

## KEY ISSUES

A number of changes have been made compared to the budgets and proposals outlined in the Draft Annual Plan. These changes have been made as a result of consideration of submissions made by the public, and further information being available.

As a result, the Council has needed to revise the Annual Plan budgets. The Council has been working hard to make rates more affordable for the District; however, in light of some submissions, there has been a need to include projects back in to the budget. This means that there will be an increase in the average rates rise from that in the Draft Annual Plan. The average rates increase for the 2011/12 year is now 7.95%.

**Average rates increase  
of 7.95%**

### KEY ISSUES FOR 2011/12

#### Severe Weather Events

*During 2010/11 the Whakatane District has experienced a high level of severe weather events. These have impacted across the district and have led to damage to infrastructure and housing. Severe weather events are becoming more regular in Whakatane, and last year the Council resolved to build a roading storm damage fund to help pay for these severe weather events. While the Council has been putting money into this contingency fund for the last two years, because of the weather events and the associated damage experienced over that time, the fund has not had an opportunity to accumulate. As a result, the cost of repairing the damage from the January 2011 flood events is now required to be paid through the rates for 2011/12.*



#### What is Planned

The Council undertook most of the repair work required as a result of the January storm events during the 2010/11 year, to take advantage of increased funding opportunities from New Zealand Transport Agency (NZTA). However, the Council's portion of these costs will impact on the rates for 2011/12 and beyond. The Council is still working to finalise the cost of repair works, but work to date suggest at least \$2.42m of costs that will need to be funded by the Council. This will result in an increase in the rate requirement of 0.78%, taking the average rate increase for 2011/12 up from 7.17% to 7.95%.

#### Roading Maintenance Reduction

*In an attempt to reduce the rate requirement for 2011/12 from the 11.22 % indicated through the LTCCP, the Council has reviewed its roading maintenance programme. Transport is the largest budget area and the Council maintains a very high number of assets in this area. The need to reduce the maintenance budget in the Transport Activity has been increased by the damage to the roading infrastructure as a result of the January 2011 floods.*



#### What is Planned

The Council has reduced its roading maintenance budget for the 2011/12 year by \$1.50m. This has reduced the operational expenditure for Transport Networks down from \$16.63m to \$15.13m. The reductions are across a number of areas including pavement and lighting renewals, with the largest reduction coming from road reseals. The impact of these cuts for a one year period will not result in a reduced level of service for the community. However, the Council will be looking at the long term maintenance programme through the development of the LTP 2012-22 to ensure the sustainable management of the Council's roading assets.

## KEY PROJECTS FOR 2011/12

### Long Term Plan 2012-22

*Every three years the Council is required to produce a Long Term Plan (formerly Long Term Council Community Plan). The Council last produced an LTCCP for the period 2009-19 and it must produce a new LTP for the period 2012-22. An LTP sets out the Council's priorities for the next ten years and how the Council will work towards addressing major issues facing the District.*

*Recent government changes have led to the Local Government Act (LGA) 2002 Amendment Act 2010. This amendment has meant that there are some changes to the content and processes required for an LTP and for an amendment to an LTP. In developing the LTP 2012-22, a number of the changes as a result of the LGA Amendment Act will be incorporated.*

### What is Planned

During the 2011/12 year a programme of projects will make up a work plan to develop an LTP. Due to the nature of the LTP, this is a whole of Council programme, and therefore the budget for the development of the LTP spans across many activities of the Council. The budget for the development of the LTP is \$402,000 for 2011/12. The three major budget implications are associated with:

- Finance cost, in particular the increased costs for an LTP Audit, and the review of the Council's funding and financial policies associated with the LTP.
- Strategic Policy costs, including LTP programme management, administration, consultation and production costs.
- Asset Management, including a review of the Councils' Asset Management Plans to ensure the integrity of the information used to plan for the following ten years.

The community will have an opportunity to comment on the content of the LTP. This will be your opportunity to have your say on the projects and operations of the Council for the next ten years and impact on the major issues facing our District. The LTP 2012-22 will be adopted by the Council before 1 July 2012.

### Tsunami Warning System

*The Council is involved in a regional civil defence project to develop a tsunami warning system across the Bay of Plenty. This project will identify all the different options available to warn the community of a tsunami threat.*

### What is Planned

The Council is planning to instigate a Tsunami Warning System which will effectively alert the community to the threat of a tsunami. While investigations are still ongoing, the system is planned to be cost effective, appropriate for our environment and will probably involve more than one alert mechanism.

The investigations will also include the development of a community awareness programme.

### Whakatane/Ohope Stormwater Catchment Investigation

*The Council is planning a new project as a result of floods during 2010. The aim of the Stormwater Catchment Investigation and Implementation Project (SCIIP) for Whakatane and Ohope Urban catchments is to successfully develop, implement and maintain an agreed "whole of catchment" solution to manage the stormwater catchments in Ohope and Whakatane to mitigate the effects of flooding on people, property and infrastructure. The project is a joint initiative between Whakatane District Council (WDC) and Bay of Plenty Regional Council (BOPRC).*



### What is Planned

A project is being established to bring together landowners and key organisations to develop a long term plan, which will result in the implementation of physical works and management plans to manage the flood erosion risk in Ohope and Whakatane. Options investigation will commence in 2011/12. This involves identifying options, preparing rough order cost estimates and cost benefit analysis to mitigate the flood hazard in urban Whakatane and Ohope.

### Wastewater System - Edgcumbe

*The Edgcumbe wastewater system suffered damages during the 1987 earthquake and earthquake swarms in 2008. Although the wastewater system is operating reasonably well during the dry periods, the system is under severe stress during the wet periods as a result of high inflow and infiltration and of system inadequacies.*

*The Council has implemented a number of investigations and studies (CCTV inspections, smoke testing, network modelling etc.) in 2008 and 2009 to identify the defects and the deficits in the system. Following these investigations and studies, the Council prepared a comprehensive capital works programme to address the wastewater issues in Edgcumbe. This investment programme was included in the Council's LTCCP and scheduled to be implemented over a number of years. The two major types of projects in the LTCCP were reticulation repairs and upgrades (\$2.00m over six years) and pump station upgrades (\$1.20m over five years). Following more detailed investigations \$1.21m has been brought forward to complete more urgent works in 2010/11 and 2011/12*

### What is Planned

In the LTCCP in 2011/12 two projects were identified to address overflow issues. They are reticulation repairs and upgrades (\$480,000) and pump station upgrade (\$114,000). Since the wastewater overflows are causing high health risk to the community, the Council has decided to bring forward the reticulation repairs and upgrade projects, and to complete the identified works in the 2011/12 financial year. Therefore, the scope of the original reticulation repairs and upgrade project scheduled for 2011/12 has been changed and the amended project will be implemented at an initial estimated cost of \$1.06m in 2011/12.



### Matata Wastewater Reticulation

*The Council is proposing to provide wastewater reticulation for Matata residents. This is a long standing project that has been on hold for several years pending central government funding. The Council has now received confirmation of funding from Ministry of Health to the value of \$6.72m. The project involves piping wastewater from Matata to Edgcumbe.*

### What is planned

The Council has received confirmation of funding for the Matata Wastewater Reticulation project which is 85% of the total cost of the project. The Council will be looking at how to fund the remaining 15% cost of the project. The Council will consult with the community regarding funding options. Following this consultation the Council will decide whether to continue with the project and if agreed the design will be finalised and works commenced.

## COUNCIL POLICY CHANGES

### Council Decides Not to Proceed with the Sale of Pensioner Housing

*The Council has resolved not to proceed with the sale of pensioner housing. A decision to sell the pensioner housing units, subject to some strict criteria being met, was made by Council as part of the development of the 2009-19 LTCCP. This decision followed a comprehensive review of Council services that extended to all aspects of Council operations as well as governance and included a detailed analysis of funding options.*

*The criteria around the sale of pensioner housing units were put in place to protect the welfare of current and future tenants.*

*It was estimated that the sale of the pensioner housing units would realise in excess of \$3.5m (May 2010 estimate) providing benefits for the wider community by retiring debt over a ten year period.*

*As a result of the Local Government Act 2002 Amendment Act 2010, the Council is no longer required to undertake an amendment to its LTCCP as a result of the decision not to proceed with the sale of pensioner housing. However it is signalled as a Key Issues in this chapter to ensure the community is informed about the decision and its impacts.*

#### What is Planned

The Council is planning to retain ownership of its pensioner housing units. The Council believes that divestment of the pensioner housing portfolio was not in the best interests of the tenants of the pensioner units. The Council recognised that there is a community desire to continue to own and operate the pensioner units as demonstrated by the number of submissions to the LTCCP.

The consequence of not selling the pensioner housing is that the Council will be forced to fund debts (which were to be paid off through the sale) in other ways. This will impact across a number of activities, including increased costs associated with the ongoing operational costs of the pensioner houses. With a decision not to proceed with the sale of pensioner housing, the total impact of not retiring debt as intended, will result in an increased rate requirement of 12.06% over a ten year period above what was planned in the LTCCP 2009-19, and an 2.9% increase to the rate requirement for 2011/12.

### Rating on the basis of Separately Used and Inhabited Parts of a rating unit (SUIPs)

*Through the Annual Plan 2010/11 the Council proposed a staggered implementation of a SUIPs rating system. This included the implementation of SUIPs for commercial properties in the 2010/11 rating year, with residential and rural properties being included in the 2011/12 rating year.*

#### What is Planned

Through the development of the Draft Annual Plan 2011/12, the Council resolved not to introduce rural and residential SUIPs as part of its rating mechanism for 2011/12. The Council intends to undertake a full review of Council's rating systems through the development of the Council's LTP 2012-22.

The reason for this decision was to reflect a desire to reduce the complexity of the Council's rating system, in acknowledgement that introducing SUIPs would be costly to administer and in response to the large number of submissions received to the Draft Annual Plan 2010/11 against rural and residential SUIPs.

The Council resolved that SUIPs for commercial properties will continue in 2011/12, pending a full rating review, consistent with the LTCCP Amendment made through the Annual Plan 2010/11. However the Council notes that the decision to not introduce SUIPs for rural and residential properties is inconsistent with the intention signalled in the LTCCP 2009-19 and the decision made through the Annual Plan 2010/11 to "in principle implement rural and residential SUIPs".



## **Application of Revenue and Financing Policy for Building Inspection and Resource Consents**

*The Revenue and Financing Policy in the LTCCP 2009-19 requires that 80% of the costs of the Building Inspection activity and 90% of the costs of the Resource Management Consents activity, be recovered through income from applications and other direct sources. These activities have not been meeting the targets, principally as a result of a reduced number of applications to the process, and are contributing to budget deficits.*

### **What is Planned**

The Council has recognised that there are a number of costs within the Building Inspection and Resource Management Consents activities that are of public rather than private benefit. These costs include objections and appeals, customer services, complaints monitoring, project costs and government initiatives (such as amendments to legislation).

The costs of these items will now not be recovered to the same level through private good funding tools and will be funded by general rates.

Resource consents will now be funded 50% public benefit, 50% private benefit. The building activity will be funded 75% private benefit, 25% public benefit.

The Council notes that this change is a variation to the funding split contained within the Council's Revenue and Financing Policy. The Council has indicated that it does not wish to change the Revenue and Financing Policy to reflect the identified changes in public benefit of these activities at this point in time. The Council has made a decision that is inconsistent with the Revenue and Financing Policy and will look to review the Policy through development of the LTP 2012-22.

***Resource consents will be funded 50% public benefit, 50% private benefit.***

***The building activity will be funded 75% private benefit, 25% public benefit.***

## **CENTRAL GOVERNMENT CHANGES THAT IMPACT ON THE ANNUAL PLAN**

### **Legislative Reform**

*Central Government is in the process of reviewing several key pieces of legislation and policies at the time of developing this Annual Plan. Depending on the outcome of these reviews, this will impact on the operation, focus and costs of local government services and activities to varying degrees.*

### **What is Planned**

The Council will continue to monitor the progress of legislative reviews and respond as more information is known. The most significant impacts likely to affect the Council's operation during 2011/12 are as follows:

- Changes to the Local Government Act 2002: the Council is no longer required to carry out processes for the identification and monitoring of Community Outcomes in their current form (see Community Outcomes section for more detail). These changes have also changed the requirement for the Council to make an amendment to the LTCCP as highlighted under pensioner housing.
- Changes to the Resource Management Act 1991: These changes allow for the partial refund of resource consent fees, where the Council is responsible for not meeting statutory timeframes.
- Changes are being proposed by the National Rural Fire Authority to enlarge rural fire Districts.
- As a result of a change in Government and changing priorities for the New Zealand Transport Agency (NZTA) some local transportation projects that were likely to receive subsidy funding from NZTA are no longer eligible. In particular, projects in the areas of walking, cycling and road safety.

## KEY BUDGET CHANGES

### RATES AFFORDABILITY

*The Council needs to operate and maintain assets and deliver services at a satisfactory level. The LTCCP indicated that the Council, as a small-medium sized territorial authority, is grappling with the costs of delivering services and ensuring the maintenance of our infrastructure.*

*At the same time the Council is conscious of the cost implications on the community in terms of rating, particularly given the current economic climate, and has been working towards reducing the level of rates increase.*

#### What is Planned

The LTCCP proposed an average rates increase of 11.22% for the 2011/12 year. Through development of this Annual Plan the Council reviewed the operating and capital costs compared to that planned in the LTCCP. This resulted in a reduction of the average rates increase to 7.95%.

The decisions made to accommodate this reduction considered the risks to established and proposed levels of service. It was noted that there will be a slowing down in the work programme, in some areas, in the 2011/12 year as a result of the revised funding framework.

In the Annual Plan 2010/11, the Council resolved to undertake a 5-year programme to identify all of the earthquake-prone buildings within the District, including Council owned buildings. Through this Annual Plan, the Council has removed the funding of this programme for 2011/12 to reduce the average rates increase.

The Council has also had to consider the financial implications of:

- The new solid waste operating environment,
- The decision not to proceed with the sale of pensioner housing and,
- The clean up and reinstatement works following the August 2010 and January 2011 floods. (See "Severe Weather Events" earlier in this chapter)

The Council utilises a number of mechanisms to fund rates. One of these is charging a Uniform Annual General Charge (UAGC), where by a fixed dollar figure is applied to all properties. The Council has set this figure at \$200 for this Annual Plan. This is lower than previous years, which has the effect of reducing the rating burden on low value properties and increasing the burden on high value properties.

**Average rates increase for  
2011/12 is down from  
11.22% to 7.95%**

### Funding The Deficit From 2008/09

*During the 2008/09 financial year the Council's final operating result was a net operational deficit of \$10.89m compared to a budgeted operating surplus of \$8.87m. A number of factors contributed to the \$19.76m variation and these are detailed in the Annual Report 2008/09. Major contributing factors included:*

- *Revaluation downwards of some of Council's land assets.*
- *Increase in depreciation related to revaluations and the closure of Burma Road Landfill.*
- *Reduced income received from grants and subsidies.*
- *Reduced income received from development contributions and fees and charges for building and resource consent activities as a result of the slow down in the building sector.*
- *Operating expenditure over budget resulting from legal fees, aquatic centre consultancy, refuse collection contracts, audit costs and ACC levies.*

*The majority of the deficit is related to factors that do not affect cashflow, in particular depreciation and revaluations. However, the Council had to address funding the operating deficit of \$1.95m.*

### What is Planned

The Council made a decision to fund the deficit over a three year period. In taking this approach, the Council recognised that repaying the deficit in one year would increase the rates by a further 6.02% and this was considered to be too high a rating burden.

Funding the deficit over three years has meant an operating deficit of \$671,000 from the 2008/09 year is required to be repaid in the 2011/12 year. This contributed 2.09% of the rating increase for 2011/12.

### Use of Debt

*The Council uses debt as a mechanism to fund certain projects, as a method of fairly spreading costs over the generations that will benefit. During the development of the LTCCP, the Council used short term debt to fund renewal funding for assets where a renewal fund had not been accumulated over previous generations.*

*The Council also planned to utilise proceeds from the sale of assets to reduce debt. Similarly the Council used short term debt to spread the cost of some projects over multiple years, where the benefit of the project could be seen to be of benefit across generations of ratepayers (e.g. the District Plan). The Council has a Treasury Policy to measure and monitor its level of debt, and currently sits well inside the borrowing limits of the policy.*

### What is Planned

As a result of Council decisions not to proceed with the sale of some assets, the Council will not be in a position to retire debt. This will have the impact of ongoing loan repayments for debt that had been budgeted to be repaid. These increased costs are reflected in a number of activities in this Annual Plan.

## ONGOING PROJECTS UPDATES FOR 2011/12

These projects are generally in-progress, multiyear projects. The information provided here is designed to update you on these projects.

### Library and Exhibition Centre

*Through the development of the LTCCP early in 2009 the Council approved one of its most significant capital projects for many years. The project recognised that a long term solution is required to remedy the critical situation in the library and museum in terms of the space shortages, environmental controls and appropriate facilities. In the 2009/10 year the Council purchased a property in the Esplanade Mall (former Briscoes building) in Whakatane for the development of an improved library and exhibition space. The Council appointed Irving Smith Jack Architects Ltd to develop their concept plans. In June 2011, the Contract for the construction of the LEC was award to Gartshore Construction.*

### What is Planned

Construction on the Library and Exhibition Centre (LEC) will begin in July 2011 with an expected opening date in March 2012. This project will result in a retrofit of the former Briscoes building into a purpose built Library and Exhibition Centre. The building will accommodate a library approximately twice the size of the current library and an exhibition space that will host local exhibitions of a permanent nature along with local and national temporary exhibitions.

Alongside the development of a new library and exhibition space, the existing Museum and Gallery building in Boon Street will be refitted as a research, storage and archive facility. The Research, Storage and Archive project (RSA) is expected to begin after the Library and Exhibition Centre is completed and will see the development of an archive facility that holds all of the Council's archives in temperature controlled facilities compliant with the Public Records Act 2005.

The current library space situated within the Civic Centre building will also undergo a refit and be converted into office space. This project will commence once the LEC has been completed.



## District Plan Review

The Council has been undertaking a review of its District Plan since July 2009. The 2011/12 year is the third year of the project. A District Plan controls the way we use and develop land in the District. It covers areas such as where to house a growing population, where certain activities should take place and what land can be developed and subdivided.

Some of the main issues being considered through the District Plan Review are indigenous biodiversity, rural subdivisions and planning for growth.



## What is proposed

A Proposed District Plan will be drafted and is due to be notified early in the 2011/12 financial year. This will involve a period of consultation with the community, seeking submissions to the Proposed District Plan, then a period of hearings, decisions and appeals.

## New Landfill Construction

The closure of the Burma Road Landfill in December 2009 ended a 40 year solid waste regime for the District which had an extremely low operating cost. Following the closure, all residual waste is being transported to a landfill out of the District into the Waikato. This new operating environment means our solid waste disposal costs have significantly increased. To minimise the cost of waste disposal in the short

term, the Council is undertaking a number of initiatives to reduce the amount of residual waste. This has included the development of a Waste Management and Minimisation Plan and the creation of a Waste Advisory Group. The Council is also progressing a longer term solution to a new landfill.

## What is proposed

Where possible the Council is introducing mitigation measures to reduce the full impact of the increased solid waste disposal costs. In the 2011/12 year the Council is proposing to develop further strategies including a comprehensive public education campaign. The Council is working to sort waste into recyclable, reprocessible, greenwaste or residual waste at the Te Tahī Street Transfer Station to maximise the amount of waste being recycled and/or reprocessed. This reduces the disposal costs by decreasing the volume of waste that needs to be transported and disposed of outside the District.

The Council is continuing to investigate the longer-term solution of developing a new landfill in the District. During 2011/12 the Council will undertake to obtain resource consent for a new landfill. The LTCCP included the construction of a new landfill in the District in 2013/14 at a total cost of around \$11m. The Council is in negotiations with other territorial authorities and key stakeholder agencies to provide contributions towards this project to create a new landfill.