

KEY ISSUES

The following pages summarise what the Council consider to be the most important issues for the 2010/11 year. This chapter also provides an update on the major projects that will be progressed during 2010/11.

THE COUNCIL IS PROPOSING A NUMBER OF POLICY CHANGES

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

Many of the Council's costs are driven by individual users rather than by properties. Defining multiple users of services on one rateable property and rating them for the services they use, allows for a fairer apportionment of the costs. This change is consistent with the Council's funding philosophy.

What is Proposed

The Council is proposing to progressively implement a rating system on the basis of Separately Used and Inhabited Parts of a rating unit (SUIPs) over a two year period from 2010/11 to 2011/12.

What this means is that multiple users of services on one rateable property would be identified - such as a commercial building on a single title with three shop leases, or a residential property with two dwellings. These properties would attract additional rating charges for the extra services they use. Under this proposal there will be no increase in rating income for the Council - instead we are changing the way it is collected and who we collect it from. The proposal would have the effect of reducing the proportion of rates required from those with a single SUIP.

The proposal is to apply SUIPs to commercial properties in the 2010/11 rating year, with residential and rural properties included in the 2011/12 rating year. Commercial/residential and rural properties would be charged the UAGC and roading UAC, and commercial properties would also attract the promotion and development rate in the SUIP calculation.

Alongside the proposal to implement a rating system based on SUIPs, the Council is proposing to include a new rates remission policy in the LTCCP to ensure that the new rating system is not unfairly burdening ratepayers. This policy will not be applied until the 2011/12 year following the implementation of a SUIPs based rating system for residential and rural properties.

To implement this proposal will require amendments to the financial policies in the LTCCP. More information about this proposal can be found in the LTCCP amendments chapter of this Draft Annual Plan.

Liability Management Policy

The Council's Liability Management Policy outlines limits for the maturity period of all loans and committed facilities. Section 2(d) of the Policy indicates that between 20% to 60% of all loans and committed facilities should mature within a period of 0-3 years. While the policy specifies that the Council's debt maturity schedule may operate outside these limits, it must be by Council approval. Under these circumstances the Council has consistently breached the Policy limits for almost two years in order to take advantage of favourable short term borrowing facilities.

What is Proposed

The Council is proposing to make changes to maturity limits for loans and committed facilities within the Council's Liability Management Policy. Changes to the Liability Management Policy would allow the Council the flexibility to take greater advantage of short term borrowing facilities. While this carries more risk, there are potential gains to be made in terms of savings in interest costs.

The proposal is to amend the loan and committed facilities maturity limits – increasing the limits for the debt maturity period of 0-3 years from 20%-60% to 20%-80%. This means that at any point in time 20%-80% of Council's borrowings should mature within 0-3 years.

To implement this proposal will require amendments to the financial policies in the LTCCP. More information about this proposal can be found in the LTCCP amendments chapter of this Draft Annual Plan.

Earthquake Prone Buildings Policy

The Council has statutory responsibilities under the Building Act 2004 to identify and manage earthquake prone buildings within the District. An initial evaluation procedure undertaken during 2009/10 identified a high proportion of buildings that are potentially earthquake prone or an earthquake risk.

What is Proposed

The Council is proposing to bring forward a review of the Council's Earthquake-prone, Dangerous and Insanitary Building Policy to the current financial year. The intention of reviewing the policy is to extend the timeframes for dealing with buildings that have been identified as being earthquake-prone.

The first stage of the programme of identifying buildings that are potentially earthquake prone was completed in 2009. It indicated through a sample survey of

100 buildings that there are a significant number of commercial and industrial buildings at risk in the District. The Council is proposing to escalate the programme, particularly in the Whakatane CBD as this will provide important information to support the implementation of the Town Vision Plan and landowners or lessees redevelopment plans.

The proposal to bring forward the programme will require increased funding over five years. This includes \$73,150 during the 2010/11 year to be funded in part from the Harbour Endowment Fund (\$43,550) and \$115,000 general rate funded during each consecutive year.

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

The Revenue and Financing Policy in the LTCCP 2009-19 specifies an 80% 'private good' from the Building Inspection activity and 90% from the Resource Consent activity. However these activities have not been meeting these targets and are contributing to year end and budget deficits. The Council has recognised the effect of these percentages and is proposing not to recover costs at the same level through private good funding tools and fund the balance through general rates.

What is Proposed

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 cost items include objections and appeals, customer services, complaints monitoring, project costs and government initiatives. The proposal is that the costs of these items will not be recovered to the same level through private good funding tools and will be funded by general rates. The Council notes that this proposal 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 reason for this is that the Council has decided that there are components of these activities that cannot be funded through fees and charges. As such the Council has made a decision that is inconsistent with the Revenue and Financing Policy policy and will look to review the Policy through development of the 2012-22 LTCCP.

CENTRAL GOVERNMENT CHANGES THAT IMPACT ON THE DRAFT ANNUAL PLAN

Legislative Reform

Central Government is in the process of reviewing several pieces of key legislation at the time of developing this draft Annual Plan. This may lead to the review or reform of legislation that will impact on the operation and focus of local government. The Acts which are currently being reviewed are: the Local Government Act 2002, Resource Management Act 1991, Building Act 2004, Forest and Rural Fires Act 1977, Food Act 1981, Sale of Liquor Act 1989 and ACC legislation.

What is Proposed

A number of the review processes are at an early stage and there is too much uncertainty around the outcome to make changes to Council's services or the budgets for those services. The Council will continue to monitor the progress of legislative reviews and respond as more information is known.

Where amendments to legislation have been finalised or a clear indication has been provided on the outcome of those reviews, the Council has adjusted its processes and budgets in accordance with those changes. The most significant impacts likely to affect the Council's operation during 2010/11 are as follows:

- Changes to the Local Government Act 2002 indicating a shift in the role of the Community Outcomes. As part of these changes it is expected that the Council will no longer be required to carry out processes for the identification and monitoring of Community Outcomes.
- Changes to the Resource Management Act 1991, allowing for the partial refund of resource consent fees, where the Council is responsible for not meeting statutory timeframes. There has been no change to the budget to accommodate this change.
- Changes to ACC levies have been made as part of its annual levy setting process. New levies, including changes to work levy rates that provide cover for work-related personal injuries, will apply from 1 April 2010. Central Government is also in the process of reforming ACC legislation which is likely to impact on budgets for the 2010. These changes have added \$100,146 to the draft budget.
- Changes are being proposed by the National Rural Fire Authority to enlarge rural fire districts. The purpose is to achieve efficiencies through pooling of resources. Replacement of the

Whakatane rural fire appliance, at a cost of \$120,000, has been deferred pending the outcome of this proposal.

Water Related Projects & MoH Funding

The Council intends to undertake a number of projects during the 2010/11 year that rely on substantial subsidies from the Ministry of Health (MoH) Drinking Water Assistance Program (DWAP) and the Sanitary Works Subsidy Scheme (SWSS) both of which are currently being reviewed.

What is Proposed

The Council intends to undertake a number of projects in the 2010/11 year within the Water and Wastewater activities that are reliant on substantial subsidies from the Ministry of Health (MoH). If these subsidies are reduced or withdrawn and the Council cannot access them, a number of these projects will not be able to be undertaken in 2010/11 and alternative solutions will need to be investigated. At risk water supply projects include:

- Increasing the water storage capacity and extending the pipe network to reach more homes in Ruatoki.
- Replacement of water connections and installation of meters in Edgecumbe and Matata.
- Replacement and upgrade of pipes to provide greater capacity in Edgecumbe and Te Teko.

At risk wastewater projects include:

- Upgrade of the Edgecumbe pump stations and repair, replacement or reline pipes depending on their condition
- Developing a complete new waste water system in Matata including pipes, pumps and a water treatment plant.

Transportation Projects and NZTA Funding

As a result of a change in Government and changing priorities for the New Zealand Land Transport Agency (NZTA) many local transportation projects that would have received subsidy funding from NZTA the are no longer eligible. In particular, projects in the areas of walking, cycling and road safety will be affected.

What is Proposed

The Council's transportation projects in the areas of walking, cycling and road safety were planned in the LTCCP on the basis of receiving substantial subsidies from NZTA. With a reduced number of projects being eligible for subsidies the Council has needed to reassess its programme for the 2010/11 year.

For walking and cycling facilities this has meant that a number of projects that were intended to be undertaken during the 2010/11 year. will need to be reassessed and will not progress during the year. This includes approximately \$1.05m worth of projects including pedestrian facilities in Matata and other rural areas, as well as cycle facilities in Gorge Road and other Whakatane urban areas.

The Council's work programme for road safety is being adjusted to align with the priorities of the new Government and in particular with regard to the recently reviewed Road Safety Strategy to 2020. These adjustments will look to align with the goals of the Road Safety Strategy in order to access subsidy funding from NZTA.

BUDGET CHANGES

Rates Affordability

The Council needs to operate and maintain assets at a satisfactory level while also meeting legislative demands and community expectations of affordability. The LTCCP proposed an average rates increase of 11.9% for the 2010/11 year.

What is Proposed

The LTCCP indicated that the Council, as a small-medium sized territorial authority, is grappling with the costs of delivering services and addressing poor 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.

To achieve this, the Council has reduced the proposed operating and capital costs included in the LTCCP. This has impacted across many activities. Some of the key changes include:

- \$2.3m of reductions to the capital works budget for transport projects as detailed below under "Reduced Transportation Programme"
- \$260,000 reduction in operating costs from across the organisation.
- \$626,000 of reductions by reducing staffing costs, principally by not proceeding with a number of new positions to support improving levels of service.
- \$98,000 of reductions to maintenance and repairs in the Water Activity as a result of pressure management projects reducing future maintenance requirements.
- \$120,000 of reductions by deferring the replacement of the rural fire truck.

These changes to the budgets will result in a slow down in the intended work programme for the 2010/11 year. The Council has made these decisions alongside consideration of the risks to the level of service delivery.

The Council also has increased the Uniform Annual General Charge (UAGC) from \$200 to \$275 with a corresponding reduction in the general rate. This offsets the impact of the rates increase between types of properties.

Reduced Transportation Programme

As a result of the need to balance rates affordability against the costs of service delivery for 2010/11 the Council has reduced the work programme in the area of Transportation Networks and Safety. Changes in this area have, in part, been driven by recent reviews of the subsidy schemes provided by the New Zealand Transport Agency (NZTA) which provide funding for local transportation network and road safety projects.

What is Proposed

With the need to consider rates affordability, the Council is proposing to substantially reduce the budget for Transportation Networks and Safety, compared to the LTCCP. This particularly affects capital improvements to the road network. The total cost of capital projects in the 2010/11 year is now proposed to be \$6.95m compared to the original budget of \$9.25m in the LTCCP (figures inclusive of NZTA subsidy). Projects not included in the budget include:

- Pedestrian facilities in Matata and other rural areas.
- Cycle facilities in Gorge Road and other urban areas.
- Seal extensions.
- Road reconstructions including Landing Road, Wainui Road and Thornton Road.
- Road and pavement rehabilitations including Awaiti North Road, Thornton Road and Taneatua Road.
- Pyne Street Carpark resurfacing.
- Tarawera River Western Access Project.
- Undergrounding of powerlines

While the budget for capital projects has been reduced, the Council intends to retain the operational budget at the level set in the LTCCP. The Council see the continued operation and maintenance of the road network as a key priority. At a cost of \$11.2m (inclusive of NZTA subsidy), this work is required to preserve the existing network, and to protect the key routes and networks from the impact of traffic demand.

Sale of Properties and Reserves

As indicated in the LTCCP, one of the Council's key strategies to address the funding requirements for the Council has been to review its property portfolio to identify those that are no longer required.

Through the LTCCP process the Council considered and consulted on a number of properties for possible sale. The LTCCP also included a project to identify any further potential properties for sale and consultation on these would be included alongside the Draft Annual Plan 2010/11.

Throughout this process the Council has been careful to ensure that appropriate reserves are held to meet the community's current and future needs.

What is Proposed

A number of reserves and properties (or portions of these) have been identified as possibly surplus to requirements and therefore suitable for divestment. These are additional to those identified in the LTCCP. A list of these properties is included below for consultation:

- 127 Tahuna Road, Te Teko
- 298A Tahuna Road, Te Teko
- 59 Huia Road, Te Teko
- 19A Matai Street, Edgecumbe
- 26 Otakiri Road, Edgecumbe
- 2 Thornton Beach Road, Thornton
- 155A Thornton Beach Road, Thornton
- 31 Wilson Street, Matata
- 7 Amokura Road, Taneatua
- 37 Reid Road, Taneatua
- 16 Koromiko Street, Murupara
- 39 Waiewe Street, Whakatane
- 93 Valley Road, Whakatane
- 71 Riverside Drive, Whakatane
- 126 Awatapu Drive, Whakatane
- 189 James Street, Whakatane
- 63 Riverside Drive, Whakatane
- 2814 SH 30, Onepu

Some of these properties are reserves and any proposal to divest reserve assets will be completed in accordance with the Local Government Act 2002 and Reserves Act 1977 as appropriate.

Recommendations on those properties listed in the LTCCP for possible sale will be made to Council in April 2010.

IN OTHER AREAS THE COUNCIL IS PROPOSING TO INCREASE ITS FUNDING

Funding for Storm Damaged Roothing

The Council does not budget for a contingency sum each year to cover the cost to roading infrastructure of storm damage and other emergency events. The cost of storm damage to date in 2009/10 is around \$1.27m with Council's share at around \$679,000. These costs have been treated as unbudgeted expenditure.

What is Proposed

Based on costs incurred in past years, the Council intends to put aside \$275,000 per annum, which together with a contribution from the New Zealand Transport Agency (NZTA) provides \$500,000 as an annual contingency fund. This money would only be used for reinstatement works following Council and NZTA approval. If the contingency fund, or a portion thereof, is not spent in any one year, the Council's portion will roll over into the next year to build up the fund to a maximum amount of \$1.0m. This would provide funding for those years when emergency works costs may be greater than the annual contingency sum.

Funding for Weather-Tightness Claims

The Council has current outstanding claims lodged with the weather-tightness homes resolution service. Claims lodged from 1 July 2009 are no longer covered by insurance.

What is Proposed

Last year the Council established a fund to provide for future weathertightness claims. In the 2010/11 year the Council proposes to increase the current budgetary provision of \$100,000 per annum to \$150,000 per annum to meet the Council's ongoing costs associated with defending or settling weather-tightness claims. Any unused money will be held in a reserve account.

Funding Last Year's Deficit

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 Councils 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, roading maintenance, audit costs and ACC levies.

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

What is Proposed

In order to fund the deficit the Council is proposing to apply accumulated funds from a number of reserves as well as meeting a portion of the cost through additional rates charges. The Council's proposal is 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 contributed 2.27% of the proposed rating increase for 2010/11.

UPDATE ON MAJOR PROJECTS

This section provides an update on projects that have already been approved and will be continuing in the next year.

New Library and Exhibition Space

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.

Progress to date

The Council has purchased a property in the Esplanade Mall (former Briscoes building) in Whakatane for the development of an improved library and exhibition space. The project will need to attract additional funds from grants, trusts and Central Government. Dependent on funding, this project is scheduled to commence building in the 2010/11 financial year.

Alongside the development of a new library and exhibition space the existing Museum and Gallery building in Boon Street will be refitted as a collections storage, archives and research facility. This will address some long-standing issues with this building, including, creating a stable environment for collections and providing space and appropriate facilities to enable public access to the research archive.

The Council has appointed Irving Smith Jack Architects Ltd to develop their concept plans for the Library and Exhibition Facility, along with the refurbishment of the current Museum into an Archive, Storage and Research Facility. The Council made the decision at its meeting on 24 February 2010 following an extensive independent review of the three concept plans plus community feedback on the proposals.

Solid Waste Management

Following the closure of the Burma Road landfill in December 2009, residual waste is being transported to a landfill out of the District. In the short term the costs of transporting waste will be minimised by the proposal to build a composting plant, and the Council is progressing a longer term solution of constructing a new landfill.

What is Proposed

The construction of an organic waste composting plant is planned to proceed early in the 2010/11 year at a cost of \$1.68m. This project will provide environmental benefits to Whakatane and reduce the cost of transporting waste by diverting this for compost. The composting plant is expected to reduce the residual waste stream by 8,000 tonnes per year and produce compost for sale. Alongside the construction of a composting plant, the Council will undertake a public education campaign about the benefits of diverting waste for composting.

During 2010/11 the Council will also undertake geo-technical and other investigations to support a resource consent process for a new landfill. The cost budgeted for the resource consent process is \$1.00m. The LTCCP included the construction of a new landfill in the district in 2013/14 at a total cost of around \$11m (including resource consent costs). It is expected that further contributions towards this project will come from other councils and key stakeholder agencies.

District Plan Review

The Whakatane District does not yet have a fully operative District Plan. This results in assessing consent applications against a number of different plan provisions, increasing the complexity, uncertainty and cost of the application process.

Progress to date

From July 2009 the Council commenced a three year project to review the Whakatane District Plan at a total expected cost of \$1.87m. The 2010/11 year forms the second year of the project. The budget for 2010/11 is \$680,000 including \$110,000 which is proposed to be brought forward from 2011/12. This acknowledges that much of the work will take place in the 2010/11 year to enable the District Plan to be completed for notification by August 2011. Some of the key issues that will be progressed during 2010/11 include:

- The Integrated Growth Strategy: This project looks at future urban growth needs for the Whakatane, Ohope and Coastlands areas and assesses provisions for residential, commercial and industrial expansion while maintaining route security.
- Indigenous Biodiversity provisions: This project seeks to identify risks to areas of significant indigenous vegetation and significant habitats of indigenous fauna. The project will look at ways to manage those risks and to further promote maintenance of indigenous biodiversity.
- Natural Hazard provisions: This project will review the current information we have on hazards in the District and update and/or fill gaps in our knowledge of natural hazards. This may lead to changes or new provisions in the District Plan to manage these hazards where appropriate.
- Rural Subdivision provisions: This project will review the provisions in the current District Plan relating to the subdivision of land in rural areas. The review will assess if there are better ways to provide for the subdivision of rural land.

As these issues are progressed the Council will be consulting with various stakeholders and interest groups. Notification of the District Plan is expected to be conducted early in the 2011/12 financial year.

Whakatane Water - Alternative Abstraction Points

Over the previous two summers the Whakatane water supply has experienced high salinity levels. This has occurred where low river levels during prolonged dry periods coincided with high spring tides. A floating intake has been installed as a temporary solution and the Council is investigating longer term solutions.

What is Proposed

The Council proposes to investigate and develop a term solution for alternative water abstraction points in the 2010/11 year. This will include either an upstream or ground water source. At a cost of \$1.38m this project will help to ensure the continuity of water supply when river conditions are not appropriate.

Disaster Mitigation Projects

Following the natural disasters that occurred in the District in 2004 and 2005 the Council adopted a range of flood, landslide and debris flow mitigation projects.

These projects were as follows:

- *Matata Regeneration Projects*
 - *Awatarariki Debris Detention Structure and Awatarariki Stream and Lagoon Works*
 - *Waitepuru Debris and Stream Management*
 - *Ohinekoao*
 - *Waimea*
- *Awatapu*
- *Edgecumbe/ Rangitaiki Plain Flood Management*
- *Otarawairere/ Ohope Wastewater/ Stormwater Disposal Project*

The Awatapu and Otawairere/ Ohope projects have been completed as have some works in Matata (Ohinekoao and Waimea Stream).

Progress to date

Te Awa o Te Atua Lagoon restoration works: The project involves stream protection works and construction of a flood bay to provide for flood control along with the rehabilitation of the lagoon. The major earth works are completed and the planting of the lagoon will continue. The Council is also working with community groups to raise money to fund the development of the formed area along Arawa Street.

Awatarariki Debris Detention Structure: The project involves the construction of a Flexible Barrier Net and associated overflow routes. The project also includes the clearing of Clem Elliot Drive and the establishment of the Debris Disposal Area. A resource consent application has now been lodged. This structure will be built following the completion of the resource consent process.

Waitepuru Debris and Stream Management:

Construction of the Waitepuru bunding and stream works is expected to be completed by the end of May 2010.

Edgecumbe/ Rangitaiki Plains flood mitigation works:

The last of four resource consent applications for the Edgecumbe/ Rangitaiki Plains flood mitigation works has been lodged and is currently being processed. All construction works that the council is responsible for are due to begin in 2009/10

