Welcome to Buller District Council's Long Term Plan 2012/2022

This Long Term Plan supersede's the previous Ten Year Plan 2009-2019.

What is a Long Term Plan?

The "Long Term Plan" outlines the activities and the services Council is planning to provide over the coming ten years. The public has made submissions on the Long Term Plan and Council has adopted this Long Term Plan on 27 June 2012.

The Long Term Plan states the proposed vision for the District, the Community Outcomes, the services and activities Council is undertaking to contribute to those Outcomes, and the costs of Council providing those services and activities over the next ten years.

It is important to note that the financial information contained in this Long Term Plan is forecast information based on the assumptions which Council reasonably expects to occur. Actual results achieved are likely to vary from the information presented and these variations may at time be reasonably large. That being said, we have endeavoured to make sure that our financial forecasts are as accurate as we can reasonably make them based on the information we currently have.

The outcomes identified by the Council and community indicate how the District should promote community well-being - socially, culturally, economically and environmentally.

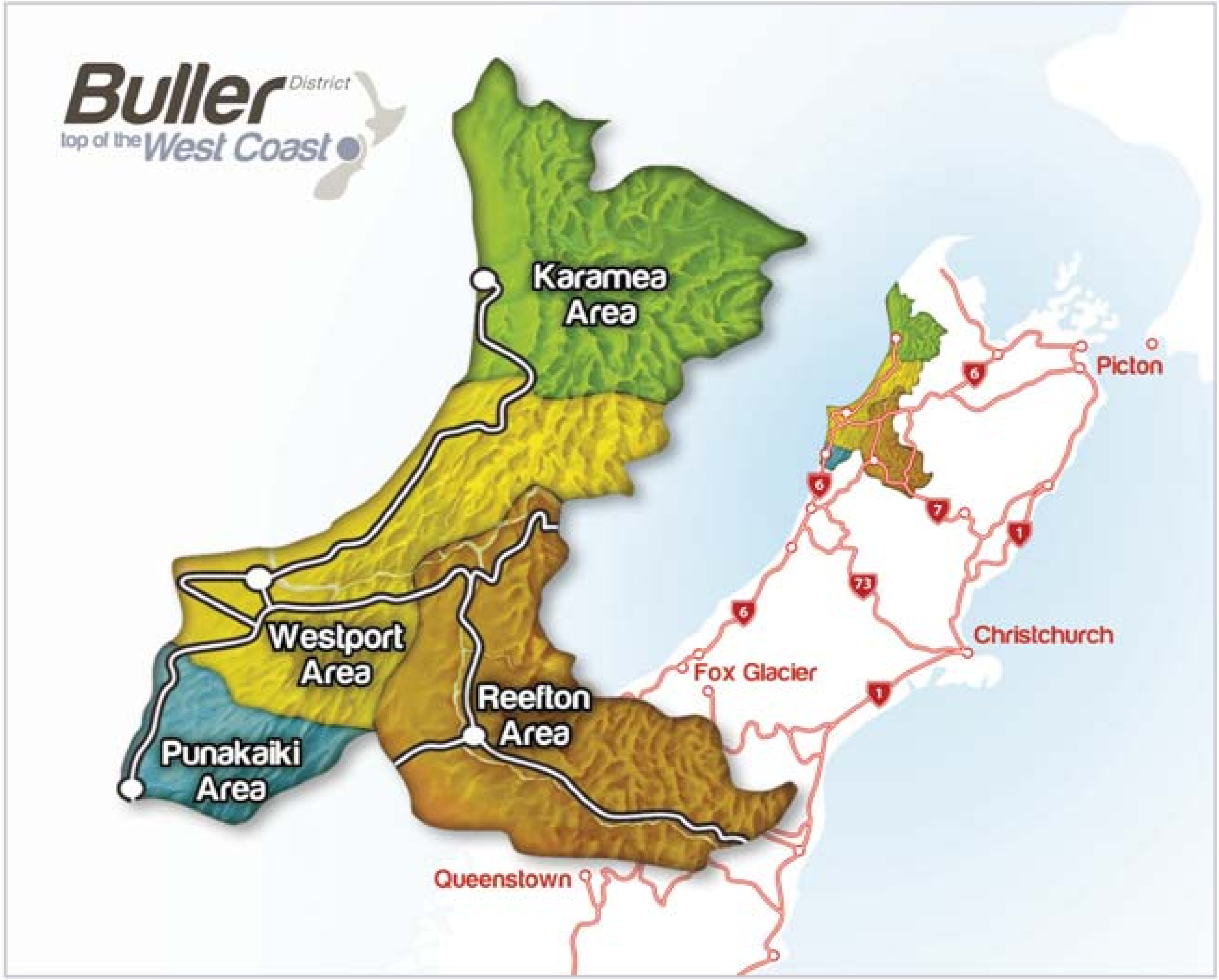
The end result, is an all-encompassing document that outlines the community's expectations and shows how Council, with the help of the community and other organisations, will work together to achieve community well-being and the outcomes.

Under the Local Government Act 2002, Buller District Council is required to produce a Long Term Plan. The first (interim) Long Term Council Community Plan was produced in 2004. The second was produced in 2006 and the third in 2009.

The Long Term Plan must be reviewed and re-evaluated once every three years. This Long Term Plan is part of the Council's three yearly review process.

Between the three yearly reviews, Council produces an Annual Plan, outlining what activities and services Council will be undertaking in that year and any changes from the Long Term Plan. Each year Council produces an Annual Report which outlines what Council actually did that year compared to what it was planning to do in the Long Term Plan or Annual Plan.

The Plan states the proposed Vision and Community Outcomes for the District and the services and activities Council is undertaking.....


Buller District
top of the West Coast
Karamea Area
Westport Area
Reefton Area
Punakaiki Area
Picton
Christchurch
Fox Glacier
Queenstown
6
7
1
73


Long Term Plan
Reviewed every three years
Lets you know what Council is doing and why.
Annual Plan
Produced every non-Long Term Plan year
Lets you know how Council's work is going to be paid for each year, and any variances from the Long Term Plan
Annual Report
Produced every year
Lets you know whether the Council did what it said it would do
Community Outcomes
Knowing the environment in which people live.
Knowing what the community and people want.

how to find your way around the Long Term Plan

For first time readers, this section provides a beginners guide to the Long Term Plan. For those who are more familiar with Council documents, reading this section will enable you to find the information you need more quickly.

We have done our best to keep jargon and abbreviations to a minimum, but there are some words that have been used because of legislation or the specialised activities that Council carries out. For example “community outcomes’ and ‘community well-being’ come from the Local Government Act.

Two volumes and a ‘Summary’ Document

The Long Term Plan comprises two volumes:

Volume 1 (this document) includes information on the Council vision, which details key aspects of the Council’s work for the next 10 years. Volume 1 is where you will find:

- Council’s vision and mission, and the community outcomes
- The key issues Council is planning to address over the next ten years
- The services Council plans to provide and to what level
- What key projects are proposed to be undertaken and when they are planned to occur
- How much Council plans to spend on its activities, services or projects

Volume 2 contains all the background policies that Council is required to include that relate to its financial position, such as:

- Significance Policy
- Revenue and Financing Policy
- Treasury Management Policy
- Rates Remission Policies
- Several other related policies and statements such as the Funding Impact Statement that sets out information on the rating system
- Council’s Water and Sanitary Services Assessment and Waste Management and Minimisation Plan

Key changes to the policies are detailed above each policy in Volume 2.

Further detail on activities and when specific projects are planned to occur is contained in Council’s Activity Management Plans, which are available for most of the activities Council undertakes. These Activity Management Plans are useful supplementary information as they provide the foundation for the Long Term Plan. The other reason for looking at them is that they outline Council’s planned capital works or key projects for the next 10 years.

Please note that all budget figures in this Plan contain an allowance for inflation. All rates within the Plan are GST inclusive. Any exceptions to this inclusion of inflation, or GST, are expressly stated.

Mayor's message

As a person who was born and bred on the Coast, I care deeply about the future of the Buller. We all know that over the decades the Buller region has seen good times come and good times go. The economic tide rolls in and rolls out again, leaving those who remain behind, stranded and struggling to survive.

All the signals we see today indicate that the tide is on the rise. Our biggest industry, mining, is set for big expansion and then good times could return. That is fantastic for an area that has had to watch as our family members have previously had to leave to find work. But will it last ? Not if we just do what we have always done.

This is a chance in a lifetime.

This time we have to ensure that the boom stays invested in the region to build a diversified economy. It will not be easy, and the Council cannot do it on its own. The whole community will have to pull together with the Council leading the way. We need to improve basic infrastructure up to scratch and we have to get the very best out of our natural advantages to build vibrant modern and long lasting communities.

This is not a short term plan and it will not happen overnight.

We will need all of the ten years on this plan to build the diversified economy that uses the coal boom as a springboard to benefit the whole region.

The Council spent considerable time developing this Long Term Plan and debating what services and projects need to be undertaken. Prioritising the services and activities was no easy task for Council. There are many deserving services and projects that Council would like to provide to our communities and which we are expected to provide by our residents and ratepayers.

In preparing this Long Term Plan the Council has done its very best to provide what we consider will be in the long term interests of the Buller District as a whole taking into account the varying needs and preferences of the residents in our region wide network of settlements.

Councillors listened to your views on the key issues we highlighted in our Plan, and were pleased that so many ratepayers attended our roadshows.

Pat McManus
Mayor

Chief Executive's overview

Buller District is at the crossroads

We need to look at our recent history before deciding the way forward over the next ten years.

Some years ago, the District's population peaked at about 11,000 inhabitants. Unfortunately, for a variety of reasons, economic activity subsequently declined, and the resident population fell away. The Councils of those days reacted by taking a very conservative approach to expenditure and maintenance of the basic Council infrastructure. This caution did help keep rates down at that time, but progressively the lack of reinvestment lead to what engineers like to call an "infrastructure deficit". Core services such as water, sewerage, and roading gradually began to wear out, while upgrades and replacements were deferred to save money.

Eventually something had to give, and the District had to borrow to finance replacements. These costs were compounded in some cases by Central Government requirements to enhance services to meet new mandatory standards. Rates rose accordingly, and yet there were fewer people left in the district to share the burden.

Meanwhile, the outflow of residents looked so bleak that after the 2007 census, the Statistics Department predicted that the resident population for the entire Buller District would dip below the 9000 mark by 2030. Judging by the numbers available at that time, Buller District seemed headed for terminal stagnation. All that there would be left would be a bit of dairy farming, some residual mining, and a hand to mouth tourism industry based on the wild scenery, quaint history and photo opportunities of virtual ghost towns, where once there had been thriving communities in the "good old days".

The future did not look good. Buller District seemed destined to be stuck in some 1950's time warp with less and less permanent resident ratepayers left to pay the bills.

Fortunately the fall in economic activity seemed to bottom out about that time, as coal and other mining activities began to pick up in response to worldwide demand. New pasture techniques opened up more and more dairy farms on the back of the dairy boom. Some glimmers of hope started to emerge.

The Buller District Council's 2009/2019 Long Term Council Community Plan (the LTCCP) took the Statistics Department dire prediction and balanced it against the signs of recovery. The Council decided that the number of residents in the Buller District would stabilise at about 10,000 people.

The 2009/2019 LTCCP set out a plan to continue to work on the infrastructure deficit one bit at a time. Over the ten years, property and roads would be renewed, bridges put in place, and a start made on urban renewal. Drinking water upgrades were scheduled for Westport, Reefton, and Punakaiki. Wastewater projects were signalled for Westport, Reefton, and Little Wanganui. There would be various water renewals, and stormwater improvements. Replacement fire engines would be found for the three rural fire brigades.

The 2009/2019 LTCCP strategy also involved a series of projects designed to address the wider social, commercial and cultural needs of a modern Buller community. The Solid Energy Centre emerged as the biggest project, closely followed by the NBS Theatre, and the development of a "Cultural Hub" as a focal point in the middle of Westport. Playgrounds throughout the district would be upgraded to meet the new NZ standards. New pensioner housing units would be built at Karamea and the old ones at Reefton replaced with more modern facilities.

The aim was to lift the district and its communities to a new family friendly and future orientated level.

The 2009/2019 plan was a "big call", yet it is hard to see any real alternative, other than to have simply given up on any real future for the district.

None of this made the financial consequences any more palatable. Council costs had risen, and while service levels rose at the same time, there were few new permanent residents to take up additional shares of the ratepayer burden. The small recovery in population tended to largely take up the slack in the housing stock left over from the early peak. While there were more people on the streets, the number of ratepayers was only up slightly. Affordability became an even bigger issue.

The Council responded by putting more emphasis on the use of target rates, whereby the costs tended to fall on the beneficiaries of the service rather than the general population through the general rate. The Council also recognised the increased complexity of the rating system, which by now had a large number of "differentials" that impacted in a manner that was confusing and sometimes controversial.

Against that background, the 2009/2019 Plan announced an intention to undertake a formal rates review and consultation process that could lead to a changed rating system based on a mixture of land and capital values.

It was stressed that the changes from the rates review would not lead to the Council collecting any additional revenue.

Instead it was hoped that the rate burden would be reallocated in a manner that was more transparent and more equitable for the same static core of 10,000 permanent resident ratepayers.

Since the adoption of the 2009/2019 plan considerable progress has been made reducing the infrastructure deficit, but much remains to be done. While core infrastructure facilities are improved there is little spare capacity and there is still some way to go before the aims of the 20009/2019 plan will be achieved.

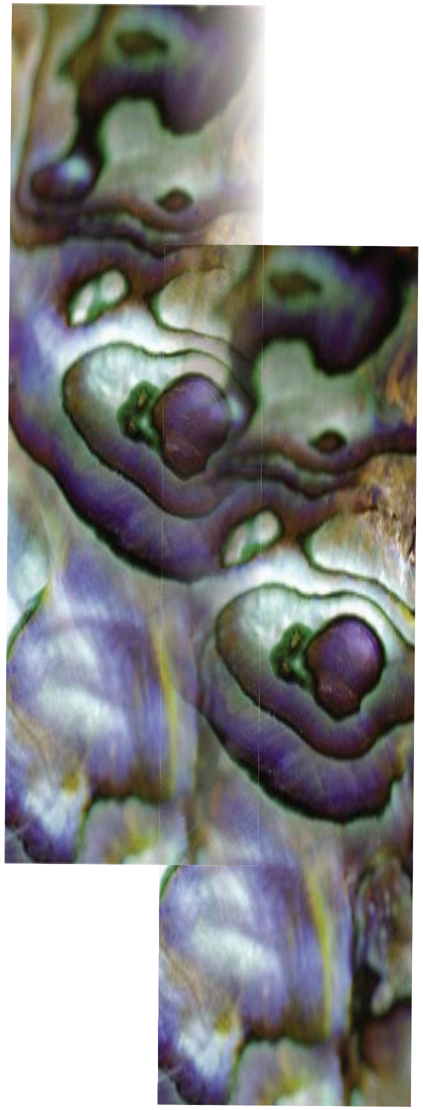
The popularity of facilities such as the Solid Energy Centre and the NBS Theatre is beyond dispute, but the scale of subsidies needed to keep admission prices within the reach of all members of the wider community, is a real concern.

The Cultural Hub projects are a work in progress, and the delays are placing great pressures on the Coaltown Museum and the I-site operations.

Economically, the winds of change have swung back in favour of the Buller District. Mining, especially coalmining, has grown rapidly with the Stockton plateau home to New Zealand's most profitable coal mining operations. Major expansions of activity have been planned and are poised to proceed once the legal and regulatory process has run its course. Dairying is still building momentum and tourism continues to play a vital supplementary role.

The inherited slack in the housing market has now been taken up. The additional people who have come into the district have become tenants and rents have risen to big city levels. Second hand houses, especially those at the lower end of the market tend to find quick sales. The district is becoming used to the phenomenon of the "drive in/ drive out" worker.

The subdivision and new housing market is better than it was but hardly booming, yet this is the source of new ratepayers.



More and more people are now dependent on Buller based jobs, but this has still not translated into much needed more permanent resident ratepayers.

Anecdotally, it seems that there is reluctance by the new workers to invest in the Buller District. The District has a perception problem.

- There is a fear that the coal will not last, and that investing in a house might be unwise if it could not be sold when the industry comes to a halt.
- Socially, "the Coast" still suffers from negative perceptions as a wet, wild and deprived locality.
- There is a concern that the health services are inferior and inadequate. Child care services are seen to be insufficient for the modern family that needs two incomes to service a mortgage on a new house.
- Parents worry that the District schools fail to offer enough opportunities.
- "There is nothing to do but to get into trouble."

Fortunately these are perceptions rather than reality.

- The coal industry and other mining activity are expanding rapidly and worldwide demand will continue into the future. Mining itself is now a highly regulated and controlled activity that addresses environmental concerns comprehensively and sustainably. Advances in technology will ensure that this abundant source of energy will continue to be sought out in the future.
- Modern communications and transport have removed the isolation problems of the past and it is now possible to participate in global commerce and enjoy the wonderful environment of the top of the Coast, without the need to be living in a crowded and expensive city. At the same time the District is fortunate in that it has extremely low costs of land and the ability for a young couple to build an affordable new home in the Buller is unequalled anywhere else.
- The pleasant reality of the top of the Coast near subtropical climate is a surprise to most visitors and is a story that needs to be told.
- Specialist health services may involve travel but are available without undue delay. The full range of primary health services is available within the District. A modern integrated health centre is in the wings, pending consultation with the community and the District Health Board.
- The District has an unparalleled natural recreation environment, and a wide range of affordable and accessible sporting and cultural activities. Schools rate highly in ERO reports and crime statistics are well below city levels in a community that cares and looks after its own. It is a great place in which to raise a family.

This brings us to the start point for this 2012/2022 Long Term Plan.

Coal mining is prosperous and set to expand considerably. This increased production is beyond the ability of the present rail tunnels to Lyttelton and as an alternative it is intended to ship much of the additional production from the Westport harbour to Port Taranaki from where it will be sent overseas. To enable this to happen the existing Westport port facilities will be greatly expanded and upgraded at a cost of up to $30m. The financing of the development is external to this plan and is being progressed by Buller Holdings. This construction project, coupled with the probable construction of a hydro dam at Mokihinui, will also boost the number of jobs in the District in a manner that will seriously test the Districts infrastructure capacity and wider social and cultural fabric.

While on one hand it can be said that the influx of new people is vastly better than observing a further decline, just how the District intends to handle the economic growth and the influx of workers, is crucial to the long term future of the Buller District and its communities.

We are at the crossroads!

In one direction lies the possibility of a sustained growth in a District that has a positive future in which gradual diversification builds on the back of the prosperous and sustainable coal industry. New subdivisions and permanent homes would come into being and the range of service industries and activities would expand in modern vibrant towns.

The number of permanent resident ratepayers would grow as the District's population passes 11,000 and climbs towards 12,000.

These new residents would see a long term future for themselves, and they would invest in permanent homes and businesses.

This additional permanent ratepaying population would share the burden and make the cost of expanded Council services economically viable.

In the other direction the District experiences a "boom" that is based on an increase in transient population numbers. Rents continue to rise, and the new housing stock is comprised of "re-locatables" rather than permanent homes. Wherever possible these temporary structures would be crammed onto existing rateable sections. Out of town providers would look after the services and expanded activities. Social problems would emerge.

There would only be a small increase in the number of ratepaying permanent residents. The cost of the necessary expansion of council services would fall on the original and largely static number of ratepayers. Rates would go up as the council scrambled to maintain services and meet demand.

Instead of investing in the District, the temporary residents would make no lasting contribution beyond what was needed to exploit the District, before moving on.

Chief Executive's overview

Chief Executive's overview

This Long Term Plan will decide which direction the Buller District takes.

The Buller District has taken many hits over the last few decades. The anticipated economic development from coal offers a chance in a lifetime.

It could lead to sustained growth and a brave new future for the District, provided a significant component of that wealth is captured and invested here, instead of evaporating away.

However this will only happen if the present community is prepared to adopt a Long Term Plan that is designed to encourage and enable permanent growth, in a manner that embraces change, while ensuring that the costs are spread to ensure inter generational equity.

In order to grow the ratepayer base, newcomers to the District will need to believe that their investment in the Buller District will be a sensible one. They will need to see that the full range of social and cultural activities is in existence. They will demand a clean green and healthy environment that is safe for their children. It will also mean addressing the manner in which rates are apportioned to ensure the ability to pay and equity issues are considered and that there is a consensus that rates are "fair".

To some this growth scenario is "fields of dreams" stuff, based it on the notion that if we build it they will come.

The trouble is that "they" will be coming….. whether we like it or not.

The expansion of mining activity and the associated construction boom will come. We cannot turn back that reality. If we do not exploit that opportunity, then the market will find its own solution, as it has in other construction project towns and the "fly in/fly out" mining towns of Australia. The transient population will have no interest in investing in the District, nor in creating new forms of economic activity. The static permanent ratepayer population will shoulder all the costs of a churning socioeconomic situation.

While some will benefit dramatically in the short term from this artificial environment, and not mind the impact on rates, others who are not in that fortunate position will suffer. No amount of fiddling with the rating system will cure that ill.

This plan is based on the strategy that growth will occur and that the best long term interests of all communities and inhabitants of the District, both now and in the future, will be greatly enhanced if steps are put in place to build the permanent resident population from the existing 10,400 people to 11,229 people.

This plan assumes growth to 11,229 based on the expansion of Bathurst Mining activities. Although there is the potential for a greater increase, the plan has assumed a population increase to 11,229 in 2021/2022. The plan allows for an increase of 390 ratepayers over the next ten years.

The practical reality is that there will be an initial surge as the construction phase unwinds, followed by a gradual expansion, as confidence in the District's economic and social future consolidates. Whatever the Council does, there will still be some elements of transient population, and there will be better use of existing rateable properties especially if there is a degree of urban renewal as older housing stock is replaced.

Paul Wylie
Chief Executive Officer

Therefore a high growth scenario would aim at another 1,000 ratepayer properties over the ten years covered by the new Long Term Plan. An average of 390 new properties over the life of the Plan seems to be an achievable target.

The 2012/2022 Long Term Plan numbers anticipates this level of growth in an indicative fashion only, because that it all the data that is available at this time. We have therefore based all calculations in the Long Term Plan on the assumption that a 'most likely' growth scenario will see the growth pattern outlined on page 52 of this Plan (being a population increase of 829 and a ratepayer increase of 390 properties). This growth is 'front end loaded' but does not achieve the 12,000 population figure within the next ten years. Over the next few months further work will be undertaken which may result in further enhancement and amendments to this plan. However the indicative figures will allow for an initial planning sequence to be established. This will allow for subsequent iterations of this plan to flexibly alter to complement the more refined population predictions that will become available over time. If the growth comes faster we will speed up, if it comes slower we will slow down.

Council will need community support and buy in for the changes necessary. This will place tremendous pressure on the resources of the Council and its community. Fortunately the 2009/2019 Long Term Plan foreshadowed much of the necessary work.

We have tried to put together a comprehensive package that will deliver a more secure future for the District. Nothing comes free and we have set out the costs and how we expect things to be funded.

This plan seeks to put all those matters transparently before the Buller community. We expect some controversy and hope that there will be constructive debate. This plan is about the future of your community and we do want to hear from all sections of the population. Council will consider that feedback carefully and by the end of June make the final decisions that set the direction.

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Key Points in the Long Term Plan

- The direction set out in the 2009/2019 Plan continues. The Vision 2010 projects will be completed, Buller 2050 reinvigorated, and the District Plan overhauled to proactively enable sustainable growth.
- The infrastructure renewal and rebuild programme will see just over $57.7m invested across the district over the next 10 years (see full programme on page 229)
- Council will borrow to fund the long term investments in infrastructure, but the net borrowings (Term bank debt less Term bank deposits) will stay low and decrease over time (See full table on page 56)
- The Council's net cost of operating generally only increases at a rate that is less than the Local Government cost index.
- The average rate per capita stays within or close to inflation guidelines, but the effect of target rates and existing differentials will impact quite differently depending on property values and localities.
- A full and formal version of the rating policies will be undertaken as soon as possible to ensure that future rates are assessed on a basis that remains logical and equitable.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
Buller District Council's
Long-Term Plan
for the ten years commencing 1 July 2012

The Auditor-General is the auditor of Buller District Council (the District Council). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to report on the Long Term Plan (LTP), on her behalf. We have audited the District Council's LTP incorporating volumes 1 and 2 dated 27 June 2012 for the ten years commencing 1 July 2012.

The Auditor-General is required by section 94(1) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the LTP complies with the requirements of the Act; and
- the quality of information and assumptions underlying the forecast information provided in the LTP.

Opinion

Overall Opinion

In our opinion the District Council's LTP incorporating volumes 1 and 2 dated 27 June 2012 provides a reasonable basis for long term integrated decision-making by the District Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the District Council.

In forming our overall opinion, we considered the specific matters outlined in section 94(1) of the Act which we report on as follows.

Opinion on Specific Matters Required by the Act

In our view:

- **the District Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment; and**
- **the underlying information and assumptions used to prepare the LTP provide a reasonable and supportable basis for the preparation of the forecast information.**

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 27 June 2012. This is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the LTP does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves performing procedures to obtain audit evidence about the forecast information and disclosures in the LTP. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the information in the LTP. In making those risk assessments we consider internal control relevant to the preparation of the District Council's LTP. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

Our audit procedures also include assessing whether:

- the LTP provides the community with sufficient and balanced information about the strategic and other key issues, and implications it faces and provides for participation by the public in decision making processes;
- the District Council's financial strategy, supported by financial policies is financially prudent, and has been clearly communicated to the community in the LTP;
- the presentation of the LTP complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the LTP are compliant with the decision-making and consultation requirements of the Act;
- the information in the LTP is based on materially complete and reliable asset or activity information;
- the agreed levels of service are fairly reflected throughout the LTP;
- the District Council's key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within the LTP are based on best information currently available to the District Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;

- the rationale for the activities is clearly presented;
- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the District Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the LTP.

We do not guarantee complete accuracy of the information in the LTP. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the LTP and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council

The Council is responsible for preparing a LTP under the Act, by applying the Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The Council is also responsible for such internal control as it determines is necessary to enable the preparation of a LTP that is free from material misstatement

The Council's responsibilities arise from Section 93 of the Act.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you based on our audit. This responsibility arises from section 15 of the Public Audit Act 2001 and section 94(1) of the Act.

It is not our responsibility to express an opinion on the merits of any policy content within the LTP.

Independence

When reporting on the LTP we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than this report and in conducting the audit of the LTP Statement of Proposal and the annual audit, we have no relationship with or interests in the District Council or any of its subsidiaries.

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

About the Plan

As the name suggests, the Long Term Plan is a document put together by Council in consultation with the community, to guide our District towards 2022.

The Plan ties the threads of everything the Council does. It links into one overall guiding document the:

- Vision for the District
- Outcomes proposed on behalf of the community
- Services and activities the Council is planning to undertake to contribute to those outcomes
- Likely costs of the Council providing those services and activities over the next 10 years

The Plan gets reviewed every three years. In the years between the reviews, the Council produces Annual Plans.

When discussing rates revenue in the LTP (including rates increases), Council has not included projected water meter revenue amounting to $277,000 in year 1 (increasing to $419,000 in year 10) in the rates figure. Where the LTP discusses rates and the rates increases, an (*) has been included to refer readers to this treatment.

Community Outcomes

Community Outcomes are the goals of the Community. They reflect what the Community sees as important for its well-being and they help to build up a picture of the collective vision for the District's future. The outcomes guide decision-making by Council. The Council links its activities and services back to the outcomes.

Five community outcomes were developed following community involvement. The outcomes are:

- Well-being – a vibrant, healthy and safe community with access to quality facilities and services
- Learning – a district that values and supports learning with accessible relevant education and training opportunities
- Who we are – a happening district with a strong community spirit and distinctive lifestyle
- Sustainable environment – the distinctive character of the environment appreciated and retained
- Prosperity – a Thriving, resilient and innovative economy creating opportunities for growth and employment

For further details of the outcomes, please refer to page 65.

Buller District Mission Statement

'To serve the residents of the Buller district, conscious of their needs, by providing facilities and services and creating an environment for progress and development while preserving the distinctive natural environment.'

Our Vision, Our Future

'Our Vision is for the Buller District to grow, and for the district to become a thriving community where families enjoy a great quality of life and the distinctive natural environment is treasured.'

To achieve the vision Council considers that population growth and economic growth are vital to the Districts success. The number of people in the District, where they choose to live and the growth in economic activity directly affects the demand for land for development, infrastructure, and the other services that Council provides. They underpin land use planning, infrastructure developments, where and when new services or facilities are required and how much things will cost. The Council is planning to achieve a minimum increase in the normally resident population increasing from 10,400 to 11,229 in 2022. These are minimum figures. If the economic boom comes to fruition, actual growth could be more rapid.

In order to manage population and economic growth, we need to deal with some key priorities over the next 10 years. Council is facing some major capital works to address the infrastructure "deficits".

Assumptions

In preparing the financial information contained in the Long Term Plan, we have had to make a number of assumptions. The assumptions underpinning this Plan are outlined on pages 231-237.

Changes to Policies

Volume 2 of this Plan contains a number of amendments to policies. Policies that have been amended are the Revenue and Financing Policy, Treasury Management Policy, Rates Remission and Significance Policies.

The Significance Policy was rewritten and the threshold for significant assets was amended from 10% of operating expenditure to 5% of Council's budgeted turnover.

Changes were made to various funding mechanisms in the Revenue and Financing Policy as specified on page 297 of this Long Term Plan.

Changes were also made to the Treasury Management

Key Issues

1. Financial Strategy

As a result of recent changes in legislation councils now have to prepare a financial strategy to demonstrate how they will:

- Provide for growth and manage changes in land use; ensure that the level of rates and borrowing are financially sustainable;
- Be accountable for maintaining the assets;
- Fund network infrastructure and maintain levels of service.

The full Financial Strategy is set out on pages 51-63 of this Plan. The Strategy is a key part of this Plan and we encourage you to read it. Overall Council considers that the Long Term Plan is sustainable and will provide the most important services to residents, businesses and visitors.

Over the period of the Long Term Plan Council is budgeting on total revenue increasing from $23.7 million in the current year to $28.0 million in Year Ten of the plan. This is an increase of 18% over the ten years.

During the same ten year period Council is expecting that gross rates collected will rise from the current year's total of $12 million (*) to a new total of $15.3 million (*) in Year Ten. This is an increase of 25% over the ten years.

However, these figures all included allowances for inflation. The economic research agency BERL has predicted that the local Government cost index (inflation for Council's) will move by 36% by Year Ten of the Plan.

This means that Council is expecting that rates and revenue will be increasing at a rate that is less than the predicted rate of cost increases.

Council is planning on increasing operating expenditure from the current level of approximately $23 million to just over $28.5 million in Year Ten. This is an increase of 24%, which is significantly below the BERL prediction of 36%. Council's focus is on balancing affordability and long term financial prudence.

Essentially Council is in a sound financial position, with short term deposits growing over the duration of the plan from $12.8 million to $25.8 million. External term debt is projected to rise from a forecast $29.5 million in 2011/2012, peaking in 2018/2019 at $34 million, and then reducing to $32.8 million in 2021/2022. The increase in debt is related to capital projects and funding of capital expenditure for Buller Recreation Limited. Debt servicing costs remain well below the Treasury Management policy threshold of 15%. Council is in compliance with all other Treasury Management ratios.

(*) Rates exclude water meter rate.

2. District Plan Review, Buller 2050 and Westport Plan

The Buller 2050 Strategic Plan aims to develop a strategy for actions that will determine where the region will be in 2050. The Council is aware that relying on extractive industries alone will not provide long term security for the region. Mining will provide the springboard, but other economic growth opportunities must be pursued to diversify our economic base. After a good start in 2010, work on the Buller 2050 plan has drifted over the last twelve months. The project will be reactivated during 2012/2013 with a view to developing a widespread community consensus on the way forward for the whole district.

This work must be complemented by an urgent review of the District Plan. The District Plan is the statutory document that sets out all the rules for land development in the entire district. The Plan enables some activities and restricts others. The original plan became operative in 2000, and is now due for a review to ensure that it is genuinely serving the districts current needs. Some changes will be needed to make sure that appropriate progress and development can occur without compromising the unique and special character and environment that is Buller.

Along side the District Plan review it is intended to create a “Westport Plan”. This will not be a statutory document, but rather a concept plan for a new look Westport town. The expected increase in population will tend to be concentrated in Westport and there is a real risk that any benefit is only transitory. To avoid that Westport has to become attractive as a place where families invest their lifesavings in permanent homes. To achieve that goal we need to change the visual impression of a tired and uninspiring locality. The “Westport Plan” will address issues such as the roading hierarchy, streetscapes, tree planting, parking, land zoning, connections with the port and river, etc. This concept plan will be developed in conjunction with stakeholder groups and the Westport community during 2012/2013 with a view to implementing improvements from the following year. More details are contained on page 86.

3. Changes in Solid Waste

From 1 July 2013, Council proposes changing from a Council delivered waste disposal system to an enhanced waste solution for the entire District where the refuse collection, recycling, landfills and transfer stations will be managed either by an “in house” Council contractor, or by an independent contractor. As the service will be provided across the District, this will result in an expansion of the current ratepayer base paying targeted rates. It is intended that from 1 July 2013 there will either be a two or three wheelie bin residential collection. One bin will be for rubbish and one for co-mingled recyclables. If it is viable a third bin will be provided for organics. The collection will be weekly with alternative separate collections for recycling and refuse a week apart. All fees for refuse and recycling collection and dumping fees will be paid directly to the contractor from 1 July 2013 onwards.

The cost to the resident will not necessarily be lower, however the resident will be given a choice as to how they wish to dispose of their waste

A two tiered rate will remain. All ratepayers throughout the District to whom the refuse and the recycling service is available will pay the higher tier rate. Part of this rate will be paid to the successful tenderer as a means of controlling prices and ensuring a comprehensive service. All ratepayers throughout the District to whom the service is not available and commercial ratepayers will pay the lower tier targeted rate. This targeted rate will be used to fund the District refuse costs associated with landfill monitoring, landfill development, waste minimisation, litter collection and asset management planning.

More details are contained on pages 139-149.

With the move to a Contracted Managed Refuse and Recycling service it is envisaged that Council will be favourably impacted by $134,000. These activities will no longer be funded from General Rates but by targeted rates.

If the cost efficiencies are not achieved then this could result in increases for Targeted Rates. We propose the Revenue and Financing Policy is amended so that from 2013 onwards no General Rate is applied to the Solid Waste activity.

4. Roading

Buller is a large district with numerous settlements and small towns along its coastline and in the hinterland. It is only able to function economically and socially because of a vital local roading network maintained by the Council. Just on 577 kms of Council roads link into the main State highways. Only half of those local roads are sealed with the other half unsealed. These local roads incorporate 153 bridges and large culverts.

As a result roading maintenance, renewals and improvements is probably the biggest single item of Council expense. About 25% of Council's operating costs go to roads etc. Fortunately some central government assistance is available when the New Zealand Transport Agency pays a percentage of the total cost of approved projects. Unfortunately the Agency plans to reduce this financial assistance rate (known as the "FAR").

Prior to 2006/2007 the assistance was 61% of the total cost. From 2006/2007 through to 2011/2012 the Agency paid 60% of the total cost. In 2012/2013 this subsidy drops to 59% and from the 2013/2014 year onwards we can only expect 58% of the total cost.

Each time the assistance rate drops the Council is left with a stark choice. Either make up the shortfall by increasing rates, or let the roads deteriorate. At present expenditure levels each 1% reduction will cost Buller ratepayers about $35,000 extra each year just to maintain present levels of service.

New Zealand Transport Agency (NZTA) has indicated to Council that its base funding for the roading programme has been reduced for years 2012/2013 to 2014/2015 as well as having no inflation excalation for these three years. This has been applied for the full 10 years of the plan, resulting in a reduction in total funding from NZTA of $4.4 million in subsidies. Ratepayers share of the total roading expenditure reduction of $6.3 million in the plan has reduced by $1.9 million.

This means Council has agreed to a lower level of service such as higher road roughness levels, less resealing and less roadside mowing. This service level decrease may be offset by potential efficiencies by working more closely with the roading contractor to identify service delivery savings.

More details are contained on pages 97-107.

5. Rating Review

A review of the current Rating System is long overdue. The current system of rates, which has developed over time, is based on a complex system with over 40 differentials in place.

The complexity within our differential rates makes our rating system difficult for ratepayers to understand.

At the same time the large number of target rates has produced geographic distortions that raise questions of inequity and the role of district-wide responsibilities.

The rating review will address the rationale for how the rates burden has been allocated across the sectors and ratepayer classes. When calculating the rates for each sector and class of ratepayer, the rates review will consider how that sector and class of ratepayer receives benefits from and places demands on Council facilities and infrastructure. The intention will be to deliver a more transparent and equitable rating system. The review will take account of the *Report of the 2007 Independent Inquiry into Local Government Rating* (the Shand Report). This report advocated the removal of rating differentials and promotion of the capital value system as the basis for setting the general rate. Preliminary work to-date has suggested a rating model which is based on a mix of land and capital values. Once the review has been completed, there will be extensive consultation with the community, before any recommendations are adopted.

More details are contained on pages 211-212.

6. Increases in Average Rates (General and Targeted Rates)

The annual average rate has increased in 2012/2013 due to inflationary pressures, reduction in financial assistance and increased levels of service. The annual average general rate in 2011/2012 was $1,565.00 (*) (excluding GST). This has now risen to $1,657.00 (*) (excluding GST), representing a 5.9% increase. The reduction in financial assistance as a result of the decrease in NZTA subsidies from 60% to 59% in 2012/2013 and to 58% in 2013/2014, has resulted in increased costs to the general ratepayer for the same level of service. In the interests of affordability, Council has made the decision to smooth the increase General Rates across the two financial years, being 2012/2013 and 2013/2014. The effect of this smoothing will result in the rate increase in 2012/2013 reducing from 7.7% to 3.3%, and to 2.6% from -5.7% in 2013/2014.

More details are contained on pages 47-48.

(*) Rates exclude water meter rate.

7. Targeted Rates Increases and Associated Capital Upgrades

Increases in water targeted rates and sewerage targeted rates have occurred due to the Drinking Water Standard upgrades that are planned. The costs of financing the upgrades and the depreciation have caused the targeted rates to increase. In addition, the upgraded plants have introduced increased operational costs such as power and chemical costs.

Westport Water Upgrade

The Westport water supply has a significant upgrade costing $10.6 million phased in over the duration of the ten year plan. This upgrade covers upgrading the treatment plant to meet Drinking Water Standards as revised in 2008, extending the treatment plant to create additional storage for treated water, improving the condition of the tunnel to enhance the security of supply and replacement of the trunk main. All of these upgrades are designed to improve the quality of the treated water and improve the reliability of the water supply. The targeted rate will change from $621.00 (including GST) in 2012/2013 to $977.50 in 2020/2021 as a result of inflationary increases, increased financing and depreciation costs associated with the Westport Water Upgrade.

More details are contained on pages 109-121.

Rural Drinking Water Upgrades

There are planned upgrades for the Water supplies in Punakaiki, Waimangaroa, Ngakawau/Hector, Little Wanganui in 2011/2012 Annual Plan, and in Inangahua Junction and South Granity in this Long Term Plan. Although these upgrades will result in the water supplies meeting the drinking water standards (as revised in 2008), the financing costs and the depreciation costs will result in the targeted rates increasing. With these smaller schemes, the main issue for the community to consider is whether the benefit of improved water quality is affordable. While the plan assumes that the upgrades will proceed, no final decision will be made without further consultation with the affected communities.

More details about targeted rates are contained on page 48 and pages 109-121.

Westport Sewerage

Progressive upgrades over the next 4 years to underground services in Derby Street, pump replacements, sewer modelling and separation and upgrades to the Waste Water Treatment plant are planned. The financing costs and the depreciation costs associated with the upgrades have increased the targeted rate. In addition, running costs associated with operation of the Waste Water Treatment Plant have panned out higher than originally envisaged.

The targeted rate will change from $862.50 (including GST) in 2012/2013 to $1,012.00 (including GST) in 2021/2022.

More details about targeted rates are contained on page 48 and pages 123-130.

8. Increases in fees and charges

The Council has agreed to move towards a full cost recovery on building, cemetery, environmental health and liquor licensing fees. These changes have been reflected in the Revenue and Financing Policy on pages 297-308.

Dog licence fees for incompetent dog owners and pound fees have also been increased in order to meet the current Revenue and Financing policy.

9. Relocating the museum and the I-site into the Cultural Hub by 2012/2013

Council originally signalled in the 2006-2016 Long term Plan that the relocation of Coaltown Musuem and the i-site would cost $1.5 million with Council's contribution capped at $750,000. In 2009, Council agreed to increase the total budget to $3 million and increase council's contribution to $1.5 million. Final design has been completed and the costs have increased to $4 million. The current position is that Council's contribution is to remain capped at $1.5 million with fundraising for the shortfall. To-date external contributions totalling $1.4 million has been raised and Council is optimistic that the funding shortfall of $1.1 million will be achieved through fundraising.

More details are contained on pages 157-167.

10. Building of additional pensioner housing units in Westport (2 units), Reefton (2 units) and Karamea (2 units)

Council currently provides 44 units for elderly pensioner housing, 2 units in Karamea; 16 units in Reefton and 26 units in Westport. After reviewing the demographic trend in the population, it is planned to construct two new units in Karamea in 2012/2013, two new units in Reefton on 2015/2016 and two new units in Westport in 2018/2019. The total cost of constructing these units is be $1.5 million across the 10 year plan.

It is proposed that future rent rises for the unit will be linked to the percentage increase that National Superannuation beneficiaries receive.

More details are contained on pages 187-194..

11. Vision 2010 projects

The plan includes ongoing capital funding totalling $90,000 for the remaining Vision 2010 projects in Reefton and Karamea. The following projects are planned:

- Construction of a Karamea multi-purpose facility in 2014/2015 ($240,000)
- Upgrading of the Reefton Community centre ($197,000 in 2013/2014 and $60,000 in 2015/2016)
- Ongoing funding for the Reefton Broadway project ($40,000 in 2013/2014)
- Funding the Westport 'Streetscape' beautification project ($250,000 in 2013/2014)

12. Punakaiki Camp

Council is currently considering the options available for the future operation of the Punakaiki Camping Ground.

At present the Camp is directly operated by Council. This may not be in the best long term interests of the ratepayers. However, the situation is complex. The land is classified as recreation reserve and belongs to the Crown. One proposal is to lease the reserve to an operator to develop, control and manage the camp ground rather than Council continuing to contract an operator. Other options could include allowing a Domain Board to manage the camp, or allowing the camp to revert back to a recreation reserve status. Council has established a working party to agree the viable options and there will be full consultation with the Punakaiki community before making any final decision. In the meantime, the camp will continue to operate under the present management.

More details are contained on pages 187-194.

13. Area maintenance rate

Council proposes to only provide area maintenance activities in the Westport area.

This was a result of a submission from The Salvation Army. Council has funded a portion of a co-ordinator role in the Salvation Army in exchange for tidy-up activities (area maintenance) in Westport.

Area maintenance activities used to include a weekly tidyup of Karamea, Reefton, Waimangaroa, Hector/Ngakawau and the Granity areas. Now only Westport ratepayers will pay the targeted rate of $5.00 (including GST) as the service is only proposed to be carried out in Westport. The service is only proposed to be carried out in Westport

14. Buller Recreation Limited

Council has agreed to fund the capital expenditure for Buller Recreation Limited for the next ten years. Council proposes to fund the capital expenditure in exchange for equity from Buller Holdings Limited.

15. Policy Changes

Changes have been made to the Significance Policy. The threshold for significant matters was changed to 5% of Council's budget. Changes were also made to various funding mechanisims as detailed in the Revenue and Financing Policy on page 297 of this Long Term Plan.

Council has made the following changes in the Revenue and Financing Policy:

Activity	Current Funding Mechanism	Funding Mechanism Proposed Effective 01 July 2012
Theatre	**Operating:** 60% General Rates 40% Fees	**Operating:** 50% General Rates 50% Fees
Building Control	**Operating:** 10% General Rates 90% Fees	**Operating:** 100% Fees
Environmental Health - Food Premises	**Operating:** 80% General Rates 20% Fees	**Operating:** 100% Fees
Environmental Health -Liquor Licensing	**Operating:** 25% General Rates 75% Fees	**Operating:** 100% Fees
Emergency Services -Civil Defence	**Operating:** 95% General Rates 5% Fees	**Operating:** 100% General Rates

Activity	Current Funding Mechanism	Funding Mechanism Proposed Effective 01 July 2012
Reserves	**Operating:** 95% General Rates 5% Fees	**Operating:** 100% General Rates
	Capital: Loans Special Funds	**Capital:** Reserve Contributions Loans Special Funds
Solid Waste	***01 July 2012:*** **Council Managed Transfer and Landfill operations:** 25% General Rates 75% Targeted Rates **Refuse:** Targeted Rates Bagsales **Recycling:** Targeted Rates	**Capital** Loans Special Funds
	01 July 2013: **Council managed Refuse, Recycling and Management of Transfer Stations/Landfill:** Targeted Rates only	**Capital** Loans Special Funds

The main driver of these changes was for Council to move to a user pays approach for Building, Environmental Health, Liquor Licensing, Libraries and Theatre.

The Treasury Management Policy was reviewed and the limits on external borrowings were amended.

10 year financial performance summary

We have considered the key issues and what Council could do about them. We have looked at what we may need to do to:

- Meet expected population growth
- Ensure core infrastructure is adequate for the expected population and household growth
- Meet legislative requirements

We have then prioritised the potential activities and projects.

The financial information in this Plan reflects the activities and projects the Council has identified as priorities and is planning to deliver over the coming 10 years.

	$000's 2012/2013	$000's 2013/2014	$000's 2014/2015	$000's 2015/2016	$000's 2016/2017	$000's 2017/2018	$000's 2018/2019	$000's 2019/2020	$000's 2020/2021	$000's 2021/2022
Rates Revenue (*)	12,040	13,046	13,077	13,573	13,816	14,233	14,583	14,785	15,246	15,334
Finance Costs	1,339	1,544	1,613	1,736	1,787	1,839	2,036	2,162	2,139	2,129
Term Deposits	12,764	14,764	16,764	18,764	19,764	20,764	21,764	23,764	24,764	25,764
Gross Borrowings	27,544	28,045	28,453	28,676	30,655	30,442	34,042	33,629	33,218	32,845
Net Borrowings (after deducting term deposits)	14,780	13,281	11,689	9,912	10,891	9,678	12,278	9,865	8,454	7,081
Capital Expenditure	9,535	6,925	6,029	4,578	5,623	4,097	6,766	4,294	8,095	4,521
Depreciation	5,559	5,763	6,156	6,085	6,265	6,226	6,576	6,462	6,736	6,719

(All figures include inflation)

(*) Rates exclude water meter rate.

Net borrowings are calculated by reducing the gross external borrowings by the term deposits.

Over the period of the Long Term Plan Council is budgeting on total revenue increasing from $23.7 million in the current year to $28.0 million in Year 10 of the Plan. This is an increase of 18% over the ten years.

During the same ten year period Council is expecting that gross rates collected will rise from the current year's total of $12.0 million (*) to a new total of $15.3 million (*) in Year 10. This is an increase of 27% over the ten years.

However, these figures all included allowances for inflation. The economic research agency BERL has predicted that the local government cost index (inflation for Council's) will move from 1,269 points in the current year to 1,729 points by the end of Year 10 of the plan. This is an increase of 36% over the ten years.

This means that Council is expecting that rates and revenue will be increasing at a rate that is less than the predicted rate of cost increases.

Council is planning on increasing operating expenditure from the current level of $22.9 million to just over $28.5 million in Year 10. This is an increase of 24.5% which is significantly below the BERL prediction of 36%.

Over the same ten year period Council is committed to maintaining a major capital expenditure programme.

Currently Council has term loans from the banks totalling $23 million. At the same time Council has money sitting on deposit at the banks totalling a forecasted $10 million. One offsets the other to leave Council with net debt of $13 million at the present time.

Over the ten year period of the plan Council will take out more term loans from time to time, as well as repaying some principal as debt matures. However, as depreciation reserves build up, internal loans are repaid and investment properties are sold, more money will accumulate as deposits at the bank. As indicated above, one offsets the other, and at all times the net debt of Council is small, trending down from the current $13 million to about $7 million by the end of Year 10. At all times Council's Treasury Management Policy ensures that Council operates significantly inside the covenants which we have with the bank.

The proper use of debt is an important tool for Council. In setting rates at the appropriate level Council must balance what is affordable for both Council and the community. This is a balancing act whch needs to take into account the services that Council delivers and whether the current or future ratepayers should pay for them. This is sometimes referred to as intergenerational equity.

Many Council assets have long service lives, and the benefits that these assets provide are available over a long period of time. It would be unfair to expect the current generation to pay the full cost of such assets 'up front' when the benefits will accrue to subsequent generations. To achieve equity, debt is used to spread the costs over many years, with every beneficiary taking their turn servicing the interest costs and repaying the principal.

Please refer to pages 208-227 for Council's full statement of comprehensive income, balance sheet, cash flow statement, changes in equity and summary Funding Impact Statement.

(*) Rates exclude water meter rate.

examples of total rating changes for properties

To further clarify the rates changes between the 2011/ 2012 year to those for in 2012/2013, a selection of properties from throughout the District have been summarised to provide a guide. It is important to note that these properties are a sample of the total properties and do not cover all situations for the 7,240 rateable properties in the District.

Below are examples of the rates assessments for a sample of residential, commercial, rural residential and rural properties across the district. Please note these figures are indicative only and are included to give ratepayers an estimate of what their level of rates is likely to be in the coming financial year.

RES ~ Residential *COM ~ Commercial* *RR ~ Rural Residential* *RUR ~ Rural*

Sector	RES 101	RES 103	RES 103	RES 103	RES 104	RES 104	RES 106	RES 106	RES 108	RES 113	RES 114	RES 101
Location	Karamea	Little Wanganui	Mokihinui	Seddonville	Hector	Waimangaroa	Westport (Brougham)	Westport (Russell)	Carters Beach	Charleston	Punakaiki	Ikamatua
Land Value	$53,000	$63,000	$76,000	$44,000	$49,000	$55,000	$65,000	$72,000	$90,000	$90,000	$210,000	$49,000
General Rates	$129.69	$182.53	$220.19	$127.48	$132.05	$148.21	$485.64	$537.94	$473.12	$218.66	$793.25	$119.90
UAGC	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00
EP Targeted Rate							$5.00	$5.00				
Targeted Water Rate		$173.00	$259.00		$322.00	$311.00	$621.00	$621.00	$621.00		$679.00	
Targeted Sewerage Disposal Rate		$644.00					$863.00	$863.00	$863.00			
Targeted Refuse Collection Rate			$63.00	$63.00	$63.00	$63.00	$63.00	$63.00	$63.00	$63.00	$63.00	$63.00
Targeted Recycling Rate			$121.00	$121.00	$121.00	$121.00	$121.00	$121.00	$121.00	$121.00	$121.00	$121.00
TOTAL Rates:	**$624.69**	**$1,494.53**	**$1,158.19**	**$806.48**	**$1,133.05**	**$1,138.21**	**$2,653.64**	**$2,705.94**	**$2636.12**	**$897.66**	**$2,151.25**	**$798.90**
Comparison to Previous Year	$612.40	$1,481.78	$1,162.13	$811.20	$1,097.73	$1,038.76	$2,419.33	$2,471.19	$2,406.91	$902.80	$2,155.63	$803.69
% change	**2.01%**	**0.86%**	**(0.34%)**	**(0.58%)**	**3.22%**	**9.57%**	**9.68%**	**9.50%**	**9.52%**	**(0.57%)**	**(0.20%)**	**(0.60%)**

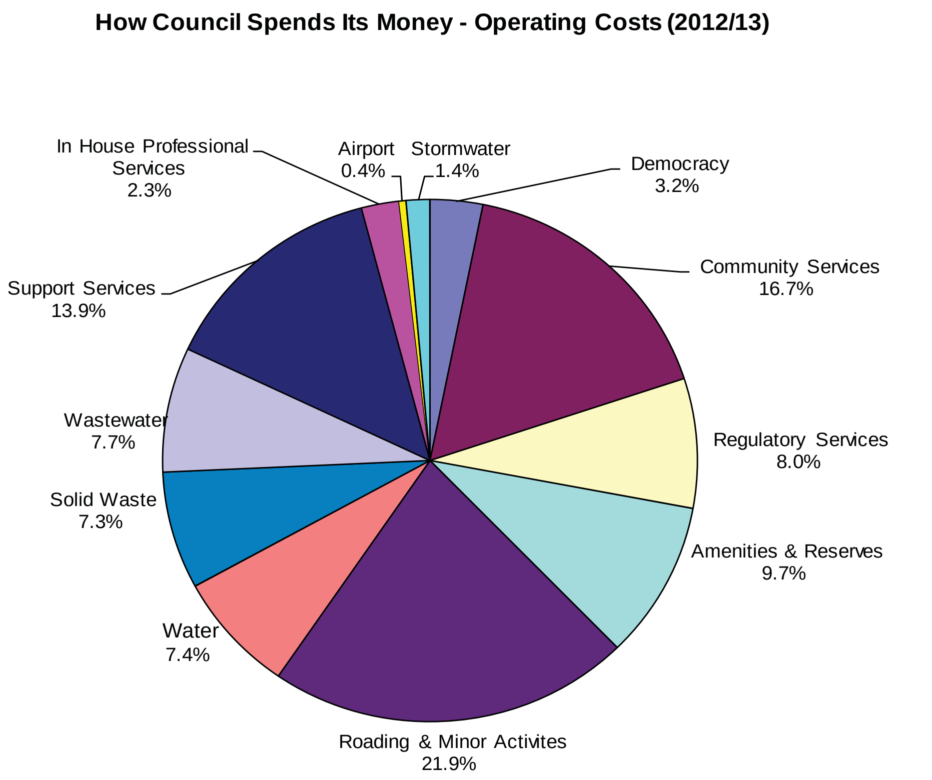
examples of total rating changes for properties

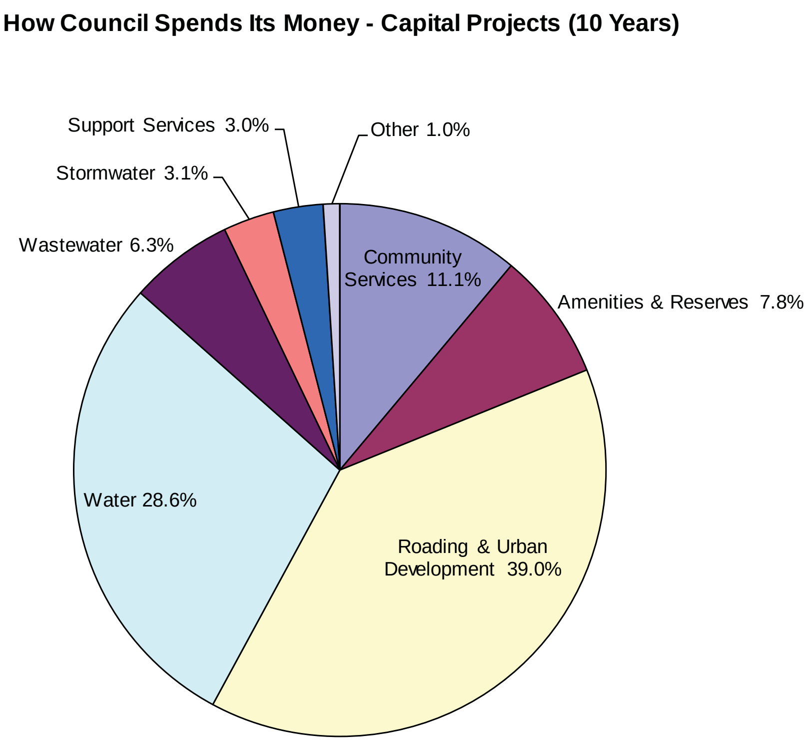
RES ~ Residential *COM ~ Commercial* *RR ~ Rural Residential* *RUR ~ Rural*

Sector	RES 115	RES 101	COM 131	COM 134	COM 140	RUR 141	RUR 143	RUR 141	RR 151	RR 152	RR 151	RR 152
Location	Reefton	Springs Junction	Karamea	Westport	Reefton	Karamea	Cape Foulwind	Grey Valley	Karamea	Granity	Fairdown	Alma Road
Land Value	$43,000	$38,000	$105,000	$195,000	$90,000	$850,000	$1,550,000	$1,865,000	$131,000	$125,000	$145,000	$165,000
Capital Value (for P&T rate)			$1,100,000	$540,000	$150,000							
General Rates	$198.85	$92.99	$1,324.85	$5,855.16	$993.17	$1,415.44	$2,084.30	$3,105.63	$397.68	$353.66	$440.17	$466.83
UAGC	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00	$495.00
EP Targeted Rate				$5.00								
Targeted Water Rate	$506.00			$621.00	$506.00							
Targeted Sewerage Disposal Rate	$552.00			$863.00	$552.00							
Targeted Refuse Collection Rate	$63.00			$63.00	$63.00					$63.00		$63.00
Targeted Recycling Rate	$121.00			$121.00	$121.00					$121.00		$121.00
Targeted Promotion & Development Rate			$1,468.20	$1,041.48	$244.30							
TOTAL Rates:	**$1,935.85**	**$587.99**	**$3,323.25**	**$9,081.92**	**$2,979.27**	**$1,910.44**	**$2,579.30**	**$3,600.63**	**$892.68**	**$1,032.66**	**$935.17**	**$1,145.83**
Comparison to Previous Year	$1,820.89	$576.00	$3,259.60	$8,810.10	$2,854.40	$1,894.93	$2,561.75	$3,579.98	$880.26	$1,037.39	$922.63	$1,150.21
% change	**6.36%**	**2.08%**	**1.95%**	**3.09%**	**4.37%**	**0.82%**	**0.68%**	**0.58%**	**1.41%**	**(0.46%)**	**1.36%**	**(0.38%)**

Council provides a wide range of services to the District's residents, business and visitors to Buller.

The following graphs show the services that Council provides and the proportion of rates proposed for these services in 2012/2013:





We have some large capital projects planned over the next 10 years to address the infrastructure deficits.

The replacement costs of assets signalled through the asset management plans aggregate to a total capital works programme of $57.7 million over the 10 years. $22.9 million (40%) of the capital expenditure will be used to either improve existing levels of service or to provide new or additional services. $34.8 million (60%) will be used to renew existing but worn out infrastructure.

Capital Projects include:

Community Services:

- Relocation of the Coaltown Museum and Westport i-site into the Cultural Hub ($4 million)
- Capital funding for Vision 2010 projects in Inangahua, Karamea and Westport ($0.75 million)

Water Supplies:

- Upgrade to the Westport Water Supply ($10.6 million)
- Rural Water Upgrades (Little Wanganui, Inangahua Junction and South Granity Water Supply) ($0.8 million)
- The Westport water supply upgrade is funded from a government subsidy totalling $901,000, and the remainder by external loan.
- Interest costs on the loan are a large cost item and impact the targeted rate significantly.
- Increases in depreciation and interest rates are the main drivers of the increase in the Westport water targeted rate.
- Drinking water upgrades are largely funded by Government subsidy with the remainder being loan funded. Interest cost and depreciation are the largest drivers of the increases in targeted rates.

Amenities and Reserves:

- Construction of Pensioner Housing (totalling $1.5 million) in Karamea (2 units) in 2012/2013, Reefton (2 units) in 2015/2016, Westport (2 units) in 2018/2019.

Roading:

- Road Upgrades ($2 million), including the construction of the Rough River Bridge
- There is continuation of the ten year upgrade of Derby Street in Westport, where all underground services will be replaced.

Airport

- Mitigate erosion at the airport ($0.350 million)

A full table of capital expenditure is shown on page 229.

How we plan to pay for it all?

New borrowings will be used to fund the new assets, while existing depreciation reserves, and subsidies or grants from the Government and other parties will fund the balance. The aim is to spread responsibility for the costs over the life of the assets to ensure each generation pays its fair share. Council does this by using a mix of general and targeted rates as a means of funding both operating and capital expenditure.

The application of targeted rates is dependent on whether a particular activity can be clearly identified from other functions. Targeted rates are applied to a sub-set of the community which benefits from a particular service of function. Where services apply to the entire District and cannot be reasonably ring-fenced they are generally funded from General Rates.

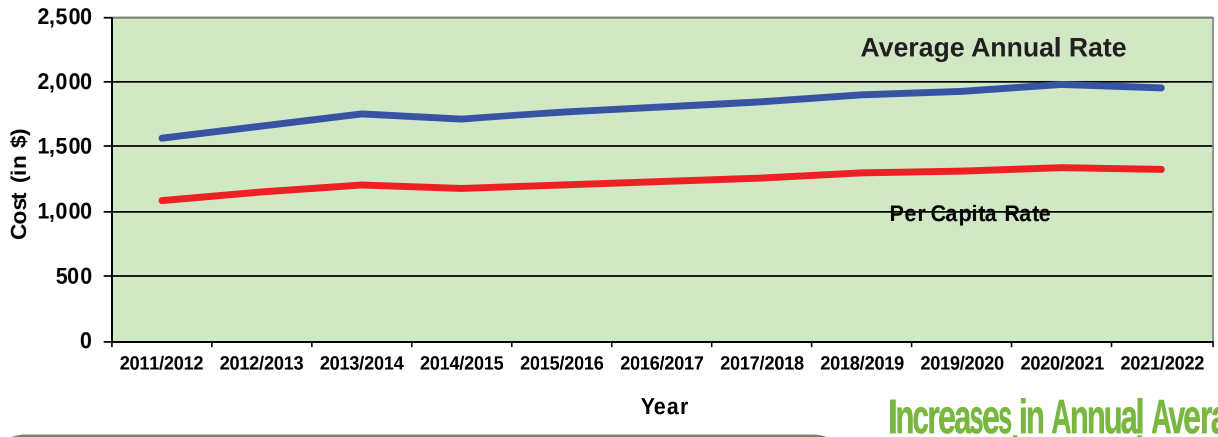
increases in rates

Just how much individual rates go up by is dependent on many factors. However an indicative 'average rate' can be calculated by dividing the expected gross rates by revenue in each year, by the number of rateable properties in each year.

Over the ten years of the plan, the average annual rate (exclusive of GST), after allowing for inflation and growth, will increase to $2,010 (*) (2021/2022) from $1,565 (*) (2011/2012). The Annual Average rate for 2012/2013 will be $1,657 (*) (GST exclusive).

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Annual Average Rate (Low Growth) (*)	1,565	1,657	1,765	1,740	1,800	1,826	1,875	1,919	1,943	2,001	2,010
Per capita Rates (*)	1,089	1,152	1,213	1,189	1,228	1,245	1,277	1,306	1,321	1,360	1,366

Average and Per Capita Rate (*)



NOTE:

- The average annual rate is the sum of the General and Targeted rates, divided by the number of ratepayers.
- Per capita rate is the sum of the General and Targeted Rate, divided by the resident projected population.
- There will be properties that will pay less and others that pay more, depending on the services they receive.

Increases in Annual Average Rates (General Rates and Targeted Rates Combined)

The annual average rate has increased in 2012/2013 due to inflationary pressures, reductions in central Government financial assistance and increased levels of service. The annual average rates (general and targeted rates combined) in 2011/2012 were $1,565 (*) The amount required has now risen to $1,657 (*) representing a 5.9% increase. However, we do not have to absorb all this increase in one year. In the interests of affordability, Council will smooth the increase in General Rates across two financial years being 2012/2013 and 2013/2014. The increase in General Rates will only be 3.3% in 2012/2013 from 7.7% and 2.6% in 2013/2014 from -5.7%.

Rates examples by location and sector category are included on page 42-43.

(*) Rates exclude water meter rate.

targeted rates

Targeted Rates are scheduled to increase over the next 10 years of the plan. Council considers that where direct beneficiaries of Council services are identified, a targeted rate provides more transparency and reduces cross subsidisation of those not directly benefiting from the service.

If you want to know what will be happening with your rates, please give us a call or go to our website for further information.

Don't forget the Rates Rebate Scheme is there to help people on lower incomes.

Including GST	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Water:	$	$	$	$	$	$	$	$	$	$	$
Westport	500.00	621.00	667.00	713.00	747.50	793.50	828.00	897.00	920.00	920.00	977.50
Westport - metred water (*)	1.29	1.55	1.65	1.75	1.85	1.96	1.96	2.05	2.10	2.41	2.45
Reefton	414.00	506.00	506.00	529.00	540.50	552.00	563.50	586.50	609.50	667.00	667.00
Little Wanganui	173.00	173.00	184.00	299.00	322.00	345.00	356.50	379.50	391.00	414.00	431.25
Mokihinui	259.00	259.00	258.75	258.75	258.75	258.75	258.75	258.75	258.75	258.75	258.75
Ngakawau-Hector	282.00	322.00	345.00	345.00	356.50	368.00	379.50	391.00	408.25	419.75	431.25
Waimangaroa	207.00	311.00	322.00	333.50	339.25	345.00	356.50	373.75	385.25	396.75	414.00
Cape Foulwind (**)	0.58	0.63	0.63	0.66	0.66	0.69	0.69	0.75	0.75	0.81	0.81
Punakaiki Water	679.65	679.00	678.50	678.50	690.00	713.00	736.00	764.75	787.75	816.50	856.75
Inangahua Junction	299.00	265.00	264.50	264.50	471.50	506.00	517.50	540.50	552.00	575.00	598.00
South Granity	230.00	265.00	264.50	598.00	632.50	632.50	667.00	678.50	713.00	747.50	770.50
Solid Waste:											
Refuse	63.25	63.00									
Bag Costs	3.50	3.65									
Recycling:	138.00	121.00									
Contracted Rate	0.00	0.00									
Base Rate	0.00	0.00	232.30	232.30	232.30	232.30	232.30	232.30	232.30	232.30	232.30
Lower Rate	0.00	0.00	148.35	148.35	148.35	148.35	148.35	148.35	148.35	148.35	148.35
Sewerage:											
Westport	753.00	863.00	862.50	885.50	897.00	908.50	920.00	943.00	943.00	1,000.50	1,012.00
Reefton	523.00	552.00	575.00	598.00	609.50	621.00	644.00	661.25	678.50	701.50	713.00
Little Wanganui	644.00	644.00	862.50	862.50	862.50	862.50	862.50	862.50	862.50	862.50	1,092.50
Area Maintenance:											
Westport		5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00
Promotion & Development Rate											
Rate/Capital Value	0.00075	0.000794	0.000800	*(Rate dependent on movement in (capital value) revaluations)*							
Industrial/Commercial - Tier 1	130.00	130.00	130.00	140.00	140.00	140.00	150.00	150.00	150.00	160.00	160.00
Commercial - Tier 2	330.00	330.00	330.00	340.00	340.00	340.00	350.00	350.00	350.00	350.00	350.00
Commercial - Tier 3	630.00	630.00	630.00	640.00	640.00	640.00	650.00	650.00	650.00	650.00	650.00
Home-based	180.00	180.00	180.00	190.00	190.00	190.00	200.00	200.00	200.00	210.00	210.00

(*) This charge is per m^3 above the threshhold of $550m^3$

(**) This charge is per m^3 of water supplied

Targeted Rate Increases and Associated Capital Upgrades

Increases in water targeted rates and sewerage targeted rates have occurred due to the upgrades. The costs of financing the upgrades and the depreciation have caused the targeted rates to increase. In addition, the upgraded plants have introduced increased operational costs such as power and chemical costs.

Westport Water Upgrade

Westport water has a significant upgrade (totalling $ 10.6 million) planned over the duration of the ten year plan. This upgrade upgrades the treatment plant to meet Drinking Water Standards as revised in 2008, extends the treatment plant to create additional storage for treated water, improving the condition of the tunnel to enhance the security of supply and replacement of the trunk main. All of these upgrades are designed to improve the quality of the treated water and improve the reliability of the water supply.

Further Drinking Water Upgrades

There are planned upgrades for the Water supplies in Punakaiki, Waimangaroa, Ngakawau/ Hector (in the 2011/2012 Annual Plan). Little Wanganui, Inangahua Junction and South Granity in the Long Term Plan. Although these upgrades will result in the water supplies meeting the drinking water standards (as revised in 2008), the financing costs and the depreciation costs will result in the targeted rates increasing. With these smaller schemes, the main issue for the community to consider is whether the benefit of improved water quality is affordable. While the plan assumes that the upgrade will proceed, no final decision will be made without further consultation with the affected communities.

In addition, Council is assuming that subsidies will be received from the Ministry of Health. If these subsidies are not received then the planned upgrades will be impacted.

Westport Sewerage

Progressive upgrades are planned over the next 4 years to underground services in Derby Street, pump replacements, sewer modelling and separation and upgrades to the Waste Water Treatment plant. The financing costs and the depreciation costs associated with the upgrades have increased the targeted rate. In addition, running costs associated with operation of the Waste Water Treatment Plant have panned out higher than originally envisaged.

changes to draft long term plan

We really appreciated the feedback received from the ratepayers and residents of Buller to the Long Term Plan.

Council had in the Draft LTP indicated that:

- ~ A targeted berm rate was intended to be introduced for those ratepayers in Westport that did not maintain their grass frontages to the required standards.
- ~ That toilets situated outside the NBS Theatre and the Exeloo toilet at Victoria square were to be removed
- ~ Area Maintenance activities were no longer to be provided
- ~ The heating and audiovisual systems in the Clocktower Chambers were to be upgraded and the Council meeting room was to be extended

As a result of feedback contained in various submissions made by ratepayers, Council listened to the concerns raised and has made the following changes in the Long Term Plan:

- ~ It was decided not to introduce the targeted Berm rate in Westport
- ~ There was to be no reduction in the number of public toilets in central Westport
- ~ Area Maintenance activities were to be provided to the residents of Westport. This meant Westport ratepayers would be charged a targeted rate of $5.00 for these services
- ~ The capital project to upgrade the heating and audio-visual systems in the Clocktower Chambers and to extend the meeting room was removed from the plan until a more holistic review of Councils' accommodation requirements are undertaken.

* During the LTP submission period Council was advised that NZTA has reduced funding for roading expenditure as well as not providing for inflation in the financials years 2012/2013, 2013/2014 and 2014/2015. Council reduced its funding to match NZTA and has assumed that the reduced funding will continue over the period. of the Long Term Plan. The total reduction in roading expenditure over the plan is $6.3 million, with Council's share being $1.9 million and NZTA's share $4.4 million. The impact of this change is that roading levels of service will not be maintained to the level initially planned by Council.

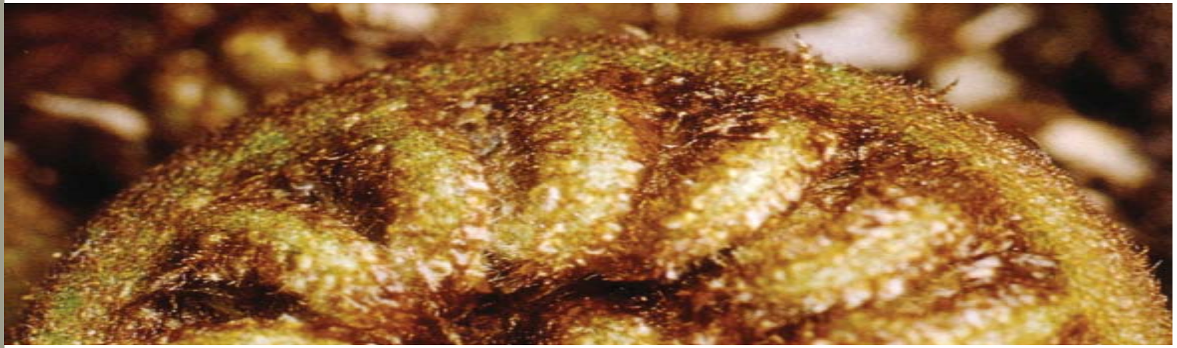
* Council also agreed to increase the Promotion and Tourism grants and to fund capital for the Westport Skatepark Upgrade.

* Council reduced survey costs and has agreed to only fund surveys every second year.

* Council adopted a tiered approach towards building consent fees, instead of levying the proposed 3% on building consents over $50,000.

* In addition, interest revenue was recalculated based on more up-to-date information resulting in more interest revenue in earlier years of the LongTerm Plan but less interest revenue in the last few years of the plan.

* Also changes in depreciation resulted in additional expenses in years 2016 to 2022 of the Long Term Plan



Introduction

The Financial Strategy is a new requirement for the Ten Year Plan. The purpose of the financial strategy is to facilitate:

- Prudent financial management by the Council by providing a guide for the Council to consider proposals for funding and expenditure against; and
- consultation on Council's proposals for funding and expenditure by making transparent the overall effects of those proposals on the Council's services, rates, debt and investments.

In addition, information has been incorporated into the strategy to enable the reader to understand the proposals and provide feedback to the Council. Factors that will have a significant impact on work programmes and rating levels within the Ten Year Plan are provided below.

An overview of key issues relating to each group of activities is contained within the Ten Year Plan that includes a more detailed and in depth description of the issues that are affecting that particular activity and influencing work programmes, costs and revenue streams.

Summary of Council's Financial Performance

Council has produced a plan which demonstrates sustainable external debt levels. Net debt (being gross external debt) starts at $13.2 million at the end of 2012/2013 and ends at $7 million in 2021/2022. Council at the same time is committed to a major capital expenditure program totalling $57.7 million, which it is to be funded from a mix of depreciation reserves, external and internal borrowings.

Council has a balanced budget for the first three years of the Long Term Plan with minor deficits occuring thereafter. These deficits are largely driven by decreases in Financial Assistance and the impairment of the investment in Buller Holdings Ltd (caused by Buller Recreation Ltd's operating issues).

Gross rates have increased from $12 million * in 2012/2013 to $15.3 million * in 2021/2022 but are increasing at a rate that is lower than the predicted rate of increase in the BERL Local Government Cost Index. The average rate per capita is slightly above the median according to the recently published figures from the Department of Internal Affairs. If Council achieves the forecasted financial performance, there is no reason why the Buller average per capita rate should not fall back to the National median figure, or lower.

Council believes that it is proposing a Ten Year Plan that is sustainable, affordable and fiscally prudent.

Factors that are expected to have a significant impact to the Ten Year Plan

Economic Growth within the District

In prior Long Term Plans, the Council accepted the predictions from Statistics New Zealand. However these predictions are based on historical data and take limited cognisance of future economic development within the District. It is our firm belief that Buller is set for growth with the impending growth in mining activities, and consent permitting.

In the 2010 annual regional performance indicators report by Business and Economic Research Limited (BERL), Buller District gained a fifth placing of all the 72 territorial authorities in New Zealand. Growth in employment over the last five years has increased by 5.9% which equates to around 221 jobs per year. Buller was rated at 7.2% GDP growth for the 2010 year which the report suggests is a direct impact from the increase in activities in the construction, coal mining and metal ore mining industries.

In the 2011 report from BERL, Buller District was the top performing Local Authority. Buller District topped four of the nine ranking indicators. Buller had the highest employment and business unit growth in 2011; and the best employment and GDP growth over the past five years of all districts.

Buller's ranking improved mainly due to employment growth and population growth. BERL indicated that they expect the District to forge ahead in strength as increasing demand for mineral resources grows.

Mining activity within the Buller District

During the December quarter 2010 Bathurst signed an agreement with L&M Coal Holdings to acquire the Buller project, through the acquisition of 100% of L&M Coal Limited. The Buller project area comprises two permits that cover over 10,000 hectares of the Buller Coalfield. The permits largely surround state-owned, Solid Energy's Stockton open cut mining operation. The majority of this resource is considered to be high quality hard coking coal used largely in the manufacture of steel. The Company is currently producing from the Cascade mine at an annual rate of approximately 100,000 tonnes per annum. Approximately 50% of this will be sold domestically with the balance being exported. In early 2012 it expects to commence development of the fully permitted Coal Brookdale underground. This will be at an initial rate of 150,000 tonnes per annum, lifting to a rate of approximately 250,000 per annum by the end of 2012. Once the Escarpment block has received all relevant permits, development of this block will lift the company's production profile to around 1.2 million tonnes per annum.

The Escarpment Mine will extract 4 million tonnes of coking coal and will become the country's second largest opencast mine, after Solid Energy's nearby Stockton mine. Bathurst has indicated that the mine will generate 224 direct jobs.

Subject to resource consents, Whareatea West is likely to be the next block developed in the South Buller project lifting production to just over 2 million tonnes per annum. The North Buller region is currently the subject of a scoping study. It is the Company's long term plan to develop this area to a similar production rate as that in the South Buller area to lift total coal production to over 4 million tonnes per annum.

Mining activities are set to expand in Reefton, both in coal and gold mining. Oceana Gold has increased production and the Reddale Mine has been re-opened by Solid Energy NZ Ltd.

From the above, it is clear that the coal mining and economic activity is set to expand considerably. Buller District is poised for a period of growth. This growth will place pressure on maintaining and creating infrastructure at an affordable rate. As highlighted in the overview to the plan, Buller is now at the crossroads and the assumption made within this plan is that the population and rateable properties will increase.

Cement Production

Holcim New Zealand operates a cement manufacturing plant at Cape Foulwind, Westport, which produces approximately 500,000 tonnes of cement each year. Today the Westport plant employs around 130 staff. It operates 24 hours a day, seven days a week. Holcim (New Zealand) Ltd proposes to build a new cement manufacturing plant at Weston near Oamaru, and is currently seeking approval to proceed from its parent company, Holcim Ltd. In October 2011, in the light of the uncertainty created by the current global economic environment Holcim announced that further consideration of the Weston Plant Project is now not expected before late 2012. We have assumed Holcim will continue its operation for the duration of the plan.

Dairy Industry

Both within Westport and Reefton economic growth has occured within the dairy industry.

Population Projections

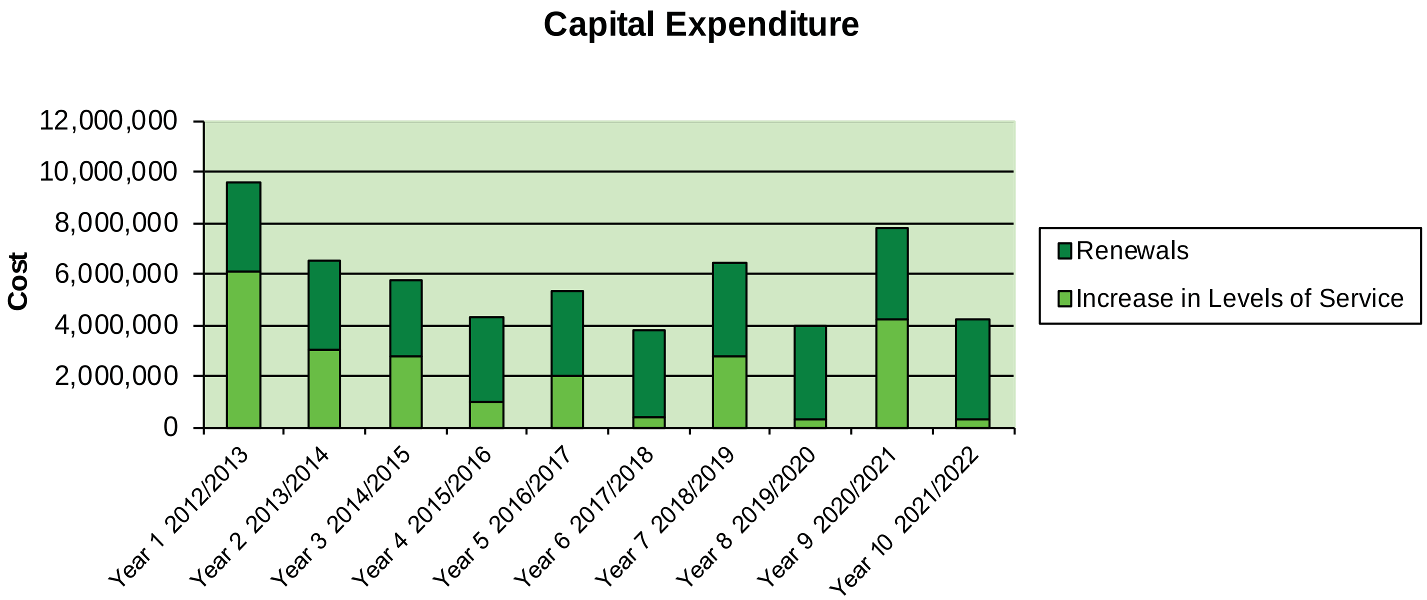
We have made the following assumptions in terms of population growth – a detailed explanation of this population model in provided in the Key Assumptions section (pages 231-237).

The growth in the population has been based on the high growth population trend from Statistics New Zealand and has been adjusted to take account of the growth of mining and ancilliary industries within Buller. This growth in mining is dependent on Resource Consents being granted.

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Population	10,400	10,450	10,755	10,999	11,049	11,099	11,149	11,169	11,189	11,209	11,229
Rateable Properties	7,240	7,265	7,392	7,515	7,540	7,565	7,590	7,600	7,610	7,620	7,630

As permanent resident ratepayers grow and there is a growth in the number of rateable properties, this would spread the cost of Council services potentially resulting in a reduction in the cost each ratepayer would have to contribute.

A substantial capital programme to improve infrastructure



The replacement costs of assets signalled through the asset management plans aggregate to a total capital works programme of $57.7 million over the ten years. Capital expenditure totalling $22.9 million (40%) is targeted at improving levels of services and $34.8 million (60%) is used to fund asset renewals.

Projects improving levels of services include :

- Upgrade to the Westport Water Supply ($10.6 million)
- Drinking Water Upgrades (Little Wanganui, Inangahua Junction and South Granity Water Supply) ($0.8 million)
- Relocation of the Coaltown Museum and Westport i-site into the Cultural Hub ($ 4 million)
- Construction of Pensioner Housing in Karamea (2 units) in 2012/2013, Reefton in 2015/2016, Westport (2 units) in 2018/2019 ($1.5 million)
- Mitigate soil erosion at the airport ($ 0.37 million - Council's share of the cost is $0.350 million)
- Capital funding for Vision 2010 projects in Inangahua, Karamea and Westport ($0.75)
- Road Upgrades ($2 million) - including construction of the Rough River Bridge ($0.2 million)

The funding of the capital costs to upgrading to Water Supplies to comply with Drinking Water Standards will result in increased targeted rates. This is due to increases in depreciation and interest costs.

Significant Changes in Land Use

The increase in activity in the coal mining and metal ore mining industries has led to an increased need for land for service industries related to mining in and around Westport. In order to be in close proximity to both the township and the mines they are servicing, some of these activities are looking to establish in areas which are zoned Rural and which have previously been used for rural or residential activities.

The increase in population has led to increased demand for a range of residential accommodation opportunities. While there is still a desire for 'lifestyle block' types of development there is also an increasing trend for smaller sections and 'infill' types of development in the townships, particularly in Westport. The increased population should lead to more ratepayers.

As coal mining is set to expand considerably, the increased production is beyond the ability of the present rail tunnels to Lyttelton and as an alternative it is intended to ship much of the additional production from the Westport harbour to Port Taranaki from where it will be sent overseas. To enable this to happen the existing Westport port facilities will be upgraded. Buller District Council is not proposing to fund this upgrade, instead it will be funded by the Holding Group.

The review of the District Plan and the Vision 2050 project will need to consider the impact of this growth on the District. Over the forthcoming year extensive time will be devoted to developing strategic and development plans for the District. Closely aligned with this strategic planning is the District Plan Review.

Other significant factors affecting the Ten Year Plan

New Zealand Transport Agency (NZTA)

The New Zealand Transport Agency advise Council on a three yearly basis what the rate of financial assistance will be for the next three years. The 'financial assistance' is the amount of government subsidy provided to pay for both road renewals and improvements or extensions. However three years ago no adjustments were made. The financial assistance rate is based on a formula that takes into consideration the size of the roading programme, land value and a constant that once all the financial assistance rates are aligned will mean that the average rate of all Councils is 50%. The minimum assistance rate regardless of the formula is 43%.

The formula has been used for a number of years and while over time there have been reviews of how the rate is calculated the reviews have generally kept the basis of the formula. The use of land value in the formula provides a means of showing the ability of Councils to meet their share.

The Councils roading programme over the last five years has remained pretty much the same with some fluctuations for inflation.

The current formula shows that the financial assistance rate for the Buller District should be 57%. The New Zealand Transport Agency has however advised that the rate will drop from the current 60% to 59% for 2012/2013 and to 58% for the remaining two years of this current cycle. The net impact of this change is that general ratepayers will be facing an increase in roading costs to maintain the current level of service, which Council is proposing to fund.

NZTA has indicated to Council that its base funding for the roading programme has been reduced for years 2012/2013 to years 2014/2015, as well as having no escalation for inflation paid for these three financial years. This has been applied for the full ten years of the plan, and results in a total reduction in NZTA funding of $4.4 million over the plan.

What this means is that Council has agreed to a lower level of expenditure to match NZTA funding. This has resulted in a lower level of service such as higher road roughness levels, lower maintenance levels on lower volume rural roads, less resealing and less roadside mowing. This may be offset by potential efficiencies by working closely with the roading contractor to identify service delivery savings.

Price adjustments

Council is required to provide a Ten Year Plan adjusted for inflation. The figures within the plan have been adjusted for price movements. The price adjustors have been derived from those recommended to Local Governement from Business and Economic Research (BERL).

Balancing the budget

The Council is required under the Local Government Act 2002 to ensure that each year's projected operating revenues are set at a level to meet each year's operating cost.

The Council is further required to manage its revenues, expenses, assets, liabilities and general dealings prudently and in a manner that promotes the current and future interests of our community.

This requires a more holistic view of the costs and services that Council provides:

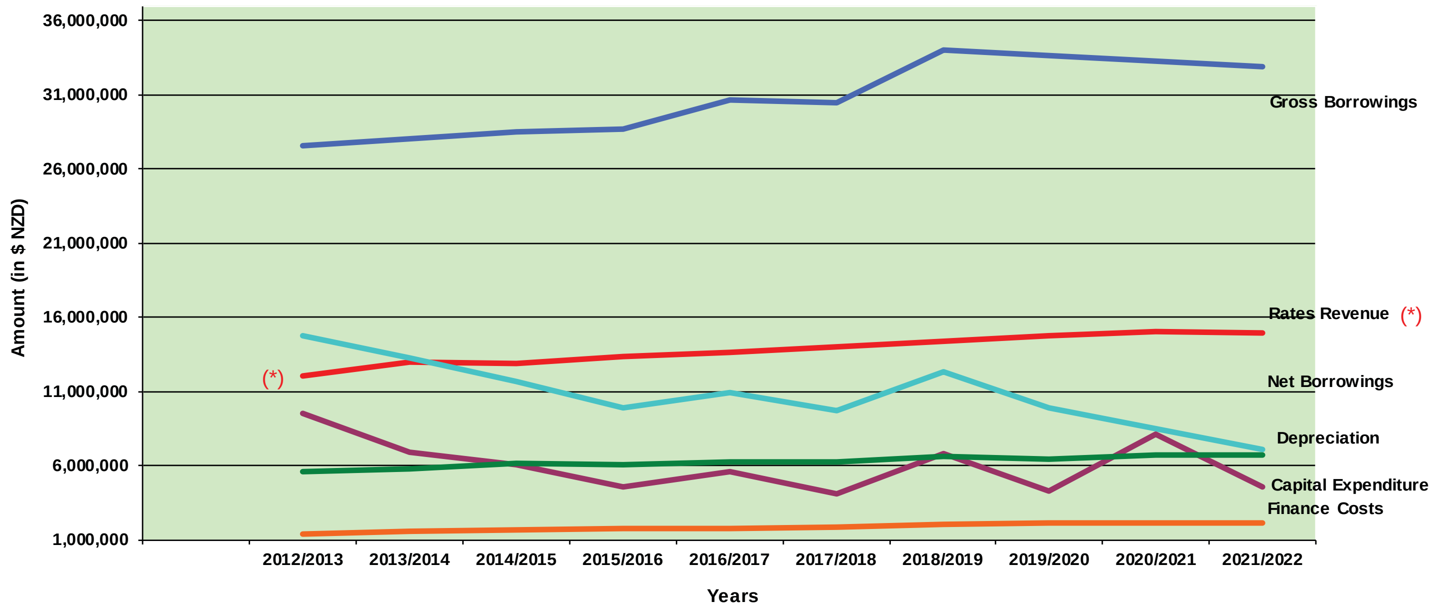
In assessing a financially prudent budget, consideration must be given to :

- Estimated expenses of achieving and maintaining the predicted levels of service contained in the 10 year plan, including the estimated expenses associated with maintaining the service capacity and integrity of the assets throughout their useful life.
- The projected revenue available to fund the estimated expenses associated with delivering services and maintaining the service capacity of assets throughout their useful life.
- The equitable allocation of responsibility for funding the provision and maintenance of assets throughout their useful life.
- The Councils funding and finance policies

The Statement of Comprehensive Income reflects a small deficit in 2012/2013 and in years 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020 The deficit is attributable to the impairment of the investment in Buller Holdings Limited caused by Buller Recreation Limited's operating losses. In addition, the financial assistance received from 2015/2016 onwards is lower as it is envisaged all Drinking Water Standard capital upgrades would be completed and therefore there are no subsidies from Central Government. Council is required under Section 100 of the Local Government Act 2002 to pass a resolution accepting the deficits as reflected below

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Total Operating Revenue	23,725	24,092	23,882	23,920	24,451	25,169	26,019	26,706	27,532	27,992
Total Operating Expenditure	22,914	22,994	23,869	24,351	24,924	25,547	26,489	27,137	28,039	28,531
Surplus/(Deficit)	**811**	**1,098**	**13**	**(431)**	**(473)**	**(378)**	**(470)**	**(431)**	**(507)**	**(539)**

The graph below shows the trend for rates, borrowings and asset development expenditure which are the key financial aspects of the plan.

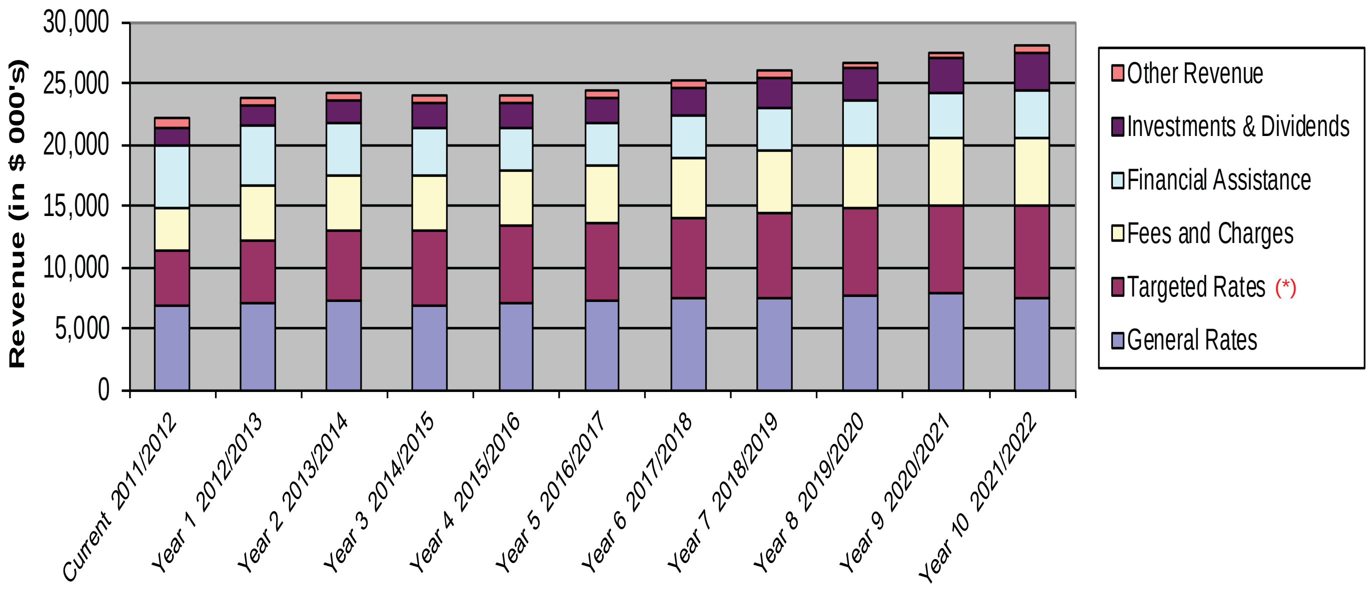


It is important to note that capital expenditure totalling $57.7 million has been forecasted for this plan. This is funded from depreciation reserves, external borrowings and internal borrowings. Gross external borrowings have remained fairly static over the plan. Term deposits are, however, increasing from a forecast $12.8 million in 2012/2013 to $25.8 million in 2021/2022 due to the repayment of internal debt.

Financing projects with a mix of internal and external debt lowers the cost for the ratepayer. Repayment of internal loans to investments and ensures that investment funds are maintained to fund future projects. Building investment reserves are also considered prudent to fund any emergency expenditure that may arise from natural disasters.

(*) Rates exclude water meter rate.

Operating Revenue: 2012 to 2022

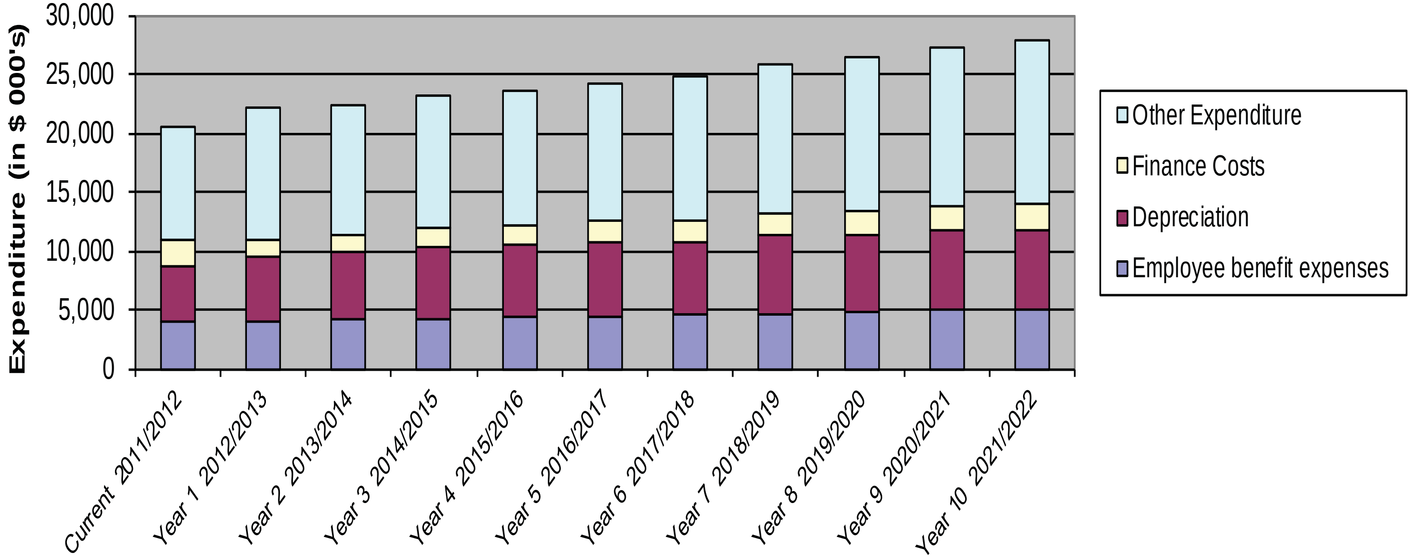


Total Operating Revenue will increase by 6.9% from 2011/2012. Revenue will rise from $23.7 million in 2011/2012 to $28 million in 2021/2022 (18%) over the plan.

(*) Rates exclude water meter rate.

financial strategy

Operating Expenditure : 2012 to 2022



Total Operating expenditure will increase by 11.2% from 2011/2012 to 2012/2013. In total dollars operating expenditure will rise from $22.9 million in 2012/2013 to $28.5 million (24.5%).

These increases are as a result of:

- Growth – there are or will be more households in Buller based on the population growth assumptions.
- Price increases – the price adjustors used for Local Government are higher than predicted inflation and this means that it will cost more to provide services
- Service level changes. Water is the major activity where Council will be increasing their level of service by improving the quality of the water through capital upgrades to enable current water suplies to meet the latest Drinking Water Standards.
- Depreciation and Interest payments – the increased capital expenditure programme means corresponding increases in costs in these areas, depreciation is also affected by inflation.

What is a reasonable rates level?

In setting rates at the appropriate level the Council, must balance what is affordable for both the Council and the community. This is a balancing act which needs to take into account the services that the council delivers and whether the current or future ratepayers should pay for them. This is sometimes referred to as intergenerational equity. This is important for the Council given that many of its assets have long service lives and the benefits that these assets provide are over a long period of time. The main tool is the use of debt and then rating ratepayers to service that debt.

In assessing the right funding level Council has to consider the following:

- Have we set revenues at a level to cover all of our expenses
- Have we set revenue at a level so that we can afford an ongoing asset renewal and replacement programme?
- Is the number of projects and the total cost of the asset development programme affordable?
- Have we considered the needs of current and future ratepayers?

The preliminary increase in general rates was 7.7% in 2012/2013, however we do not have to absorb all of the rate increase in one year In the interests of affordability for the general ratepayer, Council is proposing to smooth the increase in General Rates across two financial years being 2012/2013 and 2013/2014. This means the increase in General Rates in 2012/2013 will be 3.3% instead of 7.7% and 2.6% instead of (5.7%) in 2013/2014. Council considers smoothing to be financially prudent as it is an effective mechanism to ensure that rate movements are contained to within acceptable limits.

Forecasted General Rate Increases across the Ten Year Plan

2012/2013 $000	2013/2014 $000	2014/2015 $000	2015/2016 $000	2016/2017 $000	2017/2018 $000	2018/2019 $000	2019/2020 $000	2020/2021 $000	2021/2022 $000
3.3%	2.6%	(3.5%)	5.1%	1.0%	3.3%	1.2%	1.3%	3.3%	(1.4%)

What are the quantified limits on rates, rates increases and borrowings?

Council will endeavour to keep the income required from rates steady as well as creating predictability in the level of rates required. This will include taking a multi-pronged approach of managing the cost to the ratepayer (through efficiency gains and/or service reductions), increasing other revenue sources (to reduce dependency on rates revenue) and/or disposing of surplus assets. The Council is required by legislation to include a statement on quantified limits on rates. The Local Government Rates Inquiry suggested that around 50% of a council's operating revenue should be taken from rates. Currently, the Council draws about 50-55% from Rates because it does not have alternative revenue streams for example, significant financial investment funds or investments in corporate enterprises, and has taken a fairly low risk approach to borrowing.

Limit on Rates Collected

While the Council will continue its approach of allocating rates as a funding proportion based on who causes and benefits from its activities, it proposes endeavouring to limit the rates collected each year to a maximum of 65% of total Council revenue. We believe this would represent an equitable and prudent upper limit.

	2012/2013 $000	2013/2014 $000	2014/2015 $000	2015/2016 $000	2016/2017 $000	2017/2018 $000	2018/2019 $000	2019/2020 $000	2020/2021 $000	2021/2022 $000
Total rates revenue collected (*)	12,040	13,046	13,077	13,573	13,816	14,233	14,583	14,785	15,246	15,334
Total revenue	23,726	24,092	23,882	23,922	24,452	25,171	26,018	26,706	27,533	27,992
Rates as % of Total Revenue	51%	54%	55%	57%	57%	57%	56%	55%	55%	55%

Ideally Council will seek to reduce the proportion of revenue collected through rates and a revenue Taskforce has been setup as a Council Sub-Committee to investigate alternate revenue streams. The Council's Revenue and Financing Policy sets out the sources of funding to be used, and how they will be applied to each activity - with a view to achieving this objective.

(*)	2011/2012 $000	2012/2013 $000	2013/2014 $000	2014/2015 $000	2015/2016 $000	2016/2017 $000	2017/2018 $000	2018/2019 $000	2019/2020 $000	2020/2021 $000	2021/2022 $000
General Rates	6,790	7,013	7,207	6,962	7,299	7,365	7,623	7,710	7,810	8,072	7,949
Targeted Rates (*)	4,538	5,027	5,839	6,115	6,274	6,451	6,609	6,873	6,975	7,174	7,385
Total Rates revenue	11,328	12,040	13,046	13,077	13,573	13,816	14,233	14,583	14,785	15,246	15,334
Targeted Rates as % of Total Rates Revenue	**40%**	**42%**	**45%**	**47%**	**46%**	**47%**	**46%**	**47%**	**47%**	**47%**	**48%**
General Rates as a % of Total Rates Revenue	**60%**	**58%**	**55%**	**53%**	**54%**	**53%**	**54%**	**53%**	**53%**	**53%**	**52%**

Over the plan general rate as a percentage of total rates revenue decreases from 58% in 2012/2013 to 52% in 2021/2022, and targeted rates as a percentage of total rates revenue increases from 42% in 2012/2013 to 48% in 2021/2022. This indicates a trend to a userpays approach - those that receive the service pay.

(*) Rates exclude water meter rate.

Limits on Rate Increases

While the Council will continue to consider affordability issues when setting rate levels each year, Council is required by legislation to include a statement on quantified limits on rates increases. Limiting the increase to the Rates forecasted in the Long term Plan reflects the realities of higher local government costs i.e. the cost of doing Council business. It also recognises that from time to time Council will need to increase the level of service that it is providing to meet, for example, community needs and new resource consent requirements. Individual properties may experience smaller or larger increases depending on movements in property values, the services that they receive and their location.

Capital Expenditure

The Council currently has assets worth close to $308 million and during the next 10 years Council is planning to undertake additional capital works of $57.7 million. Asset development expenditure is for purchasing, building, replacing or developing Buller District assets (e.g. roads, water supplies, libraries etc). For each asset category asset management plans are in place which are the key planning tool for the maintenance, future renewal and additional assets required to meet the demand and levels of service in the district. These are prepared for 10 years. These asset management plans also inform how the planned expenditure will be paid for.

Renewals are the replacement programme for the existing assets. Level of service improvements relate to where Council believe the current assets do not provide an adequate level of service. Renewals of assets are generally funded from depreciation as over teh Long Term Plan the level of renewals should be in line with depreciation. Increases in service are generally funded from external borrowings, capital subsidy or from capital contributions.

Council's policy mainly funds increases in service levels through borrowings, normally over 20 years but shorter or longer terms may be used for some assets depending on how long they are expected to last before being replaced.

Council funds depreciation for all activities except roading and stormwater, and uses depreciation reserves to fund asset renewals and so replace assets as they wear out. There are exceptions where depreciation is not funded and these are where Council has received financial assistance and expects finance assistance to be available in the future to fund asset replacements (eg, pensioner housing housing upgrades, rural fire vehicles).

This method provides for intergenerational equity and means that those people that receive the benefit of the asset generally pay for the asset.

While depreciation is accounted for, it is not directly funded for roading and stormwater, and there is no separate account held to accumulate funds during years when renewal expenditure is less than depreciation. As a result the annual rates burden will fluctuate depending on the value of the renewal work undertaken.

Council does not fund depreciation for these activities, as we feel it is more affordable to the ratepayer to fund the actual dollars spent, ie, renewals.

Debt and Interest Borrowings Table

Under section 100 of the Local Government Act 2002, Council considered its financial management responsibilities, where it must manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. The Council has also considered whether it is sustainable to undertake the level of capital works proposed in the Ten Year Plan together with the increased operating costs associated with the higher debt level. If the Council has too much debt then future ratepayers will subsidise current ratepayers. Conversely, too little and the reverse situation applies. The Council has considered the timing of this programme and the associated borrowings required to ensure that this best meets the needs of current and future generations.

In doing so the Council noted the following quote from the Local Government Rating Inquiry 2007 (Shand Report):

Impact of additional borrowing on rates:

10.76 - "Greater use of borrowing for long-life assets can enable rates to be held at a lower level over a considerable period of time, even allowing for interest costs. There is some aversion amongst ratepayers to the taking on of debt, which is seen by some as financially unsound. Reflecting this, some Council's perceive being debt-free as a virtue. This ignores the benefits of being able to undertake expenditures earlier than would otherwise be the case. It also ignores the interest cost that ratepayers bear by paying the rates earlier to fund the capital expenditures than would otherwise have been the case."

Council's gross debt is predicted at the end of the 10 years to be $32.8 million with a peak in 2018/2019 of $34 million. While the gross debt has increased, it is still at an affordable level in relation to our income. Our Treasury Management policy is well within our Banking Convenant which states that finance costs as a percentage of total Operating revenue must not exceed 15%. Council is in compliance with all other limits specified in the Treasury Management Policy.

The main increase in gross debt is to fund the asset development and programme proposed within this plan. Note that gross term debt is off-set by term deposits. The true net debt is the difference between the two.

Interest rates are historically very low, Council has taken external advice and has assumed that the average interest rate paid on its loans will increase over the 10 years of the plan from 4.9% to 6.5%.

Policy on giving Securities for Borrowings

Council proposes to continue to secure its borrowings and interest rate risk management instruments against rates and rates revenue.

Limits on Gross Borrowings

The limits for gross borrowings are based on debt servicing costs remaining below 15% of Total Operating Revenue. Debt starts in 2011/2012 at $29.5 million, peaks in 2018/2019 to $34 million reducing in 2021/2022 to $32.8 million. Debt servicing costs are below 10%. Council is in compliance with all limits specified in the Treasury Management Policy.

The Treasury Management Policy has been aligned with external banking convenants. We are comfortable that debt levels are prudent and that debt servicing costs remain affordable across the plan. It should be noted that Council's investments grow considerably across the plan, so the net debt (being external borrowings, less term deposits), at the end of the plan will be $7.0 million. In 2012/2013 the net debt is forecasted to be $15.0 million.

This approval is considered prudent as the term deposits provide financial flexibility for Council and the repayment of external loans over an extended period facilitates intergenerational equity.

Investments

Council currently has term deposit investments of $10.9 million and over the term of the Plan these term deposits are proposed to increase to $25.7 million. This situation is kept under constant review and the balance of the gross debt to investment could change if relative interest rates change. It is also considered prudent to grow the term deposits to cater for any natural disasters.

Council has considered it the best approach to continue to grow the term deposit investments rather than repay debt. This is due to the fact that there is a core amount of debt related to the acquisition of shares in Buller Recreation Limited where it is tax effective to not repay this debt.

Council has a portfolio of other investments comprising:

- Term investments - over the duration of the plan, short term investments are set to increase to $25.7 million due to the receipt from internal loans and sale of investment properties
- Equity investments - investments in Buller Holdings Limited remain fairly static over the duration of the plan. In 2012/2013 investments total $19.8 million reduce marginally to $19.4 million in 2021/2022 reflecting operating losses in Buller Recreation Limited and equity received in exchange for the funding of capital expenditure for Buller Recreation Limited which will increase the investment accordingly
- Asset investments
- Associated organisations
- Investment property - investment properties are forecasted to be $9.7 million in 2012/2013 reducing to $7.0 million in 2021/2022 as properties are sold over the duration of the plan

Council has breached its current investment policy which states that no more than $1 million may be deposited with a Building Society. Currently Council has exceeded this. The reason for this breach is that the respective Building Society has provided sponsorship towards the Performing Arts Theatre. This will be reassessed by Council when the sponsorship agreement ends in 2015.

The full Treasury Management policy is included in Volume 2 and includes the rationale for holding these investments.

General Policy

Council has a conservative approach to investments with surplus funds generally being used for debt repayment rather than financial investment. It does not intend to undertake financial investments for the purpose of generating significant returns, now or in the future. Equity is held for strategic purposes such as holding equity in subsidiaries which enable councils to provide services more efficiently.

Council's main investment is the shareholding in Buller Holdings. The targets for their subsidiaries (WestReef Services Limited, Westport Harbour Limited and Buller Recreation Limited) are set out below.

Investment	Target Return
WestReef Services Limited	To achieve a pre-tax operating profit of at least 10% on gross revenues, before any subvention payments
Westport Harbour Limited	To achieve a post tax operating profit of 15% on BHL investment, before any subvention payments
Buller Recreation Limited	Achieve budget and expenditure
Buller Holdings Limited	To return the minimum forecasted distribution/dividend to Council 2012/2013 - $850,000 2013/2014 - $879,750 2014/2015 - $910,541