

CHAPTER ONE

OVERVIEW

TE KAUNIHERA A ROHE MAI I NGA KURI-A-WHAREI KI OTAMARAKAU KI TE URU



Western Bay of Plenty
District Council



Chapter One
Overview

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Welcome to our 2012-2022 Long Term Plan

Welcome to the 2012-2022 Long Term Plan

Every three years Council is required to prepare a 10-year forecast of its proposed work programme, why that work needs to be carried out and what that work will cost to complete.

This plan was adopted following public consultation over one month, ending 30 April 2012. A total of 406 submissions were received, from over 700 individuals and organisations. Following the hearings and decisions on these submissions, Council adopted the final plan on 28 June 2012.



Ross Paterson
Mayor

Responding to the challenge

There is no doubt the past three years have been financially challenging for households and businesses as the global financial crisis has continued to impact on affordability.

In the Western Bay this ongoing financial downturn has impacted particularly severely on the District's development and growth.

From the security of a consistent 2% growth from 2005-2007, the District has experienced a severe downturn since the global economic recession began in 2008.

It is against this background that Council has taken a tough and unrelenting focus to address these challenges head on.

Holding rates, reducing debt and improving operational efficiency, while not compromising on levels of service, are the hallmarks of this focus and central to the 2012-2022 Long Term Plan.

Focus on core services and servicing debt

Council's critical focus is to remain financially sound while continuing to provide core services and not compromising on the level of service to our ratepayers.

The downturn in building and developer activity and the consequent reduction in financial contributions have presented Council with the challenge of how to raise additional income to cover a \$2 million annual shortfall between interest on growth-related debt and financial contributions income from developers.

While we have reduced staff numbers and streamlined our building, consenting and regulatory services, we also need to ensure that our regulatory activities remain agile enough to respond to growth when it returns.

We are expecting growth to remain sluggish until at least 2017 so this \$2 million annual shortfall must be funded to prevent Council having to borrow more to fund interest repayments on growth-related debt of \$110 million over the next five years.

To achieve this, we will source \$1 million from general rates in 2013 and up to \$700,000 each year for 2014-2016 plus \$300,000 per year from roading rates and we have increased utilities charges by 5% above inflation for 2013-15 and by 3% in 2016.

We will review actual growth every year and will reduce the percentage increase above inflation if growth returns earlier than expected.

In the preparation of this 2012-22 plan, Council has been particularly mindful of the impact on individual households of the financial downturn and the apprehension of ratepayers that any rate increases will further erode their affordability.

To this end Council has reviewed capital expenditure for the next 10 years and reduced the total spend from \$299.3m in the draft plan to \$286.6m in the final adopted plan. The changes to the draft plan have also resulted in a reduction in Council's forecast peak debt from \$173.5m in 2018 to \$160.5m. By 2022 debt is forecast to drop even further to \$110m.

In the past two financial years we have removed \$3 million of costs from our business and we continue to look for more areas to prune, particularly savings within our organisation.

Psa-V

Over and above the challenges presented by the global financial crisis, this District has faced its own crisis with the outbreak of the kiwifruit vine-killing disease Psa-V.

Psa-V has thrown the kiwifruit industry into uncertainty and it will have a medium term impact on the financial viability of kiwifruit growers and related businesses and services in the District. It will also impact on residents' employment opportunities, business profitability and confidence, overall property values and community well-being, particularly in the Te Puke area.

However, having reached a sustainable financial position, Council is secure in the knowledge it has the cash flow going forward to withstand the economic impacts of Psa-V.

Rates forecasts

Cutting planned expenditure has enabled Council to reduce its rates increases over the ten years of this Long Term Plan.

Council will collect rates of \$49.3m in 2012/13. This means that, between them, existing ratepayers will be paying 4.7% more in rates compared to last year. Of this 3.8% is the result of inflation, leaving a 0.9% increase in real rates in 2013.

This 4.7% rate increase for 2012/13 is considerably less than the increase of 6.9% proposed in the draft plan and results from concerns of affordability voiced by many submitters to the draft Plan while still maintaining Council's commitment to address growth-related debt.

The main drivers behind the revised rates are deferral of major capital works, the biggest being the new McLaren Falls footbridge (\$330,000).

Expenditure for 2013 has been reduced through slashing \$150,000 off the seal extension budget, \$150,000 off the seal widening budget and a \$250,000 reduction in salaries. Expansion of some community facilities has also been deferred.

The minimal real rate increase of less than one percent for the 2012/13 financial year is followed by forecast increases in existing ratepayers' rates of 2.1% above inflation for 2014 and 1.8% above inflation for 2015.

Changes in valuations

Recent revaluations will also impact on property owners across the District. Some property values have increased while many others, mainly in the rural areas, have dropped significantly.

Although Council has no influence on the rise and fall in valuations, the variations do affect the amount ratepayers pay for those rates based on property values.

The general trend in the latest valuations will see the rating burden move from the rural ratepayer to the urban ratepayer. This is a reversal from six years ago but is not atypical of the three-yearly valuation cycles over a long period.

Even though the overall rate rise across the District is 0.9% above inflation in 2012/13, many ratepayers in urban areas may have a greater rate increase as a result of the new valuations, whereas ratepayers in rural areas may pay less. Rates for 2012/13 on typical properties in different sectors (for example rural, residential, commercial/industrial) can be found on pages 310 - 315.



Ross Paterson
Mayor
Western Bay of Plenty District

Further Information

Further information including full proposed project lists is available on our website www.westernbay.govt.nz.

DECISIONS ON KEY ISSUES

Our District faces some big issues that will impact the services we deliver and the way we deliver them. These issues were at the front of our minds in putting together a series of proposals in the draft Long Term Plan that we sought your feedback on.

The consultation period ran from 30 March to 30 April and during that time we heard from about 700 people their views on how we were proposing to respond to the issues. Many of you chose to talk to us about your views during the hearings held in May. After taking into account your written submissions and what you told us directly we made a series of decisions. This section of the Long Term Plan summarises our proposals, the decisions made and the implications on our financial projections and rates forecasts. The graphs on pages 311 to 315 show forecast rates for typical property sizes in each Ward.

Managing the money and rates affordability (page 31)

Background

Our Long Term Plan includes a detailed Financial Strategy which describes how we plan to sustainably finance services and activities over the long term. In developing this strategy we considered the likely future demand for services, what that will cost, the ability and willingness of ratepayers to pay for services and fairness in allocating rates.

To understand our financial strategy for the future it is important first, to look back.

Western Bay of Plenty District Council came into being in 1989 and at that time received very little in the way of investments and cash that it could use to bring District roads, sewerage systems and water supply up to scratch. Since then the biggest challenge has been to keep up with the pace of growth and fund the necessary upgrades, extensions or new networks. The District now has infrastructure that will last well into the future, but loans were used to pay for it as a fair way of spreading the costs of an asset with a long life between current and future ratepayers.

The issue - interest on growth-related debt

What this means is that of Council's net debt of \$135 million in 2011, \$97.1 million is growth related. Our debt is similar to that of other councils who have experienced high growth, but higher compared to councils that have not had high growth. In responding to growth pressures our policy has always been that growth should pay for growth, and so developers pay financial contributions under the Resource Management Act 1991. Financial contributions have historically been the main source of revenue for paying back growth-related debt. While this approach to managing the money has served us well to date, the economic landscape has changed significantly and, as a result of the global economic recession in 2008, growth has slowed significantly.

Currently there is a shortfall of about \$2 million per year between interest on growth-related

debt and financial contributions income. Even though financial contributions income is forecast to increase in 2017 as growth begins to pick up again, this shortfall has to be funded and the longer it takes for development and growth to recover the bigger the issue will become. We could charge higher financial contributions but that could discourage growth to the extent that less income is received.

What we proposed - funding of interest on growth related debt

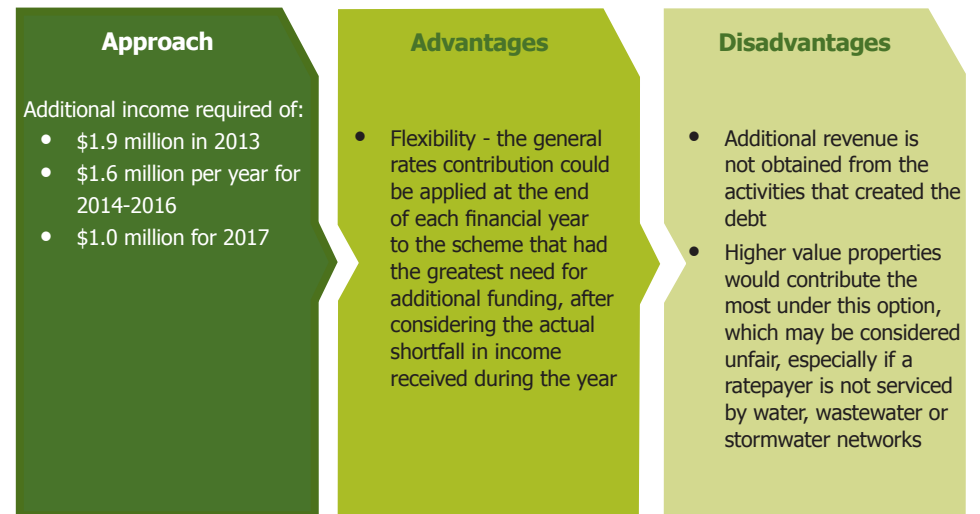
Our challenge was to determine how to raise additional income to cover the shortfall in financial contributions income while at the same time ensure a balance between affordability of rates and providing good quality services. We considered several potential sources of income to help service growth-related debt:

- ▶ Using existing District rates by increasing road rates, and/or the general rate
- ▶ Establishing a new District-wide rate specifically for this purpose
- ▶ Increasing utility charges for water supply, wastewater and stormwater
- ▶ Proceeds of asset sales

To offset the impact of potential rates increases we also considered reducing previously planned expenditure, for example by slowing the pace of sealing gravel roads and postponing the expansion of community facilities (libraries).

We considered several combinations of the above sources of income and in our draft Long Term Plan, the Mayor and Councillors proposed Option 3.

Option 1 - General rates only



Option 2 - Utilities Charges (UACs) only

Approach	Advantages	Disadvantages
<p>Additional income from:</p> <ul style="list-style-type: none"> • Utilities charges increased by 8% per year above inflation for 2013 and 2014 (\$2 million) • 3% above inflation for 2015-2017 (\$4.5 million) • No increase apart from inflation in 2018-2019 • Reduced back to operational requirements in 2020 	<ul style="list-style-type: none"> • A feature of this approach is that utilities charges collected would remain in the associated scheme account so some schemes would meet the interest on their growth-related debt early on, while others don't. This would prolong the period of income shortfall and could be seen as an advantage or a disadvantage 	<ul style="list-style-type: none"> • Income is drawn from a smaller group of ratepayers (those connected to services) so they would face higher increases • Would impact urban ratepayers the most noting that utilities charges usually make up about 50% of the rates bill

Option 3 - Combination of District rates and utilities charges (UACs)

Approach	Advantages	Disadvantages
<p>Additional income from:</p> <ul style="list-style-type: none"> • General rates on capital value (\$1m in 2013 and \$700,000 each year for 2014-2016) • Rooding rates on land value (\$300,000 per year) • Increase utilities charges by 5% above inflation for 2013-2015, by 3% in 2016, thereafter reduce them back to the level required for normal operations (\$4.5 million) • Reduce seal extension programme from 5km per year to 3km per year (cost saving of \$600,000 per year) • Pursue sales of surplus land 	<ul style="list-style-type: none"> • General rates contribution applied at the end of each financial year to the utility scheme in the greatest need of funding • Rooding rate contribution applied to the rooding debt • Utilities charges applied to the related scheme 	<ul style="list-style-type: none"> • Additional revenues not entirely obtained from the activities that created the debt

What we decided – funding of interest on growth-related debt

We decided to confirm our proposal (Option 3). This means the shortfall in financial contributions revenue to fund interest on growth related debt will be met by additional income from:

- ▶ General Rates (on capital value) of \$1m in 2013 and \$700,000 each year for 2014-2016
- ▶ Rooding Rates (on land value) of \$300,000 per year
- ▶ Increases in utilities charges of 5% above inflation for 2013-2015, 3% in 2016, thereafter reducing back to the level required for normal operations (\$4.5 million over the four years 2013-2016)

We also agreed to separately disclose in rates statements the contribution made to interest on growth related debt in future rate statements. This was to ensure we could account for any cross-subsidisation between existing and future ratepayers and groups of ratepayers.

Issues - rates affordability

In the short term, we expect a growing number of people in the District to face financial difficulties. Our District has fewer families in the highest income bracket when compared to the country as a whole and this reflects the older average age in the District (41 compared to 35 nationally), a lower proportion of people with university qualifications and more part-time employees. Our population is ageing which will mean a growing number of people on fixed incomes as they reach retirement age. All of these factors impact on a community's ability to pay higher rates.

In addition, the costs associated with providing infrastructure (like earth moving, pipelines, energy) have risen faster than the Consumer Price Index (CPI). Other factors include responding to community demand for improved services or the need by law to provide certain services.

While we have taken a number of steps already to address these issues, e.g. reducing staff numbers and finding ways to deliver services more efficiently through shared services, more needs to be done to ensure we can manage our finances sustainably into the future.

What we proposed – rates limits and rates projections

Legislation requires us to set limits on rates and rates increases for the ten years of the Long Term Plan. It is important to note that these are maximum limits which are different to our planned rates levels and increases, which are below the limits.

In our draft Long Term Plan we proposed setting the limits shown below:

Draft Long Term Plan 2012-2022 - proposal	
Rates limit	Total rates share of total revenue is 65% or more
Rates increase limit	Growth (number of rateable properties) + price increases (Local Government Cost Index) + 4% (to cover increases in levels of service and debt servicing)

Our projected increases in total rates in the draft Long Term Plan 2012-2022 were as follows:

Draft Long Term Plan 2012-2022 - proposal										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Planned increase in total rates	6.9%	7.3%	7.5%	2.9%	1.1%	6.8%	3.5%	8.2%	5.8%	6.0%

What we decided – rates limits and rates projections

During public consultation on the proposals, submitters were evenly split between supporting and opposing the debt and rates limits in the draft plan. Of those that opposed the limits, most said that the rates increases were not affordable; many suggested further reductions in expenditure to keep rates increases under control.

In making decisions on the rates increase limit we drew a clear distinction between the limit set (which is a maximum, not a target) and the planned increases in total rates, which are always below the limit, often substantially so. To bring down the planned increases in rates we reviewed all the projects in the ten years of the plan, trimmed budgets and made timing adjustments to ensure that essential expenditure was prioritised. Some projects were postponed out of the ten years of the plan and a few cancelled altogether. Full details of the decisions on these projects can be viewed on our website.

This had the effect of reducing planned rates increases to the figures shown below.

Long Term Plan 2012-2022 - decision										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Planned increase in total rates	5.7%	6.6%	6.0%	4.9%	2.8%	3.6%	4.2%	7.5%	6.6%	7.2%

Since March, when we adopted the draft Plan, the global economy has become more uncertain, particularly in Europe. Closer to home, the options for insuring our infrastructure assets are not clear so it is difficult to forecast the likely cost of insurance and any potential liability we would have in the event of a disaster. As a result, we considered it prudent to maintain a degree of “headroom” between the maximum rates increase limit we set and the planned rates increases that reflect planned expenditure.

Draft Long Term Plan 2012-2022 - decision

Rates limit	Total rates share of total revenue is 65% or more
Rates increase limit	Growth (number of rateable properties) + price increases (Local Government Cost Index) + 4.6% (to cover increases in levels of service, unexpected events and debt servicing)

The issue - debt limits

It is important that debt limits reflect this balance. If debt exceeds the limit our credit rating could be affected and as a result our cost of borrowing (interest charged) could increase.

What we proposed - debt limits

For the ten years of this plan we proposed to set limits on debt to guide our future decision-making. In setting this limit we tried to strike a balance between wise financial management, providing quality essential services over the long term and providing for unforeseen events while taking into account our major cost drivers. We proposed that net debt not exceed 220% of total revenue.

What we decided - debt limits

We confirmed the debt limit proposed i.e. that net debt should not exceed 220% of total revenue. Our planned levels of debt are now lower than those proposed in the draft Long Term Plan in March, as listed below.

Long Term Plan 2012-2022 - decision

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net debt to revenue ratio	220%	220%	220%	220%	220%	220%	220%	220%	220%	220%
Net debt to revenue ratio limit	219%	203%	183%	184%	176%	172%	148%	126%	106%	72%

Funding District libraries (page 106)

Background

Historically our approach to funding District libraries was a combination of general rates and a uniform annual charge.

Issue

The disadvantage of this approach was that the general rates contribution to District libraries varied between ratepayers because it was assessed on the value of individual properties. That meant that properties of a higher value contributed more toward District libraries than properties of a lower value.

What we proposed

The Mayor and Councillors thought that a better and more sustainable solution for funding District libraries was to move to a flat charge so that everyone paid the same for libraries regardless of the value of their property. This was considered a fairer approach because it recognises that library usage is not linked to the value of a property.

What we decided

District libraries will be funded by a flat uniform annual charge.

Library space (page 106)

Background

Libraries are important community facilities whose role in communities is changing from being solely about books and learning to more about a place to meet others, access community services and use information technology.

Issue

Libraries in the District are substantially smaller by comparison to libraries in other similar sized councils in New Zealand and by comparison to national standards. While there is a high level of use and satisfaction with the District's libraries, lack of space is becoming more of a challenge as we try to balance the need for a wide range of books and resources with the changes in the way that libraries are used.

The New Zealand standard for library space is 70m² per 1,000 people, although the commonly accepted benchmark is 45m² per 1,000 people. Our District libraries currently provide 20m² per 1,000 people.

Options we've considered

Many options were considered to address the issue of library space including the option of meeting the New Zealand standard at 70m² per 1,000 people and the commonly accepted benchmark of 45m² per 1,000 people. These two options were not pursued extensively because it became evident early on that the library building programme required to bring our level of service up from 20m² per 1,000 people (which is what we currently have) would

involve significant expenditure during the term of this Plan with affordability implications for District ratepayers.

Instead, we focused our attention on the following three options. The Mayor and Councillors preferred Option 3, which was to increase the library level of service gradually so that it reached 36m² per 1,000 people by 2022. This option also proposed that we delay the building of the Katikati library to 2021 largely because the economic realities we are experiencing have forced us to look at every opportunity for savings.

In considering these options we also discussed the need for archiving of local history space within libraries, providing appropriate access to information technology resources, informal community space for social interaction, meeting rooms, public art space and the opportunities that could potentially be provided by the co-location of premises for commercial lease, for example, café space. In preparing these options we presumed that the funding of District libraries would change to a flat library rate for each ratepayer.

Option 1 - Maintain levels of service and defer all library building projects beyond 2022. The library rate for this option would be \$68.05 for 2012/13.

Apart from the refurbishment and minor extensions planned for the Te Puke library in 2013, this option did not anticipate any other additions to District library space for the next 10 years.

Advantages

- This option represents the lowest cost and impact to District ratepayers

Disadvantages

- Does not address the existing lack of library capacity
- Severely limits stock and space for information technology resources, study space, programmes and class visits
- Will not enable the level of service for stock to be maintained
- Will be one of the lowest levels of library space by comparison to other councils and will not meet national standards
- Limits opportunities for social interaction and life-long learning

Option 2 - Increase the library level of service to 36m² per 1,000 people. The library rate for this option would be \$86.38 in 2012/13 with rates increases likely in future years.

This option included the refurbishment and minor extensions planned for Te Puke library in 2013 and anticipated the building of a new library for Katikati in 2016.

Advantages

- By increasing space in our District libraries we'd be able to meet our existing level of service in terms of library items per person, which is 2.2. Presently we're limited by lack of space
- There would be increased access and better opportunities for life-long learning
- A modern civic facility increases community pride and opportunities for social interaction

Disadvantages

- Library building costs with this option would be significant
- This level of service is still well below the New Zealand standard for library space and library items

Option 3 - Increase the library level of service gradually to 36m² per 1,000 people by 2022 and delay all previously planned library building projects by 5 years. The library rate for this option would be \$68.05 although costs would increase in later years.

This option included the refurbishment and minor extensions planned for Te Puke library in 2013 and anticipated the building of a new library for Katikati in 2021.

This was our preferred option and our financial projections and rates forecasts calculations were based on this option.

Advantages

- Much lower cost associated with this option and therefore less impact on ratepayers

Disadvantages

- Katikati Library is currently very short of space so delaying a build for 10 years will exacerbate this
- Severely limits stock and space for information technology resources, study space and class visits
- Will not enable level of service for stock to be maintained
- Will result in one of the lowest levels of library space by comparison to other councils and will not meet national standards
- Limits opportunities for social interaction and life-long learning

What we decided

To increase the library level of service gradually so that it reaches 36m² per 1,000 people by 2022 and delay all previously planned library projects by five years. We also decided that the refurbishment and minor extensions planned for Te Puke library should proceed in 2013 and the building of the Katikati library should be delayed until 2021.

Transportation (page 176)

Background

We reviewed our approach to transportation and roading activities across the District to ensure it remained relevant and aligned with what was happening both at central and regional government.

Issues

Transportation and roading activities have the most significant impact on our District in terms of cost. Our proposed roading programme, specifically over the next 5 years, needs to balance effective development and management of our local roading network with the community's ability to pay for it, and our obligation to sustainably manage our finances, particularly as the effects of the economic recession deepen.

What we proposed

In the draft Long Term Plan we proposed to continue the seal extension programme for rural roads, although at a reduced rate from 5km to 3km per year. Seal widening and key district roading projects such as bridge renewals and network improvements on specific roads, for example Welcome Bay Road and Waihi Beach Road would continue.

What we decided

We made the following funding decisions in relation to annual seal extension expenditure and also decided to undertake a review of seal extension standards and the priority list with the aim of increasing the length of seal completed for the same annual cost:

- ▶ A reduction of \$150,000 per year (\$900,000 to \$750,000) in seal extension expenditure for 2013 to 2015.
- ▶ Increasing annual seal extension expenditure to \$900,000 from 2016 to 2018 to coincide with an expected increase in annual growth rates of between 1.6% and 1.8%.
- ▶ Annual seal extension expenditure of \$1.3m from 2020 through to 2022.

What we decided

As with the seal extension programme, we are planning to continue with the programme of seal widening as this brings additional safety benefits for road users but we have reduced our annual spend on this programme to a maximum of \$750,000 per year for the ten years of this Plan.

Community grants and fee abatements (page 96)

Background

Up until 2010 discretionary grants were made available to support the work of local community groups. Similarly, we provided a small fund that community groups could access to seek

partial or full reimbursement of the costs associated with any building or resource consent they needed to obtain from this Council to progress their work.

Issue

To sustainably manage our finances we considered all opportunities for saving money.

What we proposed

For the reason noted above, the Mayor and Councillors proposed to discontinue the discretionary grants fund of \$42,800 per annum and fee abatements fund of \$15,000 per annum for the ten years of the Long Term Plan.

What we decided

The fee abatements fund has been discontinued for the full ten years of the Long Term Plan, but after considering the views of submitters we have reinstated a small discretionary grants fund of \$12,000 per year for the ten years of the Plan, to be funded from the General Rate.

Katikati town centre plan - targeted rate (page 280)

Background

Town centre development funding supports the planning and implementation of programmes within our town centres. Town centre development is funded primarily through a District rate and a specific town centre receives an allocation of \$180,000 each year for four years to put towards development projects. After this time the fund is allocated to another town centre within our District, and so on.

Issues

The time it takes to implement a town centre plan is dependent on funding. Katikati ratepayers pay a targeted rate of \$20 per property specifically to speed up the implementation of their town centre plan. If this targeted rate stayed at \$20 per property, fewer than half the projects identified in the Katikati Town Centre Plan would have been completed, with the remainder at risk of being significantly delayed.

What we proposed

To enable good progress to be made on implementing the Katikati Town Centre Plan the Mayor and Councillors proposed a stepped increase to the Katikati town centre targeted rate from the current \$20 per property to \$35 per property in 2013/14 and \$50 per property in 2014/15.

The alternative was to continue with the status quo of \$20 per property for town centre development but with a consequent slowing of the town centre plan work programme and projects being deferred.

We put together a draft programme of works for the next ten years based on the proposed increases to the targeted rate.

What we decided

We recognise that in the current economic climate the proposal to increase the Katikati targeted rate for town centre development was not appropriate, although we do wish to see the Katikati town centre plan progress. To this end we have deferred the rate increase and will reconsider it through the next Long Term Plan. At the same time we have adjusted our programme of work within the Katikati town centre to progress what we can.

User fees and charges (page 328)

Background

As a Council we have an important role in regulating activities to protect people and the environment. In most cases there is legislation that says councils must offer certain regulatory services which includes:

- ▶ Animal control services – registering dogs, impounding and caring for stray dogs and stock and seized dogs
- ▶ Building services – regulating building work by processing building consent applications, inspecting building work, issuing land information memoranda and administering building warrants of fitness
- ▶ Resource consent services – processing resource consents, providing planning guidance and information, monitoring compliance with conditions of consent and the District Plan
- ▶ Community protection – inspecting food premises, investigating noise complaints and processing liquor licence applications

Issue

As a result of the downturn in the building and developer sectors following the global economic recession our income (from consenting fees and financial contributions from subdivisions) had decreased. We responded to this by reducing staff numbers and making our services as efficient as possible, noting that we remained legally obliged as a council to provide these regulatory services into the future. We anticipated that in 2017 growth would have returned to the levels experienced during 2005-2007, and so we needed to ensure that our regulatory activities remained agile enough to respond to increased growth in the medium term by ensuring we had the right people with the right skills to do the work.

Despite the responses we had implemented to date, the income from consenting and registration fees did not cover the cost of providing our regulatory services. This meant that the shortfall needed to be covered either by a general rates contribution (which would mean your rates go up), or by an increase to the user fees and charges associated with these services.

What we proposed

The Mayor and Councillors proposed an increase to regulatory user fees and charges by an average of 7.5% to cover inflation and to cover the shortfall. It is important to note that this

proposal did not include an increase to dog registration fees. Overall we thought this was a fair proposal because most of the benefit that comes from the regulatory services we provide can be attributed to an individual (e.g. a building consent or resource consent applicant).

The alternative to increasing user fees and charges was to increase District rates by 0.3%, which would equate to less than \$1.00 for every \$100,000 you have in capital value but obviously this option would affect every District ratepayer regardless of whether they used a regulatory service or not.

What we decided

Regulatory user fees and charges (excluding dog registration fees) will increase by an average of 7.5%.

Representation (page 60)

Background

The purpose of local government is to enable community democracy and the promotion of community well-being now and in the future. Effective representation provides leadership and direction and underpins community democracy. Presently the communities of our District are represented by the Mayor, 12 Councillors and five community boards. Te Komiti Māori (the Māori Committee) is made up of appointed representatives from the various iwi in the District to advise Council and its committees.

Issues

We looked at our approach to representation and in particular how we could enable Māori in our District to participate more effectively in the plans and decisions we make. The Local Government Act requires councils to enable Māori participation but despite this we think our decisions and planning outcomes are better when we have tangata whenua perspectives.

What we proposed

The Mayor and Councillors considered the appointment of Māori representatives with voting rights onto Council committees (excluding Council itself). Other options that were considered included the establishment of Māori ward(s) in which residents on the Māori electoral roll could elect their own member(s) onto Council. The Mayor and Councillors formally resolved not to pursue this option.

What we decided

After considering the views of the majority of submitters on our proposed approach we have decided not to pursue the option of appointing Māori representatives onto Council committees.

Sports fields and courts (page 134)

Background

Since the 1990s we've had a policy of charging organised sports teams (excluding junior sports codes unless facilities are damaged) a fee for using our playing fields and courts. This policy was generally consistent with what other councils did.

Issues

We know that community well-being improves when more people are active. We also know that over the years subscription fees for many sporting codes have increased, making organised sport less accessible and in some cases unaffordable.

What we proposed

In response to this issue the Mayor and Councillors proposed to do away with the requirement for sports teams to pay a charge for using our sports fields and courts. Overall we thought this proposal would help to make playing sport more accessible and affordable for people in our District and would encourage our communities to be more active.

It is important to note that this proposal did not affect our policy regarding requests for specialized grass or hard court surfaces which require a club or community to contribute the additional costs of construction and maintenance. Similarly, it did not affect our policy of charging lease fees to clubs for the use of clubrooms.

What we decided

Going forward there will be no requirement for organised sports teams to pay a fee to use our playing fields and courts.

Te Puke swimming pool (page 134)

Background

Te Puke and Maketu ratepayers were charged a targeted rate for the Te Puke swimming pool and that amount was approximately \$36 each year for Te Puke ratepayers and \$5 each year for Maketu ratepayers.

Issue

The swimming pool at Te Puke had been out of action since December 2009. The targeted rates that had been collected from Te Puke and Maketu ratepayers over this time totalled about \$140,000.

Options

The Mayor and Councillors considered two options in relation to this money and preferred Option 2.

Option 1 - Refund the money

This option would have involve refunding the targeted rates collected since December 2009 to Te Puke and Maketu ratepayers.

Advantages

- Te Puke and Maketu ratepayers would get their money back which would average \$72 for every Te Puke ratepayer and \$10 for every Maketu ratepayer

Disadvantages

- It would be an expensive administrative process to refund this money to each ratepayer, especially trying to locate ratepayers who paid the targeted rate but have since sold their property and moved on
- Planning may be delayed due to lack of funds

Option 2 - Use the money for the planning, development and administration associated with building a new swimming pool in Te Puke.

Under this option the money would be put towards the planning, development and administration associated with building a new swimming pool and recreation facility in Te Puke.

Advantages

- This option would provide the necessary funding to support the work of the community led steering group in planning for a new swimming pool and recreation facility in Te Puke and it would avoid the expense associated with refunding the money to individual ratepayers

Disadvantages

- Te Puke and Maketu ratepayers may feel out-of-pocket until progress can be made

What we decided

New information has confirmed the feasibility of reinstating the existing Te Puke swimming pool at an estimated cost of between \$100,000 and \$200,000. This information gave us a new option to consider. We have decided to put the targeted rates that have accumulated since the pool has been out of action toward the costs of repairing and refurbishing the existing Te Puke swimming pool. So for 2012/13 there will be no targeted rate for the swimming pool but as part of the 2013/14 Annual Plan we will propose that the targeted rate should be reinstated and will seek your feedback on that proposal. Overall we think this is the most cost effective and realistic use for the accumulated rate funds.

We anticipate the Te Puke swimming pool will be operational by October 2012.

Coastal protection (page 234)

Background

Coastal protection in the Omokoroa area, and specifically on the north-western escarpment area, is funded on a progressive basis. The process of erosion is well documented and relatively well understood. Some protection has been undertaken with the construction of several hundreds of metres of sea wall. Funding for further sea walls has been allocated in the years 2013-2014 and 2015-2016.

Issue

It is recognised that erosion has historically occurred along the north western escarpment of the Omokoroa Peninsula and that this will continue unless additional protection measures are taken.

What we proposed

To develop a policy on how coastal erosion and land instability issues affecting the District should be managed, funded and prioritised.

What we decided

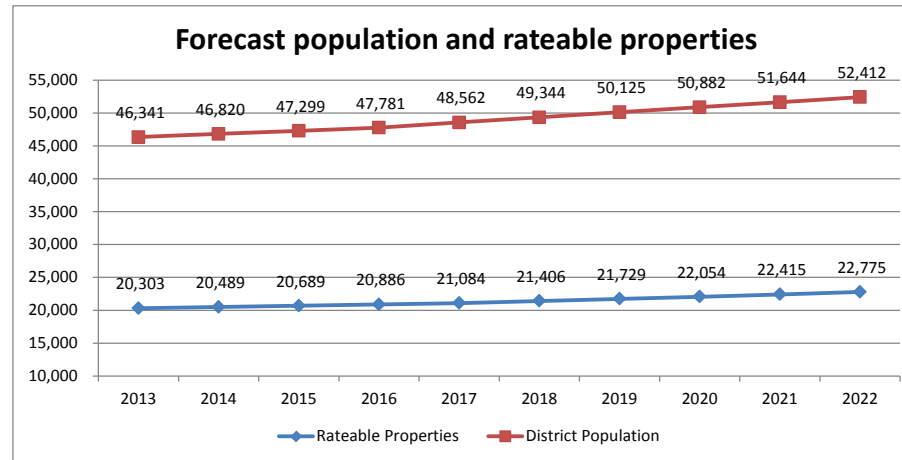
In collaboration with the Regional Council we will fund a progressive, district wide investigation into erosion and land instability and we have allocated \$200,000 in the 2012/13 year to progress this work.

In the meantime we will undertake maintenance of the north-western escarpment at Omokoroa utilising Environmental Protection Rate funding until such time as the investigations are complete and recommendations available.

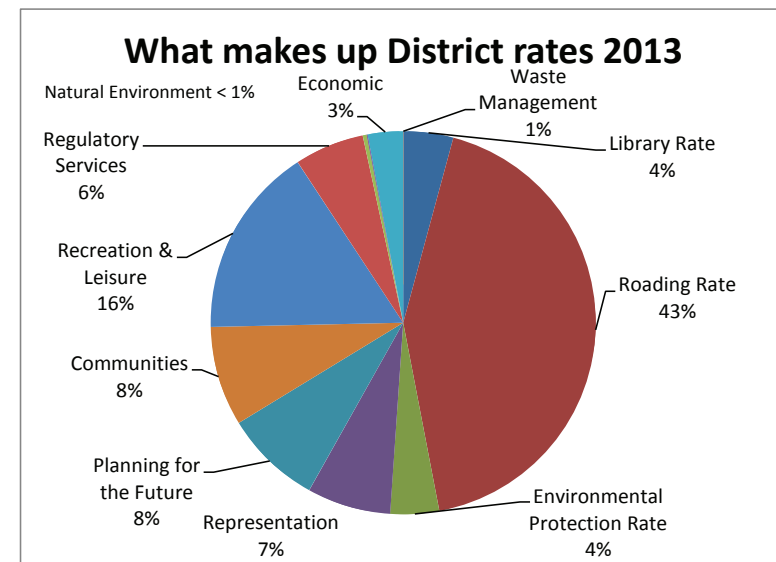
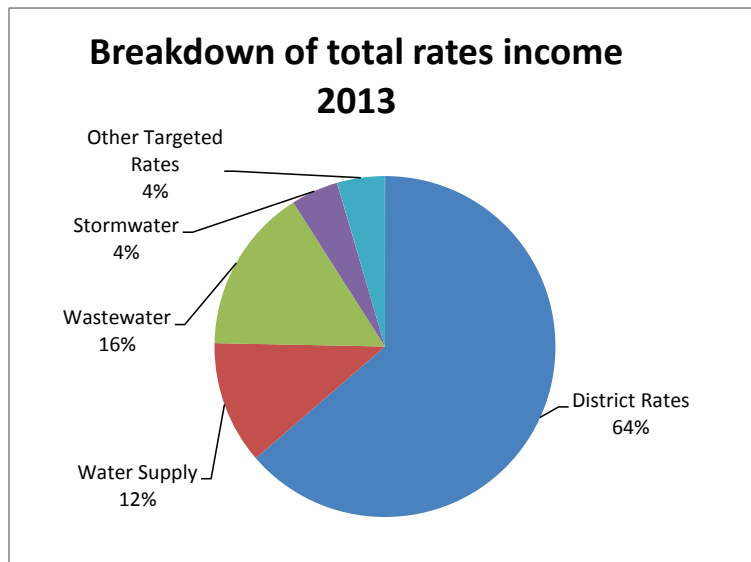


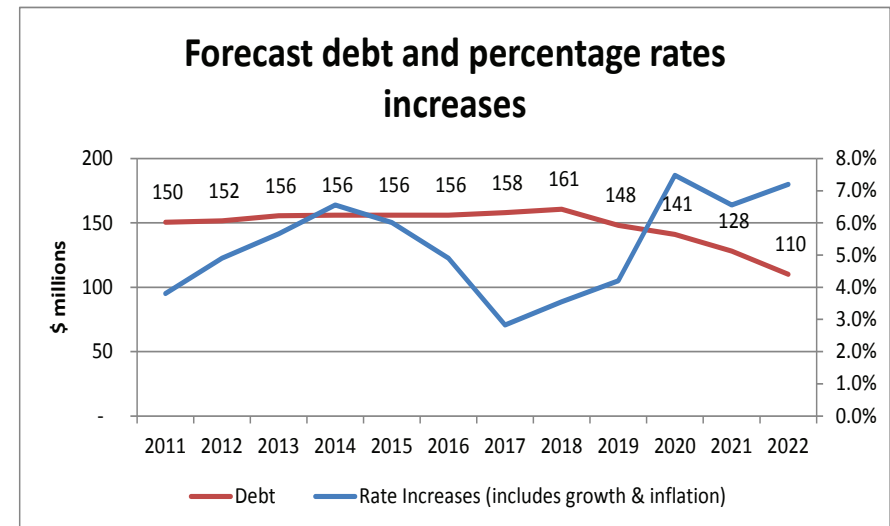
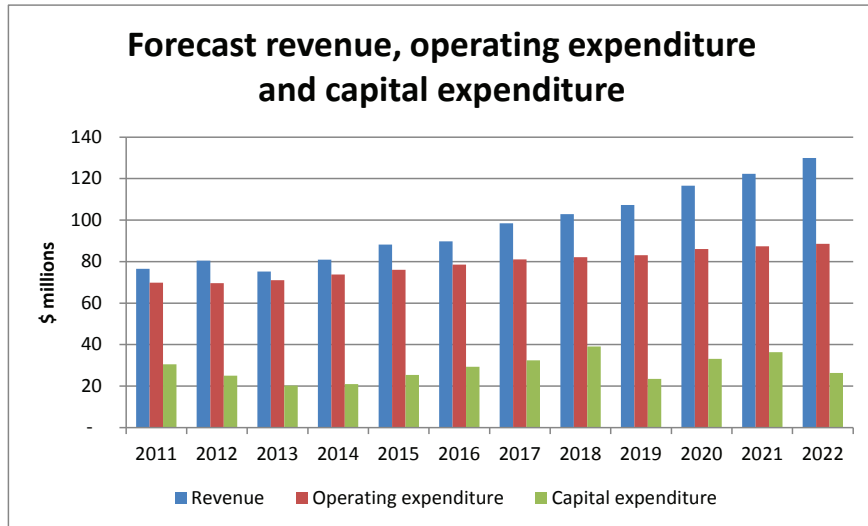
FINANCES AT A GLANCE

The following graphs provide high level summary information of Western Bay’s projected finances for the next ten years. They include information on rates, growth, revenue, operational and capital expenditure. Further details can be found on pages 316 - 322 (Prospective Financial Statements). Below is the forecast rates income for the ten year period.

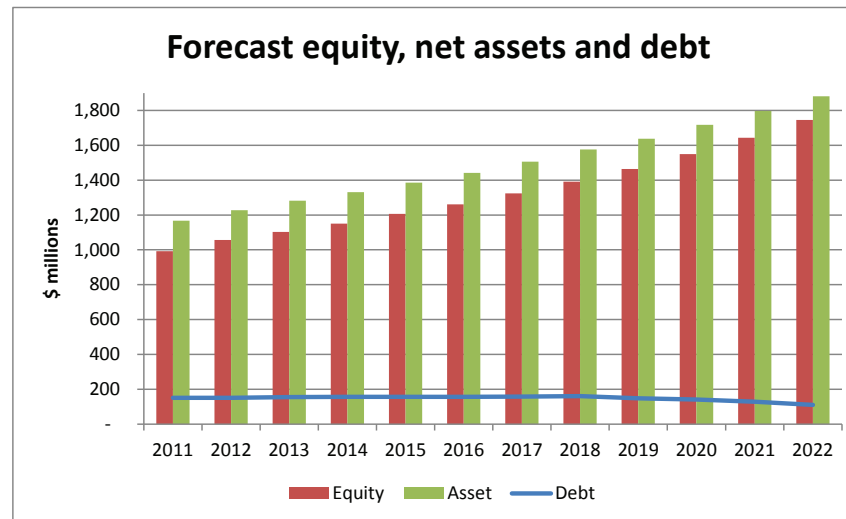


	\$'000									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total forecast rates income	50,911	54,697	58,525	60,146	61,535	65,887	68,346	73,926	78,202	82,783





Percentage rates increases between 2013 and 2015 reflect the increased utilities charges and general rates contribution to cover the shortfall for interest on growth-related debt. From 2016 onwards the percentage rates increases reflect operational requirements only for each year.



KEY RISKS AND GROWTH ASSUMPTIONS

When planning for the long term, we need to make assumptions about future trends and events that are outside our control. When making assumptions it is important to recognise the possibility that the assumption may prove over time, to be incorrect and to be clear about the potential consequences of assumptions being wrong.

This section identifies key assumptions that underpin what is proposed in this plan. Other assumptions are identified in each group of activities, e.g. transportation, water supply and key financial assumptions are included in the Significant Accounting Policies (page 408).

Key assumptions	Description	Risk
<p>Growth</p>	<p>Background For the purpose of planning Council’s expenditure and forecasting its revenue, we make projections about the numbers of rateable properties we will have each year. This influences expected demand for services and helps forecast revenue both from rates and financial contributions. Financial contributions are paid when properties are subdivided and sometimes when development occurs - most financial contributions are received from developers for subdivisions.</p> <p>Assumption Since the global economic recession began in 2008, subdivision activity has slowed markedly. We expect that over the four years 2013-2016 growth will continue to be slow, at just under 1% per year, (about the average of the 2009-2011 period) but thereafter growth rates will return to levels of 1.6%-1.8% (similar to the 10-year average for 2001-2011). This increase in growth assumes recovery of the global economy around 2017 and higher rates of migration into the region. We do not expect that in the foreseeable future growth rates will return to the levels experienced during 2005-2007 of over 2%.</p> <p>Estimates for expected new lots include residential, commercial and industrial and rural lots. During 2013-2016 a higher than normal proportion of the growth is expected in the rural areas.</p>	<p>Level of uncertainty - significant</p> <p>Impact of over- or under-estimating growth If population growth and the number of rateable properties is under-estimated, we would experience faster growth than planned. This could result in:</p> <ul style="list-style-type: none"> ▶ income growing faster than expected, so debt could be paid off faster than expected which would reduce interest costs ▶ services not keeping up with demand unless plans could be changed quickly ▶ financial contributions charges (which are set in advance based on growth assumptions) being set too high for that financial year <p>In this situation future expenditure could be brought forward to meet the unexpected increase in demand and financial contributions charges adjusted the following year.</p> <p>If population growth and the number of rateable properties is over-estimated, (growth is slower than forecast) the consequences would be:</p> <ul style="list-style-type: none"> ▶ over-investment in infrastructure, for example developing capacity too early ▶ income from rates and financial contributions falls short of budget, which means debt is repaid more slowly and interest costs increase ▶ for some types of infrastructure, financial contributions charges would have been set too low for that financial year

Key assumptions	Description					Risk
Growth	Forecast					<p>Review of assumptions Each year we re-forecast growth for the forthcoming year during development of our annual budget. A full review of the growth assumptions will be undertaken following the publication of results from the 2013 census. This information will feed into the 2015 Long Term Plan.</p> <p>The current population assumptions are not materially different to Statistics New Zealand's medium projections for the period to 2022.</p>
	Year end 30 June	New lots created	Growth rate	Rateable properties	District population	
	2013	186	0.9%	20,303	46,341	
	2014	200	1.0%	20,489	46,820	
	2015	197	1.0%	20,689	47,299	
	2016	198	0.9%	20,886	47,781	
	2017	322	1.6%	21,084	48,562	
	2018	323	1.6%	21,416	49,344	
	2019	325	1.5%	21,749	50,125	
	2020	361	1.7%	22,085	50,882	
	2021	360	1.7%	22,466	51,644	
	2022	361	1.7%	22,846	52,412	
	2023	341	1.6%	23,227	53,181	
	2024	341	1.6%	23,608	53,949	
	2025	341	1.6%	23,989	54,717	
2026	341	1.6%	24,370	55,485		
2027	341	1.5%	24,750	56,332		
2028	341	1.5%	25,132	57,178		
2029	341	1.5%	25,513	58,025		
2030	341	1.5%	25,894	58,872		
Inflation	<p>Background To comply with the requirements of the Local Government Act 2002 financial projections over the 10-year period have been adjusted by inflation.</p> <p>Assumption Costs are assumed to increase according to the schedule of indices below. The indices were prepared by BERL, an economic forecasting agency, in September 2011 for the local government sector. The indices are applied according to the types of expenditure that makes up each activity.</p>					<p>Level of uncertainty - moderate Since it is difficult to predict inflation over a 10-year period actual results are likely to vary from these indices, particularly for years 2015 onwards.</p> <p>If inflation is under-estimated and actual cost increases are materially higher than forecast, budgets for the first year of the Long Term Plan may be too low to complete the work scheduled for the year. In such cases the work would be re-scheduled. If inflation is less than forecast some work may be brought forward from year two of the plan or surplus revenue held over for the following year.</p>

Key assumptions	Description	Risk																																																																																											
Inflation	<p>Inflation adjustors index</p> <table border="1"> <thead> <tr> <th data-bbox="349 225 456 268">June</th> <th data-bbox="468 225 607 268">Transport</th> <th data-bbox="618 225 741 268">Property</th> <th data-bbox="752 225 860 268">Water</th> <th data-bbox="871 225 987 268">Energy</th> <th data-bbox="999 225 1106 268">Staff</th> <th data-bbox="1117 225 1227 268">Other</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>1,000</td> <td>1,000</td> <td>1,000</td> <td>1,000</td> <td>1,000</td> <td>1,000</td> </tr> <tr> <td>2012</td> <td>1,043</td> <td>1,039</td> <td>1,045</td> <td>1,055</td> <td>1,026</td> <td>1,036</td> </tr> <tr> <td>2013</td> <td>1,082</td> <td>1,069</td> <td>1,089</td> <td>1,106</td> <td>1,052</td> <td>1,060</td> </tr> <tr> <td>2014</td> <td>1,115</td> <td>1,100</td> <td>1,131</td> <td>1,159</td> <td>1,077</td> <td>1,094</td> </tr> <tr> <td>2015</td> <td>1,155</td> <td>1,132</td> <td>1,171</td> <td>1,214</td> <td>1,103</td> <td>1,129</td> </tr> <tr> <td>2016</td> <td>1,191</td> <td>1,166</td> <td>1,214</td> <td>1,275</td> <td>1,131</td> <td>1,167</td> </tr> <tr> <td>2017</td> <td>1,226</td> <td>1,203</td> <td>1,261</td> <td>1,340</td> <td>1,161</td> <td>1,207</td> </tr> <tr> <td>2018</td> <td>1,266</td> <td>1,236</td> <td>1,305</td> <td>1,402</td> <td>1,188</td> <td>1,248</td> </tr> <tr> <td>2019</td> <td>1,310</td> <td>1,271</td> <td>1,351</td> <td>1,465</td> <td>1,216</td> <td>1,290</td> </tr> <tr> <td>2020</td> <td>1,358</td> <td>1,309</td> <td>1,403</td> <td>1,539</td> <td>1,247</td> <td>1,333</td> </tr> <tr> <td>2021</td> <td>1,405</td> <td>1,352</td> <td>1,460</td> <td>1,621</td> <td>1,281</td> <td>1,380</td> </tr> <tr> <td>2022</td> <td>1,454</td> <td>1,396</td> <td>1,520</td> <td>1,708</td> <td>1,316</td> <td>1,429</td> </tr> </tbody> </table>	June	Transport	Property	Water	Energy	Staff	Other	2011	1,000	1,000	1,000	1,000	1,000	1,000	2012	1,043	1,039	1,045	1,055	1,026	1,036	2013	1,082	1,069	1,089	1,106	1,052	1,060	2014	1,115	1,100	1,131	1,159	1,077	1,094	2015	1,155	1,132	1,171	1,214	1,103	1,129	2016	1,191	1,166	1,214	1,275	1,131	1,167	2017	1,226	1,203	1,261	1,340	1,161	1,207	2018	1,266	1,236	1,305	1,402	1,188	1,248	2019	1,310	1,271	1,351	1,465	1,216	1,290	2020	1,358	1,309	1,403	1,539	1,247	1,333	2021	1,405	1,352	1,460	1,621	1,281	1,380	2022	1,454	1,396	1,520	1,708	1,316	1,429	<p>Review</p> <p>Inflation assumptions are reviewed each year as part of developing the annual budget.</p>
	June	Transport	Property	Water	Energy	Staff	Other																																																																																						
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Kiwifruit vine disease Psa-V	<p>Background</p> <p>Psa-V (<i>Pseudomonas syringae</i> pv. <i>Actinidiae</i>) is a bacterium that can result in the death of kiwifruit vines if the infection is severe enough. Psa-V carries no risk associated with human or animal health and does not affect plants other than kiwifruit vines. Psa-V is believed to be spread by wind and rain and infected plant material, footwear, vehicles and orchard tools.</p> <p>Psa-V has been present and spreading in the Bay of Plenty and other parts of the North Island since 2010 and is a material risk to the kiwifruit industry in the medium term. Most of the infected vines are in the Te Puke area, but infections are expected to continue to spread.</p> <p>Industry effort has been focused on management practices around containing the spread of the disease and investing in science to assess the disease resistance of new varieties. The industry has put its efforts into a recovery strategy that sees growers grafting more disease-tolerant varieties, G3 and G14, onto existing rootstock. If this is successful, production is expected to be back to pre Psa-V production levels by 2016.</p> <p>The economic impact of Psa-V on the Bay of Plenty region is the subject of a report commissioned by Kiwifruit Vine Health Incorporated, published in late May 2012.</p> <p>The report estimated that employment losses in the Bay of Plenty as a result of the disease would be an average of 605 full-time equivalent jobs each year from 2012 to 2016.</p> <p>The disease is expected to cost the industry between \$310 million and \$410 million over the next five years.</p>	<p>Level of uncertainty - significant</p> <p>If the kiwifruit industry's strategy is not successful it is unlikely to recover to its former levels of production and land use is likely to change. New uses may be alternative horticultural or agricultural uses that are already permitted in the District Plan, or there may be calls for changes to permitted land use in the Regional Plan and/or District Plan to enable residential or industrial use of former rural land.</p> <p>Any significant change to permitted land use is likely to affect demand for water supply and other utilities. Changes to the District Plan would be addressed through Resource Management Act processes, which are outside the scope of this Long Term Plan. Changes to demand for network infrastructure may trigger amendments to this Long Term Plan prior to its scheduled review in 2015.</p>																																																																																											

Key assumptions	Description	Risk
Kiwifruit vine disease Psa-V	<p>Assumption</p> <p>The kiwifruit industry is expected to find a commercially viable solution that will enable the recovery of kiwifruit production over a period of 3-4 years. Psa-V is expected to have a medium term impact on the financial viability of kiwifruit growers and allied services in the Western Bay of Plenty District. This will have secondary effects on residents' employment opportunities, business profitability and confidence, overall property values and community well-being, particularly in the Te Puke area.</p> <p>Rates payments defaults are not expected to exceed Council's historical provision of 2%.</p> <p>Short term changes in rural land use as a result of the disease are not expected to materially affect demand for Council services like water, wastewater or roading during the first three years of this plan. Any major changes to rural land use would likely require changes to Council's District Plan, which controls land use, and that process would not be resolved before the review of this Long Term Plan in 2014/15.</p>	
MV Rena cargo ship grounding	<p>Background</p> <p>The grounding of the MV Rena cargo ship on the Astrolabe reef in October 2011 led to contamination of Western Bay beaches and shorelines from both oil and debris. Much of this has been cleaned but the beaches are not in the state they were before the grounding. An environmental recovery plan has been developed to return the environment to its state prior to the grounding. The plan was put together by local authorities, key government agencies and iwi across the region and its implementation is expected to be funded by those responsible for the MV Rena grounding.</p> <p>Assumption</p> <p>Council does not expect to have to contribute financially to the recovery plan and therefore has not provided for any such costs in this plan.</p>	<p>Level of uncertainty - low</p> <p>In the event that Council is called upon to contribute to the funding of the recovery, budgets in this long term plan would have to be reviewed.</p>
Disaster contingency	<p>Council has a Disaster Contingency reserve of \$5.8 million which is considered adequate as self-insurance to cover clean-up and replacement costs in the event of a disaster. For roading assets, a maximum of 93% is available from the New Zealand Transport Agency and for other infrastructure, Central Government will contribute to cover infrastructure where Council has demonstrated it had effective risk management priorities in place and acceptable funding strategies.</p>	<p>Level of uncertainty - significant</p> <p>There is a risk that Council and/or Government funding will not be sufficient to cover the costs of a major natural disaster. The likelihood of a major disaster is unable to be assessed as this is a risk that cannot be predicted with any certainty.</p> <p>In the event of a natural disaster it is unlikely more than one of our major network infrastructure schemes will be affected. Replacement of one of these schemes could be in the region of \$30 million.</p> <p>Funding from the New Zealand Transport Agency may be reduced below 93% dependent on the total cost of emergency works occurring in any one financial year.</p>
Interest rates	<p>The interest rate on future term borrowing for the ten years of the Long Term Plan has been estimated at 6.5%.</p>	<p>Council has a high level of confidence in these assumptions, which are based on cost, market information and hedges on existing borrowings through interest rate swaps.</p>

Key assumptions	Description	Risk
Currency exchange rates	Council very rarely makes purchases in foreign exchange and its Treasury Policy precludes the use of foreign exchange risk management products except to hedge commitments.	As a result of its limited use of foreign exchange, Council has little direct risk of changes in currency exchange rates.
Rates remission and default contingency	Council provides 2% of rates required as a contingency to cover non-payment of rates and remissions under its various rates remission policies.	Level of uncertainty - low There is a risk that the economic recession, combined with the impact of the kiwifruit vine disease Psa-V on the local economy could result in a higher than normal incidence of default in payment of rates. This is not considered likely, but if it occurred, Council debt would temporarily increase above forecast levels while it implemented legal action to recover outstanding amounts from ratepayers.
Strategic property - Te Tumu	<p>In 2007 and 2008 Council entered into agreements to purchase a one third share in a property in Papamoa (Te Tumu) for \$5 million. Tauranga City Council purchased the other two thirds share of the property.</p> <p>The seller of the property has an option to purchase the property from the two councils at a fixed price between December 2016 and December 2026. If the option was exercised in 2016, Western Bay of Plenty District Council would receive \$10.4 million for its share in the property.</p> <p>Council's financial forecasts include the assumption that the option would be exercised in 2026, at which time Council would receive \$19.996 million.</p>	Level of uncertainty - low There is a possibility that the purchase option would be exercised earlier than 2026. If the option was exercised between 2016 and the last year of this plan, 2022, then Council's income would be higher than forecast in the year the option was exercised and debt for every subsequent year would be lower.
New Zealand Local Government Funding Agency	<p>Local Government Funding Agency</p> <p>The Council is a shareholder in the Local Government Funding Agency (LGFA). In future, the council expects to fund a portion of its borrowings from the LGFA. As a shareholder, Western Bay of Plenty District Council has guarantee obligations, but with the exception of the forecast impact on interest rates, the Council has insufficient information to reliably forecast the impact of this shareholding and guarantee in its long term plan financial statements.</p>	Level of uncertainty - low The impacts on the financial statements are more significant than expected. Financial impact The council shareholding is expected to be reflected in an increase in financial assets, dividend receipts and guarantee liability. None of these impacts is considered significant in the context of the consolidated financial statements. The Council has incorporated this information in the final version of the long term plan.
Local government legislation	This plan has been prepared on the basis of legislation governing the purpose and structure of local government that was in force as at 18 June 2012	Level of uncertainty – significant The Minister of Local Government introduced draft legislation in June 2012 – enactment of the Bill is expected in October 2012. The Local Government Act 2002 Amendment Bill <ul style="list-style-type: none"> ▶ refocuses the purpose of Local Government ▶ empowers central government to set caps and limits on rates and debt ▶ empowers elected members to adopt a policy on staff numbers and remuneration ▶ widens Mayoral powers ▶ provides new tools for central government to assist and intervene in local authorities ▶ changes the reorganisation process

Key assumptions	Description	Risk
<p>Local government legislation</p>		<p>The rates caps and debt limits will be set by regulation, so the proposed caps and limits are not yet known. This part of the Bill is the one most likely to affect this Long Term Plan. Depending on the outcome of the regulations, may require that this Long Term Plan is amended in the forthcoming financial year.</p> <p>Further changes to legislation are expected in 2013, which is expected to make changes to planning processes which could alter the functions carried out by local government. This legislation could result in the need to amend this Long Term Plan before its scheduled three yearly review in 2015.</p>
<p>Transportation network - performance based contract</p>	<p>The transportation network is maintained through a ten year performance based roading contract (PBC-01). The contract has joint clients – Western Bay of Plenty District Council and the New Zealand Transport Agency for State Highways (NZTA).</p> <p>When the contract was let in 2002 it generated savings for us of 17% over the estimate for a conventional contract.</p> <p>PBC-01 was due to cease in September 2012 but has been extended by agreement to September 2013. We have proposed through our Transportation Procurement Strategy to extend the contract on a long term or evergreen basis. The NZTA Highways and Operations teams have not yet determined if they will be part of an extended contract.</p> <p>There are potential financial risks to us if the contract is not extended. The contract options and the risks have been assessed and the assumptions and risks are to:</p> <ol style="list-style-type: none"> 1. Extend current collaborative PBC-01 contract with NZTA continuing as a partner. 2. Re-tender the PBC-01 contract either just Council or in collaboration with NZTA. 3. Tender roading operations and maintenance on a conventional basis as Council-only contracts. 	<p>Financial risk - low The budgets in this Long Term Plan have been projected on this basis. Level of service risk - low</p> <p>Financial risk - moderate Potential cost increases of 5% – 10% for maintenance. Level of service risk - moderate If funding is unavailable to cover the increased costs (either from rates or from NZTA subsidy) levels of service will have to be reduced.</p> <p>Significant risk to compliance with levels of service for one to two years if the contractor changes through the tender process.</p> <p>Financial risk - significant Potential cost increase up to 17% (being the cost savings achieved through the PBC-01 Contract). Level of services risk - significant Should rates or NZTA subsidy be unavailable to cover the increased costs. Maintaining costs within budget would mean a reduction in the levels of service.</p>
<p>Date of assumptions</p>	<p>The assumptions underlying this prospective financial information are as at 22 March 2012 but were updated and presented to the Council for adoption on 28 June 2012. The financial information contained within this Long Term Plan may not be appropriate for purposes other than those described. Actual results to 30 June 2011 have been incorporated in this prospective information.</p>	