2009-2019

Long-Term Council Community Plan **Volume Two**

matamata piako district council

part 2: policies

part 2: forecasting assumptions and risk assessment

Council has looked at a number of important issues and determined what impact they will have on this plan. It is assumed that none of these issues will significantly affect the levels of service that Council proposes to provide. A summary of the issues Council is facing is set out in the following table.

Forecasting assumption (something Council reasonably expects to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Growth			
This plan has been prepared on the basis that the majority of growth in the district will be centered in the three urban areas, Matamata, Morrinsville and Te Aroha while the populations of the districts rural areas are projected to remain constant. The total population of the district is predicted to grow from 31,200 to 37,000 by the year 2038. The populations of Morrinsville and Matamata are predicted to grow to approximately 8,500 - 9,000 residents each, and Te Aroha to 5,000 people by the year 2038. Growth population and household projections are based on the districts actual growth over the last ten years, as well as official Statistics New Zealand projections.	Growth in the district occurs at higher or lower rates than assumed	Medium	Growth rates have been carefully researched but economic conditions could cause variations from year to year. The Council closely monitors dwelling growth rates and can make adjustments to infrastructure capacity for increases or decreases in the projected growth. If the projected growth does not occur this will impact on the development contributions received for financing development. It will also impact on rates as there would be less than the forecast number of ratepayers over which to spread the rating burden. The growth component of new capital projects will be funded from development contributions. If development does not occur at the rate predicted Council may have to borrow additional funds. The total value of growth projects in the plan is $5.2 million.

part 2: forecasting assumptions and risk assessment

Forecasting assumption (something Council reasonably expects to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Climate change/hazards			
The Government recognises climate change as a long-term strategic issue for New Zealand. In this plan, Council has taken the effects of climate change into account for certain activities that it would affect the most, such as stormwater, water and wastewater. Climate change will also pose challenges for the district in relation to landuse and the economy in the future.	Projected climate change and hazard scenarios such as storm events are greater or less than what has been provided for in the LTCCP.	Medium	Climate change and hazards could have adverse impacts on public and private property, and Council infrastructure such as the roading and stormwater networks. Overestimation of the effects of climate change or hazards could result in unnecessary works for Council, but an underestimation of effects could impact on the Council through emergency project works. Either scenario would affect ratepayers as infrastructure and hazard planning cost money. Te Aroha is prone to hazard events and the most recent storm event cost the community $179,000 and some key services were unavailable for no longer than a day.
Assets			
The useful lives of all assets will be in accordance with the depreciation rates as set out in the accounting policies of the Council. There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets.	The physical deterioration and condition of an asset could be at an amount that does not reflect its actual condition. This is a particular risk for those assets which are not visible, such as stormwater, wastewater and water supply pipes that are underground.	Low	There is no certainty that asset components will last for their design lives. These have been identified through the NAMS Standards and experience to date indicates no gross errors. Replacement is budgeted at the expected end of their useful life and earlier replacement will result in a loss on disposal of any residual value. Earlier replacement may result in the deferral of other discretionary capital projects in order to remain within self imposed debt limits. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any deterioration or surplus capacity of an asset.

part 2: forecasting assumptions and risk assessment

Forecasting assumption (something Council reasonably expects to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Inflation			
The new Government has indicated that there will be changes to the Emmissions Trading Scheme. As a result Council expects that there will be rising costs through this. Figures in the financial statements have been adjusted to include inflation adjustment expectations and to account for the Emissions Trading Scheme. These have been provided by BERL. See appendix one.	Inflation occurs at rates much greater than industry standards provided by BERL and the 1.1% for the Emissions Trading Scheme	Low	There is no certainty that the industry standards will be accurate and additional funding from rates may be required.
Valuations			
All properties in the district will be revalued this year with new values taking effect from 1 July 2010. It is possible that this process will change the incidence of rates (eg rural values may increase by a greater proportion than urban values).	Valuations change the incidence of rates	Medium	No allowance has been made for the possible impact of changes in rating valuations in this plan. Council has the opportunity to review annually its finances as part of the Annual Plan and has the opportunity to provide for a shift in the UAGC by 6% if considered necessary at the time.
Return on investment			
Council has an investment of $13 million in overseas shares. Any profits from this investment have been used to subsidise rates.	The return of the investment at a time when its value has reduced significantly	Low - medium	The present world economy is in a recession at the moment and any move to return this investment today may not assist current ratepayers and future generations.
Borrowing			
We have assumed that Council will have ready access to loan funds at competitive interest rates. Council's strong balance sheet supports this assumption. Council can utilise capital through the repatriation of the PNZ investment if necessary.	Interest rates are higher than expected	Low	If Council cannot borrow funds to provide the levels of service the community desires then some of the services will not be able to be provided.
Subsidies			
Council receives annual subsidies of over $5 million from the NZ Transport Association of Financial Assistance. We have assumed that the rate of subsidy (approximately 42%) will remain constant over the next	Rate of subsidies received changes	Low	A change in the level of subsidy will either affect rates or the level of service provided.

part 2: forecasting assumptions and risk assessment

Forecasting assumption (something Council reasonably expects to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Legislation			
With the recent change in Government, it is likely that there will be changes to legalisation. It is likely there will be changes to the RMA. Council currently assumes business as usual and the current RMA for the purpose of this LTCCP.	The new Government will reform legislation	Low - medium	A number of activities rely on the RMA therefore changes to this will have time, resource and cost issues that cannot yet be quantified. Council is not fully aware of all the impacts that the Emissions Trading Scheme legislation will have on its activities at this stage. Any cost increases will flow on into operational contract costs and capital works. Council owns and manages forest and therefore is obligated to consider the scheme for this purpose.
Community safety/crime			
Council has an advocacy and regulatory role in increasing community safety and reducing crime. Council works with the police on certain community projects. Council is involved in some proactive work, with removal of graffiti and education around graffiti over the next three years. Implementation of urban design principles will also help to reduce crime in our district through Crime Prevention Through Environmental Design (CPTED). This involves designing areas so that they deter potential criminal activity.	Community safety is decreased as crime increases	Low	

part 2: forecasting assumptions and risk assessment

Forecasting assumption (something Council reasonably expects to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Cultural diversity			
The population of the district will become more diverse over the next ten years. This means Council will need to have good working relationships with various groups within our community. Tangata Whenua will have increasing importance in decision-making due to legislative requirements and other national matters. Council currently works with iwi through the Te Manawhenua Forum mo Matamata-Piako.	Council decision-making does not meet the cultural needs of the community	Low	
Education			
There is a continuing need globally for more educated and skilled staff, which affects our district. There is also an increasing need to attract or retain qualified staff in the district.	Demand for qualified staff in the district is not met	Low	
Energy			
We are moving towards an era of high energy costs and greater demands for energy supply and at the same time climate change is creating the conditions for a carbon-constrained world. Council is aware of the need to become more energy efficient in the coming years. There is increasing pressure to move to more renewable energy based sources and innovative energy technologies.	New energy efficient technologies do not meet demand	Low	

part 2: forecasting assumptions and risk assessment

Forecasting assumption (something Council reasonably expects to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Food			
Worldwide food shortages are likely to continue, however this is not likely to affect our district, in fact it may strengthen our role as a producer and exporter. There will be financial pressure on farmers over the next few years due to the slowing economy and increasing legislation; however this economic setback for farmers should be offset by the greater demand for exporting due to world shortages. This is assuming that farmers will still be the major contributors to the district's economy.	Food shortages worsen, affecting our district Demand falls for agricultural products	Low	
Healthcare			
In the coming years there will be a demand for greater health services due to an ageing population and a need to have sufficient qualified medical staff. Our residents will have less access to health services as healthcare becomes more centralised and provided on a regional basis. This will result in an increased need for public transport to access these services. Council has an advocacy role in healthcare rather than being a direct provider. No specific funding for healthcare has been provided for in this plan.	Increasing demand for healthcare and access to healthcare are not met	Low	
Technology			
For the district to be economically competitive we need infrastructure in place to keep up with technology e.g. broadband internet. Central Government is putting significant amounts of money into this infrastructure. Council sees this as important, but at this stage it is primarily a Central Government responsibility, although it will require some provisions to be made for as part of future development.	Central Government doesn't provide the funding for infrastructure to meet technological demands	Low	

part 2: accounting policies

Statement of accounting policies

a) Reporting entity

Matamata-Piako District Council is a Local Authority governed by the Local Government Act 2002.

Matamata-Piako District Council has a 34% interest in a jointly controlled entity, Thames Valley Combined Civil Defence Committee, together with Hauraki District Council and Thames-Coromandel District Council. Each Council has equal representation on the committee. Thames-Coromandel District Council is the administering authority.

The primary objective of Matamata-Piako District Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly Matamata-Piako District Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial information contained within these policies and documents is prospective financial information in terms of FRS 42: Prospective Financial Information. The purpose for which is has been prepared is to enable the public to participate in the decision-making processes as to the services to be provided by the District Council over the financial years from 2009/2010 to 2018/2019, and to provide a broad accountability mechanism of the Council to the community. The financial information contained within the Ten Year Plan may not be appropriate for purposes other than those described.

The Council, who are authorised to do so and believe that the assumptions underlying these prospective financial statements are appropriate, has adopted the LTCCP for distribution.

Cautionary Note
The information in the prospective financial statements is uncertain and the preparation requires the exercise of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or the Council may subsequently take actions that differ from the proposed courses of action on which the prospective financial statements are based.

The information contained within these perspective financial statements may not be suitable for use in another capacity.

b) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Local Government Act 2002. They comply with NZ IFRS and other applicable financial reporting standards as appropriate for Public Benefit Entities.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of Council is New Zealand dollars. Council has undertaken transaction in foreign currency in relation to the offshore PNZ investment fund.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date. Foreign exchange gains/losses resulting from the settlement of such transactions are recognised in the statement of financial performance.

The financial information contained within this report has been prepared in accordance with the LTCCP requirements of section 93.

This set of financial statements has been prepared based on expected opening balances for the year ended 30 June 2009. Estimates have been restated accordingly if required.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investments, biological assets and financial instruments (including derivative instruments).

c) Joint venture

Council recognises it's interest in it's jointly controlled entity, Thames Valley Combined Civil Defence Committee, using the equity method. This investment is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the profit or loss of the jointly controlled entity after the date of acquisition. Council's share of the profit or loss of the jointly controlled entity is recognised in Council's statement of financial performance. The carrying amount of the investment is shown as shares in the statement of financial position.

part 2: accounting policies

d) Property, plant and equipment

(i) Property, plant and equipment consists of:

Operational assets
These include land, buildings, restricted assets, plant and machinery, furniture and equipment, computer equipment, and library collections.

Restricted assets are parks and reserves owned by Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets
Infrastructure assets are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations. Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

(ii) Additions
The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

(iii) Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

(iv) Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

(v) Depreciation
Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated in the following table:

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Operational assets		
Buildings	to 80 years	(1.25%
Restricted assets (buildings)	to 80 years	(1.25%)
Plant and machinery	to 10 years	(10%-50%)
Furniture and equipment	to 10 years	(10%-50%)
Computer equipment	to 5 years	(20% -33.3%)
Library collection	to 9 years	(11.1% - 50%)
Infrastructural assets		
Roading network		
Street lighting	to 50 years	(2%-33.3%)
Formation carriageway	indefinite	
Pavement surfacing	to 50 years	(2%-33.3%)
Pavement structure	to 45 years	(2.2%-3.6%)
Footpaths	to 50 years	(2%-20%)
Drainage	to 100 years	(1%-2%)
Bridges	100 years	(1%)
All other	to 50 years	(2%-50%)
Buildings	0 to 80 years	(1.25%)
Sewer mains	to 96 years	(1%-2%)
Sewer other	to 91 years	(1%-2%)
Sewer pump station equipment	to 95 years	(1%-7%)
Sewer service lines	to 68 years	(1.5% - 2%)
Water mains	to 96 years	(1%-2%)
Water valves	to 79 years	(1.2% - 3.4%)
Water hydrants	to 79 years	(1.2% - 2%)
Water nodes	to 83 years	(1.2% - 2%)
Water pump station equipment	to 96 years	(1% - 10%)
Water service lines	61 years	(1.6%)
Stormwater mains	to 78 years	(1.2% - 2%)
Stormwater manholes	to 74 years	(1.2% - 2%)
Stormwater pumps	to 74 years	(1.2% - 2%)
Stormwater service lines	73 years	(1.2%)

(vi) Revaluation:
Land, buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost. Council assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Land buildings (operational and restricted) and infrastructural assets (except land under roads) were revalued at 1 July 2008.

(vii) Accounting for revaluations:
Council accounts for revaluations of property, plant and equipment on a class of asset basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in this statement will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

e) Intangible assets

Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straightline basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in statement of financial performance. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	2 to 5 years	(20%-50%)

f) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

g) Investment property

Initially, investment properties are measured at cost including transaction costs. After initial recognition, Council measures all investment property at fair value as determined annually by an independent valuer. Gains or loses arising from changes in the fair values of investment properties are included in the statement of financial performance in the year in which they arise.

h) Forestry assets

Standing timber has been valued by independent valuation by P L Tempest and Associates Ltd as at 30 June 2008. It is valued at fair value less estimated point of sale costs. Stands under 10 years old are valued on a compounded cost basis. Stands older than 10 years are valued on a discounted expectation basis, with age 27 years as harvest expectation and using current log prices and deducting harvest costs and cost of sale. Log prices are averaged over the past 12 months. A discount rate of 8% has been used in this valuation. Costs that are anticipated to increase the growth and value of the asset are capitalised and are added to the value of the forestry asset. Such costs include silviculture work, tending, aerial spraying, pruning, thinning and protection costs. Costs that are not expected to increase the value of the asset are expensed in the community facilities activity and are included in the cost of services statement. Such costs include weed control, pest control, disease control, and fertiliser application undertaken subsequent to the planning of the forest. Administration costs including insurance premiums, rates and administrative overheads are also expensed. Timber and thinning sales are recognised in the community facilities activity, and are included in the cost of services statement in the period in which any revenue is realised.

The forestry asset is revalued on an annual basis with gains and losses on revaluation recognised in the statement of financial performance.

part 2: accounting policies

i) Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits of service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued assets is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in income statement, a reversal of the impairment loss is also recognised in the statement of financial performance.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of financial performance.

j) Financial assets

Council classifies its financial instruments into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and fair value through equity financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of it's investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance. Purchases and sales of investments are recognised on trade-date, the date on which Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The quoted market price used is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the statement of financial performance. Currently, Council does not hold any financial assets in this category.

part 2: accounting policies

(ii) Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance. Loans and receivables are classified as 'Trade and other receivables' in the statement of financial position and include housing, community and industry loans.

(iii) Held to maturity investments
Held to maturity investments are assets with fixed or determinable payments and fixed maturities that Council has the positive intention and ability to hold to maturity. For short-term investments the carrying amount is estimated to be reasonable approximation of the fair value of the investment. For long-term investments after initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Investments in this category include 'short-term deposits' and 'investment in local government stock.

(iv) Fair value through equity
These are non-derivative financial assets that are designated as fair value through equity or not classified as any of the categories above. Council has 'long-term investments' and 'shares' in this category. After initial recognition, these investments are measured at fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance even though the asset has not been derecognised. On derecognition the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

k) Impairment of financial assets

At each balance date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

l) Inventories

Inventory acquired for subsequent use in the provision of services is measured at cost adjusted for any loss in service potential. Inventory under development that will be subsequently sold in the ordinary course of business is classified as work in progress and measured at cost until such time as it is sold. Costs directly attributable to such inventory are capitalised to inventory work in progress and allocated over the total balance.

m) Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of financial performance. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

part 2: accounting policies

n) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Loans, including loans to community organisations made by Council at zero, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of financial performance as a grant. A provision for doubtful debts is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

o) Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

p) Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are subsequently measured at amortised cost using the effective interest method.

q) Trade and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

r) Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Council expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for landfill aftercare
The Council, as owner of three closed landfills, has a legal obligation under the resource consents to provide on-going maintenance and monitoring services at the landfill sites. A provision for post-closure costs has been recognised as a liability. The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all reliably known costs associated with landfill post-closure.

The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to Council.

part 2: accounting policies

s) Employee entitlements

Short-term benefits
Employee benefits that Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave. Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Council anticipates it will be used by staff to cover those future absences.

Long-term benefits
Long service leave and retirement leave entitlements that are payable beyond 12 months, such as long service leave and retiring leave; have been calculated on an actuarial basis. The calculations are based on:
- likely future entitlements accruing to staff, based on years of service, years to entitlement;
- the likelihood that staff will reach the point of entitlement and contractual entitlements information;
- the present value of the estimated future cash flows.

A discount rate of 6% and an inflation factor of 3.5% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Defined contribution superannuation scheme
Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance.

t) Leases

Finance leases, which transfer to the Council substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating leases do not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term

u) Revenue

Revenue is measured at the fair value of consideration received. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rates
Rates revenue is recognised at the due date of each installment.

Private works
The revenue from private works is recognised as revenue by reference the stage of completion of the work at balance date.

Government grants
Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Other grants and bequests received by Council are recognised as revenue when control over the asset is obtained.

part 2: accounting policies

Fees and charges
Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence.

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income
Rental income arising on property owned by Council is accounted for on a straightline basis over the lease term.

Development Contributions
Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time the Council provides, or is able to provide, the service.

Vested assets
Vested asset income recognises the value of land and/or infrastructural works that have been handed over to Council following completion of the subdivision consent process. Vested assets are valued by applying standard unit rates to actual quantities of infrastructural components vested. The rates used are provided by the land developers and tested for reasonableness by Council engineering staff. Vested asset income is recognised as revenue when the control over the asset is obtained.

v) Expenditure

Expenditure is recognised when Council is deemed to have been supplied with the service or has control of the goods supplied.

w) Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

x) Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department are classified as operating cash flows.

y) Equity

Equity is the communities interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classed into a number of reserves to enable clearer identification of the specified uses of its accumulated surpluses.

The components of equity are:
- Retained earnings

Other reserves
- Council created reserves
- Restricted reserves
- Financial assets at fair value through equity reserve
- Asset revaluation reserves

part 2: accounting policies

z) Reserves

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council. Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain conditions are met. Council created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Asset revaluation reserves represent unrealised gains on assets owned by Council. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings.

Council has derived the cost of service for each significant activity of Council using the cost allocation system outlined below. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

aa) Critical accounting estimates and assumptions

In preparing these financial statements Council has made estimates and assumptions concerning the future.
These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets
There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets.

These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any obsolescence or surplus capacity of an asset.

- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual deprecation charge recognised as an expense in the statement of financial performance.

To minimise this risk Council's infrastructural assets useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates. Experienced independent valuers perform or undertake a peer review of the Council's infrastructural asset revaluations.

part 2: development contributions policy

This development contributions policy requires a developer to contribute towards current services to pay for growth related capital works such as water, wastewater, stormwater and roading. The main changes proposed in this policy is the way development contributions are calculated and the introduction of a roading contribution.

1.0 Introduction

1.1 Context

Although the population has been relatively static over the last decade or so, the Matamata-Piako District has still experienced steady growth in the number of dwellings, as well as growth in the number of businesses. As a result, Council must expand its infrastructure networks to support the increased use of essential services, such as water and roads.

The cost of expanding these networks is typically very high, and how these developments are funded is an important issue. Using rates to fund these works is unfair, because existing ratepayers neither caused them, nor do they directly benefit from them. As a result, Council must consider alternative funding options, such as development contributions.

1.2 Legislative requirements

This document sets out Council's policy on development contributions, as required by section 102 of the LGA.

1.3 Relationship to financial contributions under the RMA

Council currently operates a financial contributions policy under its District Plan. Financial contributions are separate from - and may be charged in addition to - development contributions under the LGA. However, they cannot be charged against the same development for the same purpose. This avoids so-called 'double-dipping.'

1.4 Navigating this document

This document is made up of several sections including:

- Section 2 provides a brief overview of the policy including; the purpose of development contributions, when contributions may be required, the types of development that may be charged, and other general information regarding development contributions.
- Section 3 addresses the adoption and implementation of this policy including; the date of adoption, the frequency and scope of policy reviews, and any transitional provisions.
- Section 4 outlines the growth context, and summarises the capital expenditures Council expects to incur (and has already incurred) to cater for growth.
- Section 5 presents the schedule of development contributions charges, and details any limitations on the use of those funds.
- Section 6 provides a simple flowchart diagram that shows how to calculate the contributions payable on developments.
- Section 7 demonstrates application of the policy to various development activities and outlines how credits are granted.
- Section 8 presents Council's policy on remissions, refunds, reductions and postponement of development contributions.
- Section 9 provides details on additional administrative matters, such as invoicing and payment, and the handling of GST.
- Section 10 outlines how demand has been measured, including the definition of household equivalent units.
- Section 11 presents the methodology used to calculate charges and outlines the significant assumptions underlying this policy.
- Section 12 demonstrates application of the policy via a number of examples.
- Section 13 is a glossary of terms used in this policy.
- Section 14 presents catchment maps for each activity.

part 2: development contributions policy

2.0 Policy overview

2.1 Purpose of development contributions

The purpose of development contributions is to recover the costs of growth-related capital expenditures (e.g. roads, water, wastewater etc) from participants in the property development process, rather than from general rates or any other indirect funding source.

2.2 When may development contributions be required

According to the LGA, development contributions may be required for new developments if the effect of the developments will require new or additional assets. Development contributions may also be charged if the developments require assets of increased capacity and, as a consequence, Council incurs capital expenditure to provide appropriately for those assets.[1]

Council is also able to require a development contribution for capital expenditures incurred in anticipation of development.

2.3 Types of development that may be charged

Any development - whether residential or non-residential - may be required to pay a development contribution. Only the pipes or lines of a network utility operator (such as United Networks) are explicitly exempt under the LGA.

2.4 Types of activities that may be funded

Council may charge development contributions to help fund:

- Network infrastructure - This includes roads and other transport, water, wastewater, and stormwater networks.
- Community infrastructure - This includes land, or development of assets on land, owned or controlled by Council to provide public amenities, such as public toilets and car parking. It also includes the land that Council may acquire for this purpose.
- Reserves - this includes both land acquisition and development

Initially, however, this policy will cover only roads, water, wastewater and stormwater. Other activities may be added during subsequent revisions.

Please also note that onsite works (within the boundaries of each development) remain the sole responsibility of developers and do not form part of this policy.

[1] In this context, "effect" includes the cumulative effect that a development may have in combination with another development.

part 2: development contributions policy

3.0 Adoption, implementation and review

3.1 Timing

Any application for resource consent, or building consent or service connection received on, or after, 1 July 2009 will be subject to the conditions of this policy (and any amendments).

Applications received prior to this date will be assessed under previous versions of the policy (if any were in force at the time).

3.2 Frequency and scope of reviews

As required by the LGA, Council will review this policy at least once every three years (or more frequently if deemed necessary). Such reviews may be triggered by - and will take into account - the following factors:

- any changes to the significant assumptions underlying the development contributions policy
- any changes in the capital works programme for growth
- any significant changes in the costs of labour, construction or technology
- any changes in the expected nature, scale, location or timing of development
- any changes that require new or significant modelling of the networks
- any changes to the District Plan
- the regular reviews of the Funding and Financial Policies, and the LTCCP
- any other matters Council considers relevant

Each review will include a detailed analysis of the factors listed above. Any potential changes will be carefully considered, then subject to a special consultative procedure under the LGA.

In addition to these regular reviews, Council will annually increase its charges and will undertake an updated assessment, in accordance with the consumer price index (or the cost of construction index for roading or where applicable).

4.0 Planning for growth

This section presents historic and future growth trends, which provide both the context and need for this policy. It also outlines capital expenditures required to service the amount of growth in the district.

4.1 Historic growth trends

Although the district's population has fluctuated in recent times, the number of dwellings has steadily increased due to decreases in average household size. These trends are shown in the figures below:

Figure 1: Census usually-resident population: 1991-2006

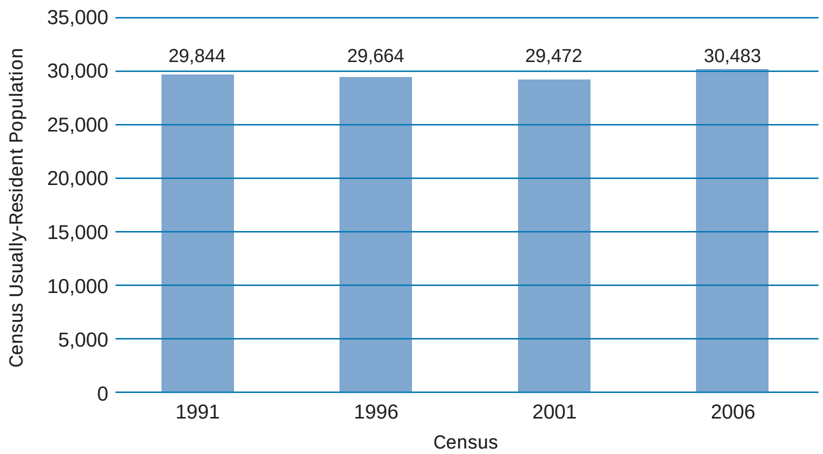


Figure 2: Changes in census average household size: 1991-2006

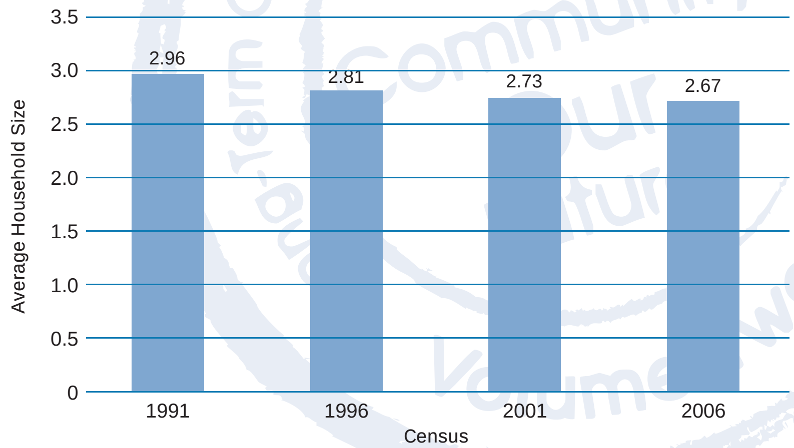
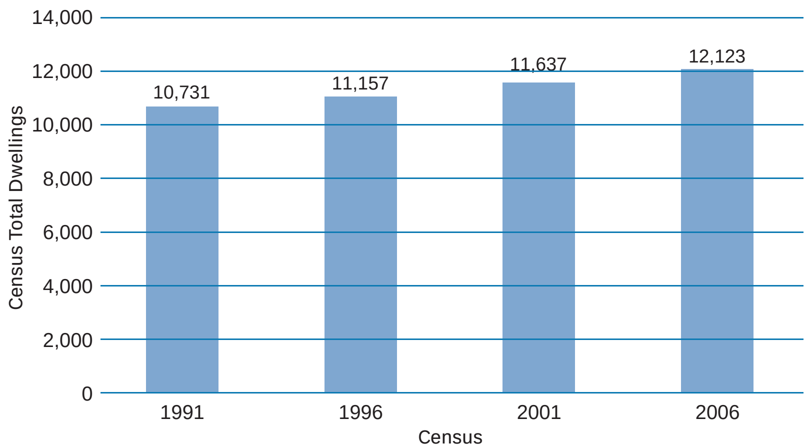


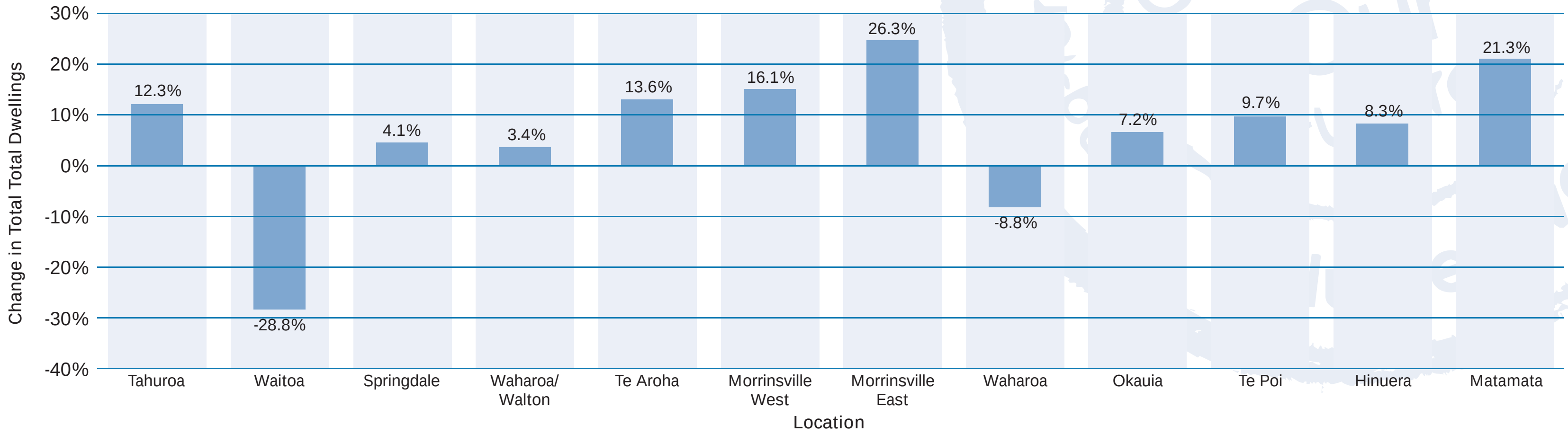
Figure 3: Census total dwellings: 1991-2006



part 2: development contributions policy

Underlying this steady growth at the district-level are pockets of more rampant growth. This is illustrated in the figure below, which plots growth in the number of dwellings between 1991 and 2006 by census area unit.

Figure 4: Census area unit dwelling growth 1991 - 2006

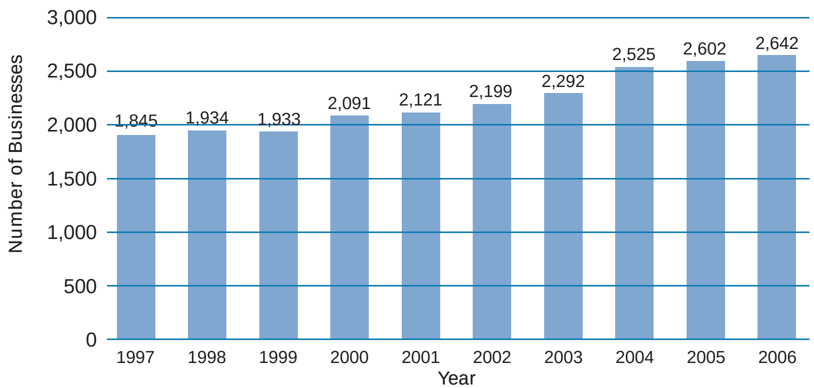


According to Figure 4, some parts of the district experienced dwelling growth of more than 20% since 1991. It is this much stronger sub-district growth that drives the need for this policy, rather than the more modest district-level growth described earlier.

Growth in non-residential demand has also been quite significant, as shown in figure 5.

Figure 5 shows the number of registered businesses in the district, which grew from 1,845 in 1997 to 2,642 in 2006 - an increase of 43%, or 4.1% per annum.

Figure 5: Number of businesses (geographic units)



part 2: development contributions policy

4.2 Growth projections

Accurate growth projections are a fundamental component of any development contributions policy. They help determine the extent of capital works required to service growth, as well as the level of demand over which the resulting costs should be spread.

For the purposes of this policy, growth projections have been produced separately for residential and non-residential developments. This allows any differences in the rates of growth to be accommodated.

4.2.1 Residential projections

Residential growth projections have been adopted from the Draft Growth Strategy, the results of which are summarised in the table below.

Table 1: Projected number of households

Area	2006	2008	2011	2016	2021	2026	2031	2036	2038
Morrinsville	2,593	2,662	2,767	2,953	3,152	3,367	3,597	3,845	3,950
Matamata	2,712	2,786	2,900	3,101	3,318	3,551	3,803	4,075	4,191
Te Aroha	1,631	1,675	1,744	1,865	1,995	2,136	2,288	2,452	2,521
Total	6,936	7,123	7,411	7,919	8,465	9,054	9,688	10,372	10,662

4.2.2 Non-residential projections

Since the above growth strategy did not include projections of non-residential growth, these were undertaken independently. A number of candidate methods were tested, with projections of non-residential building consents deemed the most appropriate. The results produced by this method are tabulated in the following table.

Table 2: Predicted non-residential growth

Catchment	Annual HEUs[2]
Morrinsville	4
Matamata	25
Te Aroha	0
District-wide	29

[2] Household equivalent units

part 2: development contributions policy

4.3 Capital expenditures required to service growth

Table 3 presents capital expenditures (from the LTCCP) that Council expects to incur to meet the increased demands resulting from growth. These also include expenditures that Council has incurred in anticipation of growth.

Table 3: Summary of Capital Expenditures ($000s) - 2009-19

Area	Capital Expenditures ($000s)		Growth Works Funded By ($000s)			
Activity	Total	Growth	DCs	FCs	Rates	Other
Roading	76,426	2,180	2,180	-	52,277	21,969
Stormwater	7,153	1,708	1,708	-	2,777	2,668
Wastewater	15,924	450	450	-	7,898	7,576
Water	15,013	754	754	-	11,034	3,225
Total	114,516	5,092	5,092	-	73,986	35,438

Following is a brief explanation of these growth-related expenditures.

4.3.1 Roading

Growth-related works for roading are district-wide, and focus mainly on road-widening and purchase, as well as construction of "link roads" to connect new and existing roads.

4.3.2 Stormwater

Growth-related works for stormwater are split into three catchments, one for each of the three urban centres - Te Aroha, Matamata and Morrinsville. Works focus mainly on expanding reticulation networks, but also include $300,000 for land acquisition in Morrinsville to construct an additional stormwater pond.

4.3.4 Wastewater

Like stormwater, there is one wastewater catchment for each of the three main urban centres. Growth-related works encompass several activities, such as trunk main replacements (in Te Aroha) and treatment plant upgrades (for all three centres). In Morrinsville, an additional diversion pond is also being constructed.

4.3.5 Water

Water catchments broadly match those of wastewater and stormwater - one for each of the three main urban centres. Growth-related works programmed in the LTCCP reflect a diverse mix of activities, such as the provision of new bores, reservoirs, standby generators, and booster pumps. They also include the expansion of several trunk mains.

part 2: development contributions policy

4.4 Policy rationale

Section 106(2)(c) of the LGA requires Council to explain - in terms of the matters outlined in section 101(3) - why it has determined to use development contributions to meet the expected capital expenditure set out in Table 3.

4.4.1 Community outcomes

Using development contributions to fund growth-related capital expenditures will help contribute to the following community outcomes, as set out by Matamata-Piako District Council's LTCCP 2009-19:

- Belonging to our community
- Economic development: prosperity
- Healthy air, water, land: healthy people
- Heritage: our past
- Our social infrastructure
- Planning and development
- Transport: people going places

4.4.2 Distribution of benefits

By definition, capital works funded by development contributions relate primarily to future residents and businesses; their aim is to increase capacity to accommodate new users, not to improve service levels for existing users. As a result, new users benefit directly from the growth-related works their development contributions are put towards.

While there may be some spill-over benefits (where existing ratepayers benefit from growth-related works) these are generally offset by new ratepayers benefiting from existing infrastructure, such as roads. Overall, new residents and businesses gain the most benefit from these works and, therefore, are the primary funding source.

4.4.3 Period over which benefits occur

Most infrastructural assets have very long useful lives. In order to make sure the period of funding and the period of benefit are the same, a long-life funding tool such as development contributions must be used. Development contributions allow the costs of growth-related infrastructure to be recovered over 25 years, ensuring that each generation of development 'pays it's own way.' That is to say, each generation of development pays only for its own needs, not also those of future generations.

4.4.4 Need to undertake activity

Pressures caused by growth are the sole driver of capital works funded by development contributions. Requiring these capital works to be funded by the growth community helps to ensure that the costs are covered by those that cause them to be incurred. This is both efficient and equitable.

4.4.5 Separation from other activities

Growth-related capital works do not usually stand alone within Council's capital works program; they are usually included within much larger projects that simultaneously cater for a number of different needs.

The use of development contributions to fund the growth components not only improves equity, but also transparency and accountability. It forces Council to allocate the shared costs of capital works between various project drivers and to recover those costs according to the amount of pressure that each driver exerts on Council's services.

part 2: development contributions policy

5.0 Charges, usage and limitations

5.1 Schedule of charges

Table 4 presents the development contributions per Household Equivalent Unit (HEU) for 2009/10 by ward.

Table 4: Development contributions per HEU for 2009/10 (excluding GST)

Area	Roading $	Stormwater $	Wastewater $	Water $
Matamata Ward		2,711	2,145	1,618
Morrinsville Ward		858	2,503	1,755
Te Aroha Ward		1,639	4,376	1,918
District-wide	2,384			

5.2 Use of development contributions

Council will only use development contributions toward the activity they were collected for; the contributions will be gathered from all parties involved in the development, and the total amount will be used specifically within that catchment area. This means that contributions may not be redistributed across catchments or across activities; however, they may be reallocated across projects within a catchment. For example, contributions collected for water projects in the Matamata water catchment will only be spent on water projects in Matamata.

5.3 Limitations

Council will not require a development contribution for network infrastructure, reserves or community infrastructure in the following cases:

- where, under section 108(2)(a) of the RMA, it has imposed a condition on a resource consent in relation to the same development for the same purpose; or
- where the developer will fund or otherwise provide for the same reserve network infrastructure, or community infrastructure; or
- where it has received, or will receive, full funding from a third party

In addition, development contributions will not be used for the renewal or maintenance of assets, or for capital works projects that are not related to growth.

part 2: development contributions policy

6.0 How to calculate contributions payable

The following flowchart demonstrates how Council will calculate the contributions payable on a development.

Step 1: Identify catchments
Go to the Catchment Maps in the appendix and, for each service, identify which catchment your development falls in

Step 2: Identify contributions payable
Go to the Development Contributions Schedule in section 5.1 and identify the contributions payable per unit of demand in the catchments identified in step 1

Step 3: Calculate the number of HEUs
Use the Units of Demand Table in section 10 along with details of your proposed development to calculate the number of HEUs generated for each activity. Then, using the information in section 7.8, subtract any credits that may apply

(In general, credits are given the pre-existing status of properties. Credits may also be granted for historic payments of development contributions or financial contributions)

Step 4: Calculate charges for each service
Multiply the HEUs calculated in step 3 by the contributions payable identified in step 2

Step 5: Aggregate charges and add GST
Calculate the total development contributions payable by summing the charges calculated in step 4 and adding GST of 12.5%

Examples have been included in section 12 to help demonstrate and clarify the way contributions are calculated.

7.0 Assessment and application of policy

7.1 Timing of assessment

Development contributions do not automatically apply to every development in the district. Only developments that place extra demands on infrastructure - and that cause Council to incur capital costs - will be liable.

Whether or not a development will have to pay development contributions will usually be assessed when granting:

- a resource consent under the RMA for a development; or
- a building consent under the Building Act 1991; or
- an authorisation for a service connection

7.2 Assessment process

Assessment of whether development contributions will be required will be made against the first consent application lodged for each development, and when (if any) subsequent consent is sought, a re-assessment will be undertaken using the current development contributions policy at the time. If, for whatever reason, development contributions were not assessed at the first available opportunity, they still may be required at subsequent stages in the development process.

In a multi-stage development the initial assessment shall be applicable only to the first completed stage(s), each subsequent remaining stage(s) shall be subject to an assessment at the time that construction/development has commenced for that request of the developer. The assessment of the development contribution payable will be based on the current policy at the date when all information has been received by Council.

7.3 Residential activities

7.3.1 Resource consent applications

The creation of allotments via subdivision provides scope for new dwellings, and therefore attracts development contributions at a rate of one HEU per additional allotment.

Any resource consent application that creates the potential to build additional independent dwellings will also attract development contributions at a rate of one HEU for each dwelling.

7.3.2 Building consent applications

Dwellings constructed on allotments with registered titles may attract development contributions under this policy. The extent of any contributions payable will depend on whether any payments were made at earlier stages in the development process, as well as the specific services that the development is connected to.

Note: Additions to residential dwellings do not attract development contributions unless they create additional independent dwelling units. Thus, garages, car ports and garden sheds do not attract charges.

As a matter of clarification, dependent persons dwelling shall be assessed at 0.5 HEUs each. However, if no separate connections are required (for water, wastewater or stormwater) the fee shall be waived for each such activity.

7.3.3 Service connection applications

Service connection applications accompanied by building consent applications will not be assessed separately. Instead, they will be assessed as per section 7.3.2. Unaccompanied service connection applications will be assessed in the same manner as resource consent or building consent applications, but only for the activity that the connection is sought for. Applications to separate-out shared meters will not attract contributions.

7.4 Non-residential activities

7.4.1 Subdivision

Non-residential subdivisions will attract development contributions on each additional allotment created. If the intended land use is unknown at the time of subdivision, each allotment will be charged a development contribution equal to one HEU. The balance will then be assessed at the time a building consent, land use consent or service connection application is lodged (at which time land use will be considered known).

If the intended land use is known at the time of subdivision, contributions will be based on; (i) each lot's planned gross floor area (GFA), and (ii) the intended land use.[3]

7.4.2 Land use and building consent applications

Non-residential developments will attract development contributions based on their GFAs and intended land use. If an existing structure is demolished or removed prior to construction, the GFA of that structure will be used as a credit against any new structure(s) erected on the site.[4] If there is no existing structure(s) on the site, a credit of one HEU for infrastructure and/or services available at the time of subdivision will be allocated against the new GFA of the development (see section 7.8).

7.4.3 Service connection applications

Service connection applications accompanied by building consent applications will not be assessed separately. Instead, they will be assessed as per section 7.3.2. Unaccompanied service connection applications will be assessed in the same manner as resource consent or building consent applications, but only for the activity that the connection is sought for. Applications to separate shared meters will not attract contributions.

7.5 Council developments

Council is exempt from paying development contributions on any development that is a capital expenditure that development contributions are required for. This avoids the possibility of collecting development contributions for one activity and using them to help fund another activity. However, any other council development may be liable for development contributions.

7.6 Exceptional circumstances and private development agreements

In certain circumstances, where Council believes it is in the best interests of the community, private development agreements may be entered into with a developer. Private development agreements may be used in lieu of development contributions (at Council's sole discretion) where a developer and Council agree that particular infrastructure and/or services can be provided in a manner different to Council's standard procedures/guidelines, and where Council's minimum level of service will be achieved.

Such agreements must clearly state:

- the rationale for the agreement
- the details of the agreement
- the basis of any cost sharing
- how and when the associated infrastructure will be provided; and
- which lot(s) the agreement refers to

One example where a private development agreement may be used is when a development requires a special level of service, or is of a type or scale that is not readily assessed in terms of standard units of demand. Another is where significant developments and/or plan changes are proposed and capital expenditures are required but none have been budgeted and no development contribution has been set.

[3] Stormwater charges will be based on the impermeable surface area of each non-residential development, not their gross floor areas.
[4] In order to earn such credits, however, the onus is on the developers to prove the existing GFA. This includes having a building consent for the removal of buildings.

7.7 Application in other circumstances

7.7.1 Cross boundary developments

Some developments may span several catchments and/or straddle the district boundary with another territorial authority. In this event, the following rules will apply:

- Where a development spans more than one catchment, the total HEUs of that development will be allocated to the various catchments on the basis of site area. The resulting number of HEUs in each catchment will then be used to calculate contributions payable.

- Where a development straddles the district boundary with another territorial authority, development contributions will only be payable on the HEUs (or parts thereof) that reside within the Matamata-Piako District.

7.7.2 Consent variations

Applications to vary a resource or building consent, or the conditions of such consents, will trigger a reassessment. Any increase or decrease in the number of HEUs (relative to the original assessment) will be calculated and the contributions adjusted to reflect this. See also 7.2.

7.7.3 Boundary adjustments

Where consent is granted purely for the purposes of boundary adjustment, and no additional titles are created, development contributions will not be required.

7.8 Credits

7.8.1 Overview

Where development contributions have already been paid for an allotment, credits will be given towards the activities that the payment was made toward. Provided written evidence of payment can be provided, no historical time limit will apply in the calculation of such credits, and all previous credits will be taken into account. This also applies to historic payments for financial contributions.

Where there is no logical connection to a reticulated system at the time development contributions are paid, a credit will be applied for those activities for which no logical connection exists. If a subsequent connection is made, development contributions will be reassessed at the service connection stage in accordance with the provisions of this policy. Also, if a property was not connected to a service as at 1 July 2009, it is not assessed to have any credit for that service.

Credit will also be given for the pre-existing status of properties as at 1 July 2009, even if no previous financial or development contributions have been paid. Credits will be associated with the existing title and calculated and assigned to individual activities. More details on the nature of these credits are outlined below.

7.8.2 General principles of credit

- Residential credits will apply at the rate of one HEU per connected service per existing allotment or independent dwelling unit
- Non-residential credits will be calculated on the basis of the GFA of the existing development, and converted to HEUs using the conversion factors set out in Table 6
- On subdivision of residential and undeveloped non-residential land, historic credits of one HEU per service connected per existing allotment will be allocated.
- For existing non-residential buildings that are extended or demolished and re-built to the same or higher intensity, the assessment of credits will be based only on the existing development prior to rebuilding. In order to earn such credits, the onus is on developers to prove the existing GFA. This includes having a building consent for the removal of buildings
- For existing residential buildings that are demolished or destroyed, no development contributions will be payable provided that the same number of independent dwelling units are rebuilt. Any additional units will be assessed for payment of development contributions according to the terms of this policy.
- Credits must be allocated to the same allotment or allotments. This prevents the transfer of credits from one allotment to another
- Credit will not be granted for infrastructure provided in excess of what is required as a condition of any consent(s) issued by Council
- Credits cannot be used to reduce the total number of HEUs to a negative number. That is to say, credits cannot be used to force payments by Council to the developer

8.0 Remissions, reductions and refunds

8.1 Remissions

Remissions are adjustments to the scheduled charges for a particular activity, either as a percentage or in absolute (dollar value) terms. Remissions will only be invoked as a resolution of Council, and are not able to be requested by applicants.

8.2 Reductions

An applicant may wish to apply for a reduction in the development contributions payable on their development. Reductions are adjustments to the number of HEUs assessed for a particular development. These will only be considered as part of a review initiated by an applicant (for a consent or service connection). The need to undertake such a review must be motivated by the applicant, with the agreed outcome recorded in a private development agreement (see section 7.6).

Applications for reductions must be made in writing to Council within 15 working days of having received a development contributions assessment notice. Requests must be short and concise, but fully outline the reasons why a reduction is being sought.

In undertaking the review Council:
- must consider the request as soon as reasonably practicable
- may determine whether to hold a hearing for the purposes of the review, and if so, give at least 5 working days notice to the applicant of the commencement date, time, and place, of that hearing
- may, at its discretion, uphold, reduce, or cancel the original amount of development contributions required on the development and will communicate its decision in writing to the applicant within 15 working days of any determination or hearing
- may delegate this role to Council Officers or other suitably qualified persons as required from time-to-time

In reaching a decision, Council will take account of the following matters:

- The Development Contributions Policy
- The Funding Model
- Council's LTCCP
- Council's funding and financial policies
- The extent to which the value and nature of works proposed by an applicant reduces the need for works proposed by Council in its capital works programme
- The level of existing development on the site
- Contributions paid and/or works undertaken and/or land set aside
- Any other matters Council considers relevant

8.3 Refunds

There may be occasions where Council must refund development contributions collected under this policy. The specific circumstances in which this may occur - as well as the way in which refunds must be handled - are set out in sections 209 and 210 of the LGA. In essence, refunds may occur if:
development or building does not proceed; or
a consent lapses or is surrendered; or
Council does not provide the reserve, network infrastructure or community infrastructure for which the development contribution was required.

Any refunds will be issued to the consent holder of the development to which they apply.

The refund amount will be the contribution paid, less any costs already incurred by the Council in relation to the development or building and its discontinuance.

The refund would exclude any costs already incurred by the Council and will not be subject to any interest or inflationary adjustment.

8.4 Postponement

Council will not consider postponements of contributions payable under the policy.

part 2: development contributions policy

9.0 Other administrative matters

9.1 Reassessment and invoicing

The LGA 2002 allows Council to assess applications (for consents and service connections) at various stages of the development process to determine the extent of any development contributions payable. Council's policy is to undertake such assessments as early as possible (after all information has been received). These assessments remain valid for the financial year in which they were assessed, after which an updated assessment must take place before an invoice can be generated. Where a reassessment has occurred (as per section 7.2) it shall take account of any changes to the policy since the last assessment.

An applicant can also request an invoice be generated at any time. If not requested by the applicant, an invoice will be issued at the earliest of:

- An application for a certificate under section 224(c) or 226 of the RMA; or
- An application for a Code Compliance Certificate under section 92 of the Building Act 2004; or
- A request for service connection

9.2 Timing of payments

The due date for payment will be:

- For subdivision resource consents: prior to issue of the section 224(c) or 226 certificate
- For other resource consents: 180 days from granting or prior to the commencement of consent, whichever is earlier
- For building consents: 180 days from granting or prior to Code Compliance Certificate, whichever is earlier
- For service connections: prior to connection

9.3 Non-payment and enforcement powers

Until a development contribution required in relation to a development has been paid, Council may:

- In the case of a development contribution assessed on subdivision, withhold a certificate under section 224(c) of the RMA
- In the case of a development contribution assessed on building consent, withhold a Code Compliance Certificate under section 95 of the Building Act 2004
- In the case of a development contribution assessed on an authorisation for a service connection, withhold a service connection to the development
- In the case of a development contribution assessed on a land use consent application, prevent the commencement of resource consent under the RMA
- In the case where a development has been undertaken without a building consent, not process an application for Certificate of Acceptance for building work already done

Council may register the development contribution under the Statutory Land Charges Registration Act 1928 as a charge on the title of the land in respect of which the development contribution was required, as provided for in section 208 of the LGA.

9.4 Contributions taken as money in first instance

The LGA specifies that contributions may be taken either as money, land or both. Council will usually take contributions as money, but may also accept land from time-to-time at its sole discretion as per the policy in place at time of assessment.

9.5 GST

The entire process for calculating development contributions is GST exclusive. Once all calculations are complete, GST will be added to the final invoice as required by the prevailing legislation and/or regulations of the day.

Please also note that assessments are not tax invoices for the purpose of GST.

10.0 Measuring demand

10.1 Units of demand

Units of demand provide the basis for distributing the costs of growth. They illustrate the rates at which different types of development utilise capacity. Council has adopted the household equivalent unit (HEU) as the base unit of demand, and describes the demand from other forms of development as HEU multipliers.

The following subsections outline the demand characteristics of each HEU and the multipliers used to convert non-residential demand to HEUs.

10.2 Base units

The following table summarises the demand characteristics of each household equivalent unit, which represents an average household living in a single dwelling.

Table 5: Base units (Demand per HEU)

Activity	Unit of measurement	Demand per HEU
Roading	Vehicle trips per day	10 trips
Water	litres/lot/day	650 litres
Wastewater	litres/lot/day	488 litres
Stormwater	impervious surface area	250m2

10.3 Conversion factors

The following table outlines the factors used to convert non-residential demands to HEUs.

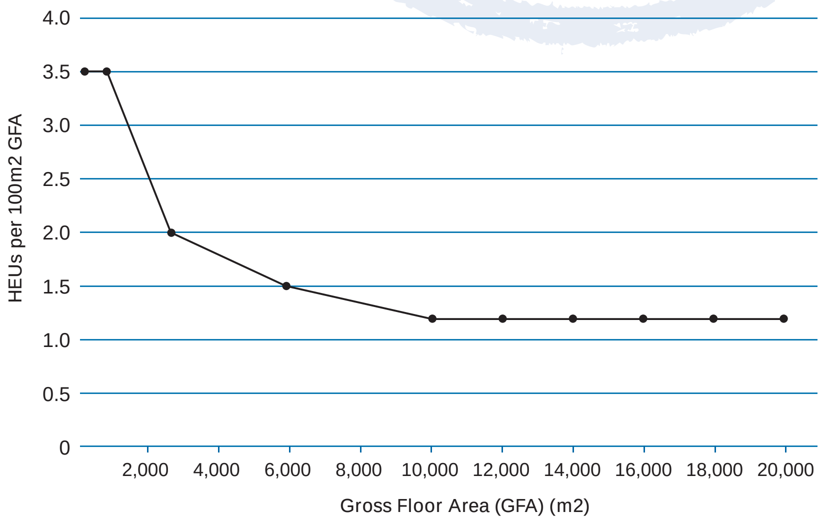
Table 6: HEUs per 100m2 of Gross Floor Area (ISA[5] for stormwater)

Activity	Commercial	Industrial	Retail
Roading	1.00	0.30	see below
Water	0.26	0.26	0.37
Wastewater	0.26	0.26	0.38
Stormwater	0.40	0.40	0.40

[5] Impervious Surface Area

Because the nature of retail activities (and hence the demands they place on roads) differ significantly by size, retail transport conversion factors are based on the following graph. This was sourced from Transfund Research Reports 209 and 210 - *'Trips and Parking Related to Land Use - Volumes 1 and 2'* by Douglass Consulting Services and Traffic Design Group.

Figure 6: Transport conversion factors for retail developments



part 2: development contributions policy

11.0 Methodology and significant assumptions

11.1 Methodology overview

The method Council uses to calculate development contribution charges comprises the following 8 steps:

Step 1: Define catchments

Step 2: Define levels of service

Step 3: Identify growth-related capital works

Step 4: Allocate costs between growth and non-growth drivers

Step 5: Define appropriate units of demand

Step 6: Identify the design capacity for growth

Step 7: Allocate costs to each unit of demand

Step 8: Calculate feees by activity and catchment

A detailed discussion of this methodology is provided in the Development Contributions Methodology Report (available at Council's offices). A brief summary of this report follows.

11.2 Methodology steps

11.2.1 Define catchments

Service catchments are geographic boundaries within which linkages can be created between infrastructure investments and the specific developments that benefit from those investments and/or which cause them to occur. The smaller the catchment; the tighter these linkages become.

For example, suppose Council installs a water treatment plant to serve a small area of growth. If a catchment is used to isolate the specific developments that caused that particular investment to occur (and who will receive direct service from it), only those developments will help fund its costs. If a catchment is not used, however, the costs of that investment will be spread across all the developments in the district, regardless of whether they caused (or benefited from) the investment.

Given the intentions of the LGA - to allocate costs on the basis of causation and benefits received - it follows that catchments should be used wherever possible.

11.2.2 Define levels of service

Service levels define the quality of service, and are typically embedded in Council's asset management plans. Service levels are critically important because they help identify any shortfalls in the existing service and, therefore, the extent to which capital works reflect backlog (to resolve poor existing service levels).This, in turn, informs the allocation of project costs between growth and non-growth drivers.

part 2: development contributions policy

11.2.3 Identify growth-related capital works

Next, the specific capital works need to be identified for which development contributions are sought. These comprise both future capital works - as listed in the LTCCP - and historic works undertaken in anticipation of growth.

11.2.4 Allocate project costs

Many of the capital works projects underlying this policy are multi-dimensional. That is to say, very few projects are designed to serve only growth. The reason for this is so-called 'economies of scope.' Economies of scope mean that it is cheaper to undertake one project that serves several purposes than to undertake a series of smaller single-purpose projects.

Economies of scope lead to shared costs, and the goal of cost allocation is to spread those shared costs across project drivers (one of which is growth).

The cost allocations underlying this policy were based on a two-staged approach. In stage one, the method checks whether a project bears any relation to growth. If so, stage two derives a percentage cost allocation. Both stages of the allocation process have been guided by a number of considerations, such as:

- Section 101(3) of the LGA. This sets out the issues to which Council must have regard when determining its funding sources. These include the distribution of benefits (both temporally and spatially), the extent of any cost causation, and the impacts on community outcomes and policy transparency. It also requires Council to assess the likely impacts on the four wellbeings, both current and future.
- Asset management plans, which provide detail about the scale and nature of capital works
- Network modelling, which helps understand the usage of infrastructure networks
- Cost allocation principles, such as stand alone costs and incremental costs.
- The presence of any third party funding.

More detail on Council's cost allocation methodology can be found in Council's Development Contributions Methodology Report (available at Council's offices).

11.2.5 Define appropriate units of demand

After identifying the specific capital works for which contributions will be required, we need to identify the unit of demand used to attribute costs to different forms of development. The LGA requires this to be done on a consistent and equitable basis.

Council considers the household equivalent unit (HEU), which captures the demands of an average household, as the appropriate unit of demand, and specifies the demands imposed by other forms of development as multipliers. This approach mirrors that used by other Councils in New Zealand.

11.2.6 Identify the design capacity for growth

The design life of an asset is the period over which it has spare capacity to accommodate new users. This may differ from its useful life, which is the period over which it remains in service.

In general, project costs should be spread over the asset's design life. This makes sense, because only developments occurring within the design life can physically connect to the network and receive benefit from its provision.

In some cases, however, the design life may be very long and a shorter funding period may be used. In this development contributions policy, costs are spread over the shorter of asset design life and 25 years.

11.2.7 Allocate costs to each unit of demand

This is a fairly straightforward exercise, and is carried out within the development contributions funding model. It entails spreading the total growth-related costs of each project (along with any debt-servicing) costs to the various developments that fall within the same catchment and within the asset's design life.

11.2.8 Calculate fees by activity and catchment

The final step is to aggregate the costs of each project at the activity/catchment level. The results are then used to derive the schedule of development contributions reproduced in section 5.1.

11.3 The funding model

A funding model has been developed to calculate charges under this policy. It tracks all the activities for which contributions are sought, the catchments underlying each activity, and the infrastructure projects related to growth. It also houses growth projections for each catchment and each type of development.

The funding model embodies a number of important assumptions, including:

- All capital expenditure estimates are inflation-adjusted and GST exclusive
- The backlog, renewal and maintenance portions of each project will not be funded by development contributions
- Methods of service delivery will remain largely unchanged
- Interest will be earned by Council where contributions precede works. Conversely, interest expenses will be incurred (or interest revenue will be foregone) where works precede contributions. Both are calculated at an average annual interest rate of 6%
- Any debts incurred for a project will be fully repaid by the end of that project's funding period
- The development contributions charges listed in table 5.1 will be adjusted each year at the rate of inflation. This has been modeled as an average increase of 2.5% per annum
- Increases in general rates and user charges - due to increases in the number of ratepayers -will be sufficient to fund increases in operational expenses (including depreciation) associated with growth-related capital works

11.4 Other significant assumptions

A number of other important assumptions underlie this policy. The most significant of these are outlined below.

11.4.1 Planning timeframe

This policy is based on the ten year timeframe of the 2009-19 LTCCP and on the principle that costs, triggered by growth over that period should be both allocated to, and recovered within, that period. However, in many cases, economies of scale require Council to build assets of greater capacity that extend beyond the timeframe of the LTCCP.

Council accepts that, in such cases, it may have to bank roll costs and recover them over time from future developments. Any costs incurred in anticipation of future growth (i.e. beyond the LTCCP) will be allocated to and recovered in those later years, subject to a maximum total recovery period of 25 years.

11.4.2 External funding

This policy assumes that the eligibility criteria used and the funding provided by third parties (such as Land Transport New Zealand) remain unchanged over the life of the plan.

11.4.3 Best available knowledge

The growth projections and capital works programme underlying this policy represent the best available knowledge at the time of writing. These will be updated as better information becomes available and incorporated into the policy at review times.

11.4.4 Changes to capital works programme

Deviations from projected growth rates will result in acceleration or delay of the capital works programme (or the re-sequencing of projects), rather than more significant changes to the overall scope of capital works.

11.4.5 Avoidance of double dipping

Development contributions will not be sought for projects already funded by other sources, such as external subsidies or financial contributions.

11.5 Identification of risks

The main risks associated with this policy are uncertainty over; (i) the rate and timing of growth, and (ii) the exact nature of growth-related capital works, and their associated cost and timing. In both cases, the most effective risk mitigation strategy is to constantly monitor and update the policy as better information becomes available.

part 2: development contributions policy

12.0 Examples

This section provides a range of examples to demonstrate the application of the policy.

Example 1: An existing residential lot in Te Aroha is subdivided into three new lots.

A credit is provided for the existing lot, with development contributions payable only on the two new lots. Using the charges for Te Aroha listed in section 5.1, the contributions payable on this development are $23,213 (incl GST).
The table below sets out the calculations.

Activity	Total HEUs	Credit HEUs	Extra HEUs	$/HEU	Contribution
Roading	3.00	1.00	2.00	2,384	4,768
Stormwater	3.00	1.00	2.00	1,639	3,278
Wastewater	3.00	1.00	2.00	4,376	8,752
Water	3.00	1.00	2.00	1,918	3,836
Subtotal					20,634
GST					2,579
Total					23,213

Example 2: Additional dwelling is constructed on an existing residential lot in Morrinsville, with separate connections to the water, wastewater and stormwater systems.

A credit is provided for the existing dwelling, with a 0.5 HEU charge applicable for the new dwelling. Using the charges for Morrinsville listed in section 5.1, the contributions payable on this development are $4,219 (incl GST). The table below sets out the calculations.

Activity	Total HEUs	Credit HEUs	Extra HEUs	$/HEU	Contribution
Roading	1.50	1.00	0.50	2,384	1,192
Stormwater	1.50	1.00	0.50	858	429
Wastewater	1.50	1.00	0.50	2,503	1,252
Water	1.50	1.00	0.50	1,755	878
Subtotal					3,751
GST					469
Total					4,220

Example 3: A residential lot with two existing dwellings is subdivided so that each dwelling is on a separate title.

Since there was already two dwellings on the site, and because the subdivision has not created the potential for any additional dwellings, no contributions are payable.

part 2: development contributions policy

Example 3: A 500m2 factory in Matamata is converted to 500m2 of office space.

A credit is provided for the existing gross floor area of the development, with contributions payable only on the net increase in demand. The table below shows the calculations for this development.

Activity	Total HEUs	Credit HEUs	Extra HEUs	$/HEU	Contribution
Roading	5.00	1.50	3.50	2,384	8,344
Stormwater	1.30	1.30	-	2,711	-
Wastewater	1.30	1.30	-	2,145	-
Water	2.00	2.00	-	1,618	-
Subtotal					8,344
GST					1,043
Total					9,387

The total contribution payable on this development is therefore $9,387 (incl GST).

part 2: development contributions policy

13.0 Glossary of Terms

Activity means a good or service provided by, or on behalf of, a local authority or a council controlled organisation. e.g. water supply, transport networks.

Allotment has the meaning given to it in section 218(2) of the RMA 1991.

Allotment area is the total land area of an allotment.

Applicant is the person/persons that apply for resource consent, building consent or service connection.

Asset management plan means Council documents outlining how each main asset class will be managed, upgraded and expanded as required.

Catchment means the area served by a particular infrastructure investment.

Capital expenditure means the cost of capital works for network infrastructure, reserves and community infrastructure.

Commercial means any activity involving commercial transactions, or providing commercial or administrative services, and includes, non-school activities, offices and banks; but excludes premises or activities involving industrial manufacture or production and retail trade. For the purposes of development contributions any consents deemed to be a commercial land use type will be assessed for development contributions.

Community facilities means reserves, network infrastructure, or community infrastructure that development contributions may be required for in accordance with section 199 of the LGA.

Community infrastructure means:
(a) land, or development assets on land, owned or controlled by the territorial authority to provide public amenities; and
(b) includes land that the territorial authority will acquire for that purpose.

Community outcomes in relation to a district or region (as defined in the LGA):
(a) means the outcomes for that district or region that are identified as priorities for the time being through a process under section 91; and
(b) includes any additional outcomes subsequently identified through community consultation by the local authority as important to the current or future social, economic, environmental, or cultural wellbeing of the community.

Dependent persons dwelling means a dwelling accessory to the principal dwelling on the site for the use of persons physically or emotionally dependent on the residents of the principal dwelling.

Development means;
(a) any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure; but
(b) does not include the pipes or lines of a network utility operator.

Development contribution means a contribution -
(a) provided for in a development contribution policy included in the LTCCP of a territorial authority; and
(b) calculated in accordance with the methodology; and
(c) comprising-
  (i) money; or
  (ii) land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Maori land within the meaning of Te Ture Whenua Maori Act 1993, unless that Act provides otherwise; or
  (iii) both.

Development contribution policy means the policy on development contributions included in the LTCCP of the territorial authority under section 102(4)(d).

Dwelling means any building, whether permanent or temporary, that is occupied, in whole or in part, as a residence; and includes any structure or outdoor living area that is accessory to, and used wholly or principally for the purposes of, the residence; but does not include the land upon which the residence is sited

Financial Contribution has the same meaning as Financial Contributions in section 108(9)(a)-(c) of the RMA.

part 2: development contributions policy

Goods and Services Tax (GST) means goods and services tax under the Goods and Services Tax Act 1985.

Gross Floor Area (GFA) means, for the purposes of development contributions, the sum of the area of all floors of all buildings on any site measured from the exterior faces of the exterior walls, or from the centre lines of walls separating two abutting buildings but excluding:
- Carparking
- Loading docks
- Vehicle access and manoeuvring areas/ramps
- Plant and equipment enclosures on the roof
- Service station canopies
- Pedestrian circulation space in an enclosed retail shopping centre
- Foyer/Lobby or a primary means of access to an enclosed retail shopping centre, which is accessed directly from a public place

Household Equivalent Unit (HEU) means an average residential dwelling occupied by a household of average size.

Industrial means any:
a) Premises used for any industrial or trade purposes; or
b) Premises used for the storage, transfer, treatment, or disposal of waste materials or for other waste-management purposes, or used for composting organic materials: or
c) Other premises from which containment is discharged in connection with any other industrial or trade process.
d) Activity where people use materials and physical effort to:
    - Extract or convert natural resources
    - Produce goods or energy from natural or converted resources
    - Repair goods
    - Store goods (ensuing from an industrial process)

For the purposes of development contributions any consent deemed to be an industrial land use type will be assessed for development contributions.

Impervious surface area For the purpose of development contribution, impervious surface area (ISA) means the area of any site that is not capable of absorbing water and includes any area that:
- Falls within the definition of coverage
- Is covered by decks
- Is occupied by swimming pools
- Is used for parking, manoeuvring or loading of motor vehicles
- Is paved with a continuous surface with a run-off coefficient of greater than 0.45

LGA means the Local Government Act 2002

Local authority means a regional council or territorial authority.

Methodology has the same meaning as methodology in section 197 of the Local Government Act 2002.

Network infrastructure means the provision of roads and other transport, water, wastewater, and stormwater collection and management.

Network utility operator has the meaning given to it by section 166 of the RMA

Non-residential development means any activity in a non-residentially zoned area, excluding rural areas, or where the predominant activity is not residential or rural.

Residential development means any activity in a residentially zoned area or where the predominant activity is not non-residential or rural.

RMA means the Resource Management Act 1991.

Service connection means a physical connection to a service provided by, or on behalf of, a territorial authority.

Subdivision has the same meaning as Section 218 of the RMA 1991.

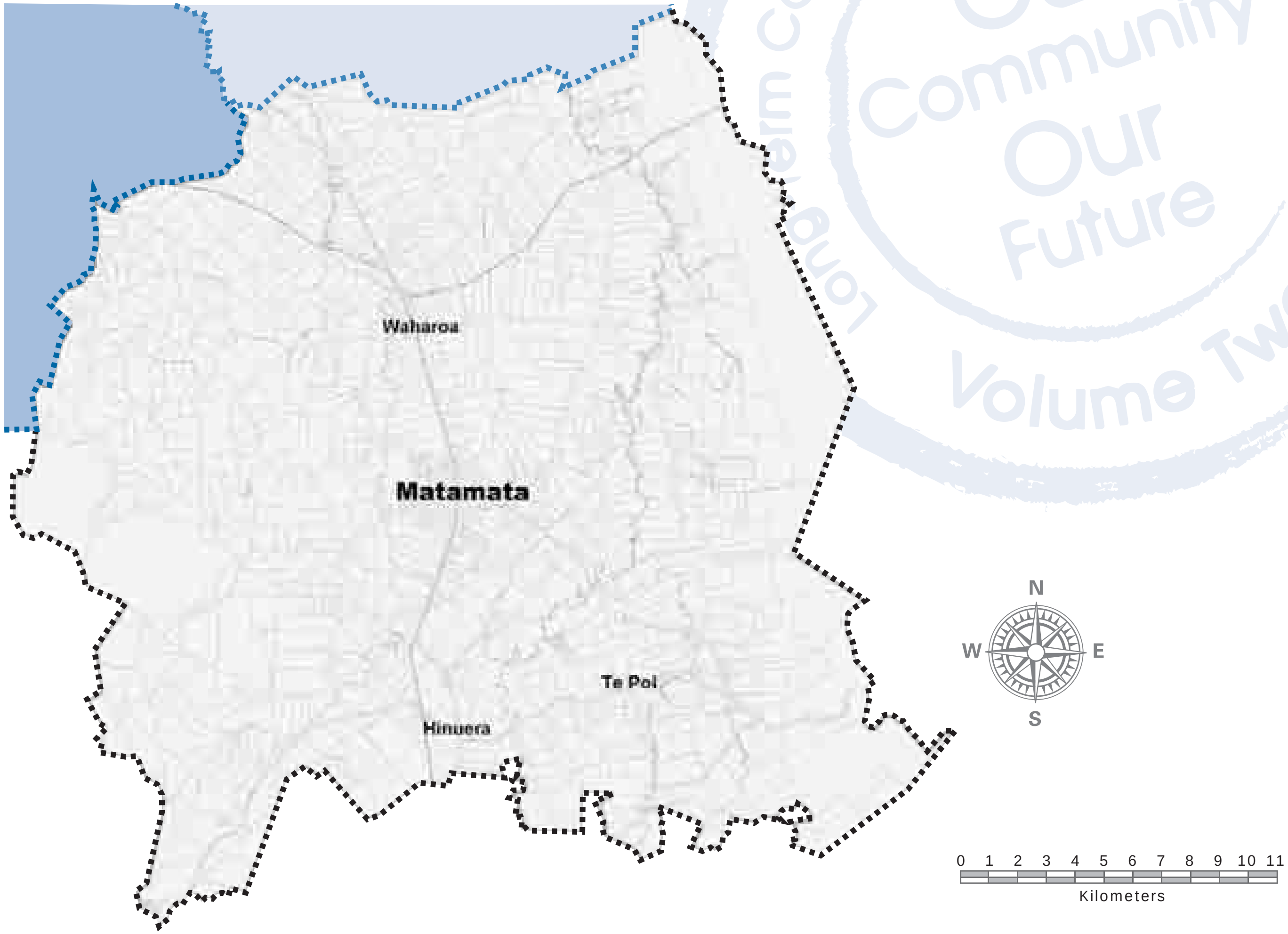
Third party funds means funding or subsidy, either in full or in part, from a third party. e.g. transfund subsidies for the roading network.

Unit of demand means the measure of demand for community facilities.

part 2: development contributions policy

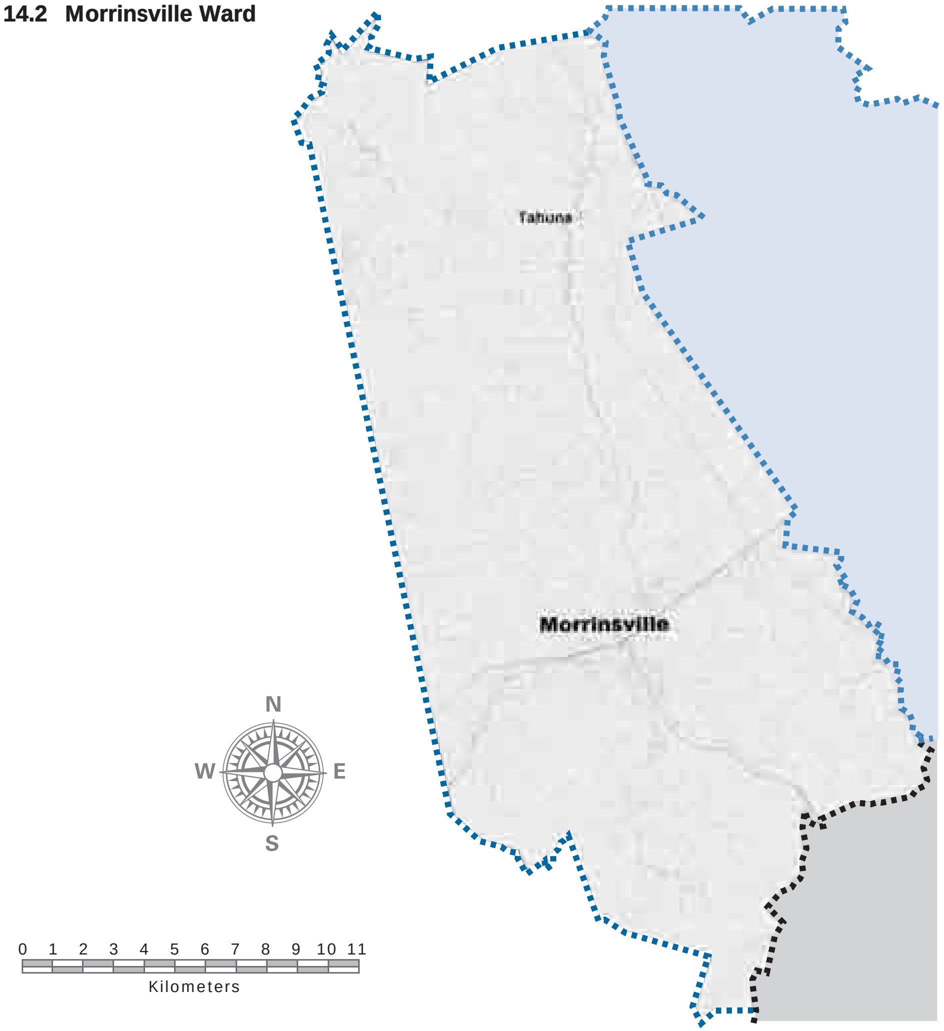
14.0 Catchment Maps

14.1 Matamata Ward

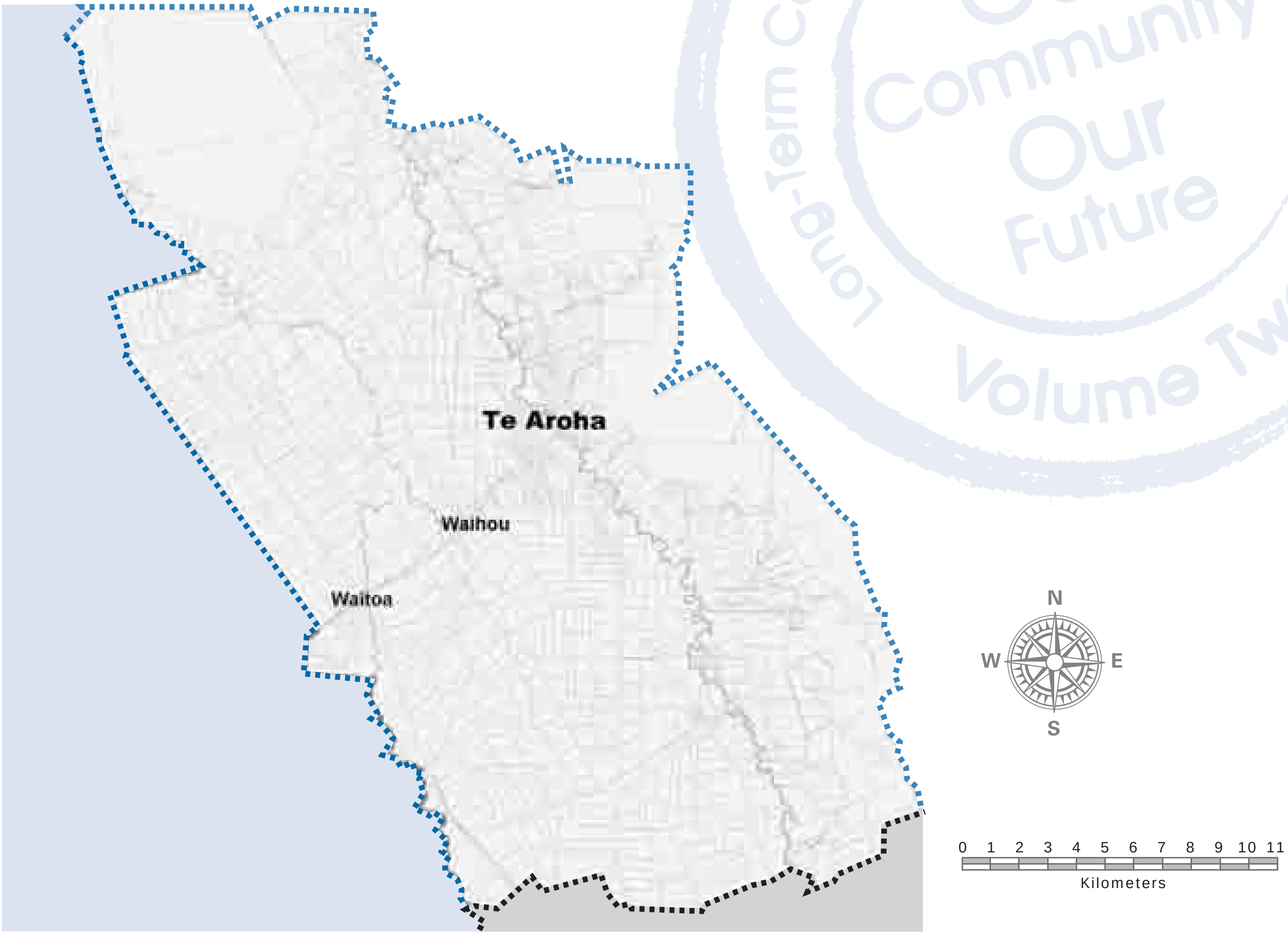


part 2: development contributions policy

14.2 Morrinsville Ward



14.3 Te Aroha Ward



part 2: partnerships with the private sector

Policy on partnerships with the private sector

Introduction

This policy outlines the circumstances when Council will consider entering into Public-Private sector Partnerships (PPPs). This includes:
- when consultation would be undertaken prior to such a partnership,
- what conditions might be imposed,
- risk management procedures;
- and reporting on the funding and outcomes of any such partnerships.

The policy is prepared in accordance with Section 107 of the Local Government Act 2002 (LGA).

Definition

In this policy a PPP is an agreement or arrangement between Council and one or more persons engaged in business but does not include:
- A contract for the supply of goods or services; or
- Arrangements where the only parties are local authorities and/or local authority controlled organisations

A partnership is any arrangement involving:
- grants
- loans
- investments
- commitments of resources, or
- guarantees given to one or more persons engaged in business by one or more local authorities

In the context of this policy, 'business' excludes activities undertaken by 'non-profit' organisations. This policy sets out the processes that Council will follow when considering a PPP. This policy may only be changed as an amendment to the LTCCP.

Circumstances

Council will only enter into a partnership with a private sector partner where:
- an activity has been identified in Council Plans. This includes the LTCCP or Annual Plan; or
- Council is unwilling or unable to bear all of the risk of a particular project itself; or
- Council may face legal restrictions on its ability to participate fully in that project; or
- A project or activity will only proceed through a PPP; and
- The benefits to the community are greater than the costs of the PPP

Conditions

Council will enter into a partnership only where it expects that the partnership will help achieve community outcomes or objectives in the LTCCP.

The policy does not commit Council to entering into such a partnership even if it will help achieve community outcomes or objectives.

Before entering into a PPP, Council must be satisfied that:
- The partnership will promote the social, economic, cultural or environmental wellbeing of the district, in the present and for the future
- The benefits (including potential benefits) from the partnership are greater than the costs and risks
- Council is satisfied that the partner has demonstrated an ability to meet the terms of any agreement between Council and the private partner
- All necessary consents, licenses, or other approvals have been obtained prior to any financial commitment by the Council
- The partnership and it's proposed business are lawful
- A clear exit/termination strategy is agreed
- Roles, responsibilities and liabilities of each partner are clearly defined

Council will determine the process by which the party or parties to the PPP will be selected, which may include a competitive tendering process. Council may impose other conditions.

part 2: partnerships with the private sector

Consultation

Council will undertake consultation on any revision of this 'Policy on Public-private sector partnerships' as part of a LTCCP.

Council will only consult on a specific PPP in the following circumstances:
- A PPP is assessed as being greatly beneficial, but falls outside the conditions or circumstances identified in the policy
- A major Council investment is proposed
- Council proposes to act as guarantor for a major sum
- The potential outcome of the partnership is a significant decline in service levels, as defined in Council's Significance Policy
- The proposal would significantly increase rates or total user charges in any one year
- Ownership or control of a significant asset (as defined in Council's Significance Policy), is to be transferred to or from Council
- There is expected to be considerable public interest in whether or not the PPP should proceed and/or it meets the test of significance as set out in Council's Significance Policy.

Where practicable, consultation on PPPs under the above criteria will take place under the Annual Plan or LTCCP process. Alternatively, a separate special consultative procedure may be undertaken.

Formation of a PPP

A PPP may be formed by:

- A Council resolution; or,
- A Council committee or the Chief Executive acting under a specific Council delegation.

A PPP formed under delegated authority must meet the conditions of this policy.

A PPP that is subject to public consultation must be formed by Council resolution. Council will have regard to the issues raised by that consultation.

Risk management

When considering a PPP, the potential risks to Council will be assessed against the following:
- The potential impact (eg associated costs, time, quality assurance etc)
- The probability of adverse impacts
- Mitigation or minimisation strategies
- The scope to implement appropriate procedures to reduce risks to an acceptable level

Risks that will be assessed include:

- Design and construction risk
- Commissioning and operating risk
- Service and under-performance risk
- Maintenance risk
- Risk of change to the legal or regulatory environment
- Risk of legal challenge
- Technology obsolescence risk
- Planning risk
- Price risk
- Taxation risk
- Residual value risk
- Demand or valuation risk
- Occupation safety and health risk
- The relative investment of the private sector partner
- The level of experience / track record of the partner, particularly in that activity
- Risk to the reputation of Matamata-Piako and the district generally
- Insurance coverage and limitations
- Risk to the capacity of the Council to carry out its activities, now and in the future
- Risk to property
- Protection of any intellectual property

A risk management strategy will be put in place to appropriately minimise or provide cover for the identified risks to the satisfaction of Council.

Risk management in any or all of the above areas may be specified as being the responsibility of Council or the partner.

part 2: partnerships with the private sector

Monitoring and reporting

A private sector partner will be expected to:

- Report using GAAP (Generally Accepted Accounting Principles) appropriate to their type of financial entity
- Allow auditing of financial and non-financial records as and when reasonably requested by Council

Monitoring and reporting requirements may vary, depending on the scale and nature of the partnership.

The following points may be considered:

- Proposals for PPPs should state how they might contribute to outcomes or objectives in the LTCCP
- Measurable and auditable performance standards should be included where appropriate in partnership documents
- Progress on agreed outcomes and objectives should be reported to Council on a six-monthly basis
- Quarterly or annual financial reports may be required

Transparency in the conduct and reporting of PPP activities should be emphasised. This will be balanced against the need to protect commercially sensitive or confidential information.

part 2: rates remissions

Rates remissions

Policy

Remission of Rates on Land Protected for Conservation Purposes

This policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 (LGA) and section 85 of the Local Government (Rating) Act 2002 (LGRA).

Objective

This policy is required to provide the legislative authority to grant rates remissions under the terms and conditions contained in Council's Significant Natural Features Policy.

The objectives are to:

- Help landowners who have voluntarily protected areas of significance
- Encourage landowners, who do not want to protect these areas, to protect these areas; and
- Ensure that these areas remain protected

Criteria and conditions

Sites that will qualify for remissions must be identified in one of the following :

- District Plan - Schedule 3 - Outstanding or Significant Natural Features and Trees and Other Protected Items
- Register of Significant Natural Features or
- Be an area that has any other type of formal protection method in place, i.e.Queen Elizabeth II covenant on the title

Council will determine the amount of any remission at its discretion and will be guided by:

- The remission methods specified in the Significant Natural Features Policy, and
- The funding available through LTCCP and/or Annual Plan

Policy

Remission of Rates: Penalties on Unpaid Rates Policy

This policy is prepared pursuant to sections 102 and 109 of the LGA and section 85 of the LGRA.

Objectives

To provide an efficient, transparent and fair framework for the remission of penalties taking account of:

- the specific circumstances of the individual; and
- the interests of all ratepayers

Criteria and conditions

Penalties on unpaid rates may be remitted where:

a. Council has not issued a rates assessment and/or invoice as required under the LGRA; or
b. It can be substantiated that a ratepayer has been disadvantaged in the delivery of a rates assessment and/or invoice. Substantiation shall consist of some form of tangible evidence such as undelivered mail being returned to Council, or
c. the ratepayer pays the rates through electronic banking and makes an error in the transaction, or
d. The ratepayer:
    - provides a written explanation why payment could not be made by the due date; and
    - the explanation is considered reasonable; and
    - the ratepayer has not received a rates remission within the last three years; and
    - the ratepayer has not incurred more than three penalties within the last three years, and
    - there are no overdue rates outstanding (excluding the penalty remission application)

No further application under this section of the policy will be considered within the next three years, except on extraordinary grounds; or

part 2: rates remissions

e. A formalised and approved rate payment arrangement has been complied with. Only those penalty charges incurred since commencement of the arrangement will be considered for remission, or
f. Where those who wish to pay their rates for the year in full within one month from the date the first installment penalty charge notice was issued

All applications for remission must be made in writing.

Council delegates the authority to administer this policy to the Chief Executive Officer. The Chief Executive Officer may sub-delegate this role to specified Council Officers.

Applicants that are declined a remission under delegated authority may appeal to Council.

Policy

Remission of Rates : Other categories.

This policy is prepared pursuant to sections 102 and 109 of the LGA and section 85 of the LGRA.

Objectives

To provide Council with the ability to grant rates relief for land:

- That qualifies for statutory rates remissions except service charges
- That has a capital value less than $1,500
- Cemeteries that exceed two hectares (Cemeteries less than two hectares are non-rateable)

To allow Council to remit all or part of a Uniform Annual General Charge (UAGC) in situations where:

- A number of rating units are occupied and used as one property
- The rating units satisfy all the conditions of section 20 of the LGRA except that the owners are private individuals and the related property is a family trust

Conditions and Criteria

A. Service Charges

Council may remit rates for service charges (ie; water supply, sewage and refuse disposal, and stormwater) where the application meets the following criteria:

1. a) The rates are for land that is owned or used by a society or association of persons for games or sports (excluding galloping races, harness races and greyhound races) except for rates due for any area covered by a liquor licence
   b) The rates are for land owned or used by a society incorporated under the Agricultural and Pastoral Societies Act 1908 as a showground or place of meeting
   c) The rates are for land owned or used by a society or association of persons (whether incorporated or not) for the purpose of any branch of the arts
   d) Half-service charges for Council owned land which is non-rateable under section 8 and schedule 1 of the LGRA and where no services (as defined above) are provided or contemplated

In the case of clauses 1(a) to 1(c) a maximum remission of 50% is available and in the case of clause 1(d) a full remission is available.

B. The following properties are eligible for a full remission of rates:

1. Properties with a capital value of less than $1,500. These are generally small areas of land used for utility purposes or similar

2. Land used or set aside for cemetery purposes that has an area greater than two hectares

part 2: rates remissions

C. Uniform Annual General Charges

Council will give consideration to the remission of all or part of the UAGC on properties where:

- The rating units are owned by the applicant(s) and a related party (eg family trust) and
- The rates are paid by the applicant(s)
- The properties are used as one property (e.g. a farm, a single residential property or a single business)

Applicants must apply by 31 August and provide such information as considered necessary by staff to support the application. The total amount that Council will remit in any one year will be limited to its annual budget allocation.

Council will have regard to the requirements of the LGRA when considering an application under this section.

D. All remissions are at the discretion of the Council and are subject to annual review

E. It is a precondition of remission that those rates that are not remitted are paid in full

Remission of small rates balances

a) Objective
To save Council the costs of collecting rates of uneconomic value
b) Conditions And Criteria
To qualify for remission under this part of the policy the rating unit must have a balance of less than $1 owing at the time of assessing or invoicing a rate
c) Process
The Chief Executive Officer has the authority to remit any outstanding rates less than $1 on a quarterly basis. The Chief Executive may delegate this authority Finance Staff

Policy

Early Payment of Rates

This policy is prepared pursuant to the LGA and section 56 of the LGRA.

Objectives

To provide ratepayers with a lump sum payment option for capital charges, where applicable.

Policy Statement

This lump sum payment policy is set out in the following way:
- Statutory authority for making policy
- Commencement
- Policy to apply at discretion of Council
- Definitions
- Principles
- How this policy will be applied.

Statutory authority for making policy

This policy is made under section 56 of the LGRA. The policy applies to capital contributions paid by ratepayers, to offset future rates.

part 2: rates remissions

Policy to apply at discretion of Council

This policy applies at the discretion of the Council.

Definitions

In this policy, unless the context requires otherwise,

- Area of benefit means the area which, in the opinion of the Council, receives the benefit of a capital work
- Loan charge means a targeted rate set and assessed to fund a repayment loan for a capital work
- Loan servicing costs, in relation to any repayment loan for a financial year, means payments of principal and interest for that year
- Lump sum is the total amount of the loan charges calculated for a rating unit, less any applicable discount
- LGRA means the Local Government (Rating) Act 2002
- Rating unit means a rating unit as defined in section 5 of the LGRA
- Repayment loan means a loan on which interest and principal are paid annually to repay the debt over the loan term

Principles

The following principles are to govern the way in which this policy is applied:

a) This policy should only be used for repayment loans where a loan charge is set over a defined area of benefit

b) The loan charge will be calculated to include administration costs, plus interest and principal repayments. Administration costs will not exceed 10% of the interest and principal repayments for that year

c) Whenever a lump sum is offered to ratepayers, the lump sum will be offered in respect of the current outstanding amount of the repayment loan

d) For the purpose of applying this policy:
- The rating unit is the basis for setting and assessing loan charges; and
- Council may determine that for a particular project, this policy applies on another basis that is authorised under the LGRA. This can only occur if the basis is recognised in the Revenue and Financing Policy

e) Council is not required to allow for changes in the number of rating units when calculating the loan charge.

f) Where new rating units are created by a subdivision within an area of benefit, the following shall apply:
(i) The subdivider will nominate the rating unit the original lump sum applied or a loan charge applies; and
(ii) to which rating unit/s development contribution/s apply

The rating unit/s to which the subdivision contribution/s apply will not be liable for the loan charge.

g) Council may alter the area of benefit to remove a rating unit if it considers that this is fair and reasonable. This may apply where it impracticable to connect the rating unit to the service for which the loan charge is set.

The onus of proof is on the owner of the rating unit to provide the appropriate information to Council.

h) The Council will not offer lump sums where the repayment loan is identified as funding future capacity of a capital work.

(i) The Council will not enter into agreements to extinguish debt when rating units change ownership. This must be dealt with between the vendor and purchaser of the rating unit.

j) Lump sum offers made before the commencement of this policy, will not be affected by this policy.

How this policy will be applied

a) The Council will use the Annual Plan process to notify affected ratepayers of any proposals to apply this policy

part 2: rates remissions

Policy on Remission of Rates on Maori Freehold land

This policy is prepared pursuant to sections 102 and 108 of the LGA and section 114 of the LGRA.

Council has considered the matters set out in Schedule 11 of the LGA. Maori freehold land is defined in the LGRA as land whose beneficial ownership has been determined by the Maori Land Court by freehold order. Only land that is the subject of such an order may qualify for remission under this policy.

This policy aims to:

1. Contribute to the fair and equitable collection of rates from all sectors of the community. Council recognises that certain Maori lands have particular conditions or circumstances which make it appropriate to provide relief from rates.

2. To put in place a means of providing relief on rating for Maori land pursuant to section 108 of the LGA by way of rate remission.

Objectives

The objectives of this policy are:

a) To recognise situations where there is no person or owner gaining an economic or financial benefit from the land
b) To set aside land that is better set aside for non-use because of its natural features (whenua rahui)
c) To recognise matters related to the physical accessibility of the land
d) To recognise and take account of the presence of wahi tapu that may affect the use of the land for other purposes
e) Where only part of a block is occupied, to grant remission for the portion of land not occupied
f) To facilitate development or use of the land where Council considers rates based on actual capital value make the current use of the land uneconomic. (note that application of the Mangatu decision to discount values will likely provide some relief also)

Principles

The principles used in establishing this policy are:

a) That as defined in section 91 of the LGRA, Maori freehold land is liable for rates in the same manner as general land
b) Council is required to consider whether it should have a policy for remission of rates on Maori freehold land
c) The community benefits through the efficient collection of rates and the removal of rating debt that is non-collectable
d) That applications for relief meet the criteria set by Council
e) That the policy does not provide for the permanent remission or postponement of rates on the property concerned

Conditions and criteria

Council will maintain a register called the ‘Maori freehold land rates relief register’ (the register). This will record properties that have had rates remitted under this policy.

Application for land to be added to the register should be made in writing prior to commencement of the next rating year. Applications made after commencement of the rating year may be accepted at the discretion of Council.

Owners or trustees making application should include the following information in their applications:

a) Details of the property
b) The objectives that will be achieved by providing a remission
c) Documentation proving that the subject land is Maori freehold land.

Any relief granted and the extent thereof is at the sole discretion of Council.

The register will be reviewed annually by Council (or on a more regular basis at the discretion of Council). It may at its discretion add properties to the register. It may also determine that properties no longer comply either fully or in part, and either remove them from the register or reduce the extent of the relief. Council will consider granting a remission of rates on property where any one or more of it’s policy objectives will be met. Any remission granted will be to the extent the objective relates to the entire property.

part 2: rates remissions

Remissions (up to 100%) can apply to all rates except targeted rates for:

- water supply
- sewage disposal
- stormwater drainage; or
- waste management

Council must be satisfied that the following condition is met for any remission under objective f):

- that the rating values are significantly in excess of the economic value arising from the actual use.

The maximum remission will be 50% of all rates except targeted rates for water supply, sewage disposal, storm water drainage or waste management. This will reflect a measure of the difference between rates as assessed and the rates that would be assessed based on actual use.

Policy on Postponement of Rates on Maori Freehold land

This policy is prepared pursuant to sections 102 and 108 of the LGA and section 115 of the LGRA. Council has considered the matters set out in Schedule 11 of the LGA.

Maori freehold land is defined in the LGRA as land whose beneficial ownership has been determined by the Maori Land Court by freehold order. Only land that is the subject of such an order may qualify for remission under this policy.

This policy aims to:

1. Contribute to the fair and equitable collection of rates from all sectors of the community. Council recognises that certain Maori lands have particular conditions or circumstances which make it appropriate to postpone rates.
2. To put in place a means of providing relief on rating for Maori land pursuant to section 108 of the LGA by way of postponement of rates.

Objectives

1. To encourage the economic development of the land by a new occupier, where there are rate arrears
2. To facilitate the development and economic use of land where it is considered that utilisation would be uneconomic if full rates are required to be paid during the period of development and establishment

Principles

The principles used in establishing this policy are:
a) that as defined in section 91 of the LGRA, Maori freehold land is liable for rates in the same manner as general land
b) Council is required to consider whether it should have a policy for the postponement of rates on Maori freehold land
c) That applications for postponement meet the criteria set by Council
d) That the policy does not provide for the permanent postponement of rates on the property concerned

Conditions and Criteria

Application for postponement of rates should be made in writing prior to commencement of the next rating year. Applications made after commencement of the rating year may be accepted at the discretion of Council.

Owners or trustees making application should include the following information in their applications:

a) details of the property
b) the objectives that will be achieved by providing a remission
c) documentation proving that the subject land is Maori freehold land

Any postponement granted and the extent thereof is at the sole discretion of Council.

No postponement will be granted on targeted rates for water supply, sewage disposal, stormwater or waste management.

part 2: revenue and financing policy

Council has reviewed the 2006 policy and a number of changes have been made that clarify Council's policy position.

The main change is that Council has been more realistic in the level of fees and charges that it can recover from areas such as libraries, parks and reserves and recreational facilities.

These changes would have had no material impact on the 2006 LTCCP had the new policy been in place at that time.

1.0 Introduction

The Revenue and Financing policy describes how Council will fund:

- Operating expenses; and,
- Capital expenditure,

from the funding sources specified in Section 103 of the Local Government Act 2002 (LGA).

2.0 Policy Considerations

Council must select funding sources for each activity after having regard to the following:

- The community outcomes to which the activity primarily contributes
- The distribution of benefits between the whole community, separate communities, and individuals; and
- The period over which benefits are expected to occur; and
- The extent to which the actions or inactions of particular individuals or groups contribute to the need to undertake the activity (referred to as exacerbator issues); and
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- The impact that selected funding mechanisms have on the current and future community wellbeing.

The following is a summary of how Council has approached these considerations.

The community outcomes to which the activity primarily contributes

The primary outcomes for each activity are included in the following activity tables.

The distribution of benefits between the whole community, separate communities, and individuals.

Council has taken the following general approaches to relate benefits to funding sources:

- Activities that are available to every person in the district are funded across the whole community (e.g. roading or parks and reserves)
- Services that Council makes available to specific areas are funded across those areas, on a district wide basis. This applies to utility services for water, wastewater, stormwater and waste management. The targeted rates are uniform across the district, irrespective of location
- Rural halls are funded from the local hall communities
- Fees and charges are used as the funding source for individual or group benefits where either:
  - A direct relationship can be efficiently established between the provisions of a service and the charge (eg admission to a swimming pool) or
  - The benefits derived are beyond the level generally available to the general community (eg the exclusive of sports facilities) or
  - The individual or group causes Council to incur additional costs beyond the level that would be required for the general community

Council has expressed the allocation of benefits in the first part of the consideration process in the following terms

- High - generally above 75%
- Medium - 40-75%
- Low below 40%

See also sections 3 and 4.

part 2: revenue and financing policy

The period over which benefits are expected to occur

During the development of this plan Council received feed back from the community on the types and levels of services expected from Council. The overall conclusion is that the community expects the current services to continue to be available now and the future.

This is reflected in this plan.

Current and future generations will benefit from each activity.

Council will implement appropriate accounting and funding policies to ensure intergenerational equity. That is, that one generation does not benefit at the expense of another.

Council may encounter extraordinary situations that involve addressing legacy issues (e.g. environmental issues from old landfill sites).

Council may not be able to impose the cost of addressing the issues on the people who caused the problem.

Council will consider funding options to minimise the impact of these issues on current and future generations. This might involve the use of retained earnings or proceeds from the sale of assets.

The extent to which the actions or inaction of particular individuals or groups contribute to the need to undertake the activity (exacerbators)

Council encounters situations where the actions or inactions of individuals or groups cause it to utilise additional resources.

These can be generally categorised as follows:

- Non-complying behaviour for example, graffiti, illegal waste disposal, wandering dogs, non-compliance with consent conditions.
- High cost activities - e.g. sports field maintenance (as opposed to open space maintenance).

Council will consider:

- the impact that these situations have on the overall activity
- the level of additional cost incurred
- the potential to realistically recover the additional costs
- the effect on the activity outcomes

Council may then apply funding mechanisms that recover all or part of the additional costs incurred (e.g. fines).

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

Council has a desire for a simple rating structure that can then be easily understood by the community.

Council believes that transparency and accountability can be enhanced where the community can make a direct link between the services received and the charges Council imposes. User charges and targeted rates are examples where Council believes this connection can be made. Targeted rates are preferred where:

- Services are made available to some properties or communities and not others (e.g. water supply is provided to urban properties and only some rural properties);
- Local communities have a strong sense of identity and accountability for an activity i.e. rural halls, where the local communities fund and operate the halls; and,
- Activities that are intended to benefit a specific area (e.g. community boards).

Council can create numerous targeted rates to separately represent the full range of Council activities.

This would compromise Council's desire for a simple rating system.

After allowing for the various targeted rates and user charges, the remaining Council activities are mainly funded from general rates.

Council's view is that rates are a form of tax and the quantum an individual pays does not necessarily reflect the level of benefit received.

part 2: revenue and financing policy

The use of additional targeted rates may inflate individual expectations about the level of benefit that should be received.

This does not promote accountability.

Council promotes transparency by disclosing the amount funded from general rates for all activities with rates assessments.

This has a low administration cost and is considered to achieve the same outcome as the use of numerous targeted rates.

The impact that selected funding mechanisms have on the current and future community wellbeing.

Council has selected funding mechanisms after having regard to the outcomes sought for each activity and the following:

- The primary outcomes sought for each activity and the potential impact the funding sources have on the activity outcome. This allows Council to reflect on the current and future wellbeing of the community
- Sustainability - will the selected funding mechanisms affect the sustainability of the activity? Setting a high level for user charges may reduce patronage, at the expense of community wellbeing
- Achievable funding levels - are the targeted levels achievable? Council has identified targeted levels for user charges, that may not be achievable in the short to medium term. In these cases a target range will be set

Other Policy considerations

3.0 Funding 'public good'

The selection of funding sources is influenced by the categorisation of the benefits arising from activities, into public and private goods.

Activities that have significant public goods are considered to have the following two characteristics:

Non-rivalry - an individual utilising an activity does not affect the opportunity of other individuals to utilise the same activity. Street-lighting is an example of an activity that is non-rival. The fact that one person may benefit from street-lighting, does not affect other people from enjoying the same benefit. As opposed to water, where consumption by an individual reduces the amount of water available for other individuals.

Non-excludable - the extent to which it is possible to exclude people from enjoying an activity. An activity with public good characteristics is one where it is difficult to exclude people from enjoying or utilising. For example, a public foot-path would be non-excludable. It is not practical to exclude people from making use of a footpath. People can be excluded from utilising a public swimming pool, by imposing entry fees.

Activities that have significant public good characteristics, are typically funded from general rates.

There are two types of general rates:

- general rates based on rateable property values; and,
- the Uniform Annual General Charge (UAGC)

The UAGC is levied on each rateable property as a fixed sum.

The general rate is based on the capital value of rateable properties.

The UAGC is subject to a statutory maximum. Council policy is that the UAGC can be set at a range between 75-100% of the maximum. This percentage will be reviewed annually.

A change in the level of the UAGC, will change the level of the capital value based general rate.

part 2: revenue and financing policy

4.0 Funding 'private goods'

Activities with strong private good characteristics are typically neither non-rival or non-excludable (in terms of the definition in section 4.0).

Council holds the view that a rating system is primarily a taxation system and not a system inherently based on a principle of user-pays.

Council will utilise targeted rates to represent user charges and recover private benefits. Targeted rates may also be utilised to recognise 'community specific' benefits.

5.0 Differential general rates

Council considers that public goods are available to be enjoyed equally by the whole community. General rates should therefore be levied on the same basis across the district.

For this reason, Council does not consider that there are any compelling arguments to utilise differential rating for general rates.

The use of targeted rates and user charges provides an appropriate way to differentiate for Council services.

6.0 Valuation system

The capital value rating system has been in place in this district since 1990. Council acknowledges that this system is not an accurate representation of 'ability to pay'.

Council does not consider that the alternatives (land or annual value) offer any advantages over capital value.

Our community is familiar with the current system and there are no compelling reasons to change at this time.

7.0 Capital expenditure

Capital expenditure will be funded in a manner that as far as is practicable and prudent takes account:

- of the expected lives of assets
- and/or the impacts on operating costs of Council activities

The available funding sources are:

- Loans (either internal or external)
- Development/Financial contributions as per the Developments/Financial contributions policy (including interest costs as per the policy)
- Private contributions as may be agreed from time to time with individuals/organisations. This will apply where Council has entered into a partnership or arrangement to undertake capital development
- Lump sum contributions in accordance with the Local Government (Rating) Act 2002
- Subsidies (where applicable)
- Specific revenue streams as determined by Council
- The proceeds of the sale of assets
- Retained earnings (special funds and depreciation reserves)

Considerations

The following considerations will apply in selecting the appropriate funding source:

- Council wishes to allocate the cost of capital expenditure over the period that benefits are generated from the expenditure. Loan or accumulated depreciation reserves will be the normal source of funding for capital expenditure. The annual loan costs will be met from the underlying funding sources for each significant activity. The considerations that apply for operating expenditure will by default, apply to capital funding. For example a targeted rate for an activity will meet the annual loan repayments.

part 2: revenue and financing policy

- The primary factors giving rise to the need for capital expenditure will influence Council's choice of funding mechanism. For example:

  - Development contributions must be used for specified capital projects
  - The needs of a specific community may result in funding being raised from that community
  - Special funds created for specific activities will be used for those activities

- The costs and benefits of different funding sources will be assessed within the context of Council's LTCCP. Council can then assess the potential impact of the selected funding source against the community outcomes.

Council may resolve to utilise a funding source that is not included in this policy.

The following table indicates the capital funding sources for each group of activities.

Group of Activities	Loans	Depreciation reserves	Financial contributions	Development Contributions	General and special reserves
Community Development					✔
Community Facilities	✔	✔	✔ (Parks and reserves)		✔
Community Infrastructure	✔	✔		✔	✔

8.0 Operating Costs

Operating costs - are the annual operating costs as contained within Council's LTCCP and/or annual plan.

The following tables summarise Council's considerations for each activity.

part 2: revenue and financing policy

Community Development	Activity		
	Council	Community Boards	Community Development
Primary outcomes	Participation in decision making - Belonging to our community		
Distribution of benefits	Total community benefit - high	Total community benefit - (by Ward) high	Total community benefit - high
Period in which benefits occur	Current and future	Current and future	Current and future
Exacerbator issues	None	None	None
Transparency and accountability	Not affected by selected funding sources Other accountability processes in place	Separate funding sources reinforce accountability to the specific communities	Not affected by selected funding sources
Overall impact on social, economic, environmental and cultural wellbeing of the district	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes	100% public funding to ensure achievement of desired outcomes is sustainable
Funding sources	General rates 100%	100% Targeted rates on a uniform basis per ward	General rates 100%

part 2: revenue and financing policy

Community Facilities Public amenities and facilities	Activity				
Funding considerations	**Cemeteries**	**Rural halls**	**Public amenities**	**Recreation and culture**	**Corporate property/ General property**
Primary outcomes	Heritage: Our past - knowledge and treasures	Belonging to our community - we will have good facilities in our district that are easily accessible	Healthy people - the health and wellbeing of our people will continue to improve	Belonging to our community - Recreation and Arts. Our facilities would be utilised to their full potential and offer a range of events and services	Belonging to our community - we will have good facilities in our district that are easily accessible
Distribution of benefits	Total Community benefit medium (access and availability) Individuals medium (burials and plot utilisation)	Community within rural hall areas high Individuals and groups private hire - high	Community at large - high	Community at large - medium Private individuals high	Community at large 90% - (access and availability) Private individuals 10% - individual or group utilisation
Period in which benefits occur	Current and future	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	None	None	None	Some uses result in lost opportunities for revenue and impose higher administration costs	Minor issues relating to extraordinary demands from specific users
Transparency and accountability	Fees and charges for burials. Use of general rate does not affect accountability	Separate funding sources link to community management of assets	Not affected by selected funding sources	Not affected by selected funding source	Not affected by selected funding source
Overall impact on social, economic, environmental and cultural wellbeing of the district	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes The local communities within the rating areas are the major users of the halls. The percentage recovery from fees and charges is a realistic amount. The local hall rates account for the difference.	100% public funding to ensure achievement of desired outcomes is sustainable General rates 100%	Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and in individual facilities, this may be achievable without compromising utilisation	Selected funding sources assist with the achievement of the desired outcomes
Funding sources	General Rates 40-60% Fees and charges 60-40%	Targeted Hall rates on varying basis for each of the hall rating areas 80% Fees and charges 20%		General Rates 70-80% Fees and charges 20-30%	General Rates 90% Fees and Charges 10%

part 2: revenue and financing policy

Community Facilities	Activity		
Funding considerations	Housing	Libraries	Parks and reserves
Primary outcomes	Planning and development - access to affordable housing	Belonging to our community Improving life on a day to day - basis	Belonging to our community - we will have good facilities in our district that are easily accessible
Distribution of benefits	Individuals - high (private occupancy)	Community at large - medium (access and availability)	Community at large - high (access and availability)
Period in which benefits occur	Current and future	Private individuals - high (personal use of library resources)	Private individuals - medium (individual or group exclusive use)
Exacerbator issues	None	Current and future	Current and future
Transparency and accountability	Direct user charges reinforce accountability and transparency in the management of the activity	None	Some uses result in the need for higher costs (e.g. sports fields) than would otherwise be necessary
Overall impact on social, economic, environmental and cultural wellbeing of the district	User charges to be set to recover costs. Economies of scale achieved to ensure costs are competitive and therefore charges below market levels are achieved	Fees and charges reinforce accountability to individual customers for library resources. The charges also promote the need for Council to demonstrate ‘value’ to Library customers	Fees and charges reinforce accountability to individual and groups
Funding sources	User charges 100%	Setting the level of individual recovery too high will result in the decline in the utilisation of the libraries. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and this is reflected in the range below General rates 80-90% Fees and charges 10-20%	Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. Council will recover additional costs where possible. General rates 90-100% Fees and Charges 0-10%

part 2: revenue and financing policy

Environmental Care	Activity				
Funding considerations	Animal control	Building control	Resource consents	Community protection	Health (part of community protection
Primary outcomes	Healthy people - the health and wellbeing of our residents will continue to improve	Planning and development - Small town culture: large town infrastructure.	Town planning - our district plan and Council policies will promote the retention of the character of towns while accommodating growth and development	Promotion of citizen responsibility - People will feel there is a strong sense of community responsibility	Healthy people - the health and wellbeing of our residents will continue to improve
Distribution of benefits	Community at large - medium (Public safety) Individuals - medium	Community at large - medium (managed/appropriate development) Individuals - medium	Community at large - medium (managed/ appropriate development Individuals - medium (resource consents)	Community at large - high	Community at large - high Private individuals - medium
Period in which benefits occur	Current and future	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	The need for this activity arises from the expectation that animals ownership will not negatively impact on public safety Irresponsible owners create the majority of problems in this activity	Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement	The district plan captures the community's collective view on the types of development it desires as of right. People who propose development outside these parameters impose additional costs on Council Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement	Actions of some individuals can give rise to emergency response (e.g. rural fires). Council will attempt to recover these costs from the individual land owner	Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement
Transparency and accountability	Fees and charges promote owner accountability and transparency on Council's part	Building fees promote transparency and accountability on Council to individual customers	Planning fees promote transparency and accountability on Council to individual customers	Not affected by selected funding source	Not affected by selected funding source

part 2: revenue and financing policy

Environmental Care	Activity				
Funding considerations	Animal control	Building control	Resource consents	Community protection	Health (part of community protection
Overall impact on social, economic, environmental and cultural wellbeing of the district.	Council is satisfied that imposing the majority of the costs of the activity on animal owners promotes public safety. It is in the interests of the owners to reduce their ownership costs by being responsible owners. People who are irresponsible will pay a higher level again. The general rates funding is set at a level that council believes the community is willing to pay to have a safe environment	Council can demonstrate a strong linkage between the level of fees charged and the services received. Council is satisfied that the level of general rate funding is consistent with the desired outcome to achieve managed and appropriate development for the community	Council can demonstrate a strong linkage between the level of fees charged and the services received. Council is satisfied that the level of general rate funding is consistent with the desired outcome to achieve managed and appropriate development for the community	Selected funding source assists with the achievement of the desired outcomes	Fees and charges for the activity are set largely by statute. The general rates funding must fund the balance
Funding sources	General rates 20% Fees and charges (including fines) 80%	General rates 40-60% Fees and charges 60-40%.	General rates 60-70% Fees and charges 30-40% (hearings costs)	General rates 100% exacerbator charges where possible	General rates 66% Fees and charges 34%

part 2: revenue and financing policy

Community Infrastructure Infrastructure utility services	Activity				
Funding considerations	Stormwater	Waste management - facilities	Solid waste kerb-side collection	Solid waste recycling	Wastewater
Primary outcomes	Healthy people - the health and wellbeing of our citizens will continue to improve	Pollution and waste - all residents will have access to organic and inorganic waste management services	Pollution and waste - our environment will be clear of toxins, contaminants, air pollution and litter	Pollution and waste - all residents will have access to organic and inorganic waste management services	Water quality and quantity -our rivers and water supplies will be clean and safe for industrial, business and residential consumption, cultural purposes and recreational use
Distribution of benefits	Community at large - low (Approximately 14% of the networks service public areas - roads, parks etc.) Townships and property owners - high	Community at large - medium (access, availability, healthy environment) Individuals - high	Community at large - medium (Healthy environment) Individuals - high	Community at large - medium (access, availability, healthy environment) Individuals - high	Community at large - medium Private individuals - high
Period in which benefits occur	Current and future	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	Some issues where particular activities result in pollutants entering stormwater reticulation	Individuals generate waste and through their actions or inaction can significantly impact on the waste volume. Some activities generate hazardous wastes or large volumes of waste	Individuals generate waste and through their actions or inaction can significantly impact on the waste volume	Individuals who do not separate recyclable material	Properties connected to the sewer generate the waste. Some industries create high loadings on the network
Transparency and accountability	Targeted rate for properties within urban areas serviced by stormwater promote transparency and accountability, linking a service provided to a specific Council rate	User charges for the use of waste management facilities is transparent and promotes accountability on waste generators	Targeted rate for properties to which council is prepared to provide collection, promotes transparency and accountability linking a service provided to a specific Council rate	User charges for the disposal of recyclable material is transparent and promotes accountability on waste generators (recyclable waste will be charged at a lower rate than non-recyclable)	Targeted rate for properties within urban areas serviced by wastewater reticulation promote transparency and accountability, linking a service provided to a specific Council rate. Trade waste agreements address high impact activities
Overall impact on social, economic, environmental and cultural wellbeing of the district	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits the activity generates	Selected funding sources assist with the achievement of the desired outcomes. Council's use of general rate funding acknowledges the wider community benefits the activity generates	Selected funding sources assist with the achievement of the desired outcomes Council's ability to use general rate funding acknowledges the wider community benefits the activity generates

part 2: revenue and financing policy

Community Infrastructure Infrastructure utility services	Activity				
Funding considerations	**Stormwater**	**Waste management - facilities**	**Solid waste kerb-side collection**	**Solid waste recycling**	**Wastewater**
Funding sources	General rates 14% Targeted rate on a uniform basis for serviced urban areas 86%	General rates 10% Fees and charges 90%	General rates 0-10% Targeted rate on a uniform basis for serviced properties 90-100%	General rates 30% Fees and charges 70%	General rates 0-6% Targeted rate on a uniform basis for serviced urban areas 94-100% Factors - properties connected Properties able to be connected but not connected Fees and charges through Trade waste agreements Council will determine the actual percentages within the allowable range on an annual basis

part 2: revenue and financing policy

Community Infrastructure Utilities	Activity	
Funding considerations	Water	Roading
Primary outcomes	Water quantity and quality - systems will exist to sustainably provide enough water for all purposes at all times	Transport: People going places - People and traffic flow
Distribution of benefits	Community at large low - medium Private individuals - high	Community at large - medium Private individuals - high
Period in which benefits occur	Current and future	Current and future
Exacerbator issues	Activities that generate extraordinary levels of water utilisation Properties that are serviced by the reticulation, but that are not connected	Heavy traffic and some commercial activities can negatively impact on network maintenance
Transparency and accountability	Targeted rate for properties within urban areas serviced by public water reticulation and water meter charging promote transparency and accountability, linking a service provided to a specific Council rate	Council has limited ability to directly recover the private benefits other than through rates. Government subsidy contributes a significant portion of the total funding
Overall impact on social, economic, environmental and cultural wellbeing of the district	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits the activity generates	Selected funding sources assist with the achievement of the desired outcomes
Funding sources	General Rates 0-6% Targeted rate on a uniform basis for serviced urban areas 94-100% Factors - Properties connected Properties able to be connected but not connected The abovementioned levels will be calculated after taking account of extraordinary water charges and other fees and charges Council will determine the actual percentages within the allowable range on an annual basis	Subsidy - as determined by Government agency General Rates - balance of funding

part 2: significance policy

Significance Policy

Introduction

This policy outlines the approach Council will take in determining the significance of issues, proposals and decisions. This includes the thresholds, criteria and procedures that Council will use. It also provides a list of assets which Council considers to be strategic assets.

Legislative requirement

Council is required to have a policy on significance under section 90 of the LGA.

Definitions

An issue will be considered significant (or be of significance) when the likely impact and/or likely consequences are material for:

a) the current and future social, economic, environmental, or cultural wellbeing of the district or region
b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision or matter
c) the capacity of the local authority to perform it's role, and the financial and other costs of doing so

Council will determine significance by assessing the thresholds and criteria in this policy.

Strategic assets are necessary to achieve or promote any outcome that is important to the current or future wellbeing of the community. Councils strategic assets are listed in this policy.

Reasons for this policy

The framework for Council decision-making is specified in the LGA.

When Council determines an issue is significant it is expected that it will:

- Demonstrate a higher standard of compliance with these requirements
- Undertake separate consultation; and
- Provide more information than decisions that are not significant

This policy should help to promote robust, transparent and sustainable decision-making.

This policy will not however apply to decisions that Council must make in a civil emergency or where decisions relating to the continued and safe provision of essential Council services is required to be taken under urgency.

General approach

Council will consider the following questions to decide whether an issue is significant:

- What are the likely consequences or impacts of the issue on the current and future social, economic, environmental, and cultural wellbeing of the community
- What impact will the issue have on current or planned levels of service?
- How many people will be affected and to what extent?
- Does Council believe that the issue has or will promote a high degree of public interest?
- What financial impact will the decision have?

Thresholds

The following table provides guidance on the thresholds that may trigger significance.

part 2: significance policy

Considerations	Not significant	Tending towards significance
Likely consequences or impacts of the issue on the current and future social, economic, environmental, and cultural wellbeing of the community	Issues that impact on LTCCP outcomes that Council is not directly influencing (i.e. Councils role is monitoring or advocacy)	The issue relates to an outcome that Council has identified in the LTCCP it will directly influence, and the potential negative impact is high
Impact the issue will have on current or planned levels of service?		May/will result in a major decline in the current or planned level of service for an activity (assessed against the level of service specified in the LTCCP
How many people will be affected and to what extent?		An issue that could potentially have a negative impact on the majority of the community to a moderate extent An issue that could potentially have a negative impact on a sector of the community (eg commercial property owners) or a specific community (eg rural town) to a large extent
An issue will promote a high degree of public interest	Eg. Multiple letters to the editor in local newspapers	There is a history or evidence of wide-spread public interest or debate in the community (eg Council has received a large number of representations from diverse groups on an issue)
Financial Impact	Eg. Increases in fees or charges due to scheduled reviews (e.g. lease reviews) Any issue that has a financial impact (on costs or revenues) less than $100,000	Council assesses that an issue will be of high interest to a local community, ward or the district The issue could potentially increase a rate or regulatory charges by more than 10%

Council will have most regard to matters that tend towards significance. An issue that is identified in this table as exceeding the 'not significant' threshold does not automatically make it significant. For example, an issue that has a financial impact in excess of $100 000 does not automatically make it 'significant'.

The following issues are specifically defined as significant:

- Any transfer of ownership or control, or the disposal or abandonment, of a strategic asset as a whole as defined by the LGA
- The sale of Councils shareholding in any Council controlled trading organisation, or Council controlled organisation;
- A decision that will, directly or indirectly, noticeably affect the capacity (including financial capacity) of Council to carry out any activity identified in the LTCCP
- Entry into any partnership with the private sector where the outcome of the partnership would be considered significant in terms of this policy

part 2: significance policy

Criteria and procedures

Criteria

When assessing significance, Council will also have regard to the following:
- Reversibility - The more difficult it is to reverse a decision, in general, the greater its significance. A decision which leads to a once and for all outcome has greater significance than one where the outcome can be largely reversed albeit in a different form.
- Precautionary Principle - the greater the uncertainty of the outcome of an issue the more likely that Council will treat the issue as significant.
- Issues that have already been separately identified in an Annual or LTCCP or subject to a special consultative process are not likely to be considered significant. Provided there is no substantial change to the scope or impact of the issue that was consulted on.

Procedures

Council staff will specifically assess the significance of issues in reports to Council. When assessing significance and;

- Staff identify that two or more thresholds tend towards significance , and,
- Council decides the issue is not significant

Council will explicitly state the reasons why it does not consider the issue is significant.

Strategic assets

The LGA requires that this policy shall identify all the strategic assets, as defined in section 5 of the LGA.

The strategic assets listed below are not an exhaustive list of Council assets but includes those which are considered to be significant in ensuring the Councils capacity to achieve or promote any important outcome.

Asset	Notes
Roading system as a whole	Footpaths, parking, bridges, road reserve, culverts, underpasses and street lighting
Reservoirs and water reticulation systems	Includes land, buildings, plant, pipes and pump stations
Wastewater systems	Includes land, buildings, plant, pipes and pump stations
Stormwater Reticulation Systems	
Amenity parks, sports parks and reserves under the Reserves Act 1977	Includes Matamata Aerodrome, Te Aroha Domain buildings and structures, Morrinsville Recreation Ground camping ground facilities
Cemeteries	
Refuse transfer stations	Includes de-commissioned landfills
Matamata-Piako District libraries	Includes books, non-books and local history collections
Community facilities - aquatic	Land, buildings, structures and plant
Community facilities - historic/ museum	Includes land, buildings and structures
Matamata Memorial Centre and Morrinsville Events Centre	
Pensioner housing as a whole	Excludes owner occupier units
Shareholding in Waikato Regional Airport Ltd	

part 2: investment policy

Investment Policy

Introduction

Section 105 of the LGA requires Council to adopt a policy for the management of investments.

In the context of this policy, investments include:

- Equity investments
- Financial investments (e.g. loans); and
- Treasury investments held with the primary purpose of generating a financial return to Council

These assets are further characterised as being tradable in financial markets for cash, securities and listed shares.

Council investments are currently managed in two categories:

- General investments; and
- The PNZ Investment

Shareholdings not covered by this policy

Council owns shares or interests in a number of companies/entities. This ownership occurred through historical arrangement or non-financial objectives eg Council does not expect a financial return.

This policy does not apply to the shareholdings/interests which are listed below:

- Waikato Regional Airport Ltd - 290,625 shares
- NZ Local Government Insurance Company - 55,277 shares
- Thames Valley Emergency Management Group
- Local Authority Shared Services

Objectives

The objectives of the policy are:

- To provide a framework for the prudent and effective management of investments
- To provide an appropriate level of return from Council investments,
- To manage investments in a sustainable and equitable way, having regard for current and future generations
- Recognising the community ownership of these assets and the need for a balanced investment/risk profile

This will be achieved by having regard to:

a) The mix of investments that Council will utilise
b) The process for the acquisition of new investments
c) The management and assessment of risk
d) The need for appropriate management and reporting procedures

Risk management

Council will adopt prudent risk management practices that will include:

- Engaging appropriate expertise when major investment strategies are being developed

- Reference to authoritative and current economic commentaries and financial market forecasts

This policy contains parameters and procedures which have been established to reflect Council's risk tolerance.

part 2: investment policy

Equity investments

Objective

To have the ability to utilise equity investments where necessary to:

- Achieve the desired level of returns and/or
- To provide a diversified investment portfolio

Policy

Council shall only invest in equity investments after having advice from qualified investment advisors.

Council shall develop a separate Statement of Investment Policies and Objectives to apply to the management of any equity investments;

The Statement of Investment Polices and Objectives shall contain details of returns sought, acceptable risk levels and reporting and control procedures specific to the group of equity investments (e.g. PNZ Investment fund is one group).

A review of the Statement of Investment Policies and Objectives shall be conducted not less than annually and changes proposed by Council will be considered in the context of the decision-making framework within the LGA and it's significance policy.

PNZ investment fund

Investment in equities shall generally only apply to the PNZ Investment fund.

The total capital base for the fund may comprise any one or combination of:

- Cash
- Internal borrowings
- Equities
- Bond investments

Council has set the following long-term objectives for the fund:

- To maintain the capital base of the investment in real terms (i.e. $24.4 million adjusted by annual inflation)
- To utilise the fund as a source of funding for capital development for Council activities (i.e. internal borrowings)
- To utilise investment earnings (at a level determined appropriate by Council) as a source of revenue for Council activities

These long-term objectives provide the context within which the specific investment strategies and risk parameters will be determined.

Council may have to set aside these objectives on occasions due to adverse financial markets or economic conditions. Council would expect that this would only be a short-term measure.

These matters will be addressed through annual reviews of the investment portfolio performance and after considering advice from Councils investment advisor.

Council may also make changes in the context of budgetary pressures. This may result in a need to give more weight to one particular objective e.g. to generate additional or more certain investment earnings.

Any changes or reallocation of assets within the portfolio will also be considered in the annual review.

Loans and advances (financial)

From time to time Council has provided loans and/or advances to community organisations to assist with the achievement of community outcomes.

The amounts involved are typically below $50,000 and the number of applications received (and/or approved) are minimal.

The promotion of community outcomes tend to be the main consideration in such instances. These loans/investments are not made for financial investment purposes and are not covered by the objectives of this policy.

Council will assess all applications having regard for the need for prudent financial management.

part 2: investment policy

Treasury Investments

Objective

To provide the ability to utilise a range of financial investments (not already specified in this policy) to:

- To achieve the desired level of returns
- Within acceptable risk parameters

Policy

Approved counter-parties

The following counter-parties are approved for investment of funds in interest bearing securities:

- NZ Government
- Other local authorities
- Registered banks and major companies having a short-term credit rating of A1 or better and a long-term credit rating of A or better

Council may include additional counter-parties by separate resolution.

Council shall utilise the following additional financial instruments within the specified maximum investment limits:

- New Zealand Government Securities (Government stock and Treasury bills) - 40% of total investment funds available
- Local authority stock or securities - 40% of total investment funds available
- Approved bank securities
- Council's principal banker (BNZ) - 50% of total investments available
- Any other registered bank - 40% of total investment funds available
- Interest bearing securities in major companies - 20% of total investment funds available
- Internal loans - 100% of total PNZ investment or Special funds available

Duration of investments

The maturity dates of investments shall be spread as a means of mitigating interest rate risk. Investments may be made for terms ranging from at call to a maximum of ten years. Decisions on the term for each investment will be made by authorised Council officers having regard to cash-flow forecasts, assessed economic conditions and financial market forecasts.

Unrestricted funds (also known as general funds) will generally be invested for terms up to, but not exceeding 12 months to ensure adequate liquidity.

Restricted funds (also known as special funds) shall be spread so that no less than 30% of these funds are invested for a term of 12 months or more. However no more than 50% of these funds shall be invested for periods greater than 12 months.

The aforementioned limits do not apply to internal loans.

Internal loans

Council may utilise surplus funds for the purposes of internal borrowing. Internal borrowing forms a part of the overall mix of Council investments.

Internal loans shall be managed as corporate debt, with interest rates to be reviewed annually by Council having regard for the 5-10 year government bond rates and the overall return sought from Council's total investment portfolio.

Acquisition of new investments

Council will assess the acquisition of any new investments having regard for the following:

- The requirements of the LGA
- Council's policy on significance
- Council outcomes and objectives
- The provisions of this policy

part 2: investment policy

Application of returns on investments

Returns on investments will be applied as outlined in the LTCCP or the annual plan or as specifically determined by Council from time to time.

Delegated authority to invest

The Chief Executive Officer shall have delegated authority to implement this policy.

The administration and management of the investments shall be undertaken in accordance with the procedures contained with Councils quality assurance programme.

Reporting requirements

Council shall be provided with the following reports on investment performance:

- Equity investments - monthly reports from Council investment manager
- Other investments - quarterly reports included as part of the quarterly financial reports

part 2: liability management policy

Liability Managment Policy

Introduction

Section 104 of the LGA requires Council to adopt a policy for the management of borrowing and other liabilities.

Objectives

The objective of the policy is to provide a framework for the prudent and effective management of borrowings and liabilities to assist to achieve Councils outcomes and objectives.

This will be achieved by having regard to:

a) Interest rate exposure;
b) Liquidity
c) Credit exposure
d) Debt repayment
e) Specific borrowing limits; and
f) The giving of securities

This policy covers internal and external borrowings.

Interest rate exposure

Objective

To manage and minimise the risks to Council arising out of interest rate movements associated with borrowing activities.

Policy

Not less than 30% of total borrowings will be at fixed rates of interest of 12 months or more; and,
A reasonable spread of re-financing dates will be maintained as set out in section 4 below.

Interest rate risk management products may be used to convert fixed rate borrowing into floating rate, floating rate borrowing into fixed or hedged borrowing. Independent external advisors will be consulted before the use of any interest rate risk management products.

The following interest rate risk management instruments may be used for interest rate risk management activity:

- Forward rate agreements
- Interest rate swaps
- Purchase of interest rate options products including caps, bond options and swaptions
- Interest rate collar type option strategies

Selling interest rate options for the primary purpose of generating premium income is not permitted, because of its speculative nature.

Buying and selling of financial futures is not permitted due to the administrative burden.

part 2: liability management policy

Liquidity

Objective

To ensure that Council has adequate financial resources to meet all of its obligations as and when they arise

Policy

Council manages it's liquidity by:

- Appropriate cash-flow management to ensure that sufficient funds are available to meet financial obligations as they fall due
- Maintaining appropriate short-term borrowing facilities with Council's principal banker (current overdraft $500,000)
- Maintaining the following debt maturity profile limits
  - No more than 40% of the public debt may mature within one 12 month period
  - No more than 25% of the total debt may mature within one calendar month
  - Council will accept some variation to these levels by way of separate Council resolution)

Credit exposure

Objective

To minimise the risk to Council of default on the part of any counter-party which has a contractual obligation to make any payments to Council.

Policy

Proposed counter-parties to borrowing transactions will be assessed to ensure that there is reasonable certainty that obligations under borrowing contracts will be honoured.

Debt repayment

Objective

To ensure that Council is able to repay debt in a timely manner from appropriate sources.

Policy

Council may determine that all or any part of the following cash-flows may be used for the repayment of debt:
- depreciation charges for activities;
- the proceeds of asset sales if considered appropriate by Council;
- contributions from other parties in terms of any contractual arrangements;
- specific revenue streams as determined by Council (e.g. repayment of rental housing loans from rental housing income or loan repayment rates).

Borrowing limits

Objective

To ensure that Council's debt is maintained within prudent limits.

Policy

Borrowings will be managed to ensure that the following parameters are not exceeded:

- Debt servicing costs which are rates funded are not to exceed 20% of Council's total rates revenue (including all utility charges)

part 2: liability management policy

Securities

Objective

To provide appropriate security that does not restrict Council operations or limit control of Council strategic assets, whilst being sufficiently attractive to lenders to secure competitive interest rates.

Policy

Council will pledge rates as security for the repayment of loans.

Source of Funds

Objective

To specify appropriate sources of borrowings.

Policy

The following are considered to be appropriate sources:

- Any registered bank (normally Council's principal banker)
- Council reserves
- Borrowing by deed of charge
- Lease to own arrangements - the counter parties shall be the open market.
- Council issued stock and debentures

Management procedures and reporting

Objective

To implement appropriate procedures and delegations to ensure the efficient and effective management of this policy.

Policy

Reporting

The Chief Executive Officer shall ensure that reports on Council's borrowings are provided on a quarterly basis. Internal controls and operating procedures.

The Chief Executive Officer shall be delegated the authority to initiate any actions in terms of this policy, including the authority to execute any documents on behalf of Council.

Documented treasury and operational procedures for borrowing activities shall be approved by the Community and Support Services Manager, and shall be administered by the District Treasurer.