

---

# 1. Introduction

## Mayor/Chief Executive Introduction

Council has updated its Long Term Council Community Plan (LTCCP). This review occurs every three years to allow for changes in the District's needs and circumstances for the next ten year period.

This updated 2009/19 LTCCP would best be described as "Lean and Mean" and is the culmination of a lot of effort to achieve a planning document for the next 10 years which will allow Council to continue to deliver the levels of service our community want – at a sustainable cost - while still meeting our statutory obligations.

It was the cost factor which presented the greatest challenge as we are all too well aware of the global economic meltdown, from which we are not immune. Council are continually looking at ways to do things "smarter" and providing the best value for money answers to delivering the services the community want.

However our other challenge in ensuring that this document is a sound basis for planning over the longer term, was to avoid knee jerk reactions.

Over the last three years, Council has run cash deficits which has meant that we have not been setting aside funds to eventually repay our Public Debt. At 30 June 2008, this shortfall amounted to \$1.7m. In the 2006/16 LTCCP we projected "surplus's" in years 4 to 10 to make good this deficit and repay rising debt.

The 2006/16 LTCCP saw Council back to a balanced budget in 2009/10.

This revised LTCCP has extended the deficit budgets for a further two more years and forgoes the reduction of debt planned in the 2006/16 LTCCP. Debt will instead grow from \$11m to \$16.6m and a total of \$2.7m for future debt repayment will remain unfunded.

This is the real cost of keeping the increase in rate requirement substantially to 4% per annum.

This leaves net operating budgets that we believe will allow Council to continue to viably deliver the services it provides – but, as with all future information, subject to a number of assumptions and uncertainties – the principle one being the continued passing on of costs to Local Government by Central Government, and this has implications for ratepayers.



Trish Giddens  
Mayor



John Freeman  
Chief Executive

June 2009

## LTCCP Overview

### What is an LTCCP?

The Long Term Council Community Plan is a ten-year planning document that presents a blueprint for the future. Under legislation, the LTCCP has to include a lot of information, but the essence of what it outlines is what sort of sustainable future Council believes Central Hawke's Bay residents want and how Central Hawke's Bay District Council will contribute towards that future.

### How has the LTCCP been developed?

The LTCCP has been in development for a while. This is the third LTCCP Council has produced, this being the second full document under the Local Government Act 2002.

Council talked with the community in 2005/2006 to identify what are called Community Outcomes (more on those later). Council staff have been working on the rest of the LTCCP document (which details the services, programmes and projects Council will provide over the next ten years), producing detailed plans for the activities they manage (called activity or asset management plans) and identifying how much future expenditure will be required to keep them to existing standard.

### Consultation Process and Decisions

The key to this document is sustainability – what resources it will take to meet the Central Hawke's Bay Community's expectations - and how this will impact on the Community in terms of future rate costs.

The rating impact is important – and because the Central Government Rates Inquiry offered few practical solutions, this Council convened a working group of representative ratepayers to make recommendations to Council on preferred rating options.

Community views on these proposed changes were sought in November 2008 and were considered by Council when finalising this draft LTCCP for consultation in 2009.

### So, what is in the LTCCP?

The LTCCP includes a lot of information, including:

- **Community Outcomes** – identified in 2005/2006 through talking to the community as part of a Regional and collective approach. These are statements that express the community's medium and long-term aspirations for the Central Hawke's Bay District. The LTCCP includes information on what the outcomes are, how Council will work to achieve them and how we will monitor how well we are doing.
- **Council Activities** – Council provides a huge range of activities, some of which you use everyday. The water that comes from your tap, using the playground at the local park, getting books from your local library and ducking into the public toilet down the road are just a few of these. The LTCCP includes an overview of these activities, including the levels of service we will provide, the future day to day and capital work programme and how much it will cost.
- **The Figures** – Every plan has to include the dollars, and the LTCCP is no exception. Detailed and overall financial information is included in the LTCCP, including the costs of providing these services into the future and how they will be paid for and what your rates might look like in the future.
- **Policies** – Policies that Council use to make decisions and run Council operations are also included. A couple of examples are the Revenue and Financing Policy which sets out how an activity will be funded (eg rates or fees) and the Investment Policy that details the Council's approach to its investments.

It is a big document, and hopefully most of what will interest you is summarised here. However, if you want more detail, copies of the document are available in print form, CD or on the web. Contact Council for a copy or visit [www.chbdc.govt.nz](http://www.chbdc.govt.nz).

---

## Mayor and Councillors



**MAYOR**

Trish Giddens  
Bus: 06 857 8060  
Mobile: 027 282 6557  
Fax: 06 857 7179  
Phone: 06 858 6557 (pvt)  
Email: trish.giddens@chbdc.govt.nz

### Aramoana/Ruahine Ward



**COUNCILLOR**

Sally Butler  
Phone: 06 856 5840  
Fax: 06 856 5551  
Email: tiko@xtra.co.nz



**COUNCILLOR**

Maitland Manning  
Phone: 06 856 8511  
Fax: 06 856 8581  
Email: maithelen@xtra.co.nz



**COUNCILLOR**

Terry Story  
Phone: 06 857 8391  
Fax: 06 857 8398  
Email: tgandct@xtra.co.nz



**COUNCILLOR**

David Tennent  
Phone: 06 855 8154  
Fax: 06 855 8154  
Email: pahiji@xtra.co.nz

### Ruataniwha Ward



**COUNCILLOR**

Terry Kingston  
Phone: 06 857 8392  
Fax: 06 857 8923  
Email: kingstons@actrix.co.nz



**COUNCILLOR**

Michael Mullins  
Phone: 06 858 7264  
Fax: 06 858 7263  
Email: gilmike@xtra.co.nz



**COUNCILLOR**

Hilary Pedersen  
Phone: 06 855 5254  
Email: hpedersen@xtra.co.nz



**COUNCILLOR**

Michael Waite  
Phone: 06 857 8040  
Fax: 06 857 8121  
Email: Michael@mmlawyers.co.nz

## Our Place – Central Hawke’s Bay District

Central Hawke’s Bay District covers an area of 3200 square kilometres with a population of 13,250 (June 2007).

It covers the area from Pukehou in the north, to Takapau in the south, and from the western Ruahine ranges to the eastern coast. Each of the four corners of the district has a marae. These are: Pukehou, Kairakau, Rongo Maraeroa (Porangahau) and Rakautatahi (Takapau).



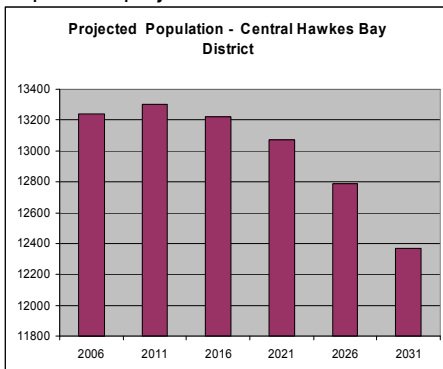
### Our Communities

There are two main towns in Central Hawke’s Bay - Waipukurau and Waipawa - with a number of smaller townships including Otane, Takapau, Tikokino, Porangahau and Onga Onga as well as several beach townships including Kairakau, Pourerere, Aramoana, Blackhead, Te Paerahi and Whangaehu.

Approximately 46% of the District’s population lives in urban areas. The main towns of Waipukurau and Waipawa have 4090 and 1970 residents respectively. In addition there are the villages of Takapau and Otane with 500-600 people each.

### Our People

- Population projections indicate that over the next 20 years the population will grow slightly or decline.



- In 2006 74.5% of the Central Hawke's Bay residents were NZ European and 21.3 were Maori.
- The number of males to females is very similar, unlike national statistics which show an increasing proportion of females.
- The population of Central Hawke's Bay is expected to age significantly. By 2021, 23.4% of the population is expected 65 and over. (In 2006: 13.2%).
- The number of households is expected to increase slightly to 5400, from 5184 in 2006.
- In 2006, 32.3% of people aged 15 and over in Central Hawke's Bay had a post school qualification (NZ 39.9 %). 33.5% had no qualification (NZ 25.0%).
- Average household size in 2006 was 2.5 people. This is expected to decline as the population ages, with an increase in households and decrease in population.
- In 2006, average household income in the Gisborne/Hawke's Bay area was \$63,700 (NZ: \$75,140). Median personal income for people aged 15 and over was \$25,896 (NZ: \$ 26,988).

## **Our Economy**

The region's "bread and butter" is still sheep and beef farming, vegetable and grain crops, pipfruit, with an increase in dairy farming. Non-traditional industries are being explored and finding success including top quality vineyards.

Cropping, farming and the associated processing and support industries provide much of the employment. Sheep farming has been prevalent, but dairying is becoming increasingly significant. Pipfruit and vineyards also contribute to employment demand.

## **Outlook**

Employment is strong in the district with unemployment at 3.3% (NZ: 5.1%). There has been a decrease in employees since June 2007, but the number of businesses has increased to 2362 (Feb 2008) compared with 2098 in 2001 (12.5% increase).

International economic events will impact on our District – although to what extent and for how long, is unknown.

## **Our Environment**

The District extends from high hill country bordered by the Ruahine Ranges through gently rolling plains into rugged coastal farmland.

Much of the area is highly modified for pasture and cropping, with remnants of forest and scrub.

Sheltered by the Ruahine ranges, Central Hawke's Bay enjoys a dry sunny temperate climate. The District averages around 2200 sunshine hours and an average rainfall of around 900mm.

The District is drained by three main river systems: the Tukituki, Waipawa and Porangahau Rivers.

There is a major groundwater system under the Ruataniwha Plains. It comprises a shallow unconfined aquifer, with several deeper confined aquifers.

The district has a number of outstanding natural features and landscapes, with the mountain, river and beaches as key features.

## The Issues

In planning the update of our 10 year Long Term Council Community Plan– it was inevitable that we asked the questions – “where are we now?”, and “where do we want to be?”

One of the first steps in the planning process therefore was to consider a “snap shot” of Central Hawke's Bay – in comparison to our neighbours and other Councils of similar size with a provincial/rural flavour – as well as with the Local Government sector average.

A number of stats emerged –

- Based on the group of Councils selected - CHB has a not unexpected bias, towards expenditure of a core nature.
- Whilst our expenditure on these core activities is comparable with the group – on average our expenditure on Roading was 17% higher.
- Our debt position per ratepayer was relatively high – with a tight liquidity position.
- CHB tended to have a greater reliance on rates revenue in its total income stream – as opposed to other forms of revenue such as Fees and Charges.
- Notwithstanding – our rate funding per ratepayers was one of the lowest in the group.

The key focus on this update of our LTCCP is one of *sustainability* – and in addition to looking at statistics to put CHB into context, Council also completed a ratepayer survey in late 2007. The survey results covered our rating structures, levels of service and Council's Strategic Direction, and were of immediate assistance in preparing the 2008/09 Annual Plan as well as for this LTCCP update.

The 2006/16 LTCCP took a very conservative approach – maintaining debt levels by forecasting aggressive rate rises. Initially, earlier lower investment in infrastructure maintenance required a series of cash deficit budgets – but this update of our LTCCP needed to realistically consider the sustainable future of our District and a number of points arose –

- We believe that there are far more efficiencies in administering a District of our size locally – rather than seeking to merge with a larger Council – although joint ventures opportunities can be beneficial and need to be maximised.
- Our debt levels will inevitably rise due to the upgrade of our Waste Water treatment and Water treatment plants.
- A reduction in dependence on rates revenue is needed – and user pays will continue to be a point of focus.
- However – much of our expenditure is on “core” business and is largely fixed in nature. A review of Roading expenditure was needed, and has been undertaken. The expenditure in this LTCCP reflects these changes. Ongoing efficiency studies will continue to be conducted across our organisation.

It was also clear that the basis by which we raise rates needed review – and therefore Council formed a Rates Working Group made up of representatives from the community, to consider options and respond to Council. This has allowed separate rating consultation prior to finalising this LTCCP.

## What changes are planned for the next ten years?

### The Challenge of Sustainability

In determining whether the District is “sustainable” or not, Council have taken this to mean essentially, can we continue to deliver the planned services – and maintain our assets, within rating levels acceptable to our ratepayers.

We believe we have achieved this but, as with all forecast information, anticipated events frequently do not occur as expected. A number of assumptions have had to be made and are covered separately in our Plan – and some calculated risks have been taken including –

- Bridge maintenance – a study has been commissioned to review the bridges in the District. The current Plan does not make any allowances for any abnormal remedial work which could be required.
- A number of stormwater improvements have been identified to address stormwater problem areas in the District prone to flooding. However in order to achieve an acceptable rating level for ratepayers, only one of these projects have been included in this 10 year plan.
- Extensions to the Waipukurau water reticulation in the Hatuma, Mt Herbert, and Racecourse Road areas to allow for future growth have been identified to cater for future development. However in order to achieve an acceptable rating level for ratepayers, none of these projects have been included in this 10 year plan.
- The impact of the Emissions Trading Scheme (ETS) or a revised Carbon Tax, are not yet certain. What is certain is that costs will rise and a one off 1% increase in costs recommended by Business and Economic Research Limited (BERL) has been allowed for from 2010.
- Central Government continues to load costs onto ratepayers through legislative change and proposed national policy statements and guidelines, without the provision of funding to meet the additional costs. This LTCCP recognises additional costs included in the Waste Minimisation Act, and changes proposed to the Food Hygiene regulations, but does not include any costs which might be associated with the proposed National Freshwater Policy Guidelines and similar pronouncements.
- The international economic recession could impact on Council’s cost of borrowing – or even on its ability to borrow. Commentators such as Business NZ, are predicting a slow pick up from 2010 and as our main borrowing needs are from 2014, this LTCCP assumes “business as usual”.

### Providing for Future Development

The proposed expenditure in the ten year vision of this LTCCP does not include many significant infrastructure upgrades to cater for future commercial/industrial development because –

- There is considerable uncertainty about where, when, if and to what extent development will take place, and;
- Council believes it is important to focus and plan for known infrastructure upgrades and improvements required under legislation.

However it is important to anticipate that there could be development of the Waipukurau industrial area some time in the future. A stormwater extension in Coughlan Road, which would cater for development of the Waipukurau Industrial zoning, is planned. It is proposed to follow this with a Development Strategy for this area in year 2017/18 of this LTCCP with other possible infrastructure upgrades commencing in 2019/20 (ie outside the timelines of this LTCCP).

More detail is provided in the Activity Summaries and the Development Contributions Policy.

These timelines are subject to review at the three yearly review of Council’s LTCCP. This will allow Council to plan for any changes which might be required should there be more certainty regarding the future of the Waipukurau industrial area.

## **Waste Water upgrades Waipukurau/Waipawa**

The biggest issue facing Council is the wastewater treatment upgrades for Waipukurau and Waipawa. However the reality is that the upgrading of all the wastewater treatment plants will need to be carried out in the next ten years to meet resource consent requirements.

Our difficulty in meeting the Local Government Act 2002 timelines for the LTCCP is that the types of upgrade have not yet been decided, and therefore the costs of upgrading can only be a broad estimate. Based on the best information to date, \$8 million has been allowed in this plan for the major upgrades for Waipukurau and Waipawa, and further amounts for upgrading other wastewater treatment plants. Considerable effort is being put into finding the most cost effective solution for Waipukurau/Waipawa, including the option of discharging to land.

If these projects can be delivered for less than these costs, the balance could be spent on other major works that have been deferred for lack of funding. See pages 101, 107 and 113.

A key change in rating for the cost of these upgrades has been a change from the current “user pays” approach, to a simplified District wide approach based on all ratepayers connected to a reticulation network.

## **Water**

Council is required to upgrade some of the water treatment plants to meet the New Zealand Drinking Water Standards (NZDWS). Planning for the upgrades at Waipawa and Waipukurau has been underway for some time at a cost of \$1.3 million, with the intention of constructing these from 2009/10. Due to the tight funding situation, the Waipukurau plant has been delayed so that it can be constructed just in time to meet the NZDWS deadline of 30 June 2011. Reconstruction of the Waipawa plant will begin in 2009/10 because the current pump station is near the end of its economic life. The full treatment plant upgrade will however only be completed by the 2011 deadline.

Once more, Council proposes a change to the basis of rating for water reticulation upgrades from an onerous “user pays” approach, to a District wide approach based on all ratepayers connected to a reticulation network.

At the same time, a programme of water management is underway to minimise water wastage and ensure high water users contribute to the overall costs of water use.

## **Roading**

The cost of maintaining 1300 kilometers of road network is Council's biggest single expenditure. It is clear that the current method of rating for the operation and maintenance of the District's road network, places an inequitable burden on rural towns. The proposed change is to rate for these costs on a District Wide basis, using Land value as the most equitable basis of allocation of the cost.

The recent formation of the NZ Transport Agency and changes to the Regional Funding of State Highways and certain District Roothing projects - such as local road improvements, walking and cycling and community road safety activities, are currently largely subject to separate consultation. The outcome will be a Regional Land Transport Programme for Hawke's Bay. The current draft Regional Land Transport program includes funding for the Waipukurau overbridge and other future projects.

Whilst the Regional Land Transport Programme for Hawke's Bay will benefit CHB, the ongoing maintenance and renewal of the District's road network, remains a Council responsibility.

## **Landfill expansion/Revised charging for refuse collection**

Solid Waste operations have been thoroughly reviewed and new contracts let to maximise efficiencies, within the current levels of service. Further cost savings could only now be made by reducing these levels of service – for instance reducing the number of transfer stations.

The 2007 Council survey confirmed that this is not an option the community wanted.

---

Council earlier identified that its policy of zero waste – was impacting on the value of its landfill asset – where reducing volumes of waste were increasing unit costs and underutilising the asset's life and existing resource consent. Council is also responsible for funding the eventual closure of the landfill.

The solution has been to sell landfill space – initially to Tararua District Council, to reduce our own unit costs of operation, fund the eventual landfill closure but preserve the original life of the asset.

This LTCCP recognises this option.

The 2007 survey also confirmed a preference for user pays for services and as a result Council proposes to sell rubbish bags in future through supermarkets and other outlets – considerably reducing the operational funding required through rates. More details are provided on page 92.

### **Loten Park playground – Bibby Street - Waipawa**

Council maintains a small playground in Loten Park. The play equipment requires replacement and Council plans to consolidate the Waipawa playground facilities into a soon to be refurbished Nelly Jull Park.

### **Public Toilets - Waipukurau**

There are currently four Public Toilet facilities in Waipukurau –

- Esplanade toilets adjacent to the Information Centre
- Russell Park
- A'Deane Park
- Post Office Corner

The Public Toilets at the Post Office Corner have been vandalised on a regular basis adding to operating costs and meaning that they are unavailable from time to time whilst under repair.

However, Council wishes to retain all these facilities and plans to upgrade the Post Office Corner toilets and increase the capacity of the Public Toilet facilities on the Esplanade and in Russell Park.

### **Central Hawke's Bay Library - new Waipawa Library/update of Council's Archives**

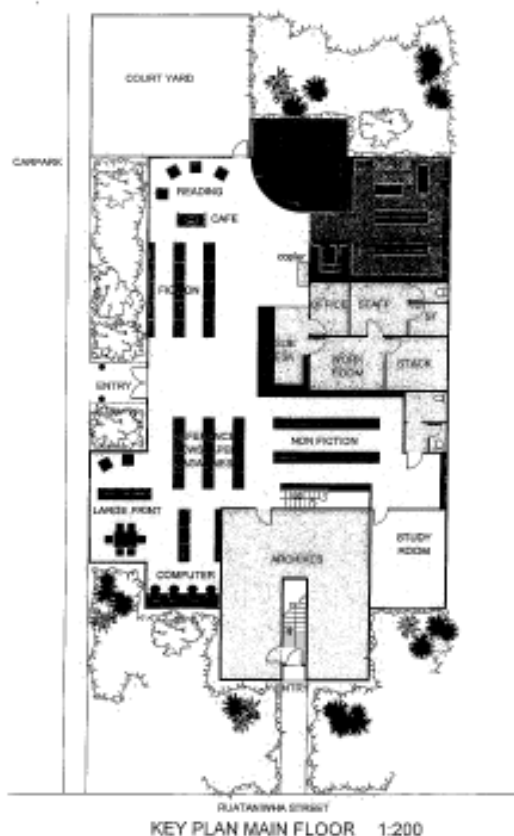
Council currently lease the former ANZ building in Waipawa to house the Waipawa Library. The present building is cramped and Council are facing substantial lease cost increases when the present lease expires in 2010. Several alternative options have been explored with Council preferring to own, rather than continue to pay rental to a third party for the life of this LTCCP and into the foreseeable future.

Of the options explored – the most attractive was the construction of a new library on a Council owned site adjacent to Council's offices in Waipawa, but with access onto the Waipawa Town Hall site – for parking and convenience. The new building would incorporate Council's archives, as the present archive building will not meet the mandatory storage standard issued under the Public Records Act 2005. It will also provide limited leasable additional office space.

Council has agreed to proceed with the planning of the construction of a new library/archive, subject to a cap on the total cost, and on the basis that there is no rating impact.

The 2009/19 LTCCP provides for loan funding repayments to be met from the equivalent rental costs.

Funding from Council's Capital Projects Fund will be needed to fund the shortfall in building costs, – leaving the cost of fitout of the new library building to be raised through the newly formed "Friends of the Library".



CLAPCOTT  
CONSULTANCY  
LTD.  
881 Frederick St, Hastings  
Ph: 061 870 7580  
Fax: 061 870 1781

**WAIPAWA  
LIBRARY**

### **Sale of Otane Library Vacant Section**

The Otane Library site was gifted by H S Tiffen in 1883 to the Otane Town Board in Trust “to be used as a site for an Athenaeum or Literary Institute or for a Public Hall for such public purpose and under such conditions as the trustees for the time being shall deem fit”.

An Athenaeum is a building dedicated to Athena, the goddess of wisdom such as academies or learned societies for individuals known for their scientific or literary attainments.

The area referred to as the Otane Library, is therefore currently subdivided into these three Lots.

Lot 1 – The Library building currently leased to a commercial occupier.

Lot 2 – The War Memorial to be vested as local purpose reserve.

Lot 3 – The Otane Library Paddock to be sold.

Because the Otane Library land was given in trust to the Otane Town Board by the Tiffen family, Section 141 (1) (b) of the Local Government Act 2002 requires that Council include in its Long Term Council Community Plan, its intention to sell the vacant land and the purpose for which the proceeds will be put.

The section also requires that we obtain comment from the successors of the original donor and allow them opportunity to comment on the intended sale.

Descendants of the Tiffen family have indicated that they believe it would be appropriate to utilise the sale proceeds for the construction of the proposed new Waipawa Library, as this library serves the needs of Otane residents and this would be in keeping with the original bequest.

Following consultation carried out as part of the LTCCP, Council has resolved to respect the wishes of the descendants of the donor and utilise the proceeds of the sale of the Otane Library Section towards the cost of the new Waipawa library building.

### Waipawa sesquicentennial anniversary – Waipawa Town Hall Refurbishment

The Municipal Theatre (Waipawa Town Hall) is an historic and iconic community building in the heart of Waipawa. For many years it has been a place of community gatherings, celebrations, performing arts and education. It is a building that is deeply treasured by many residents in Central Hawke's Bay, who affectionately refer to it as the 'lovely old lady'.

The Theatre opened in 1910 and has been maintained by the past councils with major alterations in the early 1980s. However, over the years the Town Hall has become tired and no longer meets the needs of today's theatre goers and user groups.

In 2010 Central Hawke's Bay will celebrate the sesquicentennial (150 years) of the founding of Waipawa, Hawke's Bay's oldest inland settlement established in 1860. Coinciding with this event is the commemoration of 100 years of cultural and performing arts in the Town Hall. This anniversary has prompted the community and Council to assess the future of this facility. These celebrations provide an opportunity to refurbish and restore a much loved and well used community facility.

Council has established a Steering Committee for this project. Concept Plans have been completed and a Fundraising committee formed to raise up to \$2.5m of the estimated \$2.9m cost of the refurbishment. The balance will be met from normal maintenance funds provided annually – but which can now be absorbed into the refurbishment instead. This document therefore recognises the funding of Council's maintenance costs only. These will be used as a one off renewal project of \$430k in 2011/12 as reflected in this LTCCP. Given there is no certainty as to the raising of the \$2.5m, these costs have not been recognised in the LTCCP.

Council is aiming for completion of the refurbishment by late 2011 – subject to securing the necessary additional funds.



## Regional Collaboration and Shared Services

The table below sets out areas where the five Hawke's Bay Councils have or are currently working together to provide effective and efficient services to the people of Hawke's Bay.

Initiatives	Hawke's Bay Regional Council	Wairoa District Council	Napier City Council	Hastings District Council	Central Hawke's Bay District Council
<b>Community Services</b>					
Pettigrew Green Arena			✓	✓	
Shared Library Services			✓	✓	
Pathway Development	✓		✓	✓	
Settlement Support Service			✓	✓	
Youth Transition Service			✓	✓	
Regional Cultural Archives	✓		✓	✓	
Road Safety Initiatives	✓	✓	✓	✓	✓
<b>Corporate Support</b>					
Joint Property Valuation Contract	✓	✓	✓	✓	✓
<b>Economic</b>					
Hawke's Bay Incorporated	✓	✓	✓	✓	✓
<b>Environmental</b>					
Environmental awards	✓		✓	✓	
Recreational Water Quality Monitoring	✓	✓	✓	✓	✓
<b>Essential Infrastructure</b>					
Omarunui Joint Landfill			✓	✓	
Stormwater Drainage	✓		✓	✓	
<b>Strategy and Planning</b>					
Regional Transportation Strategy	✓	✓	✓	✓	✓
Heretaunga Plains Urban Growth	✓		✓	✓	
Solid Waste Management Plan			✓	✓	
Regional Community Outcomes	✓	✓	✓	✓	✓
Community Outcome Monitoring	✓	✓	✓	✓	✓
Regional Strategic Coordination Group	✓	✓	✓	✓	✓
Civil Defence Group	✓	✓	✓	✓	✓
Policy Sharing	✓	✓	✓	✓	✓

### Emerging Areas for Collaboration

The five councils will explore how they might work together in a number of emerging areas, the key ones being:

- the feasibility of joint regional and/or district plans
- efficiencies in compliance processes under the Building Act
- efficiencies in engineering activities including design, asset planning and contracting.

## What will it cost?

During the 2009/10 financial year, Council expects to spend over \$22 million in operating costs - as shown below. The total rating requirement to meet these costs would be \$14.5 million. This is an increase of \$666k which represents a 4.8% increase in rates on the current 2008/09 year.

\$15m in new loan funded capital expenditure is planned over the 10 year period.

Between 2009/19, the average rate requirement is expected to rise in a range of 4 – 5% per annum. Council have worked to contain the rate rise to what is believed to be Council's inflation level, as opposed to household CPI, whilst continuing to provide the Activities and Levels of Service which our earlier survey indicated was desirable.

	Annual plan										
	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
<b>Income</b>											
Gen Rates	8,709	10,228	10,359	11,244	11,709	12,212	12,544	13,123	13,334	13,956	14,485
Targeted Rates	5,199	4,345	4,640	5,083	5,188	5,608	6,100	6,190	6,289	6,577	6,656
Interest	-	293	320	362	329	307	344	276	328	387	370
Fees and Charges	1,915	2,323	2,981	3,081	3,353	3,469	3,558	3,680	3,757	3,894	3,976
Grants Recd	6,203	6,367	6,611	6,896	7,219	7,607	8,026	8,469	8,937	9,433	9,958
Developer Contributions	145	100	100	100	100	100	100	100	100	100	100
Dividend	-	50	50	50	50	50	50	50	50	50	50
<b>Total Income</b>	<b>22,171</b>	<b>23,706</b>	<b>25,061</b>	<b>26,815</b>	<b>27,948</b>	<b>29,353</b>	<b>30,721</b>	<b>31,887</b>	<b>32,796</b>	<b>34,397</b>	<b>35,596</b>
<b>Operating Expenditure</b>											
Operating Expenditure	20,537	22,361	23,928	25,174	26,012	26,981	28,192	29,154	30,148	31,440	32,456
Interest	575	513	638	719	726	939	1,124	1,111	1,112	1,117	1,048
<b>Total Expenditure</b>	<b>21,112</b>	<b>22,874</b>	<b>24,567</b>	<b>25,894</b>	<b>26,739</b>	<b>27,920</b>	<b>29,316</b>	<b>30,265</b>	<b>31,260</b>	<b>32,557</b>	<b>33,504</b>
<b>Operating Surplus / deficit</b>	<b>1,059</b>	<b>833</b>	<b>495</b>	<b>921</b>	<b>1,210</b>	<b>1,433</b>	<b>1,405</b>	<b>1,622</b>	<b>1,536</b>	<b>1,840</b>	<b>2,092</b>
<b>Capital Expenditure</b>											
Renewals	8,445	8,118	8,768	9,669	9,846	10,307	10,829	11,419	11,771	12,369	12,858
New Work	3,192	2,842	4,509	1,828	2,794	6,366	2,452	1,451	3,018	1,695	1,551
<b>Total Capital Expenditure</b>	<b>11,637</b>	<b>10,961</b>	<b>13,276</b>	<b>11,497</b>	<b>12,640</b>	<b>16,674</b>	<b>13,282</b>	<b>12,870</b>	<b>14,789</b>	<b>14,063</b>	<b>14,409</b>
<b>Funded By</b>											
Loans	2,460	1,218	3,170	853	1,775	5,282	1,284	177	1,685	106	-
Reserves	198	183	270	73	73	73	73	66	50	50	49
Depreciation	7,973	7,912	8,570	9,074	9,545	9,953	10,607	11,077	11,567	12,178	12,663
Special funds		264	205	500	-	-	-	22	-	150	-
Grants	462	839	619	593	671	715	772	833	899	970	1,047
Cash from operating	541	545	442	406	577	651	546	696	589	609	649
<b>Total Funding</b>	<b>11,634</b>	<b>10,961</b>	<b>13,276</b>	<b>11,497</b>	<b>12,640</b>	<b>16,674</b>	<b>13,282</b>	<b>12,870</b>	<b>14,790</b>	<b>14,064</b>	<b>14,409</b>
Debt repayment - principal	687	342	439	867	910	982	914	931	768	848	916
<b>Total rates</b>	<b>13,908</b>	<b>14,573</b>	<b>14,999</b>	<b>16,327</b>	<b>16,897</b>	<b>17,820</b>	<b>18,644</b>	<b>19,313</b>	<b>19,623</b>	<b>20,532</b>	<b>21,141</b>
<b>Reserves transfers to smooth annual rates</b>	<b>8</b>	<b>281</b>	<b>(302)</b>	<b>(102)</b>	<b>(245)</b>	<b>(219)</b>	<b>(63)</b>	<b>320</b>	<b>128</b>	<b>194</b>	<b>194</b>
<b>Total rates</b>	<b>14,581</b>	<b>15,280</b>	<b>16,025</b>	<b>16,795</b>	<b>17,575</b>	<b>18,425</b>	<b>19,250</b>	<b>19,943</b>	<b>20,660</b>	<b>21,335</b>	<b>21,335</b>
<b>District Average Rates increase %</b>	<b>4.8</b>	<b>4.8</b>	<b>4.9</b>	<b>4.8</b>	<b>4.6</b>	<b>4.8</b>	<b>4.5</b>	<b>3.6</b>	<b>3.6</b>	<b>3.3</b>	<b>3.3</b>

The table above incorporates two distinct Statements – an operating statement showing revenues and operating expenditure, and a capital/reserves statement.

Operating expenditure includes costs associated with running facilities and Activities on a day to day basis. This includes maintenance, labour costs, depreciation, contract costs and energy. Operating expenditure is generally funded from rates, and fees and charges.

Capital expenditure consists of the costs of renewing or improving services or building new infrastructure. New work includes, for example, new treatment plants and Landfill expansion. Capital expenditure is generally funded through loans and Developer Contributions, with capital renewals of assets funded by rates.

The Operating Surplus consists of funding for renewals (shown as Cash from Operating in the Capital Statement), grants from the NZ Transport Agency for capital roading projects, Developer Contributions received in the current year to be transferred to reserves, interest on Special Funds, dividends transferred to reserves and amounts to be set aside for the future repayment of debt. There is also a reserve transfer to smooth rate changes during the 10 year period. The Operating Surplus is therefore an amount either required to be set aside in reserves for specific purposes, or represents amount to be spent on capital expenditure. The Operating Surplus does not represent a “profit”

The interest income is largely credited to the various Funds Council have in the past set aside for specific purposes.

Dividend income – derived from Council’s minority shareholding in Infracon Limited – has been set at 2007/08 levels in this Plan – largely due to the volatile nature of the sector in which Infracon operates and the uncertainties over future earnings.

### **Statement concerning balancing the budget**

Council has operated cash deficit budgets for the last three years, with these to be phased out over the financial years 2009/10 and 2010/11. The year 2011/12 of the LTCCP will see a return to a balanced budget.

The effect of running deficit budgets in the years 2005/06 to 2008/09 has meant that a total of \$2.3m of amounts which should have been set aside to repay future debt – remains unfunded. This will increase by \$455k over 2009/10 and 2010/11 as deficits are used to minimise rate increases under the current uncertain economic times.

Central Hawke’s Bay District Council is of the opinion that this remains financially prudent as service levels are not decreased and Council has investment reserves of \$4.8m to cover the shortfall if required. However it acknowledges that it would not be prudent to continue to underfund its activities and from the years 2011/12 onwards in this Plan, there will be a return to the “balanced budget”.

In spite of continuing to run an unbalanced budget, the proposed rate rise in 2009/10 is unfortunate in the current economic environment. However Council is responsible for ensuring the continued maintenance of the District infrastructure and ongoing sustainability of the District. More importantly, future changes in rates should add certainty for ratepayers.

This is of course subject to a number of factors beyond Council’s control, including the imposition by Central Government of costs on Local Authorities. This reached a new high, or low, with the originally proposed Emissions Trading Scheme (ETS), where costs of \$760k per annum could have been imposed on our Landfill operations.

Planning with certainty is therefore difficult.

### **Rating Review**

The second component of rates – is how the proposed rates should be collected. Council sought submissions from ratepayers in late 2008 to try to determine a more equitable basis for rating.

The intention of the rating review was to ensure a greater level of equity in rating throughout the District.

Council has proposed the following changes which are included in the Funding Impact Statement in this document.

- Applying a rolling average of the current and the previous two valuations as the valuation for rating purposes at each triennial revaluation. The intention of this change was to prevent major swings in rates arising from significant valuation changes.
- Setting the Uniform Annual Charge (UAC) at \$280.00 per rateable unit. The effect is to seek to recover only those costs borne equally amongst all rating units – such as the Leadership Governance and

Consultation Activity. Costs of \$393k (incl of GST) no longer recovered through the UAC will be included in the General Rate.

- Spreading the Waipukurau Main Street upgrade loan rate across the Ruataniwha Ward and not just the main street retailers. This will make the payment for the Waipukurau Main Street upgrade comparable with the Waipawa Main Street upgrade.
- The cost of Land Transport to be applied at the same rate across the whole District (based on Land Value) recognising that the asset is maintained on a District wide basis and that Land value is the appropriate basis to continue to set this rate.
- The cost of Water and Waste water loans to be recovered District wide from all ratepayers connected to those services.

## Your Rates

The proposed rate funding over the next 10 years will be spent on the following Activities –

Activity Group	Activity	2006/16 LTCCP	2009/19 LTCCP	\$ Variance
		\$000	\$000	\$000
Leadership and Governance	1 - 2	\$ 6,632	\$ 7,210	\$ 578
Planning and Regulatory	3 - 9	\$ 4,622	\$ 5,423	\$ 801
Land Transport	10	\$ 56,644	\$ 70,974	\$ 14,330
Solid Waste	11	\$ 12,832	\$ 14,363	\$ 1,531
Water Services	12 - 14	\$ 65,842	\$ 53,197	\$ -12,645
Recreation and Community Facilities	15 - 21	\$ 23,086	\$ 28,703	\$ 5,617
<b>Totals</b>		<b>\$ 169,658</b>	<b>\$ 178,870</b>	<b>\$ 10,212</b>

There is a net increase of 6% in the rate requirement in the updated 2009/19 LTCCP.

Changes in the rates required in each Activity Group, between the 2006/16 and the updated 2009/19 LTCCP arise from:

- legislative change – such as the need to review the District Plan, and the requirement to meet Drinking Water Standards.
- a better understanding of our assets and their maintenance requirements. During the three years between the above LTCCPs, a full independent survey of all Council owned buildings has been completed, and infiltration and CCTV investigations of much of the water infrastructure commenced.
- Increases in costs.

It should be remembered however that the LTCCP is Council's strategic planning document – and the challenge is to minimise or reduce the costs of providing the levels of service to meet the Community's expectations.

The proposed changes in rates will vary according to where you live in the District, and the services you receive.

For example –

PROPERTY DESCRIPTION			HISTORICAL RATES					NEW
Type	District	Value	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Residential town	Waipukurau	Low	1069	1156	1310	1422	1541	1669
Residential town	Waipukurau	Medium	1616	1771	1921	1679	1823	2099
Residential town	Waipukurau	High	1677	1835	2008	1785	1938	2221
Residential town	Waipawa	Low	1160	1297	1447	1596	1719	1783
Residential town	Waipawa	Medium	1202	1341	1502	1624	1749	1819
Residential town	Waipawa	High	1252	1392	1569	1701	1830	1914
Residential town	Otane		1089	1116	1213	1524	1681	1648
Residential town	Porangahau	Low	1064	1366	1792	1913	2008	1504
Residential town	Porangahau	High	1124	1432	1864	2014	2108	1636
Residential town	Takapau		980	1065	1178	1415	1470	1489
Residential town	Takapau	Lifestyle	1573	1242	1417	1726	1795	1670
Residential town	Tikokino		505	524	577	691	730	559
Beach	Blackhead		1268	1294	1377	1909	2050	2067
Beach	Kairakau		1343	1423	1574	1716	1857	1834
Beach	Mangakuri		1235	1257	1409	2265	2420	2502
Beach	Te Paerahi	Low	1393	1721	2108	2561	2850	2370
Beach	Te Paerahi	Medium	1697	2730	2629	3359	3743	3093
Rural	Waipukurau	With water	983	1052	1206	1437	1534	1616
Rural	Waipawa	With water	1023	1080	1212	1513	1619	1546
Rural	-	Lower	544	575	667	606	662	526
Rural	-	Lower	1129	1197	1279	1567	1698	1646
Rural	-	Lower	1122	1195	1270	1278	1387	1310
Rural	-	Medium	2660	2838	2983	3319	3588	3685
Rural	-	Medium	3038	3251	3431	3782	4050	4276
Rural	-	Medium	2929	3146	3283	3640	3934	4057
Rural	Aramoana	High	9424	10156	10523	10762	11604	12459
Rural	Ruataniwha	High	4175	4467	4685	5195	5589	5900
Rural	Ruahine	High	16991	18195	18925	20614	22251	23803
Commercial	Waipawa		1343	1486	1614	1655	1768	1770
Industrial	Waipukurau		2007	2196	2403	2313	2503	2826

(GST inclusive)