



Waitomo District Council
2009-2019 Long Term Plan



Our People, Our Place, Our Future


Waitomo
District Council
www.waitomo.govt.nz

2009-2019 Long Term Plan

Our People, Our Place, Our Future



Memorial Arch

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Report of the Audit Office



REPORT TO THE READERS OF WAITOMO DISTRICT COUNCIL'S LONG-TERM COUNCIL COMMUNITY PLAN FOR THE TEN YEARS COMMENCING 1 JULY 2009

The Auditor-General is the auditor of Waitomo District Council (the District Council). The Auditor-General has appointed me, Bruce Taylor, using the staff and resources of Deloitte, to report on the Long-Term Council Community Plan (LTCCP), on his behalf.

The Auditor-General is required by section 94(1) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the LTCCP complies with the requirements of the Act;
- the quality of information and assumptions underlying the forecast information provided in the LTCCP; and
- the extent to which the forecast information and performance measures will provide an appropriate framework for the meaningful assessment of the actual levels of service provision.

It is not our responsibility to express an opinion on the merits of any policy content within the LTCCP.

Opinion

Overall Opinion

In our opinion the LTCCP of the District Council incorporating pages 1 to 277 dated 30 June 2009 provides a reasonable basis for long-term integrated decision-making by the District Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the District Council.

In forming our overall opinion, we considered the specific matters outlined in section 94(1) of the Act which is set out below.

We also considered the District Council's additional disclosures regarding its financial strategy to ensure sustainable services are delivered to the community. The associated implications for the District Council's financial forecasts are explained below.

Opinion on Specific Matters Required by the Act

In our view :

- **the District Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment;**
- **the underlying information and assumptions used to prepare the LTCCP provide a reasonable and supportable basis for the preparation of the forecast information; and**
- **the extent to which the forecast information and performance measures within the LTCCP provide an appropriate framework for the meaningful assessment of the actual levels of service provision, reflects good practice for a council of its size and scale within the context of its environment.**



Additional disclosure related to the District Council's financial strategy and the associated implications for the District Council's financial forecasts

The District Council's previous LTCCP for the ten years commencing 1 July 2006 received a qualified audit opinion. The previous plan was not sustainable and therefore not financially prudent as required by section 101 of the Act. Section 101(1) of the Act requires the District Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Further, section 101(2) requires adequate and effective provision in the District Council's LTCCP to meet its expenditure needs. This was characterised by:

- the uncertainty of the District Council's ability to deliver services to the desired level over the long-term; and
- the District Council's financial strategy to significantly increase debt levels over the 10 year period to meet its expenditure needs, with no evidence of the deteriorating debt being corrected in the long-term.

These matters have been progressively addressed by the District Council over the period since the commencement of the LTCCP for the ten years commencing 1 July 2006. The District Council has focused on ensuring the long term sustainability of the services delivered to the community.

The District Council describes its updated strategic direction on pages 9 to 12 of this LTCCP. We note its reliance on:

- the consolidation of levels of service as opposed to new or improved levels of service;
- completing a programme to catch up on deferred maintenance;
- reducing borrowings by substituting rates funding for debt funding of the District Council's roading activity requiring substantial rate increases in the first three years of this LTCCP; and
- an update of the District Council's Revenue and Financing Policy to reassign a more equitable incidence and mix of funding, in particular, increasing fees and charges so the user who benefits from the service meets the cost.

As described on pages 23 to 25 of this LTCCP, the District Council has carefully considered its options in relation to its investment in Inframax Construction Limited, a wholly owned subsidiary. Inframax Construction Limited has not performed in line with expectations over the last two years. As a result, in year one of this LTCCP the District Council has provided for \$2 million in capital funding to strengthen the financial structure of Inframax Construction Limited. This LTCCP and the District Council's updated strategic direction also rely on the successful restructuring of Inframax Construction Limited to ensure the dividends return to their historic levels. This is projected to enable the District Council to reduce the levels of borrowing.

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 30 June 2009, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the District Council and the Auditor, and explain our independence.

Report of the Audit Office



Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements 3000: *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information*.

We planned and performed our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the LTCCP does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Our audit procedures included assessing whether:

- the LTCCP provides the community with sufficient and balanced information about the strategic and other key issues, choices and implications it faces to provide an opportunity for participation by the public in decision-making processes;
- the District Council's financial strategy, supported by financial policies as included in the LTCCP is financially prudent, and has been clearly communicated to the community in the LTCCP;
- the presentation of the LTCCP complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the LTCCP are compliant with the decision-making and consultation requirements of the Act;
- the information in the LTCCP is based on materially complete and reliable asset or activity management information;
- the agreed levels of service are fairly reflected throughout the LTCCP;
- the key plans and policies adopted by the District Council have been consistently applied in the development of the forecast information;
- the assumptions set out within the LTCCP are based on best information currently available to the District Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- the rationale for the activities is clearly presented;
- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the District Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the LTCCP.

We do not guarantee complete accuracy of the information in the LTCCP. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the LTCCP and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The District Council is responsible for preparing an LTCCP under the Act, by applying the District Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The District Council's responsibilities arise from Section 93 of the Act.

We are responsible for expressing an independent opinion on the LTCCP and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 94(1) of the Act.

Independence

When reporting on the LTCCP we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than this report and in conducting the audit of the Statement of Proposal for adoption of the LTCCP and the annual audit, we have no relationship with or interests in the District Council.



Bruce Taylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the Long Term Council Community Plan (LTCCP) of Waitomo District Council for the period 2009-2019 included on Waitomo District Council's web-site. Waitomo District Council's Council is responsible for the maintenance and integrity of Waitomo District Council's web site. We have not been engaged to report on the integrity of Waitomo District Council's web site. We accept no responsibility for any changes that may have occurred to the LTCCP since they were initially presented on the web site.

The audit report refers only to the LTCCP named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this LTCCP. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited LTCCP and related audit report dated 30 June 2009 to confirm the information included in the audited LTCCP presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Message from the Mayor and Chief Executive

We have pleasure in introducing Council's third generation, Long Term Plan (LTP), covering the period July 2009 – June 2019.

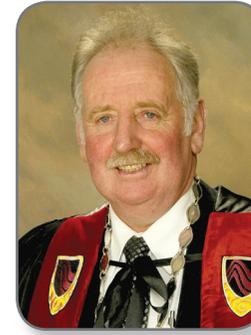
This Plan is the culmination of five years of concerted effort by your Council to address the shortcomings in the financial policies revealed in the context of its 2006 – 16 LTP. In its 2007/08 Annual Plan (being the second year of the 2006 - 16 LTP), Council signalled that a period of consolidation was needed as Council moved to a position of prudent financial management and financial sustainability. It also signalled that this shift would entail a long run policy, with the journey continuing through 2008/09 and into this LTP. Reducing Council's reliance on debt finance as a source of funding, particularly as a means of funding operating expenditure for our local roads, was at the heart of this transitional strategy.

This LTP continues that pathway as we move towards a sustainable financial plan. It demonstrates, on the one hand, the significant progress made on this fundamental issue, and the areas of focus required over the term of the LTP on the other. For example, the forecast public debt position at the commencement of 2009-2019 planning period of \$38.0M represents a significant reduction on the public debt forecast in the 2006 – 2016 LTP of \$46M for the 2009 Financial Year.

As a result of this strategy, Council has had to significantly increase the Roothing Rate over the past two years in substitution of the past practice of debt funding of the road maintenance function. There are no other sources of funding available to Council for an on-going, core activity, of this scale. This "catch up" adjustment is likely to continue for at least another two years.

There are other challenges Council has had to navigate as it has developed this Plan. The previous Government imposed significant new compliance cost on local authorities over the past 12 months which will add to the operating costs of certain activities and increase the demands on rates. Examples include the waste minimisation levy, emissions from landfills, costs of building accreditation and the like. A number of these new measures and the need to fund for associated compliance costs will come into effect on 1 July 2009.

On top of this, a decline in expected investment revenue has placed additional pressure on Council's overall financial position. A flow on effect from this is that our expenditure has had to decrease to balance Council's cash-flow.



Mayor - Mark Ammon



CEO - Chris Ryan

This final LTP provides for an even more conservative approach in regards to Investment Income than that issued for consultation in early May 2009. Further information came to hand towards the end of the consultation period that resulted in Council further reducing its forecasts for Investment Income over the first three years of this LTP and providing for an increase in paid up capital for Inframax Construction Ltd in a bid to strengthen its Balance Sheet.

More information on this issue and the changes resulting from it as well as other changes to the LTP as a result of the consultation process can be found in the section entitled 'Changes from the Draft LTP as a result of the Consultation Process and other information' on page 22 of this document.

Reducing capital expenditure in other than essential areas is an obvious measure for mitigating further demand for debt finance. However, underpinning Council's financial position is the cost of managing its extensive infrastructural assets. Maintaining current levels of service requires the timely replacement of these assets as they age and deteriorate. Reducing or deferring capital expenditure needs to be carefully managed to ensure short term savings in capital expenditure are not overtaken in the mid to long term by burgeoning increases in maintenance costs, alongside declining levels of service.

Considerable effort has been expended over the past 18 months improving Council's knowledge of the condition and performance of its key assets to enable better prediction of the scope and timing of its asset replacement programmes. From a position of better information as a result of this work, the findings are that the desired scale of asset replacement work required

over future years, particularly for Council's water supply, stormwater and sewerage assets, presents a financial challenge. Council has addressed this by taking a longer view of its asset replacement requirements and where possible stretching and smoothing the timelines for our renewals expenditure profile. This approach will be supported by closer monitoring of asset condition to determine replacement priorities on a year to year basis.

The shaping of Council's forecast work programmes has also taken cognisance of the economic backdrop of the community. While we have seen recent signs of positive economic development, particularly in the form of residential lifestyle developments at a number of our coastal communities, the forecast effects of a much publicised global recession has been factored into Council's planning. Council is very mindful that households in the Waitomo District are not immune to a very tight economic environment, with tough financial times likely to continue for some time into the future. Affordability of Council's proposed programmes and service levels has been carefully considered against this background.

Given the above economic environment, Council has had little option but to take a conservative approach in terms of its ability to deliver existing levels of service. Accordingly, the LTP has focused on consolidation ahead of new developments or improved levels of service during these uncertain times, while ensuring that adequate levels of service for its essential infrastructure are maintained. It has meant that some of the programmes we would have preferred to introduce, such as and the implementation of Community Development goals like tourism and events promotion, have had to be deferred. In other cases, Council has had to resort to reducing current levels of service for some less essential activities.

Without doubt the development of this LTP has been a very challenging process for Council. In saying that Council is confident that this LTP provides the right mix of levels of service, prudent financial management and pragmatism to continue to take the Waitomo District and the Council as an organisation forward in a sustainable manner.



Mark Ammon
Mayor



Chris Ryan
Chief Executive



1.0 Overview of the 2009-19 LTP



Rora Street, Te Kuiti

1.1 Introduction

What is a Long Term Plan

All local authorities are required to produce a Long Term Council Community Plan (LTCCP), otherwise known as a Long Term Plan (LTP), once every three years. This is Council's third LTP following a transitional plan in 2004 and its first full plan in 2006.

The LTP is a Council document that provides a long term focus for and coordination of Council's decisions and activities in helping to achieve the best results for the Waitomo District community over the next 10 years. It provides opportunity for the public to participate in and monitor the effectiveness of Council's decision making processes.

This 2009-19 LTP

This 2009-19 LTP will become operational on 1 July 2009. While the LTP must be reviewed at least once every three years and can be amended at any time, the projects identified over each of the first three years are relatively more detailed and definitive. The scope and timing of projects identified over the remaining years are expressed in outline terms only.

This LTP:

- Summarises Council's understanding of the needs and wishes of the people in our District (Community Outcomes).
- Identifies the key challenges faced by Council over the next 10 years.
- Describes Council's strategy to meet the challenges.
- Provides an overview of the activities carried out by Council, and the services it will provide over the next 10 years.
- Forecasts expenditure for the next 10 years and how it will be funded.



1.2 Strategic Considerations for this Long Term Plan

This 2009-19 LTP is a product of concerted effort by your Council, as it has juggled to navigate through the many challenges faced by it in putting together projects and work programmes that would best enhance the social, cultural, economic and environmental well-being of the Waitomo District.

This section highlights the key strategic considerations that Council took into account and which have shaped this 2009-19 LTP.

1. The Economic Outlook

The current economic environment has been one of the key considerations in the development of this 2009-19 LTP. The world economy has changed rapidly in the past year and the global financial crisis has had adverse effects on most economies across the world. According to the Economic and Fiscal Forecasts produced by Treasury in December 2008 the duration of the impact of the financial crisis on world growth is uncertain at this point. As the global growth outlook continues to weaken, Treasury forecasts the New Zealand economy to experience a period of weak growth over the next couple of years. The key factor driving this outlook for New Zealand is the forecast growth of our major trading partners.

It is predicted that the global financial crisis will be transmitted to New Zealand through four main channels being – the cost and availability of credit, decreasing exports, lowered confidence of businesses and consumers and decreasing household wealth due to rising unemployment. In fact these impacts are evident in the economy already with increasing announcements of job cuts and the Central Government announcing various measures to stimulate the economy.

The much publicised global recession has needed to be factored into Council's planning. Council is mindful that households in the Waitomo District are not immune to a very stringent economic environment, with tough financial times likely to continue for some time into the future.



On top of this, the previous Labour led Coalition Government imposed various regulations and requirements on local authorities over the past 12 months which will add considerably to the cost of delivery of certain activities. Some examples are the waste minimisation levy, emissions from landfills, costs of building accreditation and the like. A number of these

new measures and compliance costs will come into effect on 1 July 2009.

2. Investment Income

The forecast level of investment income likely to be available to Waitomo District Council (WDC) over the planning life of the LTP has been identified as a serious consideration. WDC's investment income is forecast to be less than historical levels. The projection at the point of preparing this 2009-19 LTP is that none of the budgeted investment income for 2008/09 will be received. The forecasts in this 2009-19 LTP, however, provide for an increase in the level of investment income over time, returning to historical levels in the 2012/13 financial year. It is estimated that a reduced return will flow from the effects of a forecast downturn in the NZ economy and the follow on effect, in particular, for the construction industry.

The investment income has traditionally been used to reduce the General Rate impact on the District community. In effect investment income has been used to meet the day to day delivery cost for a wide range of services. This strategy is not without its risks, especially as investment income is a seemingly volatile income source.

The forecast reduced level of investment revenue, given its traditional use in reducing rates income, has potentially significant financial implications. Firstly, it could impact in terms of Council's reserve balances and possibly public debt levels if further borrowings are required to maintain cashflow. This will be counter productive especially given the progress made in reducing debt to fund operational expenditure in the Land Transport Activity. Alternatively, the community will need to fund the shortfall in investment income through an increase in rates to deliver the same levels of service as for the 2008/09 financial year.

1.2 Strategic Considerations for this Long Term Plan

3. The 2006-16 Long Term Council Community Plan

Council's first full Long Term Council Community Plan adopted in 2006-2016 explored a range of six options of which Council adopted option No.5, described as "Prudent Stewardship and retain existing service levels" which set out the following key components:

1. More capex required to achieve cost effective asset management – income from debt and/or rates must rise.
2. More operating expenditure will be needed in the shorter term to reduce later maintenance demand.
3. Service levels (Council and external) decline against other communities.
4. Asset base does not develop but costs rise.
5. Rates ceiling means that income must come from debt or external assistance.
6. No growth strategies (e.g. image, community or urban developments; joint investment ventures) removes/stifles attraction and retention of residents or commercial investment.

WDC recognised that the long run financial impact of this strategy option was not sustainable; however the 2006-16 LTCCP did not make it clear how WDC would respond to that circumstance over the 10 year life of that LTP.

Council's 2006-16 LTCCP received an overall qualified opinion from the auditor because the auditor assessed that the plan was not financially viable and hence did not meet the requirements of Sec 101 of the LGA 2002. The Auditor noted that Council's proposals in the LTP had the effect of substantially increasing debt and debt servicing costs to levels that were not in the best interests of the community and were not sustainable.

Council is aware that the above audit qualification will be fresh in the minds of the community, particularly those who engaged in the 2006-16 LTCCP process, and that the community will be expecting these issues to be addressed. Although there is still a forecast increase in debt this 2009-19 LTP demonstrates the significant progress already made on these issues and the measures to be taken moving forward.

4. Community Consultation

The preparation of this 2009-19 LTP has been drawn from an extended process of engagement with the community, commencing with identification of the community's outcomes and priorities ahead of the 2006-16 LTCCP. While the 2006 outcomes have been retained in this 2009-19 LTP, feedback received from the community through consultation on various strategies and policies developed through the 2007/08 and 2008/09 annual planning processes, plus feedback from annual community satisfaction surveys, has suggested that the community's priorities have shifted away from those inherent in the 2006-16 LTCCP.

The key themes documented and supported by the community during the engagement processes mentioned above, have been a focus on the sustainability of the Waitomo District Council as an organisation, investment in essential services, affordability and better financial management. Council has closely considered the voice of the community and used these themes in conjunction with an eye to sustainable development of the District, to guide the development of this 2009-19 LTP.



1.3 Council's Strategy

Given the strategic considerations faced by the Council as mentioned earlier, Council's focus and strategy for this 2009-19 LTP has been Financial Sustainability. For the first three years of this 2009-19 LTP Council has considered this aspect to be its most significant objective. Council has consciously and decisively planned to move away from a pathway of investment and burgeoning indebtedness beyond the means of the District community, towards a position of financial sustainability.

There is no quick-fix or glamour in this process of consolidation and re-engineering of Council's financial strategies. Instead, this 2009-19 LTP offers a carefully considered balance of policies and programmes, developed from well informed and robust decision making processes, that it believes will ensure the most effective Council contribution towards our community well-being.

This 2009-19 LTP represents a continuation of the strategies Council has articulated and been working to over the past three years. In its 2007/08 Annual Plan (being the second year of the 2006-16 LTCCP), Council signalled that a period of consolidation was needed in order to move to a position of prudent financial management and financial sustainability. It also signalled that this shift would entail a long run policy, with the journey continued through 2008/09 and into this 2009-19 LTP.

To encapsulate Council's intent for this 2009-19 LTP, drawn from public consultation processes over the past 2 years, Council has decided on a set of principles to guide the development of this 2009-19 LTP. They are:

1. Consolidation and prudent financial management:

The mid term focus will be on the provision of essential services and infrastructure as they relate to public health and community well-being. Focusing on core business as it relates to the four well-beings, coupled with sound financial management will lead to Council's goal of financial sustainability over time. Public debt levels will be guided by Council's Liability Management Policy. Debt is considered a valid funding tool for dealing with issues of intergenerational equity. Debt should and will be used to fund investment in essential infrastructure.



2. Affordability:

Community expectations and needs will be balanced with ability to pay considerations. Wherever possible, Council will source Central Government assistance for the upgrade of essential services, particularly as they relate to public health outcomes. Rates income will, as a minimum, increase in line with inflation on an annual basis. Affordability will be measured by Council's judgment about the community's needs and ability to pay, into the future.

3. Community Well-being:

Activities will be prioritised based on extracting value for money in those areas that provide maximum return on investment in terms of gains to the social, cultural, economic and environmental well-being of the Waitomo District community. Council will continue to build on those initiatives/actions proven to give affect to community outcomes and well-being. Strategies and initiatives mandated by the 2006-16 LTCCP which are adding value and giving effect to community outcomes will not be foregone in the development of the 2009-19 LTP.

1.4 At a glance

In planning for the future of Waitomo District and encapsulating it in this 2009-19 LTP, Council has had to face numerous challenges in the form of the global economic crisis and its resultant impact on the incomes of residents and ratepayers, a significant reduction in investment income to Council which has traditionally been used to offset rates income used to fund the operations of many of the significant activities undertaken by Council, and the burgeoning debt problem that led to Council's 2006-16 LTCCP being deemed financially unsustainable by the Auditors.

In this 2009-19 LTP, Council has tried to manage the competing goals of affordability and sustainable management of its assets and delivery of its services in the most prudent manner and such that the social, economic, environmental and cultural well-beings of the Waitomo District communities are best served.

The highlights of the strategies and work programmes in this 2009-19 LTP are summarised below:

1. Strategic Measures

(Prudent Financial Management Principle)

Council intends to implement a number of strategic measures towards achieving financial sustainability including:

- Reviewing and amending Council's Revenue and Financing Policy to reassign a more equitable incidence and mix of funding as and when required.
A number of amendments were introduced through the 2008/09 Annual Plan process. This 2009-19 LTP adds a small number of new amendments targeting the UAGC, trade waste funding, and solid waste management.
- Reducing public debt by substituting rates funding for debt funding of Council's road maintenance activity. This will progressively reduce the demands of debt servicing costs on Council's rating income.
This strategy is now in its 2nd year of substituting rates (in the order of \$1 million per year) for debt funding of the road maintenance activity. It is intended that the strategy will be required for at least another two years before a sustainable financial position can be reached.
- Continuing to use debt finance as a valid funding tool, but limiting its use to dealing with issues of intergenerational equity associated with funding investment in essential infrastructure.
Typically, debt finance is used to fund major capital expenditure on

upgrading Council's water and wastewater infrastructure. The beneficiaries of this type of work extend well beyond the current generation of ratepayers, with debt finance providing an equitable mechanism for distributing the burden of costs across current and future users of these services.

- Reducing the use of investment revenue as a substitute for rating income and instead using part of it to retire public debt. This strategy will have the flow on effect of redirecting rating income as interest costs will decrease.
- Reducing rates subsidy of trade waste charges by progressively increasing trade waste charges from 60% to 100% of actual costs over the first four years of the LTP.
- Increase Water by Meter Charges for extraordinary users of Council's water supply in Te Kuiti to align it with increases faced by other water users in the community. These charges are proposed to go up to \$1.19 per cubic metre from the current level of \$0.99 per cubic metre.

2. Changes to Levels of Service

(Affordability Principle)

Given the financial background against which Council is operating, especially the forecast reduction in its investment income, Council has had little option but to choose a conservative approach in terms of its work programmes. As mentioned in Council's Strategic Measures section, Council intends to take some immediate steps to mitigate the impact of the reduction in investment income. Council has decided to reduce temporarily or permanently current levels of service for some activities to reduce expenditure. These changes are summarised in the following table:



1.4 At a glance

Significant Activity:	Comments:
Community Facilities	Te Kuiti Pool season reduced from 12 months of the year to 7 months of the year.
	Deferral of operational projects, change in service delivery mechanisms, slight LoS reductions, increase in user fees and charges.
Community Development	Deferral of formal establishment of Regional Tourism capacity pending the outcome of possible re-establishment of Waikato Regional Tourism Organisation.
	Reduced funding for the year 2009/10 to Waitomo Discovery Centre and Sport Waikato and reduced Council's involvement in local community events.

3. Community Well-being

While Council's focus has been on prudent financial management, it is not just about realigning Council's financial policies. This 2009-19 LTP has been designed to continue the focus on consolidation ahead of new developments or improved levels of service, while ensuring that minimum levels of service for its essential infrastructure are maintained. It has meant that some of the programmes we would have preferred to introduce, such as improving some of our Community Facilities and developing our infrastructure in areas experiencing growth, have had to be deferred.



Some key projects in the different Significant Activity areas that Council intends to undertake are listed below:

- A strategic review of service levels for Council's Rooding Network.
- Investigation of extension of the Benneydale wastewater scheme to areas not currently reticulated. The estimated capital cost of this, based on a preliminary concept design, is approximately \$2.2 million. Approval in principle for Ministry of Health (MoH) subsidy has been obtained.
- Allowance has been made for the addition of filtration and ultraviolet disinfection, or land based disposal, in 2010/11 for Benneydale sewage treatment plant, at an estimated cost of \$220,000, to achieve a higher standard of discharge quality.
- A wastewater scheme concept and design for Mokau-Awakino is to be investigated towards the end of the planning period.
- For Te Kuiti Sewerage Reticulation, a long term infiltration and inflow investigation and reduction programme is to be initiated. The estimated cost of the required renewals for the Te Kuiti scheme over the next 10 years is \$835,000, on top of the investigation and rehabilitation work.
- The second stage of a wastewater treatment plant upgrade for Te Kuiti to address current non-compliance issues, including a stormwater inflow bypass and storage/treatment pond and conversion of the treatment zones to an anaerobic pond, is scheduled for completion at an estimated cost of \$7.4 million including design and consent costs.
- Acquiring additional land and extending the land disposal area is planned for the Te Waitere wastewater scheme.
- For Te Waitere wastewater, renewals totalling \$52,000 over the next 10 years have been programmed, commencing with replacement of the rising main over the first two years, followed by the gravity lines over the remainder of the planning period.
- The Te Kuiti water treatment plant requires upgrading particularly in light of the 2005 Drinking Water Standards and the Health (Drinking Water) Amendment Act 2007 which came into force on 1 July 2008. Planning for investigation and design of the upgrade is scheduled for 2009/10 with implementation due in the following year.

1.4 At a glance

- Additional water storage for the Te Kuiti scheme is required in order to meet peak summer demands, particularly in the central supply zone which includes the CBD and Te Kuiti Hospital, with current storage capacity only 4 – 6 hours during peak periods. A proposal to increase storage at Blackman’s Reservoir, thereby avoiding the need for four separate pumping stations, is under consideration for implementation in 2017/18. Estimated budget is in the order of \$1.5 million.
- A strategy for the future ownership and development of the water and wastewater infrastructure at Waitomo Village is to be developed in conjunction with the current owners of these assets.

4. Key Changes in Strategic Direction from the 2006-16 LTCCP

While the Community Outcomes used in this 2009-19 LTP have been drawn from the 2006-16 LTCCP, Council’s strategic response to these outcomes has shifted from an emphasis on economic well-being to a focus on the sustainability of the Waitomo District Council as an organisation, investment in essential services where there is a risk to public health and safety, affordability and improved financial management.

At an activity level, this shift has presented in the following ways:

- In the 2006-16 LTCCP, the emphasis was on upgrading water and sewerage services at approximately equivalent levels of investment. It included substantial investment in upgrading water and wastewater services at Waitomo Village, where the infrastructure remains privately owned, and the introduction of a new scheme at Awakino. Investment in new bulk water storage for Te Kuiti was also planned.

This 2009-19 LTP maintains a high level of investment in these significant activities as essential services, with emphasis on upgrading sewerage disposal systems in line with consent expiry dates and higher environmental expectations. Apart from Piopio, where a new scheme was signalled in 2006, and a preliminary scheme assessment for Mokau-Awakino in 2018/19, there are no new sewerage schemes planned in this 2009-19 LTP. Assuming responsibility for and allocating ratepayer funds towards upgrading water and wastewater services at Waitomo has nominally been deferred to 2012/13, pending the outcome of discussions between Council and the private owners of the Village

infrastructure. Increased water storage at Te Kuiti has been substituted by plans to improve utilisation of current storage through upgrading the existing trunk main feed lines.

- Waste management services in the 2006-16 LTCCP focused on collection and disposal. Apart from a kerbside recycling collection system in targeted areas, very little funding was provided in the form of waste reduction or diversion.

This 2009-19 LTP builds from the recently adopted Solid Waste Management and Minimisation Plan which includes replacement and expansion of the existing waste transfer stations with fenced and supervised facilities including upgraded recycling stations, plus the introduction of fees and charges at the point of use of kerbside collection and transfer station services. In addition, the daily management of the Waitomo District Landfill has been transferred back to Council following surrender of the Landfill Management Deed from Inframax Construction Limited.

A summary of the recently adopted Solid Waste Management and Minimisation Plan can be found in the appendices of this LTP.

- The emphasis in 2006 was to progressively upgrade Council’s roading network working outwards from the main arterials and collector routes. It included an annual programme of seal extensions.

In this 2009-19 LTP, the emphasis is on maintaining Council’s roads and bridges. There is no provision for seal extension.

- The method of funding road maintenance expenditure has changed from debt finance in 2006 towards rates funding in this 2009-19 LTP.
- The 2006-16 LTCCP included allowance for upgrading the Te Kuiti airport, totalling \$866,000 over two years.

This 2009-19 LTP retains a level of involvement in community facilities, development, regulatory and leadership functions similar to that apparent in 2006. However, upgrading the Te Kuiti airport is not included in this 2009-19 LTP.

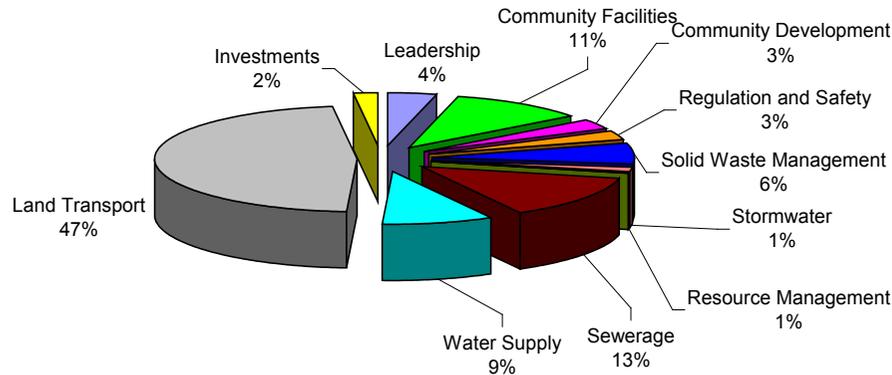


1.4 At a glance

5. What it will Cost

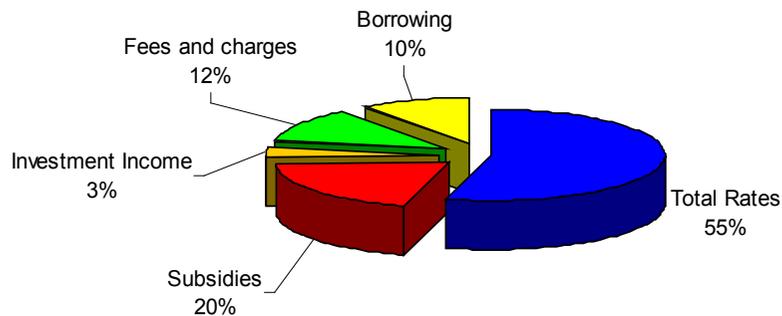
The graph shows what percentage of Council's total expenditure is spent on each of its 11 significant activities over the life of the LTP. As seen in the graph, the major area of expenditure remains WDC's essential infrastructure, namely roading and water services.

Detail of the key projects included in this 2009-19 LTP is provided under the Group of Activities section of the Plan.



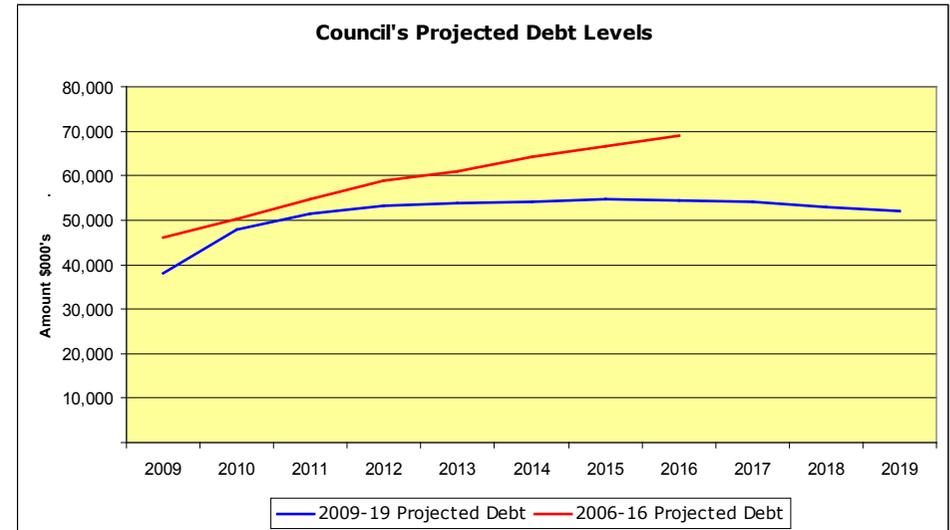
6. How it will be paid for

The graph shows what percentage of the total income is obtained from the different sources available to Council, over the life of the LTP.



7. Projected Debt Levels

The graph shows Council's debt profile over the 10 years of the 2009-19 Long Term Plan. It also shows the debt levels projected in the 2006-16 LTCCP. As depicted, Council plans to reduce its public debt over the life of the 2009-19 LTP by a significant amount from what was projected in the 2006-16 LTCCP.



1.4 At a glance

8. Amendments to Revenue and Financing Policy

During the past year, Council undertook a review of the effectiveness of its amended Revenue and Financing Policy that took effect on 1 July 2008. As a result of this review, changes to the policy have been made for the Solid Waste Management, Land Transport and Sewerage significant activities to reflect first hand experience in the application of and feedback on the Policy.

The proposed changes are summarised below:

1. Solid Waste Management

Significant Activity	Activity	Current Policy and Method of Funding					Proposed Policy and Method of Funding				
		National Benefit	District Benefit	Community Benefit	Commercial Benefit	User Benefit	National Benefit	District Benefit	Community Benefit	Commercial Benefit	User Benefit
Solid Waste Management	Kerbside refuse collection		10% UAGC	90% TUAC	-	-		-	55% TUAC	-	45% fees and charges
	Kerbside recycling		10% UAGC	90% TUAC	-	-		-	100% TUAC	-	-
	Landfill and transfer stations		95% TUAC (District Wide)	-	-	5% fees and charges		55% TUAC	-	-	45% fees and charges
	Waste minimisation		50% GR 50% UAGC	-	-	-		50% GR 50% UAGC	-	-	-

Note:

CV = Capital value
 TUAC = Targeted uniform annual charge
 UAGC = Uniform annual general charge
 GR = General rate



1.4 At a glance

2. Roading adjustment rate

A change is proposed to the method of funding the Land Transport activity. It involves the introduction of a special levy called the "Roading Special Levy". This Special Levy is not additional funding for Roading, it just separates the 'funding adjustment' or rate funding required to correct the past practice of funding routine operational expenditure by way of loans, from the Targeted Roading Rate so that it is clearly identifiable by the ratepayers. This is in keeping with the Transparency principle that Council has followed in its Revenue and Financing Policy. The special levy will be in the form of a separately identified, District wide, targeted rate based on capital value.

3. Trade Waste Charges

A new fees and charges regime for Trade Waste has been applied to larger industries in Te Kuiti. Council plans to implement this change in a phased manner over four years noting that the increase is substantial. Recognising the contribution made by these industries to the social and economic well-being of the District, Council intends to continue with the contribution to be made by Te Kuiti Ratepayers towards Trade Waste charges. Council also recognises that in principal, total cost should be recovered from users, and will introduce an incremental increase of 10% per year starting in 2009/10. There will be a corresponding reduction in the community benefit portion of the funding of sewerage services.

4. Uniform Annual General Charge

One of the basis for UAGC in the currently the Revenue and Financing Policy is that –

Where a rating unit contains both a commercial operation and residential accommodation, two separately used parts of a rating unit are identified and will attract two sets of UAGC.

A change has been made to this aspect as follows -

When any rating unit contains both a commercial operation and a residential use where the commercial operation is a small business and:

- 1) That small business is used in conjunction with the residential use; and
- 2) The small business is owned and operated by the same person who resides in the dwelling contained in the rating unit; and
- 3) That small business is operated on a sole charge basis by the resident

owner identified in the Rating Information Database for that rating unit then;

The small business use and the residential use be considered to be one use for the purposes of assessing any UAGC levied under Section 15(b) of the LGRA 2002.

9. *New Plans and Policy*

Solid Waste (Asset) Management and Minimisation Plan (SWaMMP)

The 2009-19 LTP contains a summary of Council's recently adopted SWaMMP. This plans sets out Council's responsibilities under the Waste Minimisation Act 2008 for preparing and implementing a Waste Management and Minimisation Plan, and overseeing and promoting effective and efficient waste management and minimisation in its District, having regard to the New Zealand Waste Strategy (NZWS).

The SWaMMP sets out Council's plans and programmes for the following methods for managing waste (in order of importance):

- Reduction
- Reuse
- Recycling
- Recovery
- Treatment
- Disposal

The SWaMMP provides for retention of the existing kerbside collection of bagged reuse and recyclables in existing areas, extension, upgrade and supervision of the network of waste transfer stations including provision of recycling facilities, and introduction of user charges for the refuse bag collection and transfer station services.

A summary of the recently adopted Solid Waste Management and Minimisation Plan can be found in the appendices of the 2009-19 LTP.

Assessment of Water and Sanitary Services

Council has carried out an assessment of the water and sanitary services in the Waitomo District as required under Part 7 of the Local Government

1.4 At a glance

Act 2002. The assessments cover water supply, sewerage, stormwater, public toilets and cemeteries.

The assessments identify the extent to which the above services are available within the communities making up the District, the quality and adequacy of the public toilets, cemeteries, water supplies, risks relating to public health, an estimate of future demand for these services, options for meeting future demands and the role of Council in providing these options.

A Summary of the Assessments is included in the Appendices of the 2009-19 LTP for public information and comment as part of the consultation processes associated with this plan.

10. Schedule of Fees and Charges, and Charges under the Resource Management Act 1991

Section 36 of the Resource Management Act 1991 (RMA) provides for Council to fix charges for the various functions they are required to undertake under the RMA using the special consultative procedure.

Council's Fees and Charges for RMA functions are set at a level to recover the actual and reasonable costs incurred by Council in carrying out each of the various functions. Those functions where it is not apparent at the outset what the true costs may be, a deposit consisting of a minimum fee is set and the balance of costs is recovered after the application has been processed.

Functions in this category are annotated accordingly in the following schedule of fees:

TYPE OF CHARGE: RESOURCE MANAGEMENT Act 1991	CURRENT CHARGE \$	CHARGE FROM 1 JULY 2009 \$
Notified Resource Consent Applications. <i>Full cost recovery, deposit and minimum fee:</i>	500.00	500.00
Non-notified Resource Consent Applications. <i>Full cost recovery, deposit and minimum fee:</i>	200.00	200.00
Designations and Notice for Requirements. <i>Full cost recovery, deposit and minimum fee:</i>	500.00	500.00
Heritage Orders. <i>Full cost recovery, deposit and minimum fee:</i>	200.00	200.00
Applications for Change to District Plan. <i>Full cost recovery, deposit and minimum fee:</i>	1350.00	1350.00
Subdivision applications (non-notified).	500.00	600.00
Extensions in relation to Resource Consent.	200.00	200.00
Applications for minor amendments or extensions in relation to designations.	200.00	200.00
Processing applications to extend an existing use.	200.00	200.00
Processing applications for Compliance Certificate.	200.00	200.00
Copies of District Plan (each).	112.50	112.50
Resource Consent – Compliance inspections (each).	100.00	125.00

No refund is payable on any fee shown in the above schedule.

1.5 Community Engagement in Decision Making Process

1.5.1 Community Consultation

The preparation of this 2009-19 LTP has been drawn from an extended process of engagement with the community commencing with identification of the community's outcomes and priorities ahead of the 2006 LTCCP. While the 2006 outcomes have been retained in this LTP, feedback received from the community through consultation on various strategies and policies developed through the 2007/08 and 2008/09 annual planning process, plus feedback from annual community satisfaction surveys, has suggested that the community's priorities have shifted away from those inherent in the 2006-16 LTCCP, which were mainly focused on economic development issues.

The most recent customer satisfaction survey, completed in June 2008, followed by a levels of service survey, provided useful feedback to inform Council's planning, both at a strategic (directional) and operational (levels of service) level. Residents were asked their opinion about what Council's focus in the future should be. The themes that emerged were – affordability ("keep rates low") better financial management ("staying within budget" and "not being wasteful with resources"), improve basic infrastructure ("focus on roading, water, waste water"). A substantial majority (85%) of residents agreed that looking after existing services was as important as attracting people to the District.

Most recently, Council has consulted the community on its draft Brook Park Management Plan, the Assessment of Water and Sanitary Services and its draft Solid Waste (Asset) Management and Minimisation Plan. The feedback received has been factored into Council's decisions regarding the allocation of resources to achieve appropriate levels of service for and distribution of waste management services, noting the need for an overall period of consolidation as referred to in the Introduction.

The key themes documented and supported by the community during the 2007/08 and 2008/09 draft Annual Plan consultation processes, reinforced by the community satisfaction survey undertaken in April last year, were a focus on the sustainability of the Waitomo District Council as an organisation, investment in essential services where there is a risk to public health and safety, affordability and better financial management. These themes have been used to shape the guiding principles for the development of the LTP.



At an operational level, community engagement via newsletters, media articles, user surveys and a web site provides the community with access to and contact with Council policy development, event planning and general information regarding services and activities. Council also operates a computerised customer services module which provides a means of recording, monitoring and reporting on issues attracting high public interest. It also provides a tool for developing levels of service and monitoring Council's performance against them.

A further formal round of public consultation on this 2009-19 LTP, including consultation with Iwi, was carried out in accordance with the special consultative procedures detailed in the Local Government Act 2002. In addition to informing and inviting the community to make its views known to Council through the formal submission and hearing process, Council "road-showed" the LTP at a series of venues around the District where direct engagement with the community on the policy rationale behind the LTP's contents was provided for those who wished to avail themselves of that opportunity.

1.5 Community Engagement in Decision Making Process

1.5.2 Development of Maori Capacity to Contribute to Council Decision Making

Linked with Council's processes for community engagement is the encouragement of Maori to participate in Council's decision making.

The Local Government Act 2002 includes a specific requirement for Council to set out the steps it intends to take which might foster Maori capacity to contribute to the decision making processes of Council.

During identification of the community outcomes in 2006, Council aligned the community outcomes it developed with those developed by Ngati Maniapoto.

Since then, the Mayor and Chief Executive meet on a regular basis with the Maniapoto Maori Trust Board to discuss issues of mutual interest including future planning proposals. In addition, Council officers consult with Iwi and Hapu representatives on a case by case basis to discuss specific proposals which may involve a significant decision in relation to land or a body of water. The Te Kuiti Wastewater Treatment Plant Joint Working Party is a current example of the latter. This enables Council to communicate at both an Iwi and Hapu level with Maori to obtain input on the relationship of Maori and their culture and traditions with their ancestral land, water, sites, Waahi Tapu, valued flora and fauna, and other Taonga.

The following steps will be taken to assist Maori contribution to Council's future decision making processes:

- The full range of Iwi/Hapu groups affected by a proposal will be recognised and an understanding developed of the relationship between them.
- Processes for consultation will be negotiated and agreed on a case by case basis.
- All costs that might need to be paid to the Iwi/Hapu, beyond basic consultation, are to be identified at the outset.
- Adequate time will be allowed for consultation, recognising that Hapu do not meet frequently and enough time needs to be allowed to respond to Council's requests for input.

- Opportunities for oral submissions or discussion will be provided on Marae or at places most convenient to both parties.
- All discussions and consideration of feedback/submissions will be carried out with an open mind.



1.6 About Waitomo District

The District

Waitomo District encompasses 354,649 hectares of predominantly rural land on the west coast of the Central North Island. The western boundary is the Tasman Sea. It is adjacent to the Otorohanga District to the north, Taupo District to the east and Ruapehu and New Plymouth Districts to the south.

Te Kuiti is the administrative and main trading centre in the District, with approximately 45% of the District population residing in this town. There are several other smaller settlements located throughout the District, including the popular beach settlements of Mokau, Awakino, Marokopa, Te Waitere and Taharoa. The main rural communities are Benneydale, Piopio and Waitomo Village.

While the District is predominantly contained within the Waikato Region, the south-eastern corner of the District is within the Manawatu-Wanganui (Horizons) Regional Council's jurisdiction.

The District enjoys a favourable climate with an annual average of 1,750 hours of sunshine. The average temperature ranges between 18.5°C in the summer to 9.5°C in the winter. Frosts are experienced 47 days per year on average, with 1,473mm of rainfall annually.

The People

The usual resident population for the District was 9,441 for the 2006 census. This was only 15 less than the 2001 census population and 291 less than for the 1996 census, illustrating that the District is experiencing a slower population decline than other rural Districts in New Zealand. The population ranks 61st out of the 73 Districts in New Zealand.

The Maori population for the 2006 Census was 38.4% whereas for the whole of New Zealand it was 17.4%.

The age distribution of people in the District is slightly larger than for New Zealand in the age group 16-65 and slightly lower in the age groups 65 and over and younger than 15.

By 2031, the District is expected to have the 3rd highest percentage of people under the age of 15 years (22%) out of all 73 territorial local authorities. The national median percentage, at that point in time, is expected to be about 17%.



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Census boundaries from Statistics NZ.

1.6 About Waitomo District

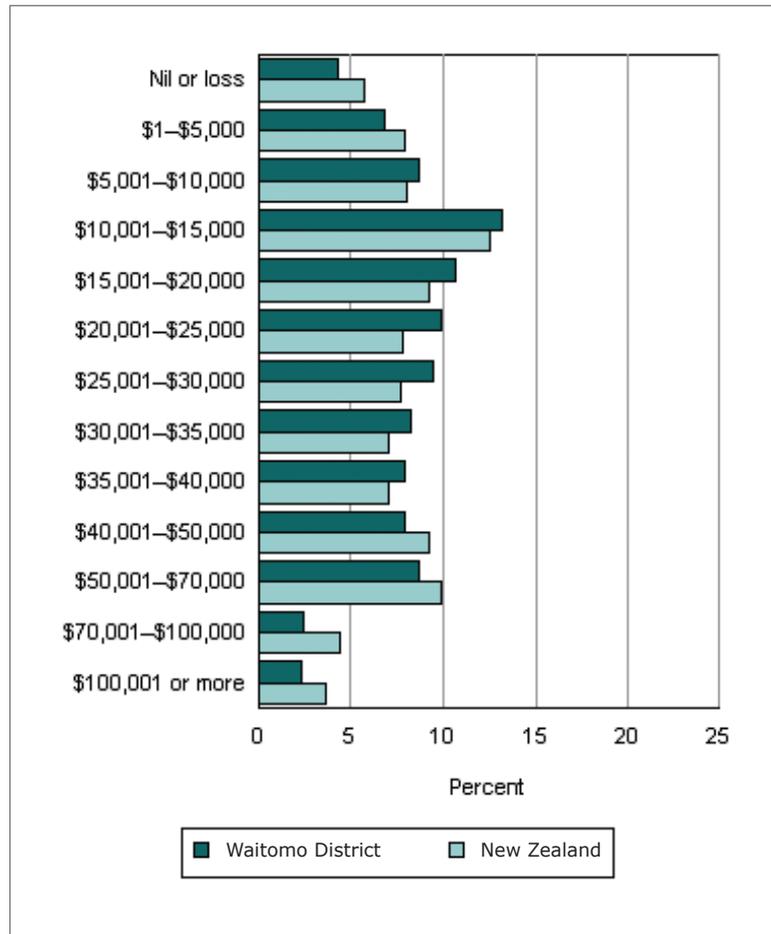


Diagram: Income for People Aged 15 Years and Over - Waitomo District and New Zealand, 2006 Census.

The median age is projected to increase from 35 years to 40 years by 2031, the 12th youngest of all Districts at that point in time.

The median income of \$23,400 is slightly below the rest of NZ. The income bracket distribution is shown above.

The Environment

The landscape varies from inland forested areas overlaying limestone and papa deposits to coastal marine areas. The main rivers are the Mokau, Awakino and Marokopa, each having high recreational and fishery values. Additionally, Te Kuiti straddles the banks of the Mangaokewa Stream with Benneydale built alongside the Mangapehi Stream. The limestone caves at Waitomo Village are fed by the waters from the Waitomo Stream.

The District is characterised by extensive areas of hill country, some of it steep, particularly the Herangi Range to the west.

The Economy

The District has a strong agricultural base and also contains agricultural industry such as meat freezing works. Dairy farming is increasing in the District and is replacing some pastoral uses.

- Some 206,000 hectares of land in the District is being utilised for agricultural or horticultural purposes. This represents approximately 58% of the total land in the District.
- Approximately 113,000 hectares of the District is covered in indigenous vegetation. Indigenous forests are mainly located on the west coast within the Whareorino Forest and the north-western highlands in areas such as the Tawarau Forest.

The District supports a wide variety of visitor attractions. The attractions can be divided into four distinct and largely autonomous physical characteristics which provide different levels of use, types of recreation and tourism opportunity. All four are based on important natural features of the District.

These types are:

- **The Coast:** The District includes about 80 kilometres of coastline stretching from Kawhia Harbour in the north to the Mokau River in the south. The attractions of this coastal environment are its sense of remoteness dominated by high energy wave action and coastal cliffs. Black, magnetite sands dominate the coast providing a contrast to the white sands of the east coast. The main types of coastal recreation are presently camping, fishing, surfing, diving and picnicking/day trips.
- **Highland Forests:** The Waitomo District has some of the most extensive tracts of forested area in the Waikato Region. Two large western

1.6 About Waitomo District

forests of significance to the tourist industry are the Whareorino and the Tawarau Forests. Whareorino Forest which is located 30 kilometres west of Waitomo Village, occupies a large area of land (15,903 hectares) which covers a complete altitudinal sequence of indigenous vegetation from close to sea level to the crest of the Herangi Range.

To the east, part of the massive Pureora Forest lies within the Waitomo District. The Pureora Forest, partially developed for tourist purposes, is generally well provided with access roads and tracks and contains magnificent stands of bush and associated wild life. There are also examples of exposed, partially buried, trees remnant of the Taupo eruption.

- **Tawarau Forest** located in proximity to Waitomo Village contains significant karst and cave features within the forest. It contains numerous "clean" caves as a result of the intact indigenous forest cover and includes what is probably the largest continuous tract of virgin forest remaining on karst topography in the North Island. The forest is in both private and public ownership and contains excellent examples of the dense rimu/miro forest type which once occurred throughout the region.

Within the forest there is a wide variety of fauna. There is an elevated viewing platform at Pureora. Of particular interest are the kokako predominantly at Mapara and Pureora, and the kaka. In other areas there are giant wetas, native bats and other species, but access is restricted to special interest groups.

- **Karst, including Caves:** Most of the tourism industry in Waitomo District has developed because of the karst landforms and cave formations of the area. In the Waitomo District the caves, in particular the glow-worm caves, of which Waitomo glow-worm cave is the most internationally and nationally known tourist cave. There are numerous other significant cave systems in the Waitomo area as well as other karst features of natural, scientific, educational and recreational interest including cliffs, natural tunnels and bridges, and fossil sites. In addition to the above areas of tourism there are also undeveloped wild caves, and various conventional forms of tourism development associated with the natural features.

The District, which brands Te Kuiti as the sheep shearing capital of the world, hosts a variety of recreational opportunities, from sea and trout fishing to the Great



New Zealand Muster. Hunting, tramping and mountain biking are all popular activities ideally suited to the Districts natural environment.

Mining also forms an integral part of the District economy as represented by extensive quarrying operations and mineral extraction from the black sand in the north western part of the District. Abundant quantities of roading aggregate, limestone and coal deposits are also available across the District.

An emerging pattern of land use development comprising residential subdivision is occurring at Council's beach communities and in the form of rural lifestyle properties around the elevated perimeter of Te Kuiti.

Council Services

Roading, water supply and wastewater services are the key infrastructural assets owned and managed by Council. The roading network comprises substantial lengths of state highway and local roads providing access to each of the many rural settlements sprinkled throughout the District.

Reticulated water supplies are provided at Te Kuiti, Benneydale, Piopio and Mokau, along with a privately owned supply available at Waitomo Village.

Reticulated wastewater services are also available at Te Kuiti, Benneydale and Te Waitere, with a new scheme soon to be installed at Piopio. A privately owned and operated wastewater scheme also exists at Waitomo Village.

Additional community services include a public swimming pool, library, airport at Te Kuiti, pensioner housing, a visitor information centre, numerous parks and reserves, motor camps, a culture and arts centre, public toilets and a district landfill.

1.7 Changes from the Draft 2009-19 LTP as a result of the Consultation Process and other information

Public Consultation

Council's third Long Term Plan covering the period 2009 to 2019 was presented in draft form to the Community for consultation in May 2009. The consultation period ran from Friday, 1 May 2009 to Tuesday, 2 June 2009. Inputs from the community were sought during this time on the proposals made in the draft 2009-19 Long Term Plan (draft LTP).

During this period four Consultation Forums and two special issue briefings were held within the district as follows:

Date	Venue
11 May 2009	Piopio
13 May 2009	Mokau
14 May 2009	Te Kuiti
18 May 2009	Waitomo Village
19 May 2009	Te Tokanganui-a-Noho Marae
21 May 2009	Te Waitere

The Forums held at Piopio, Mokau, Te Kuiti and the Te Tokanganui-a-Noho Marae focused on the draft LTP while those held at Te Waitere and Waitomo Village were 'issue-specific' forums aimed at communicating specific proposals for those two communities in the context of the draft LTP.

Information outlining the key issues under consultation in the draft LTP was provided by way of a range of communication adverts published in the Waitomo News both before and during the consultation period to increase community awareness and encourage participation.

Submissions

A total of 114 submissions were received for the draft LTP. Five of the submissions received had multiple signatories which if counted separately would amount to a total of 265 submissions. This is a huge increase when compared with the 29 submissions received for the 2006-16 LTP and 31 submissions received for the 2008-09 Exceptions Annual Plan. 27 submitters wished to be heard in support of their submission.

Submitters made a variety of comments and provided numerous inputs through their submissions. About 80% of the submitters responded to some or all of the six specific proposals mentioned in the "At a Glance" section of the draft LTP.

'Late Breaking Issue'

Background

Inframax Construction Limited (ICL) is a Council Controlled Organisation (CCO) wholly owned by Council. Although, it is wholly owned by Council, ICL is an independent legal entity with its own Board of Directors and management structure and bound by the legal obligations of the Companies Act. Part 5 and Schedule 8 of the Local Government Act 2002 provides for the method in which the two separate legal entities, Waitomo District Council (WDC) and ICL can identify and agree the proposed (forecast) activities and intentions of ICL as a Council Controlled Organisation (CCO). This method provides for the development of a Statement of Corporate Intent which is agreed to between the company and the shareholder. Council uses this tool available to it to establish and monitor the performance of its investment in ICL on behalf of the community. In the past, Council's investment in ICL has been beneficial with the investment returning yearly dividends to Council to the tune of \$1 million annually. But given the performance of the company over the last two financial years, Council decided to take a very conservative approach in its draft LTP and forecast a reduction in investment income. Given this reduction in forecast income, development of the draft LTP was an extremely challenging exercise. Council very carefully considered and navigated through the issue to minimize the impact on the residents and ratepayers of



1.7 Changes from the Draft 2009-19 LTP as a result of the Consultation Process and other information

the District. One of the most prominent short term measures proposed by Council was reduction in service levels for some activity areas. By and large the District community agreed with most of Council's proposals to reduce service levels which was indicated through the submissions on the draft LTP.

During the time that Council was consulting with the community on its draft LTP, further information was provided to Council (as 100% Shareholder in ICL) by the ICL Board of Directors that demonstrated that ICL was not going to meet the 2008/09 performance criteria established by the current Statement of Corporate Intent and that action was required to strengthen the Company's financial structure.

A range of options for the strengthening of ICL's Financial Structure were provided for Council's consideration as shareholder. In essence the message was that ICL required an increase in paid up capital of between \$2 - \$3 million and that in the medium term future profits were required to be reinvested in to the Company rather than be paid to the Shareholder as a return on investment (dividend).

Implications for Waitomo District Council

Council, has very carefully considered its options in relation to its investment in ICL and has determined the most prudent line to take is to provide the required capital to strengthen the financial structure of ICL. This will have a positive bearing on the balance sheet of the company and will help Council safeguard the investment on behalf of the community. In reaching its decision, Council has evaluated ICL's revised strategic direction and planned actions in support of that direction and has a degree of comfort that the steps proposed by the Board of Directors are appropriate given the current and forecast economic climate. Council does acknowledge that there is some inherent risk in adopting the position that it has and intends to continue to manage for that risk.

Implications for the Long Term Plan

At a high level the impact of this 'late breaking issue' on Council's draft LTP has been at three levels - increase in public debt forecasts, a reduction in the forecast Investment Income over the first 3 years of the LTP, and an impairment of the value of Council's Investment in ICL. In keeping with the Affordability Principle that Council adopted to guide the development of the 2009-19 LTP, Council has sought to minimise the impact of this further reduction in Investment Income on the community. It has done this by providing in this LTP -

- (i) further expenditure reductions in the medium term

- (ii) increases in revenue from other sources where possible, mainly fees and charges.

Further reduction in expenditure is a double edged sword for Council as it inherently results in a reduction in projects and work programmes that may hinder progress on enhancing the social and cultural well-being of the communities in the District. Council accepts it is a hard-lined approach but one that is unavoidable given the financial circumstances. Council has decided to stay the course with its strategy of focussing on essential services and especially those that if tampered with can have an impact on public health (E.g. Investment in water and wastewater). Secondly, increasing fees and charges will place additional burden on the users but has been considered equitable by Council under the circumstances and is in keeping with Council's Revenue and Financing Policy as it relates to the 'user-pays' principle. Despite the increases, fees are still within the range of those charged by other neighbouring authorities.

The only other option available to Council was to increase rates revenue in order to make up for this further reduction in Investment Income, but as stated before, affordability for the ratepayers has been the prime consideration in Council's decision and further increases in rate revenue are considered unsustainable at this point in time.

The main changes to the draft LTP as a result are:

- 1) An impairment of the value of Council's Investment in ICL of approximately \$10 million as at 30 June 2009, with the value of the investment increasing by a further \$2 Million in the 2009/10 Financial Year as a result of the planned for increase in paid up capital described above.
- 2) Additional Loan funding in Year 1 of the LTP of \$2 million to strengthen the financial structure of ICL.
- 3) Reduced forecast for Investment Income for the first three years of the LTP to reflect the need for ICL to invest future profits back in to the company in the medium term.
- 4) Reduction in direct expenditure for Community Services - this however, has not had impact on service levels agreed with the community in any material way. The reductions have been in small

1.7 Changes from the Draft 2009-19 LTP as a result of the Consultation Process and other information

ways to a range of different programmes and plans. It has been a case of 'many drops filling an ocean' and as such service levels have not been materially impacted.

- 5) Reduction in organisational capacity - Council has also responded by reducing organisational capacity where possible. Again, the impact of reduced organisational capacity can have adverse long term implications for the District in terms of delay in delivering its work programmes. In making this decision Council is conscious that there will be little room for 'new business' over and above the planned for work programme and as a result certain initiatives will be delayed in terms of implementation. A good example of this is the implementation of the Community Development Strategy adopted by Council during the current financial year.
- 6) Change in Council strategy around the utilisation of Investment Income - Council's proposed strategy in the draft LTP was to use part of the surplus investment income to offset rates and utilise the remaining to retire public debt. Given the further reduction in its forecast Investment Income and the need for Council to increase its own indebtedness to provide further capital to ICL it has been decided to plan on the basis that all future surplus Investment Income will be utilised to accelerate the retirement of public debt.

Changes resulting from the Consultation Process

As a result of the feedback received from the community during the consultation process and from the submissions made, the following changes have been made to the draft LTP:

- 1) Funding for Sport Waikato will be restored to approximately 50% of that provided in the 2008/09 financial year. The draft LTP proposed no funding for Sport Waikato in year one of the LTP. Council, in response to Sport Waikato and other submitters will provide \$32,500 towards the provision of the Sport Waikato service for the 2009/10 financial year. Sport Waikato have stated in their submission that they will provide the remaining funding required for year one of the LTP. Historical funding levels are planned to resume from year two onwards.
- 2) Council has decided to provide \$5,000 funding for Waitomo Caves Discovery Centre for year one of the LTP. The draft LTP proposed no funding for the Waitomo Caves Discovery Centre other than that required for the provision of certain services such as the Public Toilets and Refuse Collection. Council decided in response to submissions that it would support the role of the Waitomo Discovery Centre in preserving community heritage via its museum function.
- 3) Change in some Key Performance Indicators for the Community Development activity to reflect the reduced capacity and likely deferred implementation of the Community Development Strategy.
- 4) Changes in the Rates Remission Policy to extend the policy to not for profit organizations involved in delivering emergency services.

