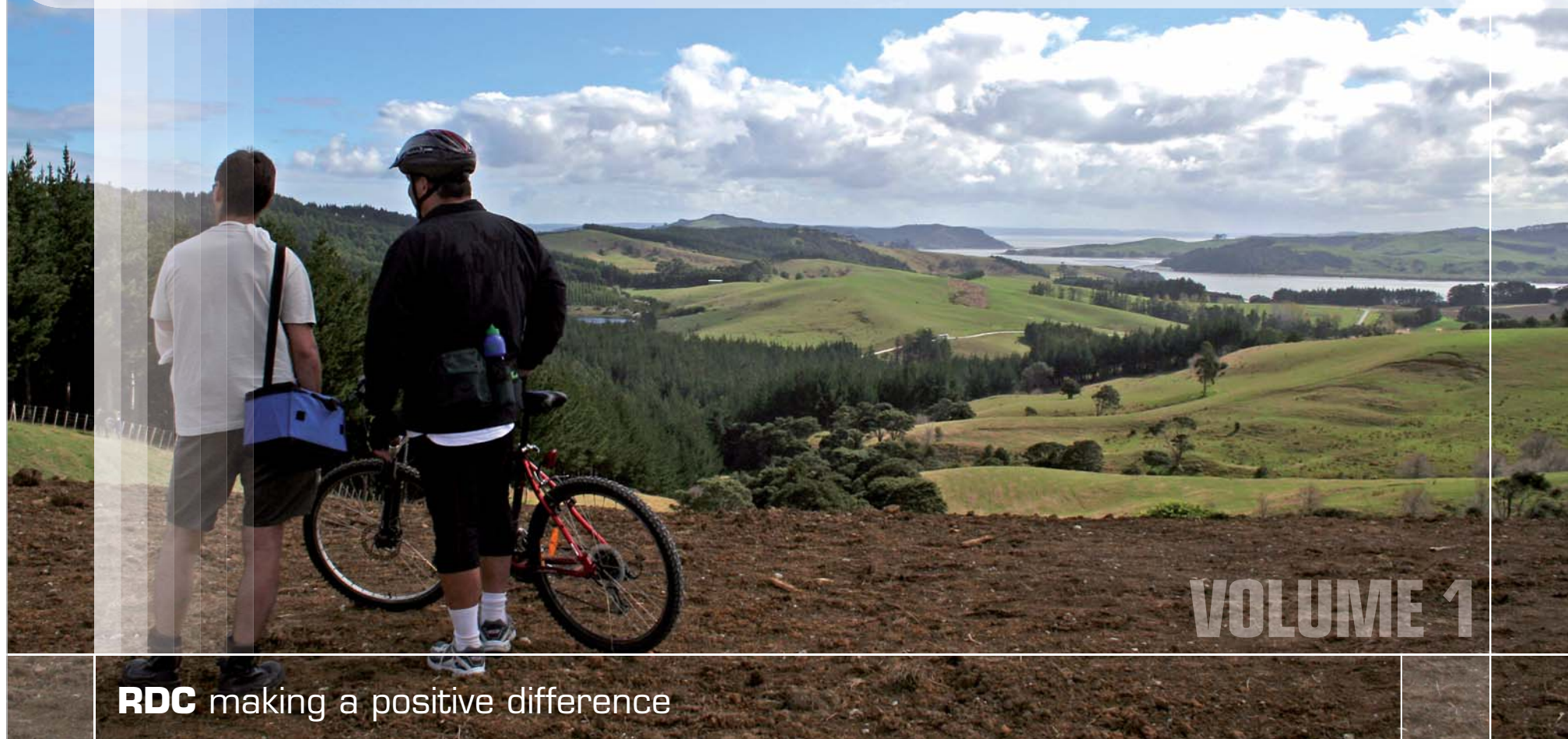


» RODNEY
DISTRICT
COUNCIL

LONG TERM COUNCIL COMMUNITY PLAN 2009 - 2019



VOLUME 1

RDC making a positive difference

» Keeping in touch with our community

Rodney District Council uses a number of communication methods and tools to keep our residents and ratepayers better informed.

One of the most cost-effective ways Rodney District Council informs, consults and engages with local residents in its decision-making processes is through our website, www.rodney.govt.nz. This is a one-stop shop for all information on Council and a useful tool that helps improve community engagement, utilise email-based communications, and allows us to tap into existing online community forums and networks.

A recent innovation to our website is the 'Have your say' page www.rodney.govt.nz/haveyoursay and a facility for people to complete online surveys. RDC also uses social media tools, such as Facebook, Bebo and Twitter, to better communicate with our residents. We have also recently introduced e-mail newsletters.

Other methods used to enhance community engagement and understanding about Council processes include the publication *Reporting on Rodney*. RDC uses this publication to keep residents updated on what's happening at the Council and in our community. *Reporting on Rodney* is published in the *Rodney Times* newspaper twice a month, as well as in other community publications around the district.

Council produces a fortnightly email update – *Council Update* – which summarises the latest RDC news releases and other relevant information and is e-mailed to 29 resident and ratepayers associations around the district.

Other avenues RDC uses to communicate with, and better inform its community, are the newspaper columns written by the Mayor and Chief Executive, which run in the *Rodney Times* every week, as well as weekly radio slots where both the Mayor and Chief Executive discuss Council and community issues on local radio station Times FM.

If you have any queries about how to get involved in Council business, or how to use any of the web-based tools described above, please contact us on 0800 426 5169 or via our website www.rodney.govt.nz.

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SECTION 1: Introduction and Overview

Under the Local Government Act 2002, the Rodney District Council is required to develop a Long Term Council Community Plan.

The Long Term Council Community Plan (LTCCP):

- describes the kind of district and communities the people of Rodney would like to live in
- describes how the Council, together with other organisations, will work with the people of Rodney to achieve this future
- explains what specifically the Council will be doing
- includes the Council's business plans for the coming year, and looks ahead for another nine years.

The LTCCP has a ten-year time frame commencing with the 2009/10 financial year. The LTCCP will be re-written in 2012/13 with much simpler annual plans prepared in the intervening years.

The Long Term Council Community Plan 2009 – 2019 (LTCCP) consists of 3 volumes.

This is Volume 1 where you will find an overall summary of the Council's intentions, detailed information on the Council's plans and detailed accounting information.

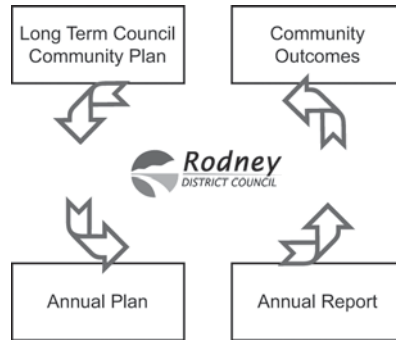
Volume 2 contains:

<p><i>Funding and financial policies:</i></p> <ul style="list-style-type: none"> • Revenue and Financing Policy • Funding Impact Statement • Rating Examples • Remission Policies • Policy on Rates Postponement • Policy on Development Contributions • Treasury Management Policy 	<p><i>Supplementary policies:</i></p> <ul style="list-style-type: none"> • Policy on Significance • Partnering Policy • Relationships with Maori • Policy for the Appointment and Remuneration of Directors of Council Organisations 	<p><i>Related information:</i></p> <ul style="list-style-type: none"> • Schedule of Fees and Charges • Development Contributions Schedule
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Volume 3 contains the Water and Sanitary Services Assessment Summary.

All three volumes are available on the Council website www.rodney.govt.nz

The following diagram indicates the relationship between community outcomes identified in *Vision Rodney* (what the communities desire in the future) and the LTCCP (what the Council is doing and why), the annual budgets (how it is going to be paid for) and the annual reports (whether the Council did what it said it would).



Consultation

- 4 Rodney District Council's LTCCP is based on the best available information and considers the community's need and aspirations, identified through consultation. Consultation has been a key part of developing the LTCCP.

Mayor's Introduction

Since the time we adopted our draft Long Term Council Community Plan for consultation in late March, the landscape of local government has changed significantly. In early April, the Government announced its preference for a "Super City" model. This was followed in May with the passing of legislation establishing the Auckland Transition Agency to oversee the creation of the new Auckland Council. While the Government has defined the southern boundaries for the new council, the northern boundaries have not been specified. This raises the question of whether all or part of Rodney should be included in the "Super City".

After considering the options for Rodney, the Council resolved to investigate the option of becoming a unitary authority and making a submission to the Select Committee which will make recommendations on the future Governance of Auckland. We did this in response to the community's increasing disquiet at the concept of being part of the "Super City". Fundamentally, the issue is that the Rodney residents do not consider themselves to be Aucklanders; we are a predominantly rural community with different interests and concerns to metropolitan Auckland and these interests are not likely to be well represented in a "Super City" model with a single ward Councillor. There is considerable merit in the "Super City" concept – but it is designed to sort out the problems affecting metropolitan Auckland, e.g., CBD development, motorway congestion and the promotion of Auckland as a business location. As you will see in this LTCCP, in Rodney our focus over the next decade is more straightforward – such as providing water and wastewater infrastructure, and footpaths for rural communities. We have also resolved to continue to cooperate fully and work with the Auckland Transition Agency to ensure a smooth transition to whatever form of government is in place in the future.

With this background, it is likely that the coming year will be a definitive one for the Rodney District. By this time next year it will be clear whether Rodney's destiny is to become part of Auckland or to govern ourselves. Regardless of how Rodney is governed in the future, we want to make sure that we protect and enhance those features which make Rodney so special. The district was recently rated by two national surveys as having the country's happiest and healthiest residents. The high number of people who move here each year to get away from the metropolitan environment shows just how desirable a place Rodney is to live.

The next few years are likely to be difficult for not only our community and the Council, but all of New Zealand. Growth is a reality in Rodney and developing this Plan, Council has had to consider the current economic situation. A new development contributions policy is included in this Plan, which will assist the Council in recovering the true costs associated with growth. This is aimed at balancing the real costs of future growth as fairly as possible between new and current ratepayers. Next year's average rate increase has been limited to 4.9% so we have met our target of ensuring that the increase is no higher than the rate of inflation. It is testament to the hard work of all those involved in preparing this LTCCP that we have managed to achieve this.

I would like to thank the 844 groups and individuals who took the opportunity to comment on the proposals in the draft LTCCP. Given the competing requests to reduce expenditure and also fund new projects, it has not been possible to accommodate every submission. However, we have considered the issues raised and listened carefully to the views of submitters. As a result a number of changes have been made to this final Plan. For example there have been funding initiatives announced for additional footpaths and changes to rating for Island and Sea Access properties, such as those on Kawau Island.

It was particularly pleasing to see a large number of submissions from young people including a request for Council to fund a youth festival. We have recommended that the submitters put forward an application to the Community Grants Scheme. It's great to see ideas such as this put forward through the submission process.

There are a number of other changes that have been made as a result of the submissions which you can read about in the "Consultation and Submissions" section of this Plan. Given the significant developments affecting the Council over the past couple of months, the already complex task of preparing this LTCCP has been more challenging than usual. I would like to thank everyone involved in this process – Councillors, Council staff, and submitters for their contribution to finalising this document.

While the future governance of Rodney is uncertain, I am confident this Plan sets out an affordable and achievable blueprint which will leave Rodney well positioned to go forward into the next decade with confidence.



Penny Webster

Mayor

Chief Executive's Message

I am pleased to present Rodney District Council's Long Term Council Community Plan (LTCCP) for the years 2009 - 2019. This Plan sets out the services and activities the Council plans to provide our community over the next ten years and the costs associated with these.

It has been shaped and amended from the Draft Plan that in all, Council received 844 submissions and held six public hearings attracting more than 200 people from around the district to hear feedback on the Draft Plan. Meanwhile, Councillors and Council staff have put in numerous hours deliberating on and discussing your submissions, and making changes when and where necessary to finalise this Plan.

Our final LTCCP was prepared in the shadow of two very important external influences. The first is the continuing global economic volatility and the uncertainty this brings. This has already hit many sectors of society and has made the job of forecasting anything ten years out more of a challenge than usual. The second is the Government's decision to restructure the governance of Auckland, and how this may impact on Rodney District Council's future operations and existence. Legislation introduced to oversee the creation of a new Auckland Council has not defined its northern boundary, which could see all or part of Rodney left out of the new Council area. Meanwhile, your Council has decided to investigate the option of Rodney becoming a unitary authority. The outcome of this investigation will form the basis of Council's submission to the Select Committee that will make recommendations on Auckland's future governance.

As well as both of these external circumstances, our final LTCCP has been influenced by a number of key factors.

6 Growth is one of these. In recent years, Rodney's population has grown by 10,000 – 12,000 residents every five years. Rodney is one of the fastest growing areas in New Zealand, and over the next decade we expect this rapid population increase to continue – despite the current recession. In order to manage this, we have implemented a strategy to help decide where development should occur and how we can fairly fund the costs associated with this growth. In 2008, the Council consulted on and adopted *Planning Rodney*. This document sets out the Council's overall approach to development in our district. A fundamental aspect to *Planning Rodney* is to ensure development does not happen in an ad hoc way. Residents' desire for our district to retain its rural character was made clear when we consulted with our community to develop *Vision Rodney*, the long-term objectives and priorities for the district. We have taken this message on board. *Planning Rodney* acknowledges that our population will increase, but any increase will largely occur in towns which have the capacity to accommodate additional people, rather than in the countryside. There is further work to be done over the next few years to ensure our District Plan rules are amended to be consistent with the ideas in *Vision Rodney* and *Planning Rodney*, and that appropriate infrastructure is developed.

This plan also addresses who pays for the costs associated with growth. Your Council believes that developers rather than existing ratepayers should meet their fair share of costs associated with creating new properties. This LTCCP includes a new Development Contributions Policy that sets out a fair and comprehensive way to identify the costs of development and how it is funded. This new policy means developers of smaller properties will pay less than those with larger properties. This allows Council to link charges to the expected demand for our services in a more equitable manner.

Another major issue to shape this LTCCP is affordability. Despite the high level of growth locally, as I mentioned earlier, the international financial crisis will undoubtedly have a negative effect on the local economy. As a Council, we focus on managing our expenditure to ensure that rate increases are kept to a reasonable level. In developing budgets for the LTCCP, Council staff have spent many hours reviewing and pruning expenditure. By doing this, we have managed to keep the rate increase for the coming year slightly below the rate of inflation. However, this minimal level of rates increase means that Council's focus over the next ten years will be on maintaining existing services rather than developing new ones, except those needed because of population growth.

I remind ratepayers that a significant proportion of the rates increase is sent outside Rodney District. Around 2.5% of this year's increase is made up of Regional Amenities funding, which pays for services such as MOTAT, the Auckland War Memorial Museum and the Auckland Philharmonia. Rodney District Council does not control the expenditure of these organisations. At a time when Council is trying to limit rate increases as much as possible, it has been made more difficult by this change to Regional Amenities funding. If the Council were only to account for its own costs, rates would have risen by only 2.4%. As it is, with the Regional Amenities funding the increase is 4.9%.

This LTCCP also outlines changes to our Revenue and Finance Policy, which sets out who pays for different services and why (for further details refer to **Volume 2: Funding and Financing Policies**). While making changes to the rating formula is always controversial, the overriding principle we have applied has been that of fairness.

Council has listened carefully to the views of those who made submissions on proposals in the Draft Plan and has made changes accordingly. This includes exempting Island and Sea Access properties from the transport rate, and reducing the differential on transport rates for utility providers and rural residential properties. Other changes made to this Plan, as a result of submissions, include the allocation of a contestable community fund for footpaths, additional expenditure to upgrade the Wellsford Water Treatment Plant and improvements to the Leigh town centre.

Many of the issues covered in this LTCCP will need to be addressed regardless of what form of local government is in place. Our community assets will still need to be maintained and our district will continue to grow and require infrastructure to meet increasing demand for services. This is what the LTCCP is all about.

In closing, I urge you to familiarise yourself with the contents of this LTCCP to gain an understanding of what your Council is planning for the district over the next ten years, and how it is going to be funded.



Rodger Kerr-Newell

Chief Executive

Consultation and Submissions

Consultation on the draft Long Term Council Community Plan took place between 1 April and 1 May 2009. Around 200 people attended six public meetings at various locations throughout the district to discuss the draft Plan.

The Council identified a number of specific issues which we particularly wanted feedback from the community on through the consultation process. These issues were:

- whether rates should be set on land value or capital value
- proposed changes to rates differentials
- what factors should be considered when determining how rates are set
- whether the two existing financial divisions should be retained
- a proposal to introduce volumetric charging for wastewater
- a draft Development Contributions Policy.

8 844 submissions were received to the draft LTCCP. As a result of these submissions the Council has made a number of changes to the proposals included in the draft version of the LTCCP.

Several changes were made to the proposed Revenue and Finance (Funding) Policy as a result of submissions to the draft Plan.

Island and Sea Access properties, which include Kawau Island properties, will now not have to contribute towards the transport rate. The proposed transport differentials for utility providers, rural residential properties and properties classified as 'multi units' have also been reduced as a result of submissions.

Two substantive changes were made to the draft Development Contributions Policy relating to the time of payment and stormwater areas of funding.

The time of payment has been altered to require a later payment of contributions. This change has been incorporated without cost to existing ratepayers by adjusting the underlying assumption of when the payment of contributions will occur in relation to capital expenditure.

The stormwater areas of funding have been altered to align with the numerous different stormwater drainage catchments. Development contributions in each will now reflect the cost of providing stormwater infrastructure in these areas. A number of other minor changes were also made to the policy. The Council agreed to work with the development community on the implementation of the policy.

No changes were made to the proposals in the draft LTCCP to move to one financial division and to introduce volumetric charging for wastewater. Therefore, from 1 July onwards, the district will become a single financial division and volumetric charging for wastewater will be introduced.

A number of submissions also requested that the Council set aside some funding for footpaths. The Council decided to allocate some funding for a contestable footpath fund, and also allocate some additional funds for footpath improvements in various locations.

Further consultation may be needed on how infrastructure projects such as footpath work are to be funded. Targeted rates are one option to be considered where a community would like a higher level of service than that provided across the rest of the district.

A number of other changes have been made as a result of the submissions – for example additional expenditure to extend the Leisure Centre, upgrade the town centre in Leigh, improve the Wellsford Water Treatment Plant and develop a hockey turf in Warkworth.

Additional funding was also allocated in year five of the Plan to progress a solution to Muriwai wastewater issues, in cooperation with other organisations.

Funding for a secondary upgrade of the Helensville Wastewater Treatment Plant has been removed from Year 10 of the Plan as this project is not expected to be needed during the lifetime of this Plan. No change has been made to the funding included in the Plan between 2010 – 2012 to enable an upgrade to the Plant.

The Council thanks submitters to the draft Plan for their contribution to the consultation process.

Key Issues and Directions

The Council's planning is affected by a number of influences. From within the district a key driver is *Vision Rodney*, which describes the future that Rodney District's people want for their communities and their environment. *Vision Rodney* is described on page 43. From outside the district come a range of issues such as the economic situation, climate change, and Auckland Regional Governance. In addition, the Council has a number of initiatives to improve efficiency and effectiveness.

The economic situation

The country is in a very different economic situation than it was a year ago. As economic growth forecasts for New Zealand were revised in 2008, many forecasters lengthened the duration and depth of the expected contraction in economic activity with recovery predicted from late 2009. These forecasts are the worst outlook for the New Zealand economy since the recession of 1991 when unemployment peaked at 10.9% and the economy shrank significantly. At present some forecasts are predicting unemployment to reach 5.7% by 2010/11 with others saying it may reach 11%.

There is considerable uncertainty around these forecasts however, and it is noted that as forecasts have been revised over the last year, each new forecast has been more pessimistic. There are also unusual factors that make the current recession unique. These include:

- the economic contraction follows a period where households spent considerably more than they earned (14% more in 2007). Household spending, which makes up 44% of GDP, is likely to be constrained for some years as people repay debt
- declining property values mean lower household net wealth leading to lower spending
- credit availability has sharply declined due to bad debts following a period of high risk lending, throughout the world and particularly in the United States
- oil prices are volatile and highly sensitive to limited supply and increasing demand. The world economy, transport and food production systems are highly dependent on fossil fuels and any rapid imbalance of demand over supply could have severe effects on our economy
- significant climatic events appear to be more severe and frequent than those experienced in living memory, with particular effects on agricultural economies.

How the Council will respond

Because of the uncertainty and the relative severity of the national economic situation, the Council has prepared the LTCCP 2009 - 2019 on the basis of generally maintaining levels of service while providing the same levels of service to new residents and businesses. Proposed increases in levels of service are limited to complying with legislation, e.g., Helensville wastewater; fulfilling existing obligations such as infrastructure maintenance contracts; and projects that will pay for themselves through efficiencies or non-rates income, such as the proposed fees for parking in limited areas. The Council is doing this in acknowledgement of the difficult economic times facing the community's households and of the need to keep costs down.

This means that some work the Council would have undertaken, either on its own or in partnership with others, has been reduced, or not included in the Plan. Spending to support the roll-out of enhanced fast broadband is an example of work which has been reduced to a minimum in the LTCCP because of the economic climate. This decision will be subject to change should Government decisions about its spending on fast broadband need Council participation to increase the benefit to the district.

The Council will also dispose of some of its property holdings, excluding land currently held for parks, reserves, community or infrastructural purposes. The Council owns a number of high value, strategically placed properties, most of which are either located within or adjacent to town or village centres but which do not have a core-business function. Reducing this portfolio will be undertaken for two purposes. One is to reduce Council debt levels which will enable us to get a favourable credit rating from an approved credit rating agency, which in turn will give the Council access to cheaper borrowing; the second is to assist in achieving strategic objectives. Following consultation carried out as part of the LTCCP 2006-2016 the Council has established a 100% Council-owned company officially termed a Council Controlled Organisation (CCO), with the principal objective of carrying out this work. The CCO is a registered company named Rodney Properties Ltd (RPL).

RPL will be governed by three external Directors with particular expertise in the areas of property development and transactions, finance and corporate governance. RPL will act in accordance with a Constitution and an agreed Statement of Intent, and will report to the Council at quarterly intervals on progress.

The Council has approved an initial portfolio of properties to be sold and other properties will be added to the list from time to time, such as the balance of areas not required for the Penlink carriageway.

The potential risk should these property sales not be realised is that Council will be unable to repay debt using the sale proceeds, and therefore be unable to reduce future interest costs. In the worse case if no property sales are realised then Council will have an extra \$80M of debt on its books, and around an extra \$5.6M of interest costs to be funded from rates. Should only half the property sales eventuate (or the properties only realise half of the forecast proceeds amount) then the additional debt will be \$40M and additional interest costs amount to around \$2.8M.

The implications of these scenarios would be to increase rating requirements by the amounts shown above and change Council's performance against its Treasury Management Policy ratios. Potentially this could mean that Council fails to meet some of its treasury targets in later years.

To quantify the possibility of this risk is difficult but a significant mitigating factor is that Council has already identified a schedule of properties for sale and is looking to add more as the full portfolio is reviewed and individual conditions assessed. Realistically the risk is probably more around the timing of the sales as the economic situation, infrastructure development and specific market conditions may delay or speed up the sales programme.

Regardless of what eventuates, there will be no change to the levels of service provided by Council as the properties identified for sale are not required for the provision of Council core services.

Climate change

Global warming and climate change, and the Council and community responses to them through *adaptation* and greenhouse gas (GHG) emissions *mitigation* will profoundly influence future lifestyles in Rodney. The Auckland Sustainability Framework (ASF) (see page 48 for more detail on the ASF) identifies climate change as the first of five sustainability challenges. The effects of global warming, climate change and sea level rise include extreme weather, flooding, coastal inundation, erosion problems, risk to coastal and low-lying infrastructure and development, public health issues such as tropical disease, and effects on agriculture and ecology including biosecurity risks from incursions of unwanted species.

The Intergovernmental Panel on Climate Change has made projections based on various scenarios of greenhouse gas (GHG) emissions. New Zealand (average) temperatures are expected to increase by about 1°C (range 0.2-2.0°C) by 2040 and 2°C (range 0.7-5.1°C) by 2090. Projected averages for Rodney are slightly higher depending on the projection scenario being applied. Warming projections increase under different GHG emissions scenarios. More specifically, the implications include decreased mean rainfall and more extreme (heavy) rainfall. More storminess is possible, and increases in westerly wind flow with an increase in severe wind risk are also possible. Sea level rise is very confidently projected to be at least 18-59cm rise (NZ average between 1990 and 2100) and it is assumed that storm tide elevation will rise at the same rate as mean sea level rise. A further 10-20cm rise above current sea levels would occur if Greenland and Antarctica melt rates increase as projected with future temperature rises. There may be an increased frequency of heavy swells in areas exposed to prevailing westerlies. Overall these changes should be seen as exacerbating existing climatic hazards.

How the Council will respond

The Council will address the implications and risks of climate change through adaptation in how it plans, regulates, and provides services. The Council has carried out coastal inundation risk studies for various parts of the district and will continue this and related work such as assessing the impacts of climate change on communities and facilities. Council recognises that risk management is a prudent and pragmatic approach for incorporating the uncertainties of associated projections in sea-level rise. The Council will continue to make decisions based on assumptions of what this rise will be over the lifetime of developments, and for assets and infrastructure in low lying coastal areas.

The Council also intends to reduce the emission of GHG through *mitigation*. Actions to mitigate GHG emissions will apply to the conduct of Council activities, and the Council will also promote GHG emissions mitigation within the community. The Council is a member of the International Council for Local Environmental Initiatives (ICLEI) and its membership of the Communities for Climate Protection Programme (CCP™) commits Council to achieving five milestones to address corporate and community carbon emissions. The first of these milestones (GHG emissions audit) has already been achieved; the next steps will be establishing goals and an action plan and the implementation, monitoring and review of the action plan.

Regional Governance

Currently the region has 8 territorial authorities. The Royal Commission on Auckland Governance was established in December 2007 by the Government to make recommendations on the most appropriate governance arrangements for the future. The Commission's recommendations were presented to the Government in March 2009 and in April 2009 the Government announced there would be a single Council for the region and 20-30 local boards subject to that Council.

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 established the Auckland Council and the Auckland Transition Agency. The new Council will operate from 1 November 2010. The Local Government (Auckland Council) Bill has passed its first reading and been reported to a select committee. This Bill sets the high level framework for the Auckland Council, and gives power to the Local Government Commission to determine the boundaries of the wards of the Council, and the number and membership of the local boards.

The northern boundary of the new Auckland Council has not yet been determined. The Council continues discussion with the Government on this matter, and will be suggesting to the select committee where this boundary should be and how the interests of Rodney can best be served.

Whether Rodney is included in, or excluded from, the Auckland Council area, this LTCCP will shape the future of the district as it will be some time before the new Council could create an integrated LTCCP.

Should Rodney be part of the Auckland Council, staff will be seconded to work with the Auckland Transition Agency to facilitate the creation of the new Council.

Penlink

There continues to be uncertainty around the funding of the Penlink project. However, past consultation has revealed overwhelming community support for the project. As a result, the Council believes the project to be very worthwhile and remains committed to it, whether fully funded by the New Zealand Government, or as a public-private partnership.

There has already been thorough consultation and community debate on this, and Council is not reopening the issue of whether the project should proceed. Rather, as part of the LTCCP process, the Council is signalling to the community its intention to progress the project. The Council believes it can realistically expect that the capital costs of the project will be funded from the Government's Land Transport Account, with the remaining capital costs funded from external (non-rates) revenue through a public-private partnership and the forecasts in this LTCCP have been prepared on the basis of these expectations.

RDC's approach to sustainability and the four wellbeings

Sustainability is an underlying foundation of and thread throughout Rodney's community outcomes. Rodney District Council has therefore adopted and supports the principles of sustainability as a basic building block of this LTCCP.

Sustainability can be defined in many ways. Central Government's *Sustainable Development for New Zealand Programme of Action* defines it as:

"Development which meets the needs of the present without compromising the ability of future generations to meet their own needs."

For us, sustainability is about what we do everyday and the way that we do things. Yet it is also about a vision of what the future may look and be like, something future generations will appreciate and thank us for if we get it right.

In this sense, our approach is to consider the connections and inter-relationships between the social, economic, cultural and environmental elements of our district – which requires integration between the needs of people, the economy and the environment. We endeavour to take this integrated approach in all our decisions and actions.

This means that the decisions and actions we take, both for today and for the long-term, are considered in a way where, once taken, they do not have to be reversed or corrected because they are unworkable, degrade the environment, are unaffordable, discourage economic growth or create unpleasant, unsafe or threatening living environments for our communities. We do this based on the best information available today. That may not always be sufficient, and we therefore put resources and effort into learning and understanding more about sustainability and the implications of what we do, how we do it and improving on this.

For Rodney specifically, key aspects of this sustainable approach are to:

- manage growth and development in the district, taking into account both individual and cumulative impacts and consequences
- consider decisions and their implications, firstly in the context of the whole district, and secondly within the context and character of each unique place or locality
- acknowledge and respect the sustainability of the environment and its carrying capacity, or its own intrinsic value, and the opportunities and limitations that result from that
- acknowledge the risk and uncertainty in making choices based on what we know today, and taking a precautionary approach when impacts are unknown
- acknowledging and giving effect to people's economic, social and cultural needs.

To the extent that we are able to, these aspects inform and are given effect to in the strategies, policies and plans we develop, and in the day-to-day things we do.

Sustainability is also about partnering. The Council is one player in creating a sustainable district. Communities and individuals play a significant part in their own right, and we work with and support them as we can. We similarly work with our partners that work in or have an impact on the district by promoting the outcomes we want to achieve – advocating for the district and for our communities (see Section 3 – Rodney Tomorrow).

All of our activities set out in this document contribute to, or have an impact on the sustainability of the district and our communities in some form or another, sometimes directly, sometimes indirectly. Throughout this LTCCP you will find specific initiatives or projects that contribute to sustainability and a sustainable approach to the future of the district.

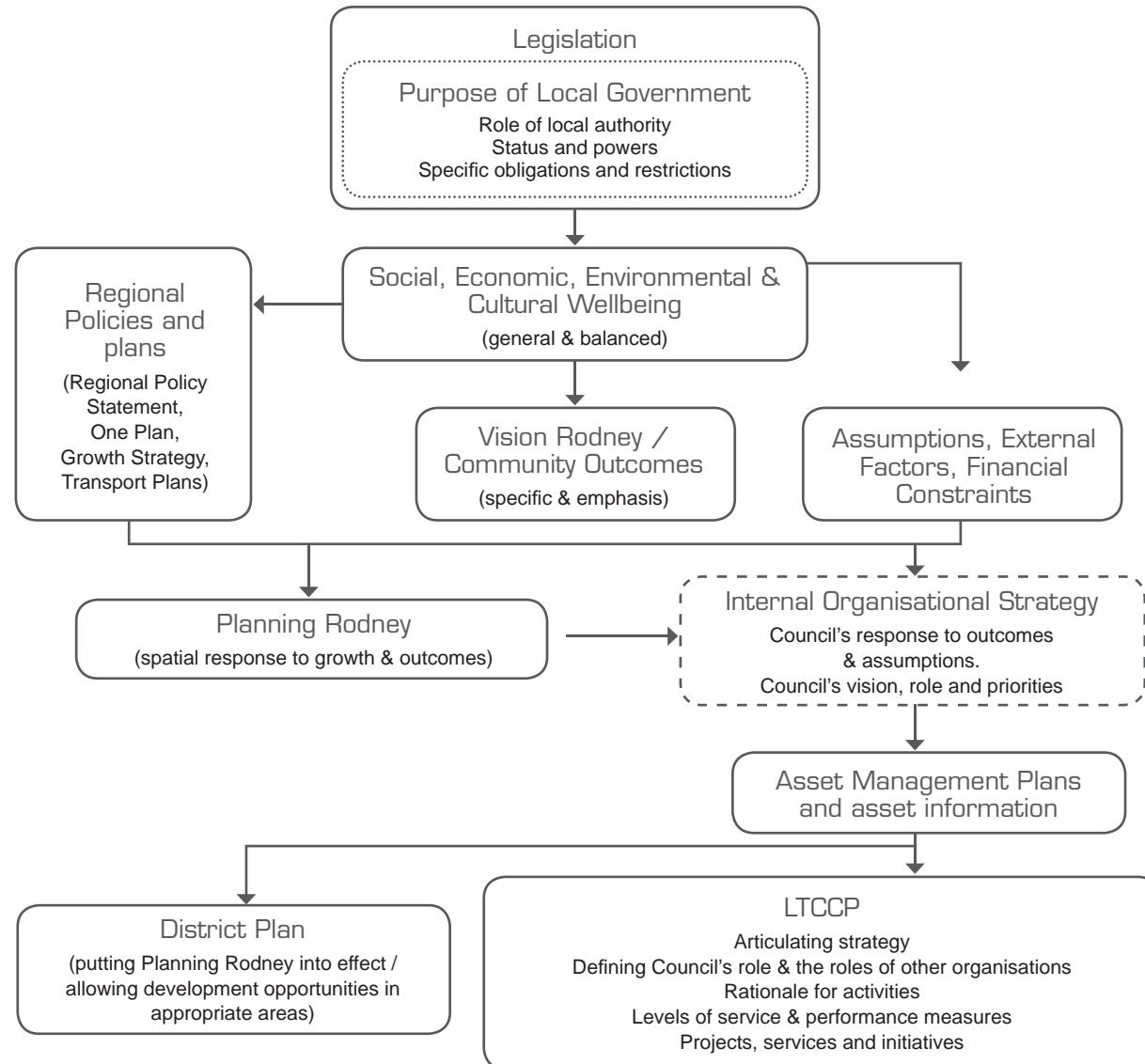
Some key projects or initiatives are:

- environmental education e.g., introducing the Waste Wise programme at schools and community workshops on waste minimisation
- progressing the Kumeu/Huapai/Waimaku/Riverhead future wastewater scheme
- working with the Social Wellbeing Advisory Group to coordinate and deliver better social wellbeing outcomes across the district
- implementing the Zero Waste Strategy
- promoting a multi-modal transportation approach, including public transport, walkways and cycleways
- supporting the arts and local artists
- promoting and facilitating job creation opportunities
- promoting and encouraging changes in travel behaviour and attitudes
- administering and enforcing bylaws that protect the health and wellbeing of communities
- implementing the Pest Management Strategy
- facilitating improved broadband in the district
- membership of the Communities for Climate Protection Programme and working towards the second milestone
- implementing Public Health Risk Management Plans to identify and monitor risks to safe drinking water.

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Sustainability is also intrinsically linked to the four wellbeings. These wellbeings are a fundamental building block of the Local Government Act (LGA) 2002, that describes the purpose of local government as “to promote the social, economic, environmental and cultural wellbeing of communities, in the present and for the future” (s10(b)). Section 14(b)(i) further states that, in taking a sustainable development approach, a local authority should take into account “the social, cultural and economic wellbeing of people and communities” and “the need to maintain and enhance the quality of the environment”.

The Council's approach to sustainability therefore directly incorporates its responsibilities in terms of the wellbeings, and their consideration forms part of both day-to-day and long term planning and actions. The diagram on the following page graphically shows the linkages between Council's LGA wellbeing responsibilities, community outcomes, the Council's response in terms of its own strategies and plans, levels of service, and ultimately the projects, services and initiatives that are delivered.



Major Assumptions

This section of the LTCCP sets out those things the Council expects to impact on the social, environmental, economic and cultural wellbeing of the community over the next ten years.

This Plan has been written during a time of rapidly changing circumstances in the world economy, and environmental change that is unprecedented in recorded human history. There are, therefore, high levels of uncertainty around some of the assumptions we make.

Uncertainty does not mean that we should not make any assumptions in this Plan. Even if we have insufficient information to come to a view of what a particular aspect of the future will be like, to assume no change is still an assumption.

The Council must plan ahead if the district is to accommodate population growth, visitor growth and the development that supports this, in a way that preserves and improves our environment and lifestyle. To plan ahead the Council, therefore, must form a view of what the future will look like. This is done, in part, through these assumptions.

These assumptions should not be treated in isolation from each other. To assist the community and Council to form its view of the future, the Council has also prepared and consulted on *Planning Rodney*. *Planning Rodney* takes many of the following assumptions and maps them over the district so that the community and Council can see where population and development growth is expected and preferred to occur.

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Assumption: Economic Growth	Measure or description
	Regional economic growth.

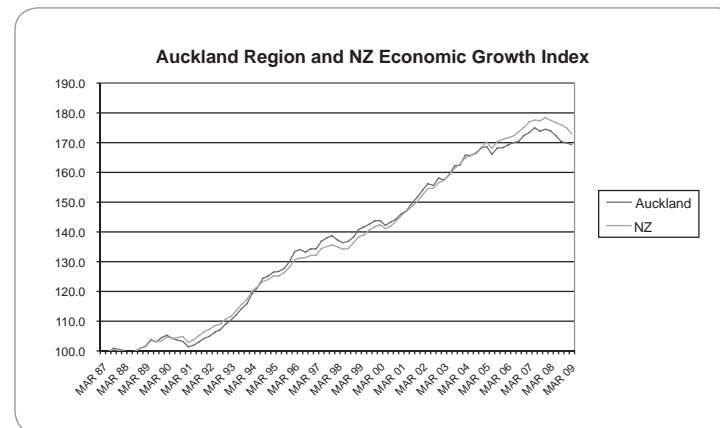
What has been happening

The Auckland regional economy is believed to have grown at a very similar rate to the national economy (source: National Bank of New Zealand). This phenomenon is extrapolated into the future to assume that forecasts for the national economy can be applied to the Auckland economy over the medium to long-term.

What we expect to happen

As economic growth forecasts for New Zealand have been revised in calendar year 2008, many forecasters have lengthened the duration and depth of the expected contraction in economic activity (a recession). Earlier in 2008 this contraction was forecast to affect the last two quarters of the year. More recent forecasts have now stretched this period to late 2009. The economy is then expected to begin to recover in the second half of 2009.

The assumption is that the economy will return to a long-term average growth rate of 3% over the life of the Plan.



Degree of certainty

As stated above, economic growth forecasts have been significantly revised downwards with each new quarterly set of forecasts. These changes have seen forecast growth numbers halved and in some cases more than halved. The certainty around these forecasts is therefore only medium.

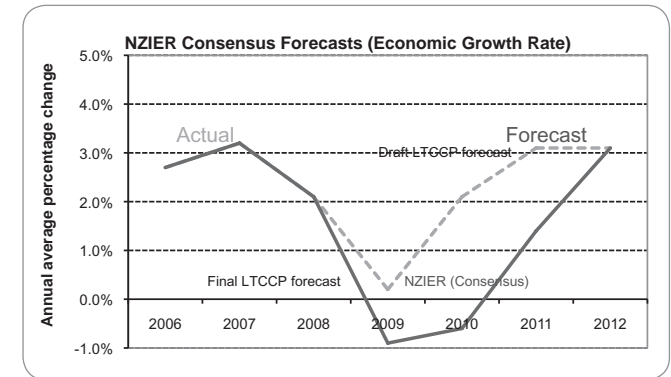
What it means for RDC services

Local authority expenditures closely follow economic growth to the point that nationally, the ratio of local authority expenditure to gross domestic product has not significantly changed in over 100 years. This implies that there is a strong relationship between local authority expenditure and economic growth. This is unsurprising because, as the economy grows, local government must service that growth in such areas as more building and resource consents, more road construction and maintenance, more demand for water and wastewater services, more refuse to landfills, increasing quality expectations, etc.

Rodney's population is forecast to grow at 2.5% over the life of the Plan, so this alone should drive the long-term growth rate well towards the 3% assumption.

Our response

That growth in the demand for Council services will be low in the initial two years of the Plan and then recover to the long-term 3% average.



Assumption: Population Growth	Measure or description
	Annual average rate of population growth over the ten year life of the LTCCP.

What has been happening

At the time of the last census (2006) Rodney was the fourth fastest growing local authority area in New Zealand. Over the last 15 years the average population growth has been 2,320 per year. This figure has varied over this period and, in the most recent period (2001-2006), it has been higher than the 2,320 people per year assumption. On the most recent data available, therefore, the 2,300 figure is considered conservative.

What we expect to happen

It is proposed that the 15 year long run average of an additional 2,320 people per year is the Council's assumption for annual population growth over the life of the Plan.

The majority of this growth is expected in the southern parts of the district along the borders and main transport routes shared with North Shore and Waitakere cities. The exception to this is Warkworth which is already undergoing significant growth. This is expected to be further encouraged with improved transport routes to the main population areas to the south that opened in February 2009.

Area (Main urban areas and total rural)	Usual resident population projections			
	mid 2009	mid 2019	Numeric Change	% Change
Orewa/Hatfields/Waiwera/Inner Orewa West	9,974	12,526	2,553	25.6%
Silverdale/Orewa West Greenfields	3,039	8,927	5,887	193.7%
Whangaparaoa	27,666	30,269	2,602	9.4%
Wellsford	1,680	1,727	46	2.8%
Warkworth	3,724	5,658	1,934	51.9%
Snells Beach-Algies Bay	3,558	3,862	304	8.5%
Helensville	3,011	3,654	643	21.3%
Parakai	1,041	1,199	158	15.2%
Kumeu Huapai	1,679	3,479	1,800	107.2%
Waimauku	987	1,265	277	28.1%
Riverhead	1,324	2,177	853	64.4%
Total Urban Rodney District	57,684	74,741	17,057	29.6%
Total Rural Rodney District	38,879	45,025	6,147	15.8%
Total Rodney District	96,562	119,766	23,204	24.0%

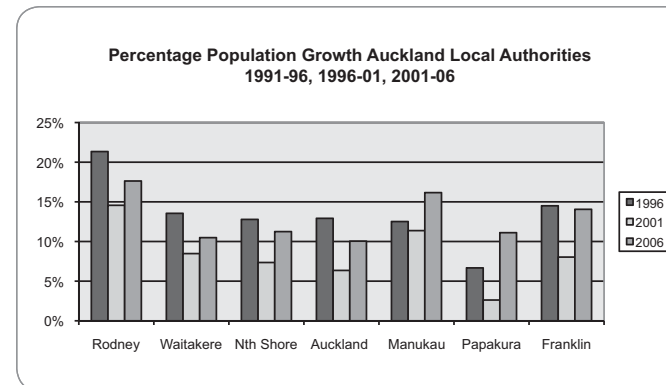
Degree of certainty

The degree of certainty is only considered to be medium over the life of the Plan. Rates of population growth for Rodney District appear to rise and fall with those for the rest of the Auckland Region. Rodney's growth, however, is significantly higher than that of its neighbouring local authorities.

Net immigration is a major driver of regional population growth with the majority of inward migrants settling in the Auckland Region. Inwards migration has fallen significantly since 2004 and this is forecast to continue, assuming no change to Government immigration policy. Lower immigration is consistent with a conservative population growth assumption.

What it means for RDC services

Local authority expenditure on services is closely correlated to population levels. Assumed annual average population growth over the life of the LTCCP is 2.5% (2,300 people) per year. There is little evidence showing significant economies of scale in local authority services (in this case declining average costs per person as the number of people grows). The rate of growth in total expenditure on Council activities is assumed to be at the rate of growth of population plus inflation, if current levels of service are to be maintained.



18 Our response

Over the life of the Plan, budgets are expected to increase by the assumed rate of population growth, plus inflation in order to maintain levels of service.

Forecasts are based on extrapolations of census projections of a scenario reflecting the high population growth of the district (in national terms), even though in some census periods growth can be above or below the extrapolated scenario. A continued population growth at an average of 2.5% (an average of 2,300 people) per year over the ten year period of this plan is therefore applied to the planning for all of the activities of the Council. If the rate of growth is different from that assumed, the Council will reassess its work programme and the implications thereof. In the period 2001 to 2006 the district actually grew faster than the 2,300 person average, gaining around 2,685 people per year. However, growth in the next five year period is expected to moderate back to around 2,300 persons per annum in view of the current economic climate. This will bring district population growth back towards the long-term projection line.

Assumption: Business Growth	Measure or description
	Business growth is predicted as a consequence of population growth, via the Council's growth model. It is measured in number of business premises. It is possible to take the existing distribution of business by type (as classified by the Australian, New Zealand Standard Industry Classification, ANZSIC) and extrapolate this to the future according to expected population growth. This is, however, too simplistic a view and not considered to add sufficiently to the value of the modelling. Instead, the number of business premises is forecast, taking into account the capacity of the area to accommodate more premises, without attempting to predict the type of business.

What has been happening

The current economic situation is changing daily and the Council is dismayed by the recent news of manufacturing lay-offs in Wellsford. As this is a long-term plan, Council needs to take these developments into account, but also look at long-term trends and play its role in returning the district economy to a long run growth path that is sustainable, not only for our economy, but also for our community and environment.

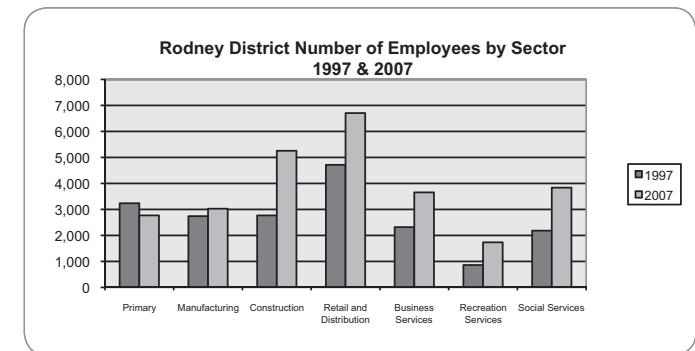
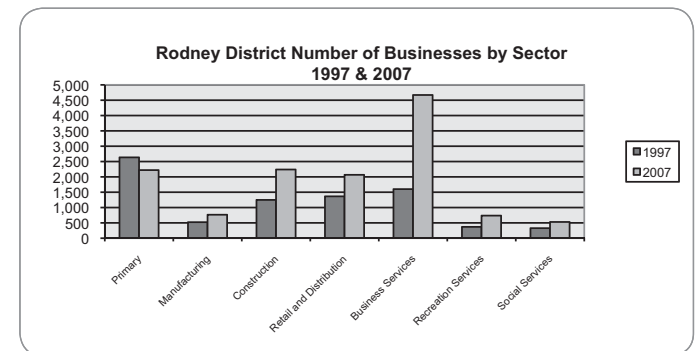
Over the period for which data is available, 1997 to 2007, the number of businesses in the district has grown by 64%. This has been supported by employment growth of 43%. This is a period over which New Zealand saw both a large drop in unemployment, as well as large numbers of people who were not counted as unemployed entering the workforce.

As with the rest of New Zealand, the primary sector – which includes agriculture, horticulture, forestry and mining – saw drops in the number of firms and employees. This is largely driven by fewer and larger units in agriculture, as well as a displacement of labour for more capital intensive production technologies.

The dramatic growth in business services has been driven by 'property services' which is expected in a rapidly developing area such as Rodney. As recent events have shown, this sector along with the construction sector are vulnerable to downswings in the economic cycle or to economic shocks.

What we expect to happen

The numbers of businesses and employees is expected to follow the forecast continued increase in population. As population has risen, however, so has the proportion of that population working outside the district in other parts of the Auckland region. The percentage rise in businesses and employment in Rodney is therefore not expected to be as high as the population rise.



<i>Expected Change in Number of Businesses</i>				
<i>Main Urban Areas</i>	<i>2009</i>	<i>2019</i>	<i>Change</i>	<i>% Change</i>
Orewa	330	412	82	25.0%
Silverdale/Orewa West (Greenfields)	276	364	88	32.1%
Whangaparaoa	695	775	80	11.5%
Wellsford	129	184	56	43.2%
Warkworth	306	352	46	15.2%
Snells Beach/Algies Bay	74	96	22	29.0%
Helensville	179	301	123	68.8%
Waimauku/Kumeu-Huapai	165	240	75	45.6%
Total Urban Rodney District	2,153	2,725	572	26.6%
<i>Rural areas (including settlements)</i>				
Northern Production belt	159	162	3	2.1%
West Coast Production belt	151	160	9	6.3%
North Eastern Mixed Activity Area	210	218	8	3.8%
Kaukapakapa/Dairy Flat Mixed Activity Area	231	249	18	7.8%
Kumeu Mixed Activity Area	276	299	24	8.6%
Kaipara/Mahurangi Greenbelt	77	82	4	5.8%
Southern Greenbelt	305	350	45	14.8%
Total Rural Rodney District	1,408	1,521	112	8.0%
Total Rodney District	3,561	4,245	684	19.2%
Northern Rodney District	956	1,095	139	14.6%
Hibiscus Coast	1,310	1,562	251	19.2%
Western & Central Rodney District	1,295	1,589	294	22.7%
Total Rodney District	3,561	4,245	684	19.2%

<i>Expected Change in Number of Employees</i>				
<i>Main Urban Areas</i>	<i>2009</i>	<i>2019</i>	<i>Change</i>	<i>% Change</i>
Orewa	2693	3201	508	18.8%
Silverdale/Orewa West (Greenfields)	2521	2829	307	12.2%
Whangaparaoa	4911	6018	1107	22.5%
Wellsford	944	1198	254	26.9%
Warkworth	2305	2290	-15	-0.6%
Snells Beach/Algies Bay	478	624	147	30.7%
Helensville	954	1,565	611	64.0%
Waimauku/Kumeu-Huapai	974	1,248	274	28.1%
Total Urban Rodney District	15,781	18,973	3,192	20.2%
<i>Rural areas (including settlements)</i>				
Northern Production belt	800	1,055	255	31.9%
West Coast Production belt	675	832	157	23.3%
North Eastern Mixed Activity Area	1,276	1,419	143	11.2%
Kaukapakapa/Dairy Flat Mixed Activity Area	1,157	1,293	136	11.7%
Kumeu Mixed Activity Area	1,563	1,555	-8	-0.5%
Kaipara/Mahurangi Greenbelt	410	532	122	29.8%
Southern Greenbelt	1,459	1,845	385	26.4%
Total Rural Rodney District	7,340	8,530	1,191	16.2%
Total Rodney District	23,121	27,504	4,383	19.0%
Northern Rodney District	6,213	7,119	906	14.6%
Hibiscus Coast	10,182	12,134	1,952	19.2%
Western & Central Rodney District	6,727	8,252	1,525	22.7%
Total Rodney District	23,121	27,504	4,383	19.0%

Some numbers may not add exactly due to rounding to the nearest whole number

Note – areas are classified in line with *Planning Rodney*.

Degree of certainty

The current economic circumstances and probable high fuel prices are expected to dampen the rates of population, business and employment growth in Rodney. There presently is considerable uncertainty around these forecasts. It should be noted however that the forecasts are extrapolations of the 1991 to 2006 trend and this period includes one severe recession in the early 1990s and a less severe recession in the late 1990s.

What it means for RDC services

The growth predictions are the same as those on which *Planning Rodney* and the Council's Development Contributions Policy is based. The capital expenditure programme in this LTCCP is designed to cater for the expected growth and is described in detail in the activities pages in this document and the Development Contributions Policy in **Volume 2**.

Our response

The Council has sought to restrain expenditure in this LTCCP to essential items including providing infrastructure to cater for growth in service demand. Wherever practical, Council has sought to fairly place the costs of growth on new service users and those intensifying their use, rather than on existing service users.

Assumption: Climate Change	Measure or description
	Change in local climate, atmospheric and marine conditions as a result of global climate change. Average New Zealand temperature rise expected about 1°C (range 0.2-2.0°C) by 2040 and about 2°C (range 0.7-5.1°C) by 2090.

What has been happening

Governments throughout the world have recognised the need to actively and collectively respond to climate change, global warming and sea level rise. This is also the case in New Zealand with climate change adaptation requirements written into legislation, and with the first commitment period of the Kyoto Protocol to reduce greenhouse gas (GHG) emissions to 1990 levels rapidly approaching. An Auckland regional response to climate change is in development with all councils in the Region participating. Rodney District Council has a key role to play in considering how it conducts its own activities in this context. The Council also recognises changing priorities and values in the community in responding to climate change and promoting sustainable liveable communities.

What we expect to happen

New Zealand (average) temperatures are predicted by the Intergovernmental Panel on Climate Change (IPCC) to increase by about 1°C (range 0.2-2.0°C) by 2040 and about 2°C (range 0.7-5.1°C) by 2090. Projected averages for Rodney are very slightly higher depending on the projection scenario being applied.

Ministry for the Environment guidance¹ summarises that climate change will generally not create new risks but may change the frequency and intensity of existing risks and hazards. Effects include extreme weather, flooding, coastal inundation, erosion problems, risk to coastal and low-lying infrastructure and development, public health issues such as tropical disease, and effects on agriculture and ecology including risks from biosecurity incursions².

More specifically, the implications are likely to see decreased mean rainfall and more extreme (heavy) rainfall. More storminess is possible, and increase in westerly wind flow with an increase in severe wind risk possible. Sea level rise is very confidently projected to be at least 18-59cm rise (NZ average between 1990 and 2100) and it is assumed that storm tide elevation will rise at the same rate as mean sea level rise. A further 10-20cm rise above current sea levels would occur if Greenland and Antarctica melt rates increase as projected with future temperature rises. There may be an increased frequency of heavy swells in areas exposed to prevailing westerlies. Overall these changes should be seen as exacerbating existing climatic hazards.

Turning to GHG emissions, there are cost efficiencies, and environmental benefits to be gained by reducing emissions associated with Council activities. There are also opportunities to provide and support leadership within the Rodney community and to promote sustainability concepts in areas such as urban form and function.

An emissions trading scheme (ETS) was recently enacted which would present opportunities and costs particularly (for Council) in the areas of forestry, waste, and energy. The scheme is now being reviewed by a special parliamentary select committee but it is assumed that some form of ETS (rather than a carbon tax) will be retained consistent with the direction being set by other developed countries.

An ETS will be an important strategic consideration for the Council. The Ministry for the Environment, for example, indicated that the current ETS is likely to promote land-use changes and influence the incentives and the returns associated with different rural activities and services.

¹ Ministry for the Environment, 2008. A Guidance Manual for Local Government in New Zealand (2nd Edn.). New Zealand Government.

² Auckland Regional Growth Forum, 2007. Auckland Sustainability Framework – An Agenda for the Future.

Degree of certainty

The findings of the Intergovernmental Panel on Climate Change and local prediction scenarios of global warming, climate change and sea level rise presented above may prove to be conservative. In consideration of climate change scenarios, the Council must have particular regard to the effects of climate change as well as the benefits from the use and development of renewable energy. The Council can also expect that it must play its part in GHG emissions reduction (mitigation) in the corporate and community sectors and respond actively to any ETS or other emissions reduction mechanism that may be confirmed.

What it means for RDC services

Climate change impacts will exacerbate existing hazards. Adaptation responses will extend to strategic and land-use planning, water supply and irrigation, stormwater and flood management, roading, coastal infrastructure, management of terrestrial and aquatic ecosystems, civil defence and emergency management, and biosecurity. A long-term perspective will be needed with an outlook of 50-100 years. Council asset management planning will also need to account for GHG mitigation supporting cost efficiencies, procurement policy, 'whole of asset life' accounting, and community leadership.

Our response

Council already takes climate change implications into consideration in its existing processes. However, Council will need to continue to monitor and adapt its policy in response to current and future climate change projections, and in particular the implications of sea level rise on existing and proposed built environments and infrastructure. To date, the Council has conducted coastal inundation risk studies on the East Coast, Orewa Estuary, the West Coast – Kaipara, and special Omaha Beach and Orewa Beach studies.

The Council is party to a regional response to climate change which supports GHG emissions mitigation. The Council will also develop an action plan in support of its participation in the Communities for Climate Protection CCP™ programme. This plan will focus on both the Council corporate and Rodney community sectors. Council will give particular consideration to its joint venture forestry holdings (350ha) in terms of relevant ETS (or other scheme) implications. It is also expected that the Council will need to monitor its activities and be responsive to any carbon or GHG emissions accounting requirements. Other responses that the Council will have opportunity to support are incentives to transition to more sustainable transport forms, particularly public transport by sea, rail and road, as well as cycling and walking. Travel alternatives can also be promoted through technology such as the internet and telecommuting.

Assumption: Regional Governance**Measure or description**

The Government has proposed changes to the governance arrangements for the region.

What has been happening

Following the presentation of the recommendations of the Royal Commission on Auckland Governance, the Government has enacted the Local Government (Tamaki Makaurau Reorganisation) Act 2009 establishing the Auckland Council and the Auckland Transition Agency. A select committee will be hearing submissions on the Local Government (Auckland Council) Bill.

What we expect to happen

Due to:

- the continued uncertainty about the location of the northern boundary of the Auckland Council
- the time it will take for the Auckland Council to create an integrated LTCCP (should Rodney be part of the new Council)

the assumption has been to plan for the best, affordable future for the district.

Degree of uncertainty

High degree of uncertainty at the time of writing (June 2009).

What it means for RDC services

No change at the time of writing.

Our response

Rodney District Council will continue to work with the Auckland Transition Agency and participate in the appropriate processes to determine the northern boundaries of the Auckland Council.

Assumption: Inflation	Measure or description
Councils are required under the Local Government Act to comply with Generally Accepted Accounting Principles (GAAP). GAAP in turn requires that best estimates of future price changes (inflation) are factored into financial forecasts. This effectively makes inflating future costs and revenues a legal requirement.	Expected percentage change in Council inputs and output costs, as forecast by independent economic forecasters Business Economic Research Ltd (BERL). These use various Producer Price Index (PPI) measures and <u>not</u> the Consumer Price Index (CPI).

What has been happening

Over the 2008-09 financial year inflation was still at high levels, running at over 5% for the types of inputs Council uses. The slow-down in demand, due to the slow-down/contraction in national and world economy, has seen inflation rates fall for many input prices. This includes key input cost drivers such as oil and contractor prices. New independent inflation forecasts for the local government sector were released in March 2009. This was too late to be used for the draft LTCCP, but have now been incorporated in forecasts in this final LTCCP 2009-19. The change between the new forecasts and those used in the draft LTCCP for the 2009-10 financial year is a fall of 0.3%. That is, the inflation adjustment required to restore Council purchasing power to what it was at the beginning of the 2008-09 financial year has now been reduced from 5.4% (in the draft LTCCP) to 5.1% in the final LTCCP.

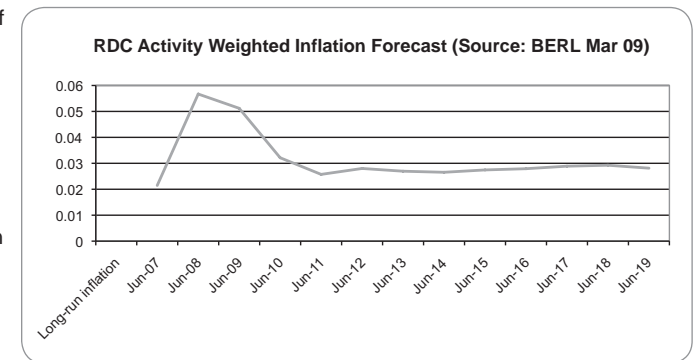
What we expect to happen

High inflation in recent years has been due to changes in energy costs, high international demand for goods and services and the effect of households financing consumption from borrowing against rising property prices.

Input price rises have now been revised downward as demand has been slashed by a slowdown in the global economy. The most recent independent forecasts for local authority input price inflation have been incorporated in calculating the budgets in this LTCCP.

Degree of certainty

During the recent period of high inflation, forecasts have not been very reliable. With an expected long period of low growth, or contraction in the global economy, inflation is expected to remain low and well within the Reserve Bank's 1%-3% band. BERL expect local authority input prices to continue to increase, also at a more moderate rate.



What it means for RDC services

The Council is required to include inflation in its forecasts. It is also required to balance its budget over the planning period. Because Council cannot control the price of most inputs it uses, the costs of its services will rise over time. To balance its budget, therefore, revenue must also rise by the same amount. If all of the increased revenue is not to be funded by the ratepayer, user charges and other external revenue must also rise on a regular basis.

Our response

Budgets will be updated annually via the Annual Plan process.

Inflation has been incorporated into the ten years covered by this LTCCP, through the adoption of indices extracted from the forecasting work undertaken by Business & Economic Research Ltd (BERL) on behalf of the Society of Local Government Managers (SOLGM). The indices identified are Rooding, Property, Water, Energy, Staff costs and Other, with each index having different movements (cumulative) over the ten-year timeframe as follows:

	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>	<i>2015/16</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>
Rooding	1.0	3.3	6.1	9.0	11.7	14.4	17.0	19.9	22.9	25.9
Property	1.0	2.7	5.6	9.1	12.0	14.8	18.2	21.8	24.9	28.0
Water	1.0	3.9	6.2	9.6	13.0	16.5	20.4	24.4	28.5	33.0
Energy	1.0	3.0	5.8	8.3	11.3	14.5	18.3	22.2	26.3	30.6
Staff costs	1.0	2.6	5.2	7.7	10.6	13.5	16.5	19.5	23.2	27.1
Other	1.0	3.3	6.8	9.3	12.0	14.6	17.3	20.1	23.0	26.0

The effect of a change in the actual rate of inflation will mean a higher/lower asset value and a higher/lower depreciation charge.

Financial Overview

Operating expenditure

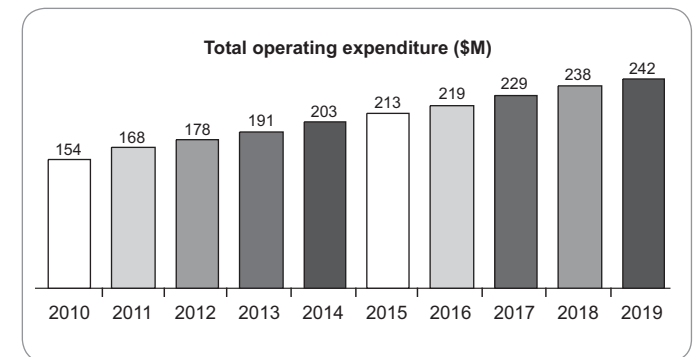
Operating expenditure includes the day-to-day costs necessary to run a large multi-function organisation. These are generally costs that impact on one year's operations as opposed to capital expenditure that impacts on more than one financial period and creates a depreciable asset. The total operating expenditure for the 2009/10 financial year is budgeted to be \$154 million, rising to \$242 million by 2018/19. The rise in the operating costs includes an allowance for inflation averaging 3% per year over the ten year time frame. Growth is expected to be around 2.5% per annum. Overall the costs are expected to track the expected growth and inflationary impacts. Council is aware that the current economic conditions resulting from the world financial crisis will have an impact on our community; we have therefore prepared our budgets to reflect our intention to maintain rate increases in line with the rate of the Council's inflationary impacts.

Council incurs costs to run and maintain assets such as roads, wastewater treatment plants and pumping stations, with the physical work being contracted out rather than being performed by Council employees. The quality of work performed and associated costs are subject to regular monitoring and review by Council. The costs of maintaining these assets rise each year at a rate significantly higher than the Consumer Price Index (CPI) rate of inflation. This is because prices and amounts charged to Council are linked to the increase in construction costs and these costs are increasing far more rapidly than the CPI rate of inflation.

Operating expenditure (including the impact of inflation) includes:

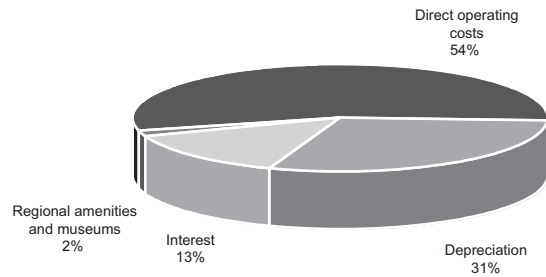
- the operating and maintenance costs of Council's assets
- corporate administration costs
- depreciation charges resulting from prior capital expenditure
- interest costs incurred as a result of Council's borrowing
- levies paid for Auckland-wide regional amenities.

Depreciation is an expense reflecting the use of an asset during that financial year, or the decline in the service that it can provide and therefore spreads the costs of the assets over their useful lives. The Council's assets are valued at over \$1.7 billion, rising to over \$2.4 billion in ten years. Council must regularly review the value of its assets and revalue them to reflect the cost of replacing the assets in the future and their current worth to the community.



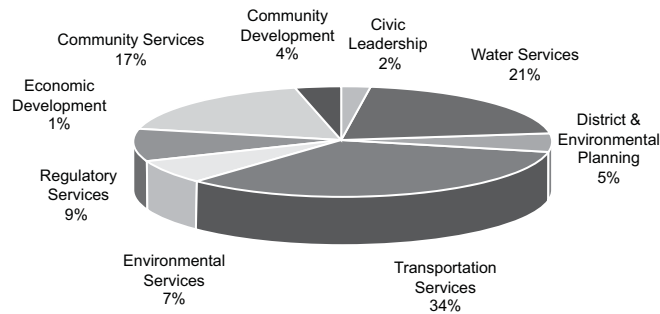
In 2009/10 depreciation makes up \$40.2 million or 25.9% of the operating expenditure. This rises to \$77.4 million (including inflation) or 30.7% of operating expenditure by 2018/19. The increase in depreciation reflects the growth of the district and the newness of many parts of its infrastructure.

Operating expenditure by type for ten years (\$2.1B)



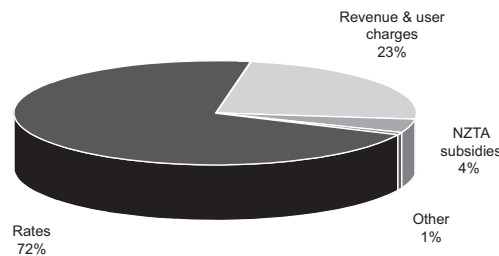
Interest charges are the cost of servicing debt which is raised to fund the capital works programme and are forecast to rise from \$19.9 million (13%) in 2009/10 to \$27.5 million (11.3%) in 2018/19. Due to changes in international and domestic financial markets interest rates have, fluctuated significantly over the past 18 months. Council's borrowings are actively managed and a number of financial instruments are used to spread the impact of interest rate movements.

Operating expenditure by activity for ten years (\$2.1B)



Over one third of Council operating expenditure continues to be spent in the transportation area. In addition 21% of total operating expenditure is spent on delivering water and wastewater services.

Operating revenues by type for ten years (\$1.8B)



Operating revenue

The operating revenues shown in the following graph are only those to fund operating expenses, whereas the Statement of Comprehensive Income on page 225 shows all revenue sources in compliance with general accepted accounting practices (GAAP). The operating revenue for capital expenditure such as Development Contributions and subsidies for capital works are not included.

Balanced budget

The operating surplus shown in the Statement of Comprehensive Income includes revenues related to capital expenditure (e.g. financial contributions, subsidies for capital works) and after allowing for these, the Council has met operating costs by operating revenues over the ten-year period.

Council sets its operating revenues at a level sufficient to meet its operating expenses each year in accordance with section 100 of the Local Government Act 2002. In setting its operating revenues, including rates, it takes into consideration situations such as where subsidies are going to be received in the future to help fund the replacement of assets or where assets are not going to be replaced or where additional capacity that is not currently required has been built into an asset. This means that current ratepayers are not charged to cover all depreciation.

Rating impact

In the first year of the LTCCP, the Council's main source of operating revenue will continue to be property based rates. The Council expects to collect \$97 million in rates for the 2009/10 financial year. The Council has worked very hard to contain the rates increases. However, increasing demand on services and facilities throughout the district, including the requirement to upgrade existing facilities, particularly wastewater disposal, has contributed to cost increases; this has resulted in an increase in the amount of money that the Council must raise from rates.

The Council will incur cost increases, over which the Council has limited control, in a number of areas. These include:

- additional depreciation expenses of \$2.9 million
- an increase in the regional levies payable from \$1.525 million to \$2.65 million
- additional power costs (largely incurred to operate wastewater treatment plants and water pump stations)
- other general inflationary increases
- inflation adjustments impacting on our roading and water maintenance contracts
- offset by a reduction in year one for interest expense of \$2.4 million.

The inflation added to these services is at a rate significantly higher than the general rate of inflation. The additional factors are included in the calculation of inflation applied such as the Bitumen Price Index and the Cost of Construction Index.

However, the district's sustained growth has increased the number of ratepayers and therefore the district's rating base. As growth has slowed Council has deferred some of its previously proposed projects to compensate. Allowing for this growth, the existing ratepayers can expect their rates bill, on average, to increase by 4.9% in 2009/10.

The overall average rating impact (including inflation) across all properties by year is as follows. There is a reasonable degree of accuracy in the initial three years with the following seven years being a best estimate based on the current expectations.

	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>	<i>2015/16</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>
Overall average change	4.9%	6.1%	4.2%	4.0%	3.3%	3.2%	0.7%	1.6%	1.4%	0%

These are average rate impacts as the actual incidence for an individual property will depend on a variety of factors, including its relative property value, the location of the property, its classification with regard to use, and which services it can access. They also allow for inflation at forecast levels for the full ten years. (For more on rates and their implications see the "Revenue and Financing Policy" and the "Funding Impact Statement" in **Volume 2**.)

Changes to the Revenue and Financing Policy are:

1. the district will operate as one rating area with targeted rates and differentials being used to reflect the various services that specific parts of the community can access, e.g. water and wastewater
2. the introduction of a volumetric charge for waste water for properties that are connected to RDC water systems and an averaging process to be used for those properties that are connected to the waste water system but not RDC water systems
3. a change to the method of rating for transport activities from Land Value to the Capital Value of a property as the means of calculating individual property charges.

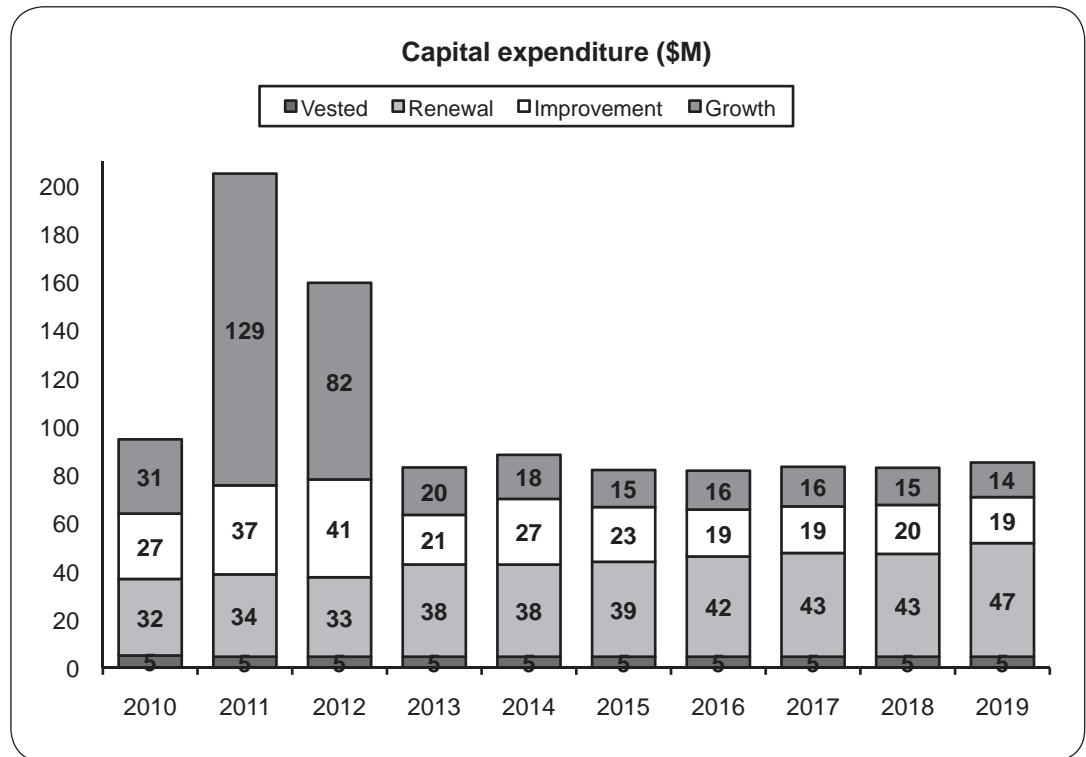
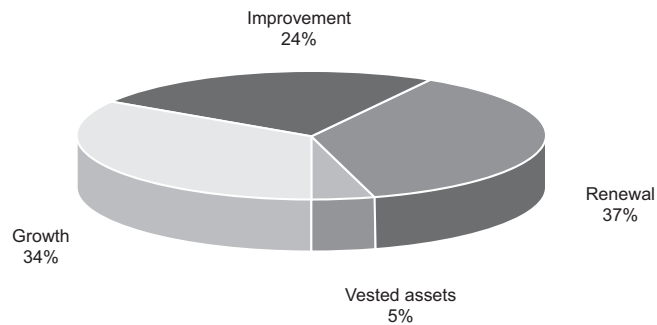
Capital expenditure

Capital expenditure is the cost incurred by the Council when it buys or creates new assets or renews existing ones. These assets provide services to the community, for a period of greater than one year.

The Council has a programme of capital works, valued at \$94.5 million for 2009/10. This is significantly lower than originally forecast and recognises the reduced activity in the current financial climate. It excludes any carry forwards for uncompleted works in the current year. The capital expenditure projects detailed within each activity are based on asset management plans and are being undertaken for a variety of reasons, with the three main drivers being; to renew an existing asset; to build additional capacity for future needs; and to improve the level of service being provided to the community. Sometimes a single project can be proposed to meet one, or even all three of these drivers; a form of allocation is therefore required. To give an indication of the relative weighting between these three drivers, the following table gives the estimated percentage splits between these areas and vested assets,

Growth in our district still is a significant factor for Council. The Council must provide the relevant infrastructure such as roads, water supply, wastewater services and community services to meet the demands of a growing district. Over the ten years covered by this plan 37% of our capital expenditure will be spent maintaining and renewing our existing assets.

Total capital expenditure for ten years by asset type \$1B



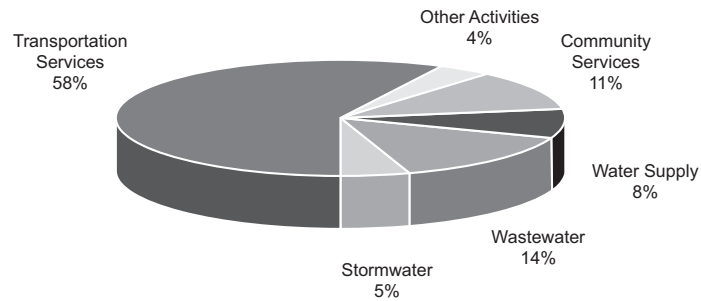
	<i>2009/10 \$000</i>	<i>2010/11 \$000</i>	<i>2011/12 \$000</i>	<i>2012/13 \$000</i>	<i>2013/14 \$000</i>	<i>2014/15 \$000</i>	<i>2015/16 \$000</i>	<i>2016/17 \$000</i>	<i>2017/18 \$000</i>	<i>2018/19 \$000</i>	<i>Total \$000</i>
Growth	30,752	129,174	81,507	19,653	18,256	15,348	16,094	16,414	15,395	14,345	356,938
Improvement	27,108	36,900	40,518	20,569	27,216	22,678	19,463	19,297	20,281	19,056	253,086
Renewal	31,713	34,112	32,916	38,208	38,180	39,334	41,524	42,978	42,610	47,074	388,649
Vested	5,000	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	45,500
	94,573	204,686	159,441	82,930	88,152	81,860	81,581	83,189	82,786	84,975	1,044,173

The Council has included a capital expenditure programme of \$1 billion over ten years, these projects arising from Asset Management Plans (AMPs). However, the AMPs actually contained more projects and included many projects that the community had previously indicated they would like to occur. We assessed that a capital expenditure programme of more than \$1 billion was not affordable or achievable, both in terms of ability to get funding for the projects plus the resulting effect on rates. As a result we prioritised the capital expenditure programme. The types of projects included are those projects which are:

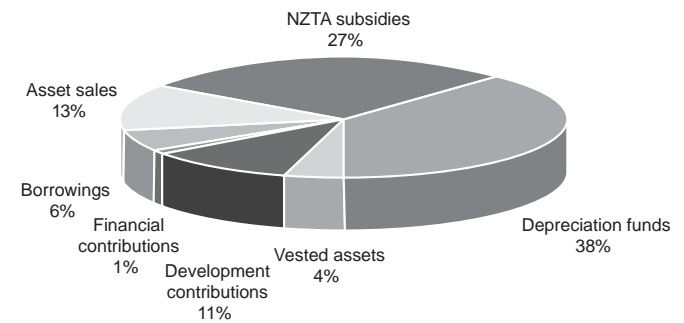
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- required for legislative compliance
- the project is a committed contract
- required to address significant safety issues
- renewal of existing asset (required to maintain basic functionality)
- directly met by others (i.e. a third party will fund excluding developer funded)
- achieves reduction in operating costs
- required to allow growth – fully developer funded.

Total capital expenditure by activity for ten years (\$1B)



Total capital funding by type for ten years (\$1B)



Council continues to have significant transportation capital expenditure with a budgeted programme of \$601 million over ten years, and a further 27.6% spent on either: water supply, wastewater or stormwater projects. For more detail of specific projects proposed to be undertaken please refer to the individual activities.

Capital funding sources

The total capital expenditure of \$89.5 million (excluding vested assets) in 2009/10 will be funded from a variety of sources. These include financial and development contributions (\$6.2 million), grants and subsidies (\$30.4 million) and property sales of \$30 million, with the remainder coming from rates collected to cover depreciation set out in each activity statement, and other available reserves.

Property sales

To maintain an appropriate level of borrowing over the longer-term, Council expects to sell \$30 million of property in year one of the LTCCP and a further \$50 million in year two.

Borrowing and debt management

The Council will raise loans or issue bonds to fund capital expenditure when no other appropriate revenue or funding sources are available. The forecast loan raising programme for the next ten years is significant with net debt balances by year as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Net Debt (\$ million)	287m	318m	328m	346m	366m	371m	372m	369m	360m	352m

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The Council's adopted Treasury Management Policy sets out borrowing control parameters, with five key long-term ratios providing financial targets that it is committed to operating within.

Ratio	Target	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Debt as % of equity	less than 25%	20%	20%	19%	20%	21%	20%	20%	19%	18%	17%
Debt as a % of income	less than 175%	145%	117%	146%	177%	177%	172%	165%	157%	147%	140%
Interest as a % of income	less than 15%	10%	8%	11%	13%	13%	13%	12%	12%	11%	11%
Interest as a % of annual rates income	less than 30%	20%	21%	21%	22%	21%	21%	21%	20%	19%	18%
Liquidity (Term debt + committed loan facilities to existing debt)	greater than 110%	127%	125%	124%	123%	121%	121%	121%	121%	122%	122%

To determine the financial sustainability of this debt programme, the Council needs to undertake a full review of its debt parameters to determine whether they are still valid in today's environment, as these ratios were set several years ago under quite different circumstances.

Financial assumptions underlying the forecast financial statements

Following are the key assumptions that impact on the overall financial position, used by the Council in preparation of the LTCCP. Other assumptions pertaining to specific activities of the Council are contained within each group of activities in the 'Council Activities' section.

When forecasting the Council's expenditure and revenue for the next ten years, we have made the following assumptions:

Interest rate

A slight increase in the Council's current true weighted average cost of borrowing (7.125%) has been forecast for the first two years, at 6.75% for 2009/10 and 7.5% for 2010/11 and onwards. These will be reassessed and updated each year as required. Source: Asia Pacific Risk Management.

Inflation

Inflation has been incorporated into the ten years making up this LTCCP. (Refer to section "Major Assumptions - Inflation").

Infrastructure assets / Investment properties

In compliance with our accounting policies the Council has prepared its financial statements to reflect its intention to revalue its infrastructure and investment properties. This has resulted in increases in the value of these assets and an increase in the charges for depreciation.

Interest rate swaps

Interest rate risk around Council's debt will be managed through the use of financial instruments as approved by the Treasury Management Policy.

Retail bond issue

At some stage in the future, Council may go out to the public with a retail bond issue as part of its overall funding requirements.

Financial contributions/Development contributions

The level of financial contributions/development contributions received each year will be reserved until the relevant capital expenditure is undertaken.

Forestry assets

There will be no tax liability arising from the sale proceeds of harvesting the Council's forest assets. Based on current wood prices, sale proceeds are likely to be offset by accumulated costs incurred up to that point.

Leaky buildings

The Council has made a provision in the financial statements for potential liabilities in relation to leaky buildings. This amount is an estimate as Council's liability in relation to these claims as the actual liability depends on a number of factors including the existence of other liable parties that are able to contribute to any liability and the amount of excess Council has with its insurer. Information surrounding these potential claims is subject to extreme uncertainty.

Capital expenditure

The LTCCP capital expenditure budgets have been set to reflect the current financial situation. In setting the final programme of capital expenditure, projects were subject to a priority ranking process. Asset maintenance and asset renewal projects were given highest priority so that Council can continue to maintain its existing service capacity. Capital expenditure has been identified by project for each of the 10 years making up this LTCCP. However, for years beyond the first three, some assumptions have been made with the identification of generic projects within activity statements not specifically identified with regards to location or the exact nature of each job.

NZ Transport Agency subsidies

There will be no significant change to the way that NZ Transport Agency applies its subsidies which are used to fund many of the district's transportation activities including all State Highway activities, local road improvements, walking and cycling and community road safety activities.

Employees

The number of Council full-time equivalent employees will remain in proportion to service levels provided.

Penlink

The Council will receive 58% subsidy of the total project cost through the National Land Transport Fund or other government funding. When government funding is secured, Council intends to raise the balance of the funding through a tolling scheme on the Weiti Toll Road tendered through a public-private partnership, and through developer contributions (DCs).

How the arrangement with the private party should be accounted for will be dependent on the exact nature of the agreement that the Council enters into and the financial reporting standards that prevail at the time. The forecasts reflect the arrangement that the Council intends to enter into, and the accounting treatment is based on a current consultation paper on Accounting and Financial Reporting for Service Concession Arrangements issued by the International Public Sector Accounting Standards Board.

Council Controlled Organisations

<i>Name of CCO</i>	<i>Representation</i>	<i>Why does it exist?</i>	<i>What does it do?</i>
Rodney Properties Limited (RPL)	<p>100% Ownership by Council.</p> <p>RPL is managed by a board of three, one Executive Director and two Directors, appointed by Council.</p> <p>The new company will report regularly to Council.</p>	<p>Council plans to sell some of the property it owns, which is not needed for core Council business. This will help to reduce Council debt without impacting on core services.</p> <p>RPL is charged with disposing of a portfolio of non-operational properties to maximise financial returns to the Council so that debt can be minimised whilst trying to achieve good urban design and strategic outcomes. Property purchases will only occur for specific operational purposes.</p>	<p>The company will provide advice on the sale of Council property. The Council believes that advising on and arranging property sales through a company with specialist expertise will help to maximise the return to ratepayers from properties not required to meet core Council services.</p>
Northern Animal Shelter	<p>Rodney District Council (RDC) and North Shore City Council (NSCC) will jointly design, construct, own and operate an animal shelter facility (Northern Animal Shelter) in Tavern Road, Silverdale.</p>	<p>This joint venture is undertaken in order for the councils to meet their respective long-term statutory requirements for the custody, care, exercise, release and disposal of dogs and implementation of their dog policies under the Dog Control Act 1996.</p> <p>The shelter is a small, non-profit council controlled organisation (CCO) exempted as a CCO under section 7(3) of the LGA 2002, by Council resolution on 07 August 2008. Council is required to review this exemption within three years after it is granted, i.e., before 07 August 2011.</p> <p>Developing the animal shelter as a joint venture provides economics of scale for both councils.</p>	<p>The shelter provides for the custody, care, release and disposal of dogs for both RDC and NSCC.</p> <p>It enables the RDC to impound and house a significantly increased number of dogs than can currently be impounded and therefore will offer a greater level of protection to the community.</p>