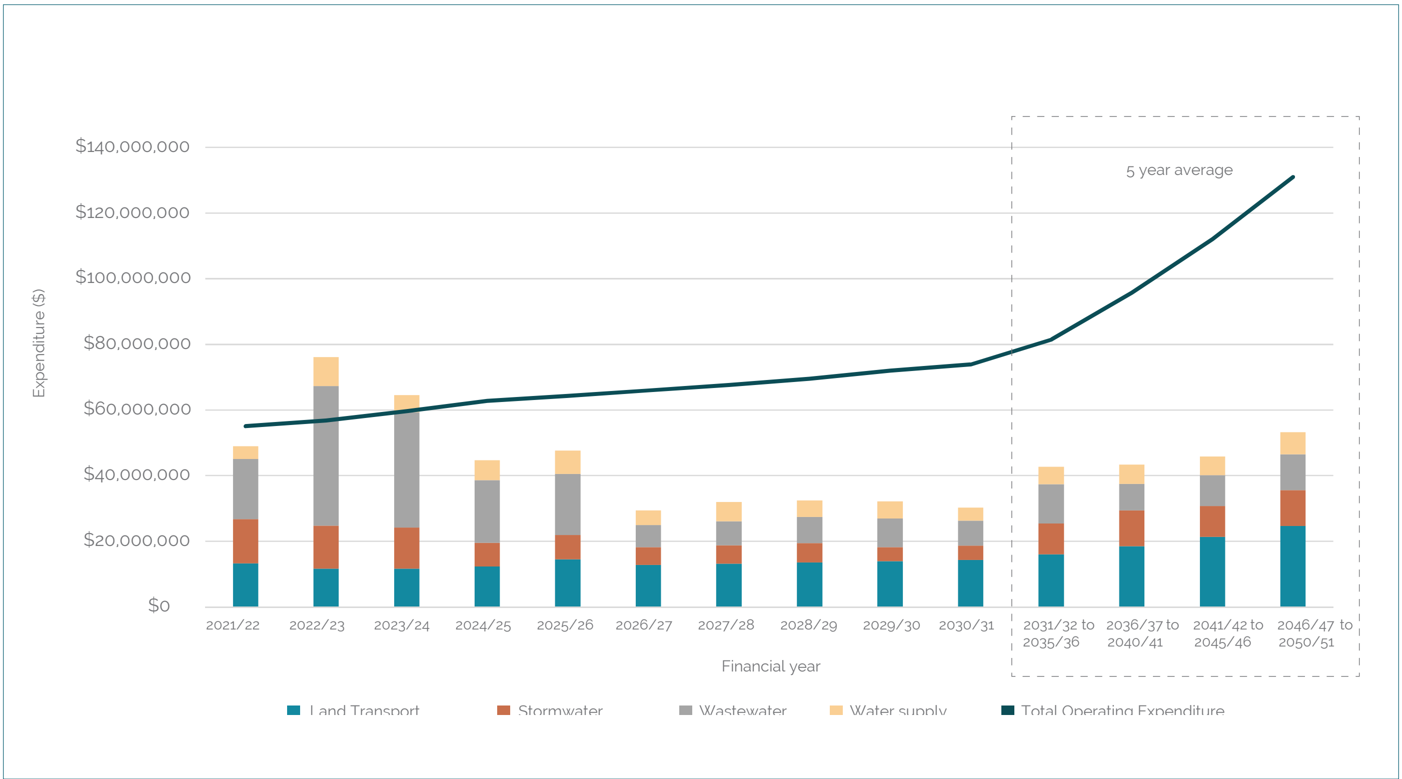
Table 18 shows the total expected capital and operational expenditure for each infrastructure activity over the 30-year period 2021 to 2051.

Table 18 Expected total operating and capital expenditure (inflated)

Activity	Capital expenditure	Operational expenditure
Water supply	$173,100,729	$524,161,156
Wastewater	$367,349,891	$955,864,331
Stormwater	$282,402,184	$290,406,717
Land transport	$537,647,998	$978,517,503
Total	$1,360,500,803	$2,748,949,708

Figure 25 shows the most likely scenario for total operating and capital expenditure for combined assets.

Figure 25 Combined infrastructure operational and capital forecast (inflated) 2021-2051



Source: RLC's draft LTP budget (as at 22 March 2021)

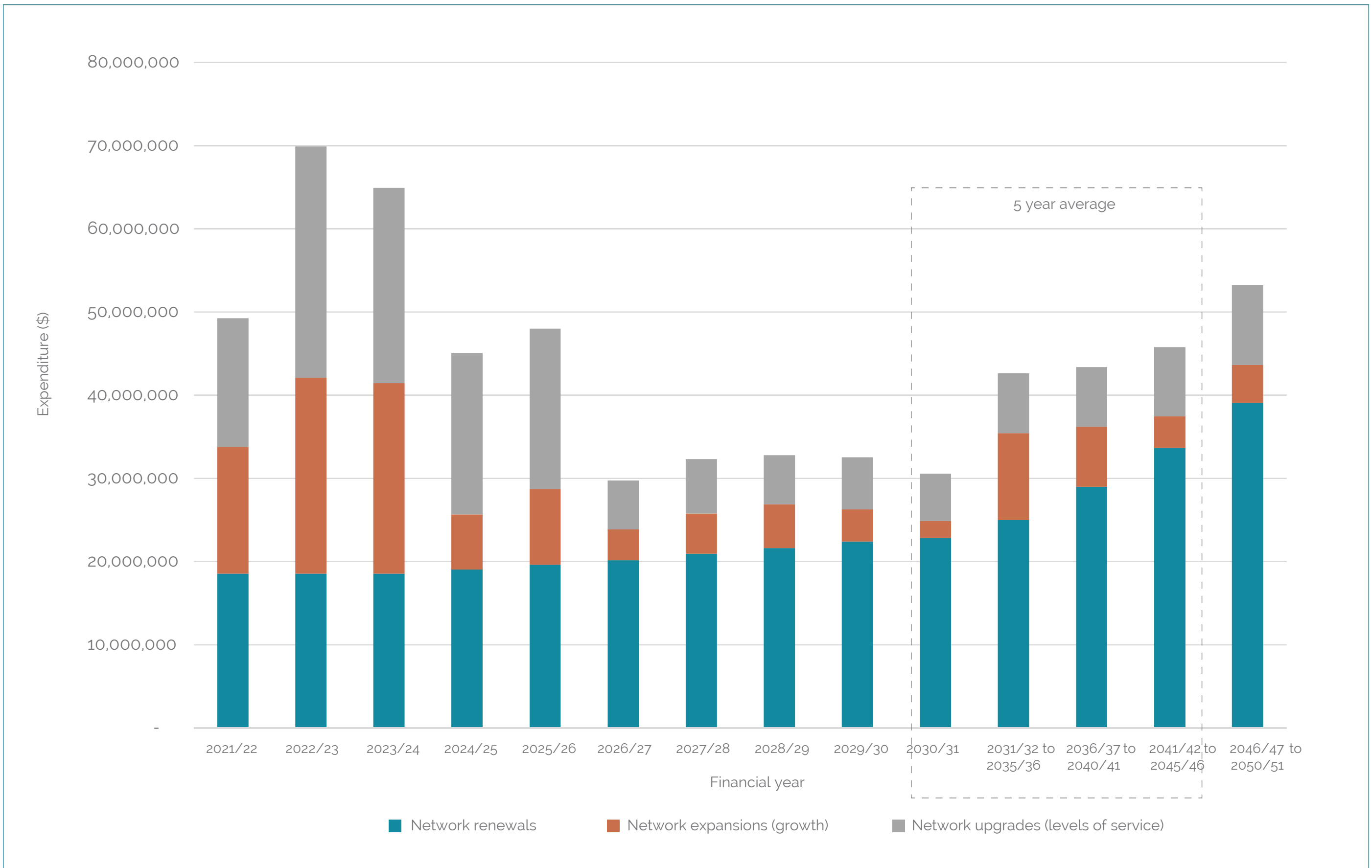
The breakdown by capital categories for each activity over the 30 year period 2021 to 2051 is summarised in

Table 19 and in Figure 26. This shows that renewals are 61% of the total capital expenditure followed by levels of service at 22% and growth by 17%. Note that the operational expenditure totals include overheads and depreciation costs.

Table 19 Combined capital expenditure by category (inflated)

Activity	Capital expenditure			Operational expenditure
	Renewals	Growth	Levels of service	Operating
Water supply	$139,074,187	$16,988,859	$17,037,683	$524,161,156
Wastewater	$232,550,281	$63,252,518	$71,547,092	$955,864,331
Stormwater	$136,794,283	$122,808,855	$22,799,047	$290,406,717
Land transport	$327,646,278	$24,573,623	$185,428,097	$978,517,503
Sub Total	**$836,065,029**	**$227,623,854**	**$296,811,920**	**$2,748,949,708**
Total	**$4,109,450,511**			

Figure 26 Combined capital expenditure by category (inflated)



Source: RLC's draft LTP budget (as at 25 February 2021)

Over the next 30 years it is expected that:

- planned expenditure on renewals across all infrastructure activities is generally constant
- capital expenditure on levels of service improvements is focused on strengthening infrastructure resilience for core infrastructure
- the Rotorua Wastewater Treatment Plant Upgrade in the first ten years takes a large portion of the capital expenditure programme (growth and levels of service)
- capital expenditure for installing bulk infrastructure to service future growth areas and infill areas, and to support the Homes and Thriving Communities Strategic Framework
- resealing about 7% of our roads each year for the next 30 years to ensure assets renewed sustainably

Funding implications

There are funding implications from significant capital expenditure in this first ten years to meet the:

- Higher environmental standards
- Upgrading the Rotorua Wastewater Treatment Plant
- Ensure our land transport network is preserved
- Investment in stormwater capability to facilitate development and population growth
- To ensure our networks are resilient.
- The largest change since the 2018 Infrastructure Strategy is the greater investment in the transport network (opex and capex), and the Rotorua Wastewater Treatment Plant upgrade. The impacts of these investment are:
- Increase in annual depreciation for the wastewater treatment plant once upgraded
- Outsourcing of the operational management and day to day risk for the wastewater services
- Increased operational requirements to cover the maintenance and improvements in pavement condition and road drainage

This is discussed in more detail in our Financial Strategy.

Assumptions and Uncertainty

Uncertainty and implications

In developing this strategy, we have identified a few things that we do not know. This uncertainty has a flow on effect on the identification of issues, options for dealing with issues, and how we can best respond.

The identified areas of uncertainty are:

- Legislative changes, National Policy Statements and National Environmental standards that may require significant changes to the way we plan, manage and fund the infrastructure.
- The impact of the Government's Three Waters Reform Programme and how water services will be delivered.
- The current water take consents for the Eastern, Central and Hamurana Kaharoa areas may not be renewed at the current abstraction limits in terms of quantity. This may require new source /s to be developed with associated capital cost implications.
- Future stormwater consent conditions may require us to be more proactive in stormwater quality management than current practices.
- The conditions and cost implications of the future resource consents for the Rotorua Wastewater Treatment Plant are uncertain.
- The effect of climate change on RLC's infrastructure. As Council develops its understanding of the impact from climate change, the long-term response will need to be adapted for how to manage those effects on the infrastructure.

Further work is required to understand what years 11-30 look like across the infrastructure classes as at the moment there are gaps in information which do not enable to RLC give certainty of what the future is expected to look like. We intend to gather evidence particularly the condition of our critical assets in the next three to ten years. This will help us develop robust and risk based renewal programmes.

There are various levels of reliability of information across its infrastructure activities. Gaps have been identified (refer to the following section).

Reliability of information

RLC has made some improvements in data collection and quality in relation to its assets since the 2018 Infrastructure Strategy. However, there are still varying levels of reliability across the activities covered in this strategy. There is limited information to give certainty to what years 11-30 of the strategy looks like. RLC is actively looking to fill the gaps to inform the 2024 strategy.

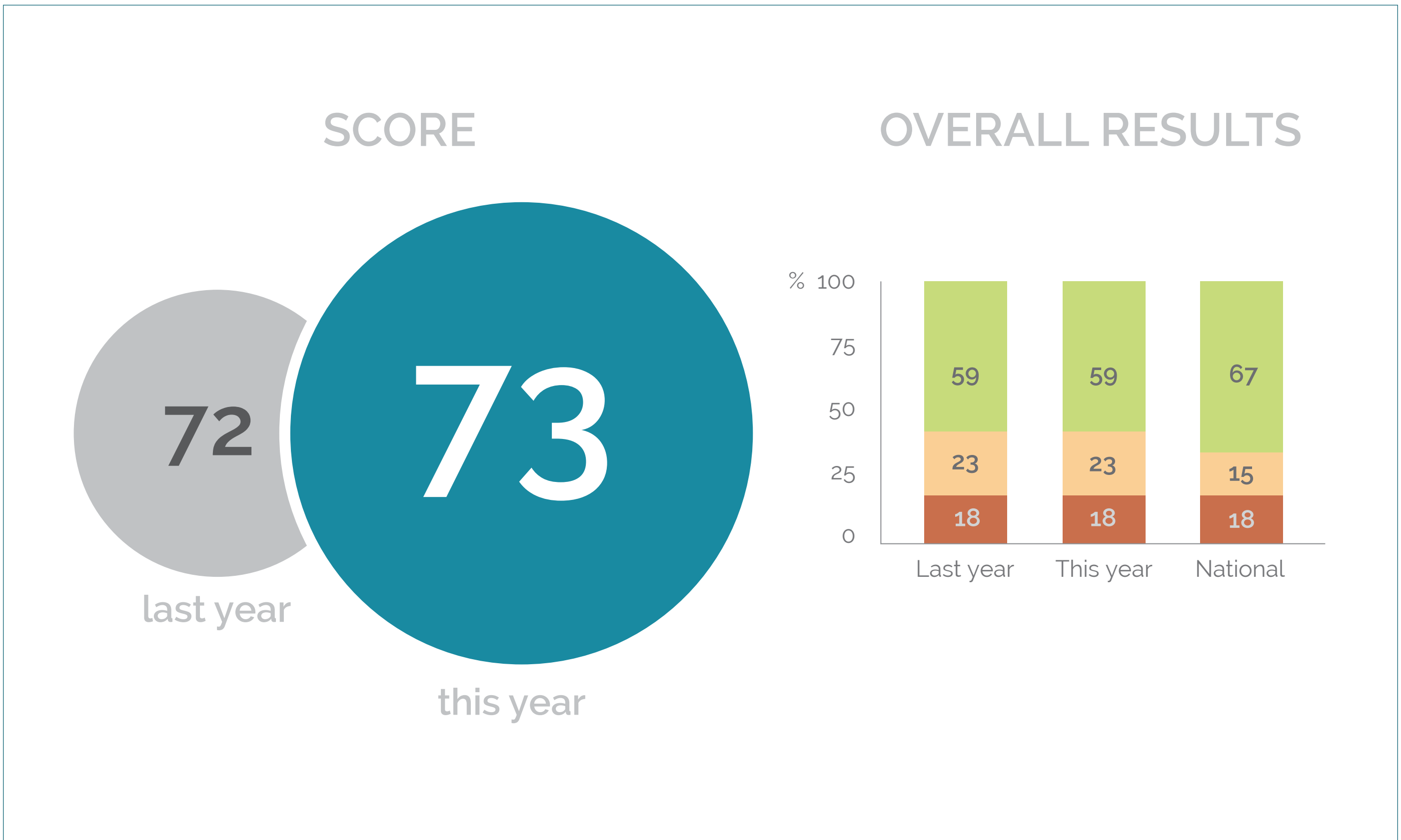
Other gaps have been identified in the following areas:

- The extent of the effects of climate change on roading and three waters, the impact on infrastructure and how it will be funded.
- The condition of the three water assets.

The data for three waters assets are recorded in Council's asset management system for most asset classes. The data confidence of the three waters asset data has been classified as reliable for inventory completeness and age, and uncertain for condition (in accordance with the International Infrastructure Management Manual).

The data accuracy, completeness and timeliness of land transport assets were independently assessed for the 2019/20 year (by the Road Efficiency Group). RLC have scored an annual score of 73/100, a slight improvement on 2018/19 (72/100) as shown below. RLC is just below the national average score of 78. An item in the Improvement Programme will address the low scoring issues.

Figure 27 Data quality results for 2019/20



Source: ONRC Reporting Tool October 2020

Key planning assumptions

This strategy is based on the following assumptions:

Table 20 Significant assumptions

Significant assumption	Level of uncertainty	Impacts	Mitigation
Vision 2030: That our Vision 2030 will apply for the duration of this 30-year strategy.	Low	The various planning documents will need to be reviewed and realigned with any new vision.	Any significant changes will likely occur with the Long Term Plan three yearly cycle so adequate time to make changes.
District population - Our District population is projected to continue growing, reaching approximately 90,800 by 2051 (based on the baseline scenario).	Medium	Population growth is significantly higher than forecast in a localised area, putting pressure on infrastructure. Or population significantly declines resulting in under-utilisation of infrastructure.	RLC will continue to monitor population change in the District. RLC will continue to monitor and update as things change at District level and regionally. Generally, small changes in population can be managed within the existing level of service.
Lakes co-management - We will continue with our partner organisations Te Arawa Lakes Trust and Bay of Plenty Regional Council to ensure the integrated management of our lakes.	Medium	Rotorua Te Arawa Lakes are important for our District and co-management is vital for holistic and long term approach.	RLC will continue to foster the partnership as there are significant long term benefits to the District, regionally and nationally.
Waka Kotahi funding assistance - Waka Kotahi will continue to provide us with subsidised funding for the land transport network over the next 30 years at current levels.	Low	There is risk that sufficient funds will not be available to pay for planned capital projects.	This is an established and mature process and plenty of opportunities to negotiate.
Levels of service - Levels of service are defined in the Activity / Asset Management Plans for each activity, to meet legislative requirements and agreed to / accepted by the communities. Given financial pressures and the challenges faced by RLC, there is no intention to alter them.	Low	Significantly enhanced service levels are demanded by the community or imposed by the government. This will lead to additional cost and / or resourcing requirements.	RLC regularly monitors existing service provision within its operation on a day to day basis. Minor changes may be made to service levels where budget, contracts and resources allow. Major changes in service levels will be confirmed with the community through the Long Term Plan process.
Delivering the customer outcomes - Activity / Asset Management Plans will test the affordability of delivering the customer outcomes.	Low	Any significant customer outcomes is generally shared in national industry forum such as REG as common across local government.	The asset management planning process is relatively mature and is the acceptable industry mechanism for testing service levels, risk and financial forecasts with the community.
Asset lives - RLC will maximise the useful and economic lives of our assets.	Medium	This will impact on the timing of replacements and the amount of rates collected for funding depreciations.	Continue to analyse the useful lives of the major asset classes as new information becomes available, with focus on the critical assets.
Risk management practices - Council will use risk management practices to maximise assets and the management of risk of a critical asset failing.	Medium	Large number of customers and critical facilities such as schools and hospitals may experience unacceptable outages.	Continue to monitor the performance of critical assets with targeted maintenance and renewal strategies.
Three waters reform - Legislation with the three waters reform will have a significant impact on these activities and at a rapid pace.	High	The three waters reform will impact service delivery.	RLC will keep up to date with the Government's proposed water reform programme and evaluate options as information becomes available.

Significant assumption	Level of uncertainty	Impacts	Mitigation
Climate change - Climate change will affect our District over the medium to long term in line with projections provided by the Ministry for the Environment.	Medium	The effects of climate change are more severe than expected, resulting in additional costs to mitigate impacts and increasing damage to Council infrastructure.	Council activities will build appropriate mitigation responses into infrastructure development. RLC will implement its Climate Action Plan including the impacts on infrastructure assets.
Abstraction limits - The current water supply consents for the Eastern, Central and Hamurana Kaharoa areas will be renewed without any reduction from the current abstraction limits, and all those consents expiring in the next ten years.	High	Alternative supplies and / or storage many need to be investigated if consent not rolled over.	Continue with water loss management programmes to reduce demand to demonstrate to the Regional Council using water wisely.
Universal water metering - Universal water metering will not be adopted unless supported by strong business case.	Medium	This may be a requirement by Regional Council for new resource consents. It may also be a future requirement for securing any external funding.	Continue with implementing existing metering policy consistently coupled with education programme on water conservation.
Resource consents - There will be increased costs for the acquisition, implementation, compliance and monitoring of resource consents.	Medium	Additional resources may be required to meet increasing compliance requirements. This will result in additional operational costs for the activity.	Monitoring of compliance with existing resource consent conditions will provide a compliance for future processes. Work collaboratively with the Regional Council and Taumata Arowai on pragmatic monitoring programmes.
Wastewater investment - There will need to be significant expenditure in the long term to meet resource consent requirements for wastewater discharges.	High	The investment requirements may be unaffordable for our community and may not provide good environmental outcomes.	Work with our long term partner on cost effective options to manage the asset risks.
Lake Rotorua nutrient management - We will work towards offsetting the increasing level of nitrogen in the urban discharge through nitrogen discharge allocations.	High	The total load of nitrogen to the lake increases. The Regional Council enforces Plan Change 10 with RLC for its actions from the Rotorua Treatment Plant.	Continue to investigate charging an environmental fee (or a transfer of nitrogen in lieu of payment) that will be used to offset the increasing load of nitrogen in the treatment plant discharge as the population and community grow.

View of Lake Rotorua from Tihiotonga

Report of the Auditor-General

Long-term Plan 2021-2031

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the reader:

Independent Auditor's report on Rotorua Lakes Council's 202131 long-term plan

I am the AuditorGeneral's appointed auditor for Rotorua Lakes Council (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 28 June 2021.

Opinion

In our opinion:

- the plan provides a reasonable basis for:

longterm, integrated decisionmaking 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 146 to 149 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.

Emphasis of matters

Without modifying our opinion, we draw attention to the following disclosures.

Uncertainty over three waters reform

Page 20 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The plan was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the plan has been based.

Uncertainty over external funding of capital projects

Page 27, outlines Council's assumption that external funding contributions will be obtained for the Aquatic Centre, Museum, Westbrook Sports Precinct and Rotoiti / Rotoma sewerage scheme. The external funding contributions are currently uncertain because funding has not yet been sought. If the level of external funding is not achieved the Council notes that it will have to determine how to proceed with these projects, including increasing its funding commitments.

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 AuditorGeneral'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 Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- 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.

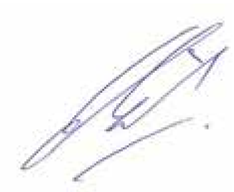
We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

Independence and quality control

We have complied with the AuditorGeneral's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this audit and our annual audits, we have carried out a limited assurance engagement related to the District Council's debenture trust deed, , which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Council.



Leon Pieterse, Audit New Zealand

On behalf of the AuditorGeneral, Tauranga, New Zealand

ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua