

Rotorua 2030

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New direction - Rotorua 2030

Following the October elections, this new Council took the time to focus on establishing a new direction for the Council, and more importantly, a direction to test with our community.

This direction, Rotorua 2030, was released for community feedback before Christmas. The verbal and formal feedback received was strongly positive with 93% support for the seven key goals for 2030 and 91% endorsement of the 2016 priorities, while some changes to the original wording were also suggested and incorporated.

Rotorua 2030 identifies a vision through seven key aspirations for the future.

The 2030 goals are:

- 1. Resilient communities... *He hāpori pūmanawa ...***
inclusive, liveable and safe neighbourhoods give us a sense of place; and confidence to be involved and connected
- 2. Homes that match needs... *Kāinga noho kainga haumarū...***
quality, affordable homes are safe, warm, and available
- 3. Outstanding places to play... *Papa whakatipu...***
recreation opportunities are part of our lifestyle; connecting us, transporting us and surrounding us
- 4. Vibrant city heart... *Waahi pūmanawa...***
our inviting and thriving inner city reflects our unique heritage and lakeside location
- 5. Business innovation and prosperity... *Whakawhanake pākihi ...***
we boast a diverse and sustainable economy energised by our natural resources and innovative people
- 6. Employment choices... *He huarahi hōu...***
we are a prosperous connected community; growing our education, training and employment opportunities
- 7. Enhanced environment... *Tiakina to taiao...***
we are known globally for our clean, natural environment, air quality and healthy lakes

Coming back from this position, four shorter term priorities have been identified to provide strong foundations for this bold journey.

The 2016 priorities are:

1. Develop a vibrant city heart that attracts people and activity
2. Develop our economic base by growing existing and attracting new businesses to our region
3. Support reinvigorated neighbourhoods and the creation of healthy homes
4. Sustainable infrastructure and affordable, effective council services

Underpinning the 2030 goals and the priorities for 2016 is a commitment of the Rotorua District Council to work and behave differently. These commitments are important drivers on this shared journey:

These commitments are important drivers on this shared journey:

- Engaging with the community to develop a unified accord for a clear new future
- Supporting community leadership of our new strategies
- Developing a new partnership model with Te Arawa
- Working innovatively, outside traditional delivery mechanisms, to drive more cost effective and more efficient services
- Ensuring all our work programmes align with the district's ambitions
- Reshaping our council to be more effective and response



New direction - Rotorua 2030

To support our commitment and Tatou tatou – we together, Council has identified seven portfolio areas to support the 2030 goals. Key strategies for each portfolio are being created to partner Council, the community and stakeholders in governance:



Without a new approach, commitment and direction we will not be able to achieve the vision of Rotorua 2030 where:

This is our home
We are its people
We're connected to each other through culture and community
We're innovative and we share what we learn
We're driving opportunity, enterprise and diversity
We're supporting a legacy of sustainability for our environment
Rotorua is a place for everyone. Tatou tatou – we together



Changes to the draft Annual Plan

Council received 138 submissions on the draft Annual Plan. The submissions covered a broad range of topics, including the financial framework, changes to the collection of development contributions, debt levels, proposed rates increase, portfolio funding, Library opening hours and mobile bus, creation of CCOs, Aquatic Centre opening hours and the Kuirau Park/Aquatic Centre master plan.

Following careful consideration of all submissions Council made the following decisions:

Additions

- **Puketawhero Park - \$140,000**
A toilet block is to be provided at Puketawhero Park. External funding will be sought, but Council will provide up to \$140,000.

Changes

- **Bus routes – budget reduced from \$200,000 to \$100,000**
This project was to improve tourist bus traffic around the i-SITE. It was intended to utilise the library lane for tourist traffic loading off Jean Batten Park. This has now been removed as a project.
An amount of \$100,000 has been retained to support improvements in bus circulation (managed by BOP Regional Council) around the central business district, with Rotorua District Council funding bus stops and shelters.
- **Aquatic Centre opening hours**
The draft Annual Plan proposed a reduction in the weekend hours of the Aquatic Centre to reduce operating costs during low-use times. This proposal has been reversed and current opening hours will be retained.
- **Library mobile bus – increase of \$50,000 in operating expenditure**
The draft Annual Plan proposed cancelling the mobile bus service. Usage of the mobile bus has declined and the service has a reasonably high cost. The proposal to use a van for outreach purposes and to terminate the mobile bus service has been reversed.



Council's 2016 priorities to deliver in 2014/15

Council's 2016 priorities will bring the 2030 goals alive. A series of projects have been identified within each priority which, when completed, will show council to be well on the way in seeing Rotorua 2030 come to fruition.

1. Develop a vibrant city heart that attracts people and activity

- **Arts trail link to Government Gardens** – a council policy allocates 1% of all capital projects for direct investment in arts projects in public spaces. 2014/15 will focus these funds on development of an arts trail through the inner city.
- **Local bus routes and tourist bus parking improvements** - \$100,000. Local bus routes are to be rearranged to circulate in both directions around the CBD. The intended routes will circulate passengers along Fenton, Arawa and Amohia Streets, and possibly Rotorua Central to complete the circuit.
- **Vibrant city heart funding** - \$100,000. Funding to support ideas and projects to be developed during the year with partner organisations and the community.

2. Develop our economic base by growing existing and attracting new, businesses to our region

- **City event entrance signage** - \$80,000. Build three event signs at city gateways for marketing and promotion of events in the city.
- **Business innovation and prosperity funding** - \$100,000. Funding to support ideas and projects to be developed during the year with partner organisations and the community.
- **Removal of development contributions policy** – Council made a decision before Christmas to remove development contributions as they have been considered to be a barrier to undertaking developments in the district.
- **Reduction in the business differential for general rates from 2.1 to 1.9** – This is in line with the Long-term Plan commitment to reduce this rate over time bringing it more in line with other rates differentials.

3. Support reinvigorated neighbourhoods and the creation of healthy homes

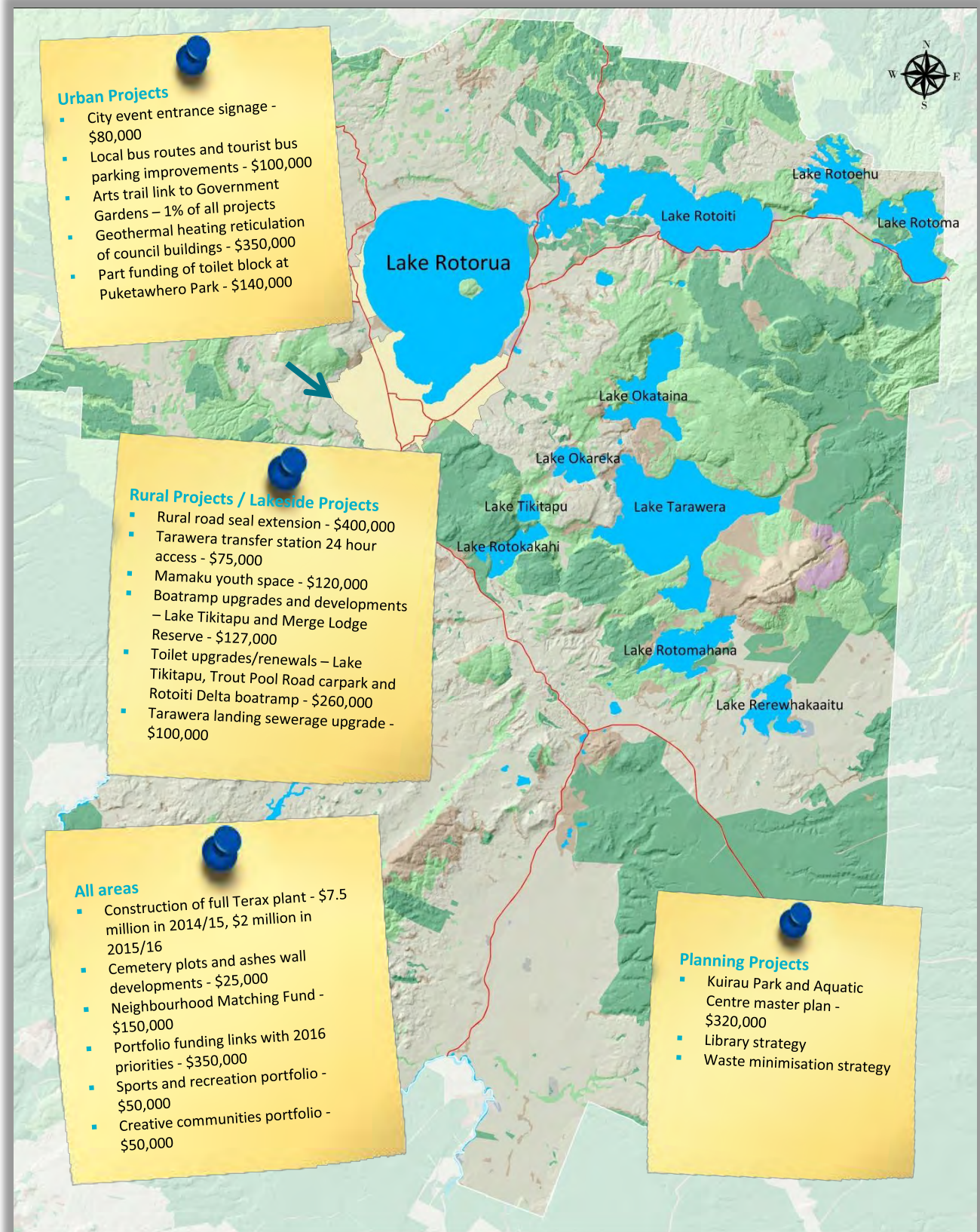
- **Neighbourhood Matching Fund** – increase from \$50,000 to \$150,000. This fund provides assistance to communities who are coming together to collaborate on projects within their neighbourhoods. Projects may range from fruit tree planting, community gardens, neighbourhood recycling, etc.
- **Resilient community funding** - \$100,000. Funding to support ideas and projects to be developed during the year with partner organisations and the community.
- **Mamaku youth space** - \$120,000. Construction of a youth space to provide a facility and activities for youth to plan and interact constructively.
- **Home insulation**- \$50,000. Base funding to ensure significant funding is available through EECA to assist with insulation of cold and damp homes.

4. Sustainable infrastructure and affordable, effective council services

- **Geothermal heating reticulation of Council buildings** - \$350,000. To use geothermal heating in the Civic Centre, Convention Centre, i-site, Community House and Library. This will reduce the cost to heat these buildings.
- **Tarawera transfer station 24 hour access** - \$75,000. Redesign of the transfer station to allow permanent 24 hour access.
- **Construction of full Terax plant** - \$7.5 million in 2014/15, \$2 million in 2015/16. The full plant is intended to process waste sludge produced in the Rotorua district and provide a reference plant for others interested in the technology.
- **Proposed reorganisation of council to reduce net cost by 5% for 2014/15** – Council is undertaking a realignment to ensure that it is in the best shape to be able to deliver Rotorua 2030. Savings will be used to keep debt level increases to a minimum and over time assist in reduction of debt.
- **Creation of council controlled organisations** – The philosophy of setting up council controlled organisations (CCOs) provides for introducing, through board appointments, commercial discipline and specialist expertise. Using these skills CCO boards are able to add value and help the CCO achieve their objectives and the council's long term strategies. Council is proposing to set up two new CCOs – Rotorua Contracting (Castlecorp, Landfill and Nursery) and Rotorua Tourism, Events and Venues. Council have other CCOs currently eg: Grow Rotorua, Rotorua Airport, and Rotorua Holding Company.



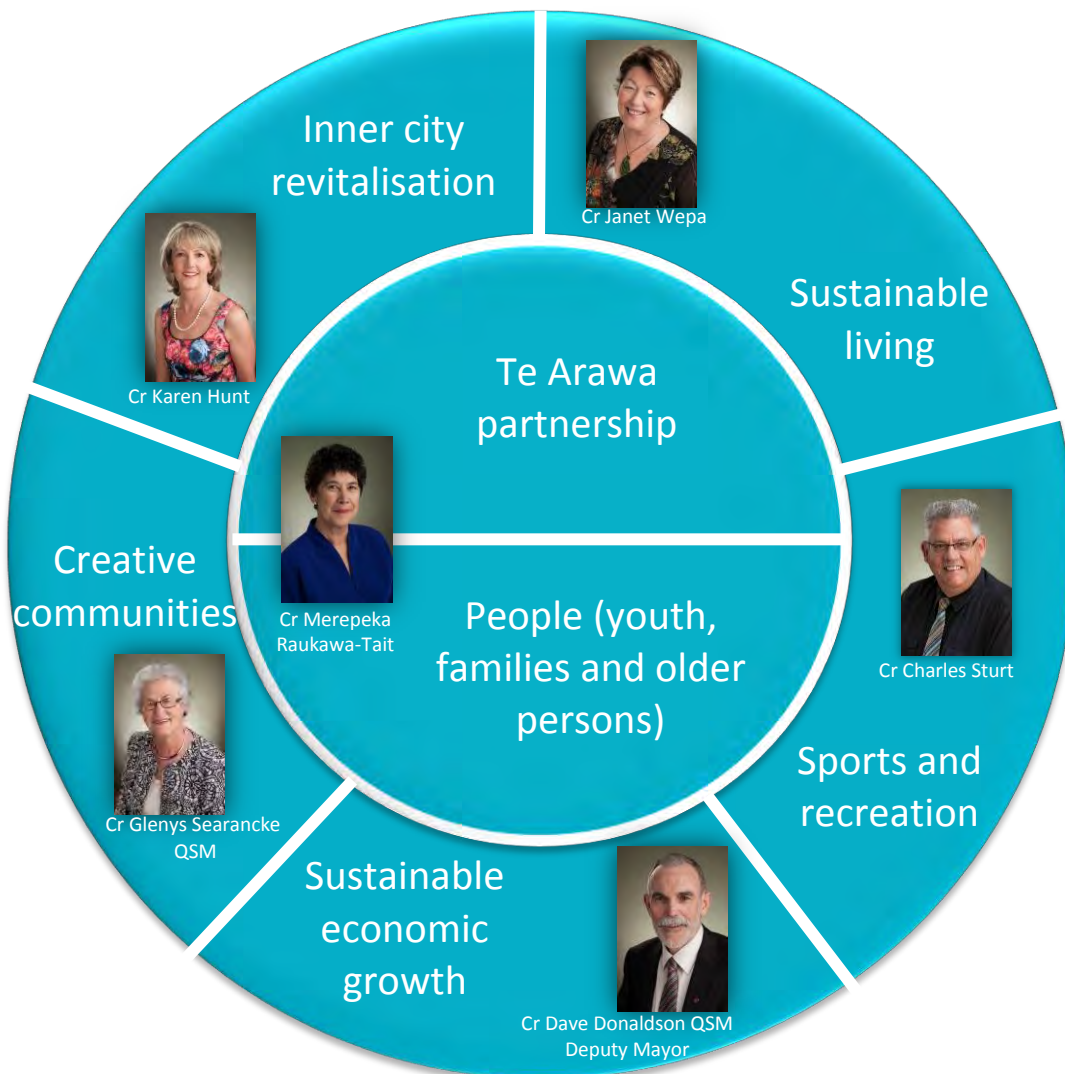
Council's 2016 priorities to deliver in 2014/15



Community development

Key portfolio leads

Council has identified seven key portfolio areas to develop during the coming year. Each portfolio will develop strategy towards fulfilling Rotorua 2030 and supporting the 2016 priorities. Each portfolio area will have a lead councillor to act as the portfolio 'owner'. The portfolio owner will lead a process to engage and work with the community of interest and wider community to develop short and long term projects, initiatives and relationships to improve our district.



To contact any of the portfolio leads refer to www.rdc.govt.nz.

Portfolio leads are supported by the following councillors:

Te Arawa partnership / People (youth, families and older persons)



Cr Tania Tapsell



Cr Mark Gould JP

Inner city revitalisation



Cr Peter Bentley

Sustainable living



Cr Tania Tapsell

Sports and recreation



Cr Glenys Searancke
QSM

Sustainable economic growth



Cr Rob Kent

Creative communities



Cr Karen Hunt



A sustainable financial framework

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

This financial position needed to be addressed. Action was taken in the 2013/14 financial year to ensure Council re-establishes a sustainable financial position in future years.

A new sustainable financial strategy was agreed to in December 2013 to address organisational challenges. This strategy does however limit Council's ability to spend and to hold rate increases at previous low levels.

A sustainable financial framework underpins the budgets for this Annual Plan. The framework seeks to hold debt increases to a minimum and progressively reduce the current level. Annual rate increases are to be set at approximately 3% per annum and includes any inflation or CPI movement.

Capital expenditure has been limited to \$22 million, a decrease of approximately 30% on what was planned in the council Long-term Plan.

An exception to the \$22 million cap exists for 2014/15 to provide for the construction of the Terax plant (\$7.5 million 2014/15; \$2.5 million 2015/16). In order to account for the Terax project, Council reduced its 2014/15 capital works programme down to \$20.5 million. Terax is regarded as an acceptable compromise because anticipated operational savings will be sufficient to meet debt servicing levels.

A restructure of the council organisation and a strong efficiency focus will mean any further cost savings can be applied to debt reduction.

While it is acknowledged that a reduction in capital expenditure of 30% will affect the community, it is important to respond to community expectations. Council will prioritise renewals, maintain essential infrastructure and the remainder of capital works will be linked to 2030 goals and 2016 priorities. Projects will also be considered based on the value they will bring to the community.

Funds have been allocated to support the governance portfolios so community partnerships can undertake their respective work.

Following a review of service, an organisational realignment is underway for Rotorua District Council and will save \$3 million and produce a more effective and efficient organisation to support the immediate and long term priorities and needs of Rotorua district.

The final organisational structure, while still being consulted on, is expected to take effect from 1 July 2014, while the handover to newly created council controlled organisations where designated will be a longer term process.

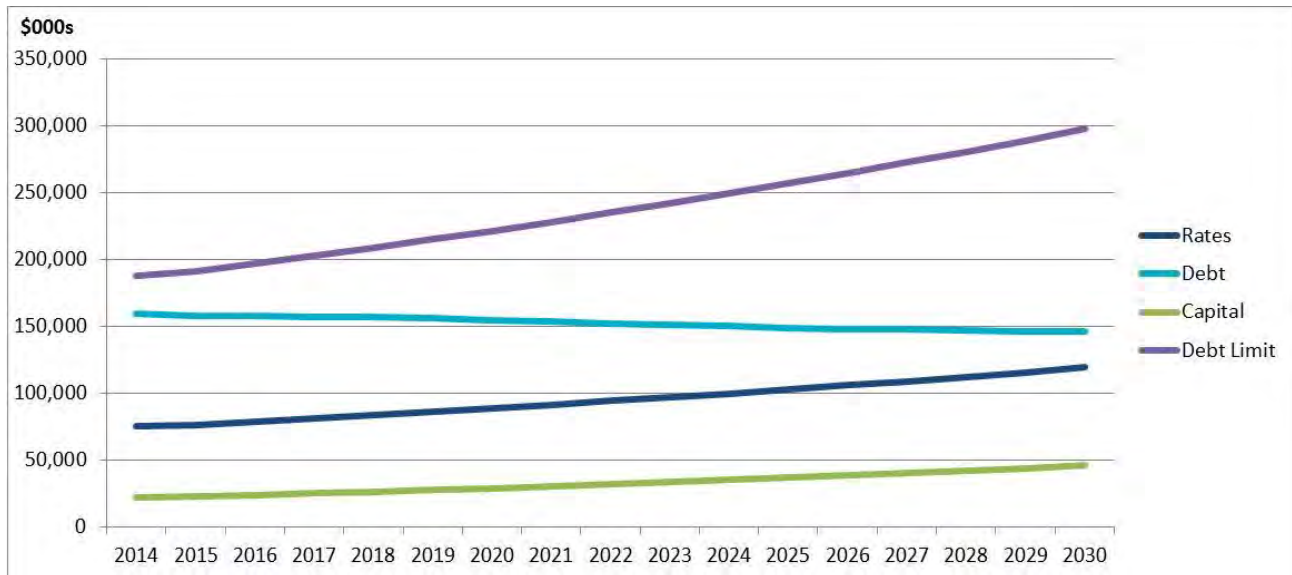
A sustainable financial framework

- Hold debt increases to a minimum and progressively reduce the current level
- Annual rate increase approximately 3%
- Business differential rate decreased
- Property sales to balance capital spend
- Capex ceiling of \$22 million (exception 2014/15)
- A strong efficiency programme to reduce cost and applied to debt

Financial strategy

The programme outlined in this Annual Plan, in conjunction with an annual rate increase of 3%, will enable the council to stay within its debt limit moving forward, as shown in the following graph. This strategy will be reviewed and confirmed through the Long-term Plan process 2015-2025.

Council is eager to ensure that the debt ratio relative to income falls over time to allow for projects not included in the current Long-term Plan but which will be required within the next 10 years.



Reduce capital work programme to \$22 million – debt reduced to approximately \$150 million by 2030

It is important to note that this analysis is based on high level assumptions and early steps are being put in place to allow Council to work through a full prioritisation process for capital work as part of the next Long-term Plan, to be completed in the next

12 months. The reason for putting in place a new financial framework is to ensure the current debt capacity is not used up prior to full consideration of long term funding needs for services.

Removal of development contributions

Rotorua District Council was the first local authority in the country to propose the scrapping of development contributions in their current form. The decision was aimed at boosting economic growth and aligns with signalled legislation changing how development contributions can be applied in the future.

The cost to prepare the policy, reviewing and implementing, on an annual basis, is estimated to be around \$150,000.

The move will mean reduced costs for new investment projects across the board, with the impact varying depending on the type of development.

Rating policy - reduced business differential

Council is reducing the business differential on the general rate from 2.1 to 1.9. This continues the commitment identified in the Long-term Plan. Overall rates will increase by 3% for non-business ratepayers, but business ratepayers are likely to see smaller increases or decreases in the overall rates they pay, depending on other charges, such as sewerage, applied to their properties.

Proportion of total rates paid by each sector

	Rates Take 2012/13	Rates Take 2013/14	Total Rates Take 2014/15
Farming	11%	11%	12%
Business	28%	27%	26%
Residential	61%	62%	62%



Financial strategy

Overall council activity statement

	LTP Year 3 2014/15 \$	2014 Annual Plan \$	2014 Forecast \$	2015 Annual Plan \$
Revenue				
Rates	71,682,000	73,518,000	75,134,901	76,270,000
Fees and charges	36,018,541	28,483,659	21,922,410	22,655,000
Subsidies and grants	4,174,070	1,180,769	3,942,300	3,449,000
A Total income	111,874,611	103,182,428	100,999,611	102,374,000
Operating expenditure				
Staff costs	37,935,894	35,604,607	35,854,284	34,089,000
Direct costs	40,795,407	46,954,166	42,836,386	41,531,000
Finance cost	10,102,343	9,385,166	9,331,545	9,878,000
Depreciation	26,434,625	26,298,734	27,383,771	27,404,000
Group overhead	-	-	-	-
B Total operating expenditure	115,268,269	118,242,673	115,405,986	112,902,000
C Operating net cost of service	(3,393,658)	(15,060,245)	(14,406,375)	(10,528,000)
Capital expenditure				
D Capital acquisitions	(21,853,453)	(14,991,000)	(13,716,422)	(15,441,000)
E Capital renewals	(14,504,895)	(16,505,500)	(15,176,321)	(16,154,000)
F Depreciation	26,434,625	26,298,734	27,383,771	27,404,000
Capital funding				
G Capital revenue	10,226,712	10,429,625	6,455,594	9,488,000
Asset proceeds	-	2,000,000	2,000,000	1,000,000
H Net funding position	(3,090,669)	(7,828,386)	(7,459,753)	(4,231,000)

How to read the overall activity statement

Revenue

Fees and charges:

External funds from activities that operate as trading entities and funds from user pay services. These may include: consents, dog registration, infringements, Events and Venues, Aquatic Centre, Library, Museum admission fees, rentals etc.

Subsidies and grants:

Funding from central government and other funding agencies to either assist in delivering a service (New Zealand Transport Agency) or where council may be providing a service on behalf of an organisation (Creative Communities, Ministry of Social Development).

Operating net cost of service

Total operating expenditure **B** – Income **A** = Operating net cost of service **C**

Net funding position

Operating net cost of service **C** + Capital acquisitions **D** + Capital renewals **E** – Depreciation **F** – Capital revenue **G** = Net funding position **H**

Capital acquisitions

New assets purchased/constructed during the year.

Capital renewals

Assets that need to be replaced to maintain the existing asset.

Forecast

Since the 2013 local government elections Council has been working differently. A full review of the financials has been undertaken to provide council with a very clear and transparent picture of the financial state. As a result of the changing pace a '2014 forecast' has been added. The '2014 forecast' is the point at which council's financial position is targeted to land based on a drive for solid and achievable savings and efficiencies, and accurate forecasting of revenue.



Financial strategy

Whole of council activities

Activity	Rates	Fees and charges	Subsidies and grants	Total revenue	Operating costs	Finance cost	Depreciation
Aquatic Centre	2,575,000	1,131,000	12,000	3,718,000	2,793,000	130,000	387,000
Castlecorp	-	232,000	-	232,000	(326,000)	62,000	844,000
Consenting Services	74,000	1,465,000	-	1,539,000	1,533,000	1,000	-
Corporate Services	-	1,037,000	-	1,037,000	(1,205,000)	676,000	2,578,000
Economic Development	11,650,000	3,747,000	51,000	15,448,000	11,156,000	4,139,000	1,420,000
Emergency Management	523,000	-	-	523,000	473,000	-	32,000
Events and Venues	4,402,000	1,890,000	100,000	6,392,000	4,839,000	598,000	1,821,000
Gardens, Reserves and Sports grounds	7,487,500	2,610,000	-	10,097,500	6,974,000	946,000	1,984,000
Governance and Engagement	2,686,000	174,000	24,000	2,884,000	2,553,000	-	1,000
Library	3,799,000	252,000	-	4,051,000	2,887,000	154,000	848,000
Museum	2,401,000	1,894,000	18,000	4,313,000	3,737,000	189,000	483,000
Pensioner Housing	-	790,000	-	790,000	470,000	-	552,000
Planning	2,310,000	154,000	-	2,464,000	2,322,000	-	-
Regulatory Services	-	2,997,000	-	2,997,000	2,726,000	1,000	25,000
Roads and Footpaths	9,125,000	42,000	3,244,000	12,411,000	8,950,000	873,000	6,458,000
Sewerage and Sewage	12,664,000	516,000	-	13,180,000	9,892,000	460,000	4,393,000
Stormwater and Land Drainage	5,719,000	63,000	-	5,782,000	2,240,000	831,000	2,086,000
Waste Management	3,985,000	3,447,000	-	7,432,000	7,526,000	458,000	339,000
Water Supply	6,870,000	214,000	-	7,084,000	6,080,000	360,000	3,153,000
Total comprehensive income	76,270,500	22,655,000	3,449,000	102,374,500	75,620,000	9,878,000	27,404,000

A

Total revenue **A** – Total expenses **B** = Operating net cost of service **C**

Operating net cost of service **C** – Net cost of capital expenditure **D** = Net funding surplus (borrowing) **E**



Financial strategy

Total expenses	Operating net cost of service	Capex - LOS	Capex - renewal	Capital revenue total	Add back depreciation	Net cost of capital expenditure	Net funding surplus (borrowing)	Borrowing at 30 June 2015
3,310,000	408,000	(346,000)	(326,000)	-	387,000	(285,000)	123,000	1,555,895
580,000	(348,000)	-	(496,000)	-	844,000	348,000	-	1,207,114
1,534,000	5,000	-	-	-	-	-	5,000	-
2,049,000	(1,012,000)	(563,000)	(1,087,000)	1,000,000	2,578,000	1,928,000	916,000	4,899,943
16,715,000	(1,267,000)	-	(153,000)	-	1,420,000	1,267,000	-	41,125,377
505,000	18,000	-	(34,000)	-	32,000	(2,000)	16,000	-
7,258,000	(866,000)	-	(526,000)	-	1,821,000	1,295,000	429,000	10,280,115
9,904,000	193,500	(649,500)	(1,185,000)	158,000	1,984,000	307,500	501,000	16,346,292
2,554,000	330,000	-	(133,000)	-	1,000	(132,000)	198,000	-
3,889,000	162,000	-	(767,000)	-	848,000	81,000	243,000	2,070,636
4,409,000	(96,000)	(9,000)	(197,000)	-	483,000	277,000	181,000	2,932,349
1,022,000	(232,000)	-	-	-	552,000	552,000	320,000	(320,000)
2,322,000	142,000	-	-	-	-	-	142,000	-
2,752,000	245,000	-	(10,000)	-	25,000	15,000	260,000	-
16,281,000	(3,870,000)	(560,000)	(4,994,000)	4,145,000	6,458,000	5,049,000	1,179,000	35,868,343
14,745,000	(1,565,000)	(12,030,000)	(1,754,000)	4,185,000	4,393,000	(5,206,000)	(6,771,000)	16,277,025
5,157,000	625,000	(724,000)	(1,675,000)	-	2,086,000	(312,000)	312,000	13,144,300
8,323,000	(891,000)	(75,000)	(326,000)	953,000	339,000	891,000	-	16,564,626
9,593,000	(2,509,000)	(485,000)	(2,491,000)	47,000	3,153,000	224,000	(2,285,000)	11,953,985
112,902,000	(10,527,500)	(15,441,500)	(16,154,000)	10,488,000	27,404,000	6,296,500	(4,231,000)	173,906,000
B	C					D	E	

