

Section 8 - Policies

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INTRODUCTION

In this section, the LTCCP includes the Council's policies that have been developed to meet the requirements of the Local Government Act 2002.

Revenue and Financing Policy

This policy identifies how the Council allocates the costs of its activities against available sources of funds, including rates and user charges.

Funding Impact Statement (including Rating Policy)

The Funding Impact Statement details the rating system and rating mechanisms. The Rating Policy includes the rates set for 2004/05.

Liability Management Policy and Investment Policy

The Liability Management Policy explains the Council's approach to managing its liabilities and the ways in which associated risks are controlled. The Investment Policy outlines the Council's approach to managing investments.

Development Contributions Policy

This policy sets out the financial contributions that will be required when development occurs. The financial contributions relate directly to the assumed cost of development on current and future infrastructural networks.

Policy on Partnerships between the Council and the Private Sector

This policy outlines under what circumstances the Council will enter into partnership arrangements with private businesses, what conditions will be imposed and what consultation will take place.

Rates Remissions and Postponement Policies

There are a number of parts to this policy. Each part deals with an area where Council may consider it appropriate to assist by providing rates relief through remission of rates. These specific areas include:

- Residential Land in Commercial, Industrial or Rural areas
- Rating Unit affected by Calamity
- Uniform Annual General Charge and Targeted Rates in Certain Circumstances
- Penalties on Unpaid Rates
- Water-by-Meter Rates due to Leak Detection
- Educational Institutions Sewage (pan) Charges

There is only one proposed Rates Postponement Policy, which is for extreme financial hardship circumstances.

Policy on the Remission and Postponement of Rates on Māori Freehold Land

This new policy outlines how the Council will deal with applications for the remission and postponement of rates on Māori freehold land.

Policy on Determining Significance

This policy outlines the Council's general approach to determining the significance of proposals and/or decisions. The policy includes details on the criteria, thresholds and procedures to be followed in determining significance. The policy also includes details of the Council's strategic assets and significant activities.

REVENUE AND FINANCING POLICY

Introduction

Section 103 of the Local Government Act 2002 (the Act) determines what must be stated in Council’s Revenue and Financing Policy, which include the following:

- Policies in respect of the funding of operating expenses; and
- Policies in respect of the funding of capital expenditure; and
- The sources of funds eg general rates; targeted rates; fees and charges; and
- The funding needs that are met from those sources identified, must be following consideration of:
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity (exacerbator component); and
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
 - (vi) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community.

(a) **Funding Sources that are available to the Council**

Local authority funding sources are prescribed by legislation, principally the Act and the Local Government (Rating) Act 2002.

The sources of local authority funding are:

SOURCES	BENEFITS
• rates	private/public
• fees and charges	private
• borrowing	public
• investment income (interest and dividends)	private/public
• subsidies and grants	private/public
• proceeds from asset sales	public
• financial reserves	public
• development contributions	public

The following paragraphs look at the definition of rates and the different types of rates which are the major source of local authority funding.

(b) **Rates**

Rates are a tax on property which will be levied under the Local Government (Rating) Act 2002.

Property owners pay the property taxes or rates but the burden or incidence of the tax falls on individuals whether they are property owners or not, eg, tenants through their rent and purchasers of goods and services through the price they pay.

Under the Local Government (Rating) Act 2002 councils can levy the following rates:

- general rates (set either uniformly or differentially, and include a Uniform Annual General Charge);
- targeted rates, which include:
 - water-by-meter charges;
 - uniform rates;
 - rates set differentially;
 - fixed amount per rating unit.

(c) **Basis of Rating**

The following are the bases the Council may use for levying the General Rate:

- Land Value
- Capital Value
- Annual Value

The Local Government (Rating) Act 2002 considerably expanded the rating "toolbox", especially for targeted rates. The bases for determining liability of a targeted rate may be as follows:

- The annual value of the rating unit.
- The capital value of the rating unit.
- The land value of the rating unit.
- The value of improvements to the rating unit.
- The area of land within the rating unit.
- The area of land within the rating unit that is sealed, paved, or built on.
- The number of separately used or inhabited parts of the rating unit.
- The extent of provision of any service to the rating unit by the local authority, including any limits to conditions that apply to the provision of the service.

- The number or nature of connections from the land within each rating unit to any local authority reticulation system.
- The area of land within the rating unit that is protected by any amenity or facility that is provided by the local authority.
- The area of floor space of buildings within the rating unit.
- The number of water closets and urinals within the rating unit.

Policies For Funding Expenditure

The following considerations were factors in determining the sources of revenue and finance for each of the Council's activities and functions:

- The community outcomes to which the activity primarily contributes.
- The distribution of benefits between the community as a whole, any identifiable part of the community and individuals.
- The period in or over which those benefits are expected to occur.
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.
- The costs and benefits, including consequences for transparency and accountability of funding the activity distinctly from other activities.
- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural wellbeing of the community.

The Council, in determining the funding for each activity, took into consideration the cost and benefits of creating separate targeted rates for each activity. Targeted rates are selected where it is felt that an identifiable part of the community and/or individuals benefited from the activity. However, for the Roading targeted rate, the Council wished to separately identify this cost to ratepayers for reasons of transparency and accountability.

The Council intends for the first two years of the LTCCP to use surpluses from previous years to reduce the total funding for operating expenses from rates. While the LTCCP does not anticipate for the subsequent years the funding of operating expenses from surpluses nor the funding of previous years deficits, the Council may choose to fund accordingly, should surpluses or deficits arise.

(a) **Funding of Operating Expenses**

The Council has determined the proportion of operating expenditure for each activity to be funded from the sources listed in Section 103(2) of the Local Government Act 2002 and has taken into consideration the factors listed in Section 101(3) when determining the appropriate funding source for each activity. The Council funds operating expenditure for all its activities from one or more of the following sources.

- General Rates;
- Targeted Rates;
- Fees and Charges;
- Interest and Dividends;
- Subsidies and Grants (to fund operating income).

The Council expects the benefits as identified for each activity to extend for a period of at least three years.

(b) **Funding of Capital Expenditure**

The Council funds capital expenditure from the following sources:

- General Rates;
- Targeted Rates;
- Fees and Charges;
- Subsidies and Grants (for capital expenditure);
- Borrowing;
- Interest and Dividends;
- Proceeds from Asset Sales;
- Financial Reserves (including Development Contributions).

In determining the appropriate funding source for capital expenditure of each activity the Council considers the following factors:

- The period of benefit and beneficiaries arising from the capital expenditure.
- Funding sources available, other than rates or borrowing, to fund the capital expenditure.
- Type of capital expenditure being undertaken (renewal or capital upgrade of asset).
- The perceived ability of residents who are identified as beneficiaries to fund the cost of the capital expenditure (either as a capital contribution or loan).

The Council has identified the following sources for funding the operating costs of its activities:

Activities	Community Outcomes Activities Contribute	Exacerbator Component Identified	Public Benefit Funding			Private Benefit Funding		
			General Rates %	Targeted Rates %	Investment Income %	Subsidies/ Grants %	Fees and Charges %	Targeted Rates
Community Leadership and Governance								
Cost of Democracy	Community		100.0					
Council Initiatives	Community		100.0					
Visitor Information	Community		70.0				30.0	
Access Network and Systems								
Financially Assisted Roading	Built Environment	✓		56.0		44.0		
Non-financially Assisted Roading	Safety	✓		100.0				
Parking Enforcement	Built Environment	✓					100.0	
Airports					20.0		80.0	
Water-related Services								
Water Supplies	Health			15.0				85.0
Wastewater Services	Natural Environment Built Environment	✓		100.0				
Stormwater Services	Health Natural Environment Built Environment Safety			100.0				
Trade Waste Disposal	Health Natural Environment	✓		30.0			70.0	
Solid Waste Management								
Refuse Collection	Health	✓		100.0				
Refuse Disposal	Natural Environment Built Environment	✓		80.0			20.0	
Development								
Promotion and Economic Development	Prosperity		60.0					40.0
Planning—Policy	Built Environment Natural Environment Community	✓	100.0					

Activities	Community Outcomes Activities Contribute	Exacerbator Component Identified	Public Benefit Funding			Private Benefit Funding		
			General Rates %	Targeted Rates %	Investment Income %	Subsidies/ Grants %	Fees and Charges %	Targeted Rates
Environmental Controls								
Licensing	Health	✓	5.0				95.0	
Environmental Health		✓	70.0				30.0	
Building Inspections	Health Safety	✓	20.0				80.0	
Planning—Implementation	Natural Environment	✓	40.0				60.0	
Planning—Monitoring	Built Environment Health	✓	75.0				25.0	
Community Services								
Parks and Gardens	Health Natural Environment			100.0				
Parks—Sportsfields	Health	✓		80.0			20.0	
Recreation		✓		100.0				
Swimming Pools*	Health Safety			100.0				
Library Services	Education	✓		90.0			10.0	
Museum and Gallery	Education Community		90.0				10.0	
Cemeteries	Health	✓	50.0				50.0	
Community Facilities								
Halls	Community Health			80.0			20.0	
Public Conveniences	Health	✓	100.0					
Community Housing	Community						100.0	
Port—Management & Maintenance	Health Built Environment	✓			20.0		80.0	
Port—Management of Endowment Assets	Prosperity	✓			80.0		20.0	
Community Safety								
Civil Defence	Safety Community		100.0					
Bylaw Control	Health	✓	90.0				10.0	
Dog Control	Safety	✓	10.0				90.0	
Stock Control		✓	90.0				10.0	
Rural Fire Control	Safety	✓	100.0					
Safer Communities	Health	✓	60.0			40.0		
Hazardous Substances	Safety	✓	25.0				75.0	

*Net cost to the Council

The Council's policies for funding capital expenditure for its activities are set out in the table below:

Activities	General Rates	Targeted Rates	Subsidies/ Grants	Borrowing	Investment Income	Reserves	Asset Disposal
Financially Assisted Roading		✓	✓				
Non-financially Assisted Roading		✓		✓			
Airports				✓		✓	
Port—Management & Maintenance					✓	✓	
Port—Management of Endowment Assets					✓	✓	✓
Water Supplies		✓		✓			
Wastewater Services		✓	✓	✓			
Stormwater Services		✓		✓			
Refuse Collection		✓		✓			
Refuse Disposal		✓		✓			
Trade Waste Disposal		✓		✓			
Parks and Gardens		✓	✓	✓		✓	✓
Parks—Sportsfields		✓	✓	✓		✓	
Recreation		✓					
Library Services		✓		✓			
Halls	✓			✓		✓	
Museum and Gallery	✓		✓	✓		✓	
Cemeteries	✓						
Swimming Pools		✓	✓	✓			
Public Conveniences	✓			✓			
Community Housing			✓	✓		✓	
Civil Defence	✓						
Planning—Implementation	✓						
Planning—Monitoring	✓						
Planning—Policy	✓						
Building Inspections	✓						
Environmental Health	✓						
Hazardous Substances	✓						
Licensing	✓						
Bylaw Control	✓						
Dog Control	✓						
Stock Control	✓						
Rural Fire Control	✓						
Parking Enforcement						✓	
Cost of Democracy	✓						
Council Initiatives	✓						
Promotion and Economic Development	✓	✓					
Visitor Information	✓						
Safer Communities	✓						

FUNDING IMPACT STATEMENT

The revenue and financing mechanisms to be used to cover the estimated expenses of the Council are covered in the revenue and financing policy.

The 2004/05 fees and charges for activities undertaken by the Council are included in a separate schedule to the LTCCP. The fees and charges are calculated to achieve the funding mix as identified in the Revenue and Financing Policy.

There are no material departures for 2004/05 or 2005/06 to 2013/14 from sources of funding or the allocation of costs and benefits to groups or individuals within the community, from the Council's 2004/05 Funding Impact Statement.

The Local Government (Rating) Act 2002 requires the Council to include a statement on the following matters in its LTCCP or Annual Plan. These include:

- The basis of setting the general rate ie land, annual or capital value (section 13).
- Any category or categories that will be used for differentiating the general rate (section 14).
- The function or functions for which a targeted rate will be set (section 16).
- Any category or categories of land that will be used to set a targeted rate on a differential basis or determine whether a property will be liable for a targeted rate (section 16).
- Any factor or factors that will be used to calculate liability for a targeted rate (section 18).
- An indication that the Council wishes to set charges for water supply by volume consumed if the Council is intending to do so (section 19).

The method and impact of both general and targeted rates is covered in the "Rating Policy" section which follows.

Rating Policy

1. Introduction

This rating policy summary should be read in conjunction with the Council's Revenue and Financing Policy.

All figures in this policy are GST inclusive.

2. General Rates (\$4,027,800)

The Council set a general rate on the capital value of each rating unit in the whole district.

The general rate is set differentially, based on land use and value as follows:

	Differential
• Commercial/Industrial properties greater than \$10.0 million of capital value (excluding farming, forestry and horticulture)	0.6
• All other properties	1.0

The rates (in cents in the dollar of capital value) for 2004/05 are:

• Commercial/Industrial properties greater than \$10.0 million of capital value (excluding Farming, Forestry and horticulture)	0.029718
• All other properties	0.049530

In addition, the Council set a Uniform Annual General Charge on all rating units in the district. In the 2004/05 year this charge is **\$175.00** per rating unit.

Both the general rate and the uniform annual general charge will be used to fund the following group activities: Community Services, Community Facilities, Environmental Controls, Community Safety, Promotion/Development and Community Governance.

3. Works and Facilities Rates

The Works and Facilities rates are set to fund the following activities: parks (70% of net costs), dune care, land drainage, refuse disposal, trade waste, library services, swimming pools and recreation, in each location.

The Council set individual Works and Facilities targeted rates on capital value for the following rating areas (locations), with the exception of the Murupara Community area which is set on land value.

3.1 Works and Facilities Rate—Whakatane Urban (Budgeted Revenue \$3,361,900)

The Council set for all rating units in the Whakatane urban area, a Works and Facilities targeted rate on capital value, set differentially on land use and value, as follows:

	Differential
Whakatane Commercial/Industrial properties up to \$10.0 million of capital value (being all rating units situated in the Whakatane urban rating area that principally undertake any commercial/industrial activity or are zoned Commercial/Industrial excluding residential properties)	2.2
Whakatane Commercial/Industrial properties greater than \$10.0 million capital value (being all rating units situated in the Whakatane urban rating area that principally undertake any commercial/industrial activity or are zoned Commercial/Industrial excluding residential properties)	1.0
All other properties in the Whakatane Urban rating area	1.0

The rates for the 2004/05 year (in cents in the dollar of capital value) are:

Whakatane Commercial/Industrial properties up to \$10.0 million capital value	0.614937
Whakatane Commercial/Industrial properties greater than \$10.0 million capital value	0.279517
All other properties in the Whakatane Urban rating area	0.279517

3.2 Works and Facilities Rate—Rural (Budgeted Revenue \$710,000)

The Council set for all rating units in the rural rating area a Works and Facilities targeted rate as a fixed amount and a rate on capital value, set differentially based on land use and value as follows:

	Differential
Rural Commercial/Industrial Properties greater than \$10.0 million of capital value (excluding farming, forestry and horticulture)	0.6
All other properties situated in the Rural rating area.	1.0

The rates for the 2004/05 year (in cents per dollar of capital value) are:

Rural Commercial/Industrial Properties greater than \$10.0 million of capital value (excluding farming, forestry and horticulture)	0.015344
All other properties situated in the Rural rating area.	0.025574

In addition, the Council set a Works and Facilities targeted rate of a fixed amount on all rating units in the Rural rating area of **\$50.00**

The rate in the dollar, based on capital value, is calculated after deducting the fixed charge from the total rate requirement.

**3.3 Works and Facilities Rate—Ohope Community
(Budgeted Revenue \$437,100)**

The Council set for all rating units in the Ohope Community rating area a Works and Facilities targeted rate on capital value as follows:

All properties situated in the Ohope Community Board rating area—the rate for the 2004/05 year (in cents per dollar of capital value) is: **0.112563**

**3.4 Works and Facilities Rate—Edgecumbe Community
(Budgeted Revenue \$286,100)**

The Council set for all rating units in the Edgecumbe Community rating area a Works and Facilities targeted rate on capital value, set differentially based on land use and value as follows:

	Differential
Edgecumbe Commercial/Industrial Properties greater than \$10.0 million of capital value	0.6
All other properties situated in the Edgecumbe Community rating area.	1.0

The estimated rates for the 2004/05 year (in cents per dollar of capital value) are:

Edgecumbe Commercial/Industrial Properties greater than \$10.0 million of capital value	0.140178
All other properties situated in the Edgecumbe Community rating area.	0.233630

**3.5 Works and Facilities Rate—Taneatua Community
(Budgeted Revenue \$76,800)**

The Council set for all rating units in the Taneatua Community rating area a Works and Facilities targeted rate as a fixed amount and a rate on capital value as follows:

All properties situated in the Taneatua Community rating area—the rate for the 2004/05 year (in cents per dollar of capital value) is: **0.304786**

The fixed amount on all rating units is **\$150.00**.

The rate in the dollar, based on capital value, is calculated after deducting the fixed charge from the total rate requirement.

**3.6 Works and Facilities Rate—Murupara Community
(Budgeted Revenue \$238,200)**

The Council set for all rating units in the Murupara Community rating area a Works and Facilities targeted rate as a fixed amount and a rate on land value, set differentially on land use as follows:

	Differential
Murupara lifestyle properties	0.05
All other properties situated in the Murupara Community rating area	1.00

The rates for the 2004/05 year (in cents per dollar of land value) are:

Murupara lifestyle properties	0.749783
All other properties in the Murupara Community rating area	14.99566

In addition, the Council set a Works and Facilities targeted rate of a fixed amount on all rating units in the Murupara Community rating area of **\$150.00**.

The rate in the dollar, based on land value, is calculated after deducting the fixed charge from the total rate requirement.

4. Community Board Rates

The Community Board rates are set to fund the costs of each of the five Community Boards, in each location.

The Council set individual Community Board targeted rates as a fixed amount on rating units within each of the following rating areas (locations).

4.1 Community Board Rate—Whakatane (Budgeted Revenue \$82,650)

The Council set for all rating units in the Whakatane Community Board area, a Community Board targeted rate of a fixed amount of **\$15.00**.

4.2 Community Board Rate—Ohope (Budgeted Revenue \$ 52,900)

The Council set for all rating units in the Ohope Beach Community Board area, a Community Board targeted rate of a fixed amount of **\$36.00**.

4.3 Community Board Rate—Edgecumbe/Tarawera (Budgeted Revenue \$37,200)

The Council set for all rating units in the Edgecumbe/Tarawera Ward area, a Community Board targeted rate of a fixed amount of **\$10.50**.

4.4 Community Board Rate—Taneatua/Waimana (Budgeted Revenue \$35,850)

The Council set for all the Taneatua/Waimana Ward area a Community Board targeted rate of a fixed amount of **\$ 30.00**.

4.5 Community Board Rate—Murupara/Galatea (Budgeted Revenue \$52,900)

The Council set for all rating units in the Murupara/Galatea Ward area, a Community Board targeted rate of a fixed amount of **\$ 44.00**.

5. Swimming Pool Rates

5.1 Murupara Swimming Pool Rate—Rural (Budgeted Revenue \$30,000)

The Murupara Swimming Pool Rate - Rural is set to fund a portion (45%) of the costs of the Murupara Swimming Pool.

The Council set for all rating units in the Murupara/Galatea Ward area, (excluding the Murupara Community area), a Murupara Swimming Pool targeted rate on capital value as follows:

All properties situated in the Murupara/Galatea Ward area, (excluding the Murupara Community rating area)—the rate for the 2004/05 year (in cents per dollar of capital value) is: **0.005660**

5.2 Whakatane Aquatic Centre Rate—Rural (Budgeted Revenue \$80,000)

The Whakatane Aquatic Centre Rate - Rural is set to fund the Rural rating areas portion (13%) of the costs of the Whakatane Aquatic centre.

The Council set for all rating units in the Rural rating area, (excluding the Murupara/Galatea Ward), a Whakatane Aquatic Centre - Rural targeted rate as follows:

All properties situated in the Rural rating area, (excluding the Murupara/Galatea Ward), - the rate for the 2004/05 year (in cents in the dollar of capital value) is: **0.006416**

6. Roothing Rate (Budgeted Revenue \$5,486,000)

The Council set a targeted rate for the roading activity a targeted rate as a fixed amount and a rate on the land value of each rating unit as follows:

All properties - the rate for the 2004/05 year (in cents per dollar of land value) is: **0.257221**

In addition, the Council set a Roothing Targeted rate of a fixed amount on all rating units in the district of **\$50.00**.

The rate in the dollar, based on Land Value is calculated after deducting the fixed charge from the total rate requirement.

7. Refuse Removal Rate (Budgeted Revenue \$1,080,000)

The Council set a targeted rate to fund the collection of the Council approved refuse/recycling bins. This targeted rate is set as a fixed amount per separately used or inhabited part of a rating unit for which the Council is providing a weekly refuse collection service.

The fixed amount for 2004/05 is **\$96.00** per separately used or inhabited part of a rating unit with a Council approved refuse/recycling bin. **For any additional refuse/recycling bins a fixed amount of \$96.00 per refuse/recycling bin applies.**

8. District-wide Parks Rate (Budgeted Revenue \$626,500)

The Council set a targeted district-wide parks rate to fund 30% of the net cost of the parks activity. This targeted rate is set as a fixed amount on every rating unit in the district. In the 2004/05 year the charge is **\$48.50** per rating unit.

9. Promotion and Development Rate (Budgeted Revenue \$142,000)

The Council set a targeted rate to fund 40% of the cost of the Marketing and Development activity. This targeted rate is set on the commercial and industrial properties of the District (being a property where a business activity is being undertaken for which either a land use or resource consent is required).

This rate is set as a targeted rate of a fixed amount per rating unit of **\$258.00** for all commercial and industrial properties within the district.

10. Sewerage Rates

The Council sets targeted rates of a fixed amount per separately used or inhabited part of a rating unit to fund sewage disposal for each of the following individual sewerage schemes in the district:

- Whakatane
- Ohope
- Edgumbe
- Taneatua
- Murupara
- Te Mahoe

These rates are set on a differential basis (except for the Te Mahoe Sewerage Scheme) based on land use and provision of service. Land use is either residential or commercial/industrial. Commercial/industrial is classed as any property for which the principal undertaking is any commercial/industrial activity or zoned commercial/industrial. Residential properties are all other properties, that are not commercial/industrial properties.

The different categories of service are:

Connected—any rating unit that is connected to public sewerage drain

Serviceable—any rating unit that is not connected to a public sewerage drain but is within 30 metres of such a drain.

The rates for the 2004/05 year are shown below:

Whakatane (Budgeted Revenue \$731,200)

\$106.00	per separately used or inhabited part of a residential rating unit connected
\$106.00	per water closet or urinal in each commercial/industrial rating unit connected
\$53.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)

Ohope (Budgeted Revenue \$361,600):

\$224.00	per separately used or inhabited part of a residential rating unit connected
\$224.00	per water closet or urinal in each commercial/industrial rating unit connected
\$112.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)

Edgecumbe (Budgeted Revenue \$210,800):

\$262.00	per separately used or inhabited part of a residential rating unit connected
\$262.00	per water closet or urinal in each commercial/industrial rating unit connected
\$131.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)

Taneatua (Budgeted Revenue \$56,250)

\$174.00	per separately used or inhabited part of a residential or commercial (excluding Industrial) rating unit connected ,
\$3,900.00	per Industrial rating unit connected
\$87.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)

Murupara (Budgeted Revenue \$58,830)

\$70.00	per separately used or inhabited part of a rating unit connected
\$70.00	per water closet or urinal in each commercial/industrial rating unit connected
\$35.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)

Te Mahoe (Budgeted Revenue \$17,800):

\$614.00	per separately used or inhabited part of a rating unit connected
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Rating units which are neither connected to the scheme nor serviceable are not liable for these rates.

11. Water Supplies (Metered and Non-metered)

The Council set targeted rates to fund water supplies for each of the following individual water supply schemes in the district:

- Whakatane
- Ohope
- Edgecumbe
- Matata
- Taneatua
- Murupara
- Ruatoki
- Waimana
- Plains
- Awakeri Extension
- Te Mahoe

These rates are set on a differential basis based on provision of service, land use and location.

The targeted rates are set as a fixed amount per separately used or inhabited parts of a rating unit and where water meters are supplied, targeted rates based on the volume of water supplied are set.

The differential categories of service for the water supply rates are:

Connected – any rating unit that is connected to a Council operated waterworks

Serviceable – any rating unit that is not connected to a Council operated waterworks but is within 100 metres of such waterworks.

The rates for the 2004/05 year are shown below:

Whakatane (Budgeted Revenue \$1,548,200)

88.0 cents	per cubic meter of water supplied to each rating unit connected and metered
\$50.00	per separately used or inhabited part of a rating unit connected and metered
\$220.00	per separately used or inhabited part of a rating unit connected and non metered
\$110.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)

Ohope (Budgeted Revenue \$322,530)

83.0 cents	per cubic metre of water supplied to each rating unit connected and metered
\$50.00	per separately used or inhabited part of a rating unit connected and metered
\$25.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)

Edgecumbe (Budgeted Revenue \$112,300)

\$154.00	per separately used or inhabited part of a rating unit connected and non-metered
\$77.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)
57.0 cents	per cubic meter of water supplied to each rating unit connected and metered , with a minimum fixed amount of \$154.00 per connection

Matata (Budgeted Revenue \$101,400)

\$328.00	per separately used or inhabited part of a rating unit connected and non-metered
\$164.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)
115.0 cents	per cubic meter of water supplied to each rating unit connected and metered with a minimum fixed amount of \$328.00 per connection

Taneatua (Budgeted Revenue \$93,800)

\$240.00	per separately used or inhabited part of a rating unit connected and non-metered
\$120.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)
83.0 cents	per cubic meter of water supplied per separately used or inhabited part of a rating unit connected and metered with a minimum fixed amount of \$240.00 per connection
145.0 cents	per cubic metre of water supplied to each rating unit outside the gazetted water supply area, connected and metered with a minimum fixed amount of \$348.00 .

Murupara (Budgeted Revenue \$137,100)

\$116.00	per separately used or inhabited part of a rating unit connected and non-metered
\$58.00	per separately used or inhabited part of a rating unit serviceable (capable of connection)
137.0 cents	per cubic meter of water supplied to each rating unit connected and metered with a minimum fixed amount of \$116.00 per connection

Ruatoki (Budgeted Revenue \$91,200)

\$70.00	per separately used or inhabited part of a rating unit serviceable or connected
\$40.00	per separately used or inhabited part of a rating unit connected and metered
101.0 cents	per cubic meter of water supplied to each rating unit connected and metered

Waimana (Budgeted Revenue \$24,000)

\$470.00	per separately used or inhabited part of a rating unit connected and non-metered
158.0 cents	per cubic meter of water supplied to each rating unit connected and metered with a minimum fixed amount of \$470.00 per connection

Plains (Budgeted Revenue \$414,400)

\$80.00	per separately used or inhabited part of a rating unit connected and metered
22.5 cents	per cubic meter of water supplied to each rating unit connected and metered .

The Council set an additional targeted rate for any excess water consumed that is over and above the purchased entitlement for each property connection to these water supplies. An overuse targeted rate is set for the excess volume consumed over and above the purchased entitlement of **50 cents** per cubic meter.

Awakeri Extension (Budgeted Revenue \$84,800)

\$140.00	per separately used or inhabited part of a rating unit connected and metered
35.5 cents	per cubic meter of water supplied in each rating unit connected and metered .

The Council set an additional targeted rate for any excess water consumer that is over and above the purchased entitlement for each property connection to these water supplies. An overuse targeted rate is set for the excess volume consumed over and above the purchased entitlement of **50 cents** per cubic meter.

Te Mahoe (Budgeted Revenue \$8,400)

\$310.00	per separately used or inhabited part of a rating unit connected
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Ruatahuna (Budgeted Revenue \$1,200)

\$150.00	per separately used or inhabited part of a rating unit connected
\$300.00	per separately used or inhabited part of a commercial/ industrial rating unit connected .

Rating units which are neither connected to the schemes or not serviceable are not liable for these rates.

12. Instalment Due Dates**12.1 Rates**

There will be four equal instalments for the 2004/2005 rates and the due dates are as follows:

Instalment 1:	20 August 2004
Instalment 2:	26 November 2004
Instalment 3:	25 February 2005
Instalment 4:	20 May 2005

A 10% instalment penalty will apply if any of these rates remain outstanding after each of the above instalment due dates. A further 10% additional charge will be added on 1 October 2004 to any rates that were set prior to 1 July 2004 and which are unpaid at 1 July 2004 and which remain unpaid at 30 September 2004.

12.2 **Water Rates Due Dates**

The following dates are the due dates for water invoices:

- Three-monthly water invoices—22 October 2004
- Three- and six-monthly water invoices—21 January 2005
- Three-monthly water invoices—22 April 2005
- Three- and six-monthly water invoices—22 July 2005

A 10% penalty will apply if any water rates remain outstanding after each of the above water rates due dates.

13. **Payments**

All rates shall be payable at the Whakatane District Council, Civic Centre, Commerce Street, Whakatane, or Murupara Service Centre, Pine Drive, Murupara.

The payment facilities available at the Council offices are cash, cheque or EFTPOS. No credit card facility is available. Alternatively, the Council does have direct debit or automatic payment options available.

LIABILITY MANAGEMENT POLICY AND INVESTMENT POLICY

Introduction

The Whakatane District Council (the Council) undertakes borrowing, investment and risk management activity (in total referred to in this document as treasury activity). The Council's treasury activities are carried out within the requirements of the Local Government Act 2002 and other relevant local authority legislation. The Liability Management Policy and Investment Policy documents provide the policy framework for all of the Council's treasury activities and define key responsibilities and the operating parameters within which treasury activity is to be carried out.

The Council adopted the Liability Management Policy and Investment Policy on 30 June 2004 as part of the Council's LTCCP. These policies are reviewed and updated on a three yearly basis.

(a) **Borrowing**

The Council's borrowing activity is largely driven by its capital works programme, mainly related to its infrastructure and community assets.

(b) **Investment**

The Council manages a portfolio of investments comprising equity, property, forestry and financial investments.

(c) **Policy Setting and Management**

The Council approves policy parameters in relation to its treasury activities.

The Council's Chief Executive Officer has overall responsibility for the operations of the Council. The Director Corporate Services has financial management responsibility over the Council's borrowing and investments.

The Council carries out its treasury activities within its finance function. The Council's broad objectives in relation to treasury are:

- to comply with the Local Government Act 2002 and other relevant local authority legislation;
- to manage the Council's investments within its strategic objectives, invest surplus cash in liquid and creditworthy investments and optimise investment returns within these limits;
- to raise appropriate finance in terms of both maturity and interest rate and manage the Council's borrowing programme to ensure funds are readily available at margins and costs favourable to the Council;
- to manage the impact of market risks such as interest rate risk and liquidity on the Council's borrowing and investments by undertaking appropriate hedging activity in the financial markets;
- to avoid adverse interest rate related increases on ratepayer charges and maintain overall interest cost within budgeted parameters;
- to manage the overall cash and liquidity position of the Council's operations;
- to provide timely and accurate reporting of treasury activities and performance;
- to maintain professional relationships with the Council's principal banker(s) and the financial markets.

(d) **Philosophy**

The Council acknowledges that there are various financial risks such as interest rate, liquidity and credit risk arising from its treasury activities. The Council is a risk averse entity and does not wish to incur additional risk from its treasury activities.

Accordingly, the Council's finance function, in relation to its treasury activities, is a risk management function focused on protecting the Council's budgeted interest costs and revenues and stabilising the Council's cashflows. The Council does not undertake any treasury activity that is unrelated to its underlying cashflows or is purely speculative in nature.

Liability Management Policy(a) **General Policy**

The Council exercises its flexible and diversified borrowing powers pursuant to the Local Government Act 2002. The Council approves the borrowing programme by resolution during the annual planning process.

The Council's infrastructural and community assets generally have long economic lives and long-term benefits. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to the Council's assets and investments.

The Council raises debt for the following primary purposes:

- general debt to fund the Council's capital works which are primarily infrastructure assets;
- short term debt to manage timing differences between cash inflows and outflows and to maintain the Council's liquidity;
- borrowing through hire purchase, credit, deferred payment or lease arrangements in the ordinary course of the Council business.

(b) **Borrowing Limits**

In managing its borrowing, the Council adheres to the following limits:

- ***gross interest expense of all borrowings will not exceed 15% of total annual rates income¹***
- ***net cashflows² from operating activities will exceed the annual interest expense***
- ***total external debt per capita will not exceed \$1,000***

The Council reports compliance to these limits on a quarterly basis. The Council will adhere to the borrowing limit that is reached first and provides the lowest level of debt capacity.

(c) **Borrowing Mechanisms**

The Council is able to borrow through a variety of market mechanisms including internal borrowing, direct bank borrowing or issuing stock. Stock may be issued through the wholesale market via banks and brokers or indirectly into the retail market through conduit structures such as the Local Government Finance Corporation. Refer Appendix II for definitions.

In evaluating any new or renewed borrowings (in relation to source, term, size and pricing) the Council takes into account the following:

- the size and economic life of the project;
- the impact of new debt on borrowing limits;
- relevant margins and total cost under each borrowing source;
- the Council's overall debt maturity profile, to avoid concentration of debt at reissue/rollover time;
- prevailing interest rates relative to term for both stock issuance and bank borrowing and the Council's view of future interest rate movements;

¹ Total annual rates income (exclusive of regional the Council levy) includes all Whakatane District Council rates levied.

² Net cash inflow from operating activities before gross interest expense and taxation divided by gross interest expense.

- available term from bank and stock issuance;
- legal documentation, financial covenants and security requirements.

The Council's ability to attract cost effective borrowing is largely driven by its ability to raise general rates and manage relationships with investors and financial institutions. In respect of new borrowings, the Council seeks to choose the mechanism with the most appropriate balance between cost and flexibility.

The Council is able to use a mixture of short term facilities (which generally have lower credit margins) as well as longer term facilities to achieve an effective borrowing mix, balancing the requirements of liquidity and cost.

The Council is prohibited from borrowing in a foreign currency.

The Manager Finance determines a borrowing strategy on a six monthly basis by evaluating the above parameters and known future capital projects within the Annual Plan and LTCCP as well as investigating the impact on borrowing parameters and limits as set out in Section (b) of this Policy. A key input of this process is evaluating the comparative merits of raising funds internally, through bank facilities or through the issuance of loan stock. The Director Corporate Services approves the borrowing strategy, which is then implemented by the Manager Finance. Where applicable, appropriate financial advice may also be sought.

(d) **Liquidity Risk Management**

Liquidity risk management refers to the timely availability of funds to the Council when needed, without incurring penalty costs.

The Council minimises its liquidity risk by:

- matching expenditure closely to its revenue streams and managing cashflow timing differences to its favour;
- maintaining its financial investments in liquid investments;

- ensuring where sinking funds or debt redemption reserves are maintained to repay borrowing, that these investments are held for maturities not exceeding the borrowing repayment date (see Section (h) of this policy);
- avoiding concentration of debt maturity dates (refer below).

To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond the Council's control, the Council ensures debt maturities are generally spread widely over a band of maturities. Specifically, the Council manages this by ensuring that:

- ***no more than 33% or \$10 million (whichever is the highest) of total debt³ is subject to refinancing in any financial year.***

(e) **Internal Borrowing**

The Council uses its reserves and external borrowing to internally fund new capital projects. The finance function is responsible for administering the Council's internal loan portfolio. Loans are set up within the portfolio based on planned loan funded capital projects as approved by the Council resolution as part of the Annual Plan and LTCCP.

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies as savings are created by eliminating the margin that would be owing through the Council separately investing and borrowing externally. In addition to external borrowing the following specific reserves are used for internal borrowing purposes:

- Special Fund Reserves
- Harbour Property Fund
- Sinking Funds
- Rate Account surpluses

³ Total debt in this context includes existing as well as known planned debt.

The following operational parameters apply in relation to the management of the Council's internal loan portfolio:

- The term of the internal loan is no greater than the original purpose of the reserve fund or external borrowing. Loans are repayable on demand.
- The Council seeks to match the interest rate profile (maturity and interest rate term) on its borrowing and investing activities to its internal borrowing activities. Any maturity mismatches are managed through available bank facilities.
- A notional internal loan is set up for all new capital projects and allocated to the activity centre incurring the expenditure.
- Principal amounts are repaid in instalments. Instalment amounts are agreed upon commencement of the loan and determined on a table mortgage basis. Instalments are repaid monthly.
- Interest is charged by the finance function to the activity centre on month end loan balances at an agreed rate, which is fixed for a twelve month period and reviewed annually. Interest is paid monthly. Interest received is allocated to the specific reserve or fund account.
- The Council has the ability to reset interest rates quarterly.
- The interest rate for internal borrowing is based on the Council's expected weighted average cost of funds and takes into account the following factors:
 - anticipated cost of new external borrowing over the next twelve months; and
 - anticipated rate of return over the next twelve months on surplus general funds, special fund reserves and the Harbour Property Fund.

The finance function uses the internal loan portfolio as an input into determining its external debt requirements. Where possible, the Council's reserves are used firstly to reduce external debt requirements, effectively reducing the Council's net interest cost.

All internal borrowing activities are consistent with the principles and parameters outlined throughout this Treasury Management Policy.

(f) **Interest Rate Risk Management**

Interest rate risk refers to the impact that movements in interest rates can have on the Council's cashflows, Annual Plan and LTCCP. The Council's borrowing gives rise to direct exposure to interest rate movements. Generally, given the long-term nature of the Council's assets, intergenerational factors and the Council's preference to avoid an adverse impact on rates, there is a tendency to have a higher percentage of long-term fixed rate or hedged borrowing.

Notwithstanding the Council's preference for fixed or hedged debt, it may be appropriate from time to time, depending on the Council's outlook on interest rates, to participate in a floating rate⁴ profile. The Council manages this through the following parameter:

- ***The Director Corporate Services can approve up to 40% (as recommended by the Manager Finance) of total existing and known forecast debt to have a floating rate profile. The Council approves any exposure beyond this level.***

Overall, the Manager Finance determines an interest rate risk management strategy on a six monthly basis by monitoring the interest rate markets and evaluating the underlying existing and known forecast borrowing amounts. The Council also considers available floating interest rates compared to fixed interest rate borrowing. The Director Corporate Services approves an appropriate interest rate strategy. Where applicable, appropriate financial advice may also be sought.

The Manager Finance implements the interest rate risk management strategy by:

⁴ Floating rate refers to any debt or risk management instrument where interest rates are reset on a frequency of 180 days or less.

- **using interest rate risk management instruments to convert fixed rate borrowing into floating rate borrowing; and floating rate borrowing into hedged borrowing**

The use of interest rate risk management instruments is approved by the Council. A current list of approved interest rate risk management instruments and definitions are included in Appendix III. Additions to and deletions from this list are recommended by the Director Corporate Services and approved by the Council. The Director Corporate Services has delegated authority to authorise the use of the Council approved interest rate risk management instruments on a case by case basis.

(g) **Security**

The Council generally does not offer assets other than a charge over rates or rates revenue as security for general borrowing programmes. This is offered through the Charge Document over the Council's rates. From time to time, with prior Council approval, security may be offered by providing a charge over one or more of the Council's specific assets. However, before securing borrowings over specified assets or rates revenue, the Council will consider both options and choose the option with the lowest overall cost of borrowing.

(h) **Repayment**

The Council repays borrowing from general funds, specific debt redemption reserves or sinking funds allocated to that borrowing. The Council ensures that sufficient funds are available for repayment of debt and other obligations at the time of maturity.

Where a loan is raised for a specific purpose and the funds are no longer required, the funds will be held in a special fund until the funds can be applied against a future borrowing.

(i) **Contingent Liabilities**

The Council, from time to time, provides financial guarantees to local organisations, groups or bodies for recreational and community purposes.

In determining whether a guarantee is to be approved, the Council considers the social benefits provided to the community and the following:

- the potential for loss of capital;
- where the Council assumes the asset in the case of default, the ongoing operating costs or completion costs of the asset; and
- the nature of the organisation including its management, financial stability, cashflow forecasts and membership.

The total combined amount that the Council can guarantee at any one time will not exceed 3% of the total rates levied in any one year.

Total loan guarantees held at any time shall be taken into account when calculating the Council's maximum borrowing limit.

Financial statements are received annually. Should the guarantee be called upon, the Council takes immediate steps to recover the money.

Investment Policy

(a) Investment Mix

An investment is an asset held by the Council which provides service potential or future economic benefit to the Council. The Council maintains investments in the following:

- equity investments
- property investments
- forestry investments
- financial investments

(b) General Policy

The Council's philosophy in the management of investments is to optimise returns in the long term while balancing risk and return considerations. The Council recognises that as a responsible public authority, any investments it does hold should be low risk, with a preference towards conservative investment policies, avoiding speculative investments. It also recognises that lower risk generally means lower returns.

The Council recognises its custodial responsibility and reviews the performance and purpose for all investments on, at least, an annual basis. The Director Corporate Services reports on all investments at the six-weekly meeting of the Council.

(c) Equity Investments

For historic reasons the Council holds equity investments in the NZ Local Government Insurance Corporation. This entity is now no longer used for insurance purposes. The Council also has a 50:50 joint equity venture with the crown (Ministry of Transport – Air Transport division) in the ownership of the Whakatane Airport. This is held for the strategic reasons of providing public access to emergency and scheduled air services in the East Bay of Plenty.

The Council controls the operation of the airport and the results of operations are consolidated on a line by line basis in the financial accounts. Income from the Council's equity investments, including dividends is included within general income. Proceeds from any

disposition of equity investments form part of general or special funds. Annual reports are received, with the Whakatane Airport accounts reviewed and adopted by the Council by 30 September each year.

Any disposition or acquisition of equity investments requires the Council approval.

(d) Property Investments

The Council owns harbour endowment land that is currently leased to commercial tenants. Historically there were strategic and commercial reasons for holding the land but the Council is considering the option of permitting purchase by leaseholders of a limited proportion of these properties. Other small land and property holdings are also owned. The Council reviews the performance of its property investments on an annual basis to ensure the benefits of continued ownership are consistent with its stated objectives.

All rental income of the harbour endowment land is included within the Harbour Activity Account. Other income is taken to general funds or a specific reserve. Any property that is disposed of or acquired requires the Council approval.

Proceeds from the disposition of endowment land is transferred to the Harbour Property Fund.

Management reports are completed annually with the Council reporting the property value in the Annual Plan and LTCCP.

(e) Forestry Investments

The Council owns forestry assets, which are held as a long-term commercial investment to extract the best return on the land. The Council has resolved to replant land upon harvest.

Income is transferred (or credited) to general funds. Any disposition or acquisition of forestry investments requires the Council approval, with proceeds included in general funds.

A valuation of these assets is carried out every three years with forestry values reported in the Annual Plan and LTCCP.

(f) **Financial Investments**

The Council maintains financial investments for the following primary reasons:

- invest surplus cash and working capital funds (refer Section 4)
- invest amounts allocated to general and specific reserves, debt redemption reserves and sinking funds
- invest Harbour Property Fund sale proceeds (refer Section (g) of this policy).

General and specific reserves, debt redemption reserves and sinking funds are invested in term investments or internally lent to activity centres. The Council allocates funds between those investments that emphasise capital protection and regular interest payments.

Normally, financial investments are held to maturity date. In the unusual circumstance where investments are liquidated prior to maturity, approval is obtained from the Council. Proceeds from the disposition of financial investments are used in accordance with the terms of the original purpose of the reserve or fund, or in accordance with a resolution of the Council.

Interest income from financial investments is credited to general funds, except for income from investments for specific reserves, debt redemption reserves, sinking funds and the Harbour Property Fund where interest is credited to the particular reserve or fund.

The Director Corporate Services has delegated authority to negotiate and authorise any financial investment transaction within the approved policy. The Director Corporate Services reviews financial investment performance through six-weekly reporting to the Council.

(i) **Financial Investment Objectives**

The Council's primary objective when investing is the protection of its investment to minimise the risk of loss. Accordingly, only creditworthy counter-parties are acceptable. Creditworthy counter-parties are selected on the basis of their current Standard and Poors (S&P) rating that must be Strong or better. Credit ratings are monitored on a six monthly basis by the Manager Finance from updated S&P advices.

Within its credit constraints the Council also seeks, in order of priority, to:

- ensure investments are liquid and sufficiently negotiable
- diversify the mix of financial investments
- optimise investment return
- manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity

The following principles capture the objectives outlined above and form the key assumptions of the operating parameters contained in Counter-party Exposure Limits:

- ***Credit risk is minimised by placing maximum limits for each broad class of non government issuer and by limiting investments to local authorities, registered banks, state owned enterprises (SOE) and corporates within prescribed limits.***
- ***Liquidity risk is minimised by ensuring that all investments are capable of being liquidated in a readily available secondary market. The Council's investment portfolio is structured to provide sufficient funds to meet the Council's obligations as they fall due.***

(ii) **Approved Investment Instruments**

Within the constraints of the Counter-party Exposure Limits, the Council invests in the following instruments:

- government securities
- registered bank investments
- approved corporate, local authority and SOE securities

A full list of approved instruments and their definitions are contained within Appendix III.

The Manager Finance determines an investment strategy on a six monthly basis by evaluating the parameters within Section (f) of the Investment policy and the Counter-Party Exposure Limits, given existing and known forecast investment amounts and liquidity requirements. The Director Corporate Services approves the investment strategy, which is then implemented by the Manager Finance. Where applicable, appropriate financial advice may also be sought.

(iii) **Interest Rate Risk Management**

The Council's investments give rise to a direct exposure to a change in interest rates, impacting the return and potentially the capital value of its investments.

A key part in the management of the Council's financial investments is the formulation of an interest rate strategy. On a six monthly basis, the Manager Finance reviews the LTCCP and/or Annual Plan for approved expenditure and strategic initiatives, evaluates the outlook for interest rates and the shape of the yield curve in recommending an interest rate strategy to the Director Corporate Services for approval. Where applicable, appropriate financial advice may also be sought.

Once approved, the Director Corporate Services implements the interest rate risk management strategy by:

- **Using risk management instruments to protect investment returns and to change the interest rate profile**

The use of interest rate risk management instruments is approved by the Council. A current list of approved interest rate risk management instruments and definitions are included in Appendix III. Additions to and deletions from this list are recommended by the Director Corporate Services and approved by the Council. The Director Corporate Services has delegated authority to authorise the use of the Council approved interest rate risk management instruments on a case by case basis.

(g) **Harbour Property Fund**

The Council holds proceeds from the sale of harbour property land in a separate fund for the long-term benefit, management and development of the Whakatane port, Port Ohope and associated lands. The fund is considered separately from other financial investments discussed in Section (h) of the Investment Policy.

The fund's investment objectives are to:

- preserve the capital value of the fund
- maintain the real capital value of the fund with regard to inflation
- invest in instruments that provide a constant income stream

Specific investment policies relating to the fund are:

- the inflation adjusted capital value of the fund will not be withdrawn
- the fund's capital value is preserved and funded from interest income on a quarterly basis by reference to the change in Statistics New Zealand "All Group Consumer Price Index". Any excess revenue is used to specifically fund harbour development
- the Council prefers fixed interest investments with regular interest payments

The operating parameters for the fund are:

- **investments are held in investment grade issuers or internally lent to activity centres. Investment grade refers to issuers that have a Standard and Poors credit rating of at least A2 (short term) and BBB+ (long-term) or better. An appropriate level of diversification across instruments is encouraged**
- **investments are spread amongst a number of issuers with no more than NZD1mio of investments held with any one issuer**
- **investments are held in negotiable instruments and can be readily bought and sold in a secondary market**
- **no instrument has a maturity of more than five years**

The investment and interest rate strategy is determined by reference to Section (h) of the Investment Policy.

(h) **Sinking Funds**

The Council is not required to use specific funding mechanisms but may choose to establish sinking funds or specific debt redemption reserves for new borrowings. Existing sinking funds are managed by the appointed commissioners in a manner consistent with the Council's general investment policy.

A statement of sinking funds is prepared annually by the sinking fund commissioners.

Cash Management

The finance function is responsible for managing the Council's short-term liquidity requirements.

As part of the annual planning process the Council prepares a cashflow forecast report for the upcoming financial year. The cashflow forecast is used for comparing forecast vs actual results during the year. The Council maintains one main bank account for its operating cashflows.

The Council manages its cash management balances by matching expenditure closely to its rates and revenue streams and maturity of reserves whilst managing cashflow timing differences to its favour. Additionally, the Expenditure Accountant consults all activity managers to determine timing of cashflows for all capital projects. Cashflows are managed to ensure all funds are available to meet commitments.

The Council's transactional banker supplies daily bank balances to the Expenditure Accountant. Daily cash requirements or surpluses are determined. Generally cashflow surpluses from timing differences are available for periods less than 180 days.

Bank reconciliations are completed monthly by the Expenditure Accountant. The monthly, bank reconciliation, summary of special fund balances and list of all bank investments are reported to the Council.

Cash management activities are undertaken within the following parameters:

- **An optimal daily range of close to zero is targeted in the Council's main bank account.**
- **Cashflow surpluses are placed in bank call deposits, term deposits and bank registered certificates of deposits. Amounts are invested within limits specified in the Counter-party Exposure Limits.**
- **To manage short-term deficits, the Council has a committed bank overdraft facility with a limit of \$200,000.**
- **The use of interest rate risk management instruments on cash management balances is not permitted.**

Counter-Party Exposure Limits

The Council ensures that all investment and interest rate risk management activity is undertaken with institutions that are of a high quality credit to ensure amounts owing to the Council are paid fully and on due date. Default or credit risk is minimised through a combination of portfolio diversification and selection of quality investments.

More specifically, the Council minimises its credit exposure by:

- transacting with entities that have a Strong or better S&P credit rating
- limiting total exposure to prescribed amounts and portfolio limits
- monthly monitoring of compliance against set limits

The following table summarises credit requirements and limits:

Institution	Minimum S&P Short Term ⁵ Credit Rating	Minimum S&P Long Term ⁶ Credit Rating	Total Exposure Limit for each Counter party	Portfolio Limit (% of Total Portfolio)
Government	A1+	AA+	unlimited	100%
Registered Bank	A1	A+	\$5 million	70%
<ul style="list-style-type: none"> • on balance sheet exposures • off balance sheet exposures 	A1	A+	\$5 million	
Strongly rated Corporates, Local Authorities and SOE's (on balance sheet exposures only)	A1	A+	\$1 million	30%

⁵ Short term refers to securities with a remaining maturity of 12 months or less

⁶ Long term refers to securities with a remaining maturity of greater than 12 months

The Director Corporate Services reports on all investments at the six-weekly meeting of the Council.

The Council approval is required for any alterations to these limits. If any counter-party's credit rating falls below the minimum specified in the above table, all practical steps are taken to reduce the credit exposure to that counter-party to zero as soon as possible.

Exposures to each counter-party are computed as follows:

On balance sheet

- total amounts invested with that counter-party.

Off balance sheet

- credit exposure on interest rate contracts is computed by multiplying the face value of outstanding transactions by an interest rate movement factor of 5%.

Reports

Report Name	Frequency	Prepared by	Recipient
Treasury Report	Monthly	Director Corporate Services	Council
Strategy Papers	Semi-annual	Manager Finance	Director Corporate Services
- borrowing			
- investment			
- interest rate			
Annual Report	Annually	Manager Finance Director Corporate Services	Chief Executive Council
Statement of Sinking Funds	Annually	Manager Finance Director Corporate Services	Chief Executive Council

Six weekly meetings of the Council are held to review and discuss all treasury activity.

Delegated Authorities

Activity	Responsibility
Approve policy document	Council
Alter policy document	Council
Open and close bank accounts	Council
Acquisition and disposition of investments other than financial investments	Council
Approval of borrowing programme for the year	Council
Approval for charging assets as security over borrowing	Council
Approve new loans in accordance with the Council general resolution	Director Corporate Services
Transfers of stock/register new debt issues	Seal register signatories
Approved cheque and electronic banking signatories	Director Corporate Services
Borrowing management activity	Director Corporate Services
Investment management activity	Director Corporate Services
Interest rate risk management activity	Director Corporate Services
Approve interest rate risk management instruments contained in Appendix III and subsequent additions and deletions	Council

Performance Measurement

Measuring the effectiveness of the Council's treasury activities is achieved through a mixture of subjective and objective measures. The predominant subjective measure is the overall quality of treasury management information. The Council has prime responsibility for determining this overall quality. Objective measures are as follows:

(a) Borrowing Management

- adherence to policy and in particular the borrowing limits outlined in Section (b) of the Borrowing Policy
- comparison of actual monthly and year to date interest costs compared to budgeted borrowing costs
- comparison of monthly borrowing with budgeted borrowing

(b) Investment Management

- adherence to policy and in particular the counter-party and portfolio limits outlined in the Cash Management Statement.

These benchmarks are reported to the six weekly Council meetings.

Key Internal Controls

The Council's systems of internal controls over borrowing, investment and interest rate activity include:

- Adequate segregation of duties among core borrowing, investment and interest rate functions of deal execution, confirmation, settling and accounting/reporting. There are a small number of people involved in treasury management activity. Accordingly strict segregation of duties is not always achievable. The risk from this will be minimised by the following processes:
 - a documented discretionary approval process for treasury activity.
 - monthly management reporting to the Council.
 - regular operational risk control reviews by the Council's external auditors
- Organisational, systems, procedural and reconciliation controls to ensure:
 - all treasury activity is bona fide and properly authorised.
 - checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely.

More specifically, key internal controls are as follows:

(a) General

(i) Organisational Controls

- The Director Corporate Services has responsibility for establishing appropriate structures, procedures and controls to support borrowing, investment and interest rate activity.
- All borrowing, investment, cash management and risk management activity is undertaken in accordance with approved delegations authorised by the Council.

(ii) Cheque/Electronic Banking Signatories

- Positions approved by the Council as per register.
- Dual signatures are required for all cheques and electronic transfers.

(iii) Authorised Personnel

- All counter parties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

(iv) Recording of Deals

- All treasury transactions are entered into the treasury spreadsheet by the deal originator.
- The Expenditure Accountant completes an investment deal ticket for all investments transacted. This is supported by the investment approval form that details the amount and percentage of funds already invested with each bank, the amount invested, the term, the quoted investment rate from each bank, the date and time obtained from the bank and the person who provided the quote. The bank borrowing, loan stock or interest rate risk management deal ticket is completed by the Manager Finance.
- The investment deal ticket is approved per the delegations register and in compliance with Councils investment policy. The investment delegations are for either the Director Corporate Services or the Manager Finance, in conjunction with a staff member with cheque-signing authority to approve investments. In the absence of the Manager Finance, the Finance Accountant can approve investments in conjunction with a staff member with cheque signing authority.

- The bank borrowing, loan stock and interest rate risk management deal ticket is approved by the Director Corporate Services.

(v) **Confirmations**

- The deal ticket is checked against the bank confirmation by a person separate from the deal originator.
- Deals, once confirmed are filed with the deal ticket attached to the bank confirmation.
- The Director Corporate Services signs off any discrepancies arising during deal confirmation checks that require amendment to the Council records.

(vi) **Settlement**

- All investments are to be settled by repayment into the Council's bank account. The bank has a direct debit authority over the Council's bank account

(vii) **Reconciliations**

- Bank reconciliations are completed monthly by the Expenditure Accountant.
- Each month's bank reconciliation and schedule of borrowing, investments and interest rate activity is reported to the Council.

(b) **Borrowing**

In addition to the controls listed above, the following controls apply to borrowing:

- Borrowing activity is undertaken within borrowing limits specified in the Borrowing Policy.
- All borrowing is undertaken by private placement or by using competitive bidding processes.

(c) **Investments**

In addition to the controls listed in the key internal controls, the following controls apply to investments:

- Investment activity is undertaken within limits specified in the Investment Policy.
- NZ Government stock, borrowing and investment bills, local authority stock and debentures are registered with the Reserve Bank of New Zealand. The Council receives notice of the stocks transferred into its name from the Reserve Bank of New Zealand. This notice is checked to the Council's treasury spreadsheet.

(d) **Incidental Arrangements (Interest Risk Management Instruments)**

In addition to the key internal controls listed, the following controls apply to incidental arrangements:

- The use of incidental arrangements is confined to managing interest rate risk of the Council borrowings and investments and is to be within the confines of the parameters and instruments specified in the Borrowing and Investment Policies.
- Standard master agreements for incidental arrangements are completed by the Council with its relationship banks.

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APPROVED BORROWING MECHANISMS (APPENDIX I)

1.0 Bank Borrowing

1.1 Overdraft

Overdraft facilities are calculated on a simple interest basis with interest calculated daily and paid in arrears. Overdraft facilities are usually for a term of up to one year and are priced off the bank's indicator rate. Most organisations use these facilities to borrow on an overnight basis.

The lending bank sets the indicator rate (which includes a credit margin) at the time of negotiating the facility along with a line fee (expressed in basis points or percentage points per annum). This rate is usually set for the term of the facility.

1.2 Committed Bank Facilities

Committed bank facilities are calculated on a simple interest basis with interest paid in arrears (at the end of the borrowing period). Committed bank facilities are usually for a term of up to three years but may be for as long as five years. Most facilities allow for the borrower to draw up to the facility limit in various short term, 90 day tranches.

The lending bank sets the bank bill bid market settlement (BKBM Bid) rate at the time of lending along with the line fee (expressed in basis points or percentage per annum) and credit margin. This rate generally re-prices on a 90 day basis.

2.0 Local Authority Stock

Local authority stock is registered and issued via tender or private placement to a range of investors. Stock is usually issued for maturities ranging from one to ten years. Normally a fixed coupon payment, determined at the outset, is made semi annually to the holder of the security. A 90 day floating interest rate may also be determined. The stock is registered at the Reserve Bank of New Zealand (RBNZ).

Private placement generally provides better rates for the Council as the relationship bank approaches their investor base for interest and both the Council and the investor are assured of anonymity. The relationship bank completes the documentation required. With a tender situation, the issuing the Council must provide an invitation to tender, an information memorandum, bid forms and a covering letter to all participants. The tender is widely advertised and market bids are obtained.

APPROVED FINANCIAL INVESTMENT INSTRUMENTS (APPENDIX II)**1.0 New Zealand Government****1.1 Treasury Bills**

Treasury bills are registered securities issued by the RBNZ on behalf of the government. They are usually available for terms of up to a year, with 90 day and 180 day terms generally preferred by investors. They are discounted instruments and are negotiable in the secondary market, which provides liquidity of a limited nature.

1.2 Government Stock

Government stocks are registered securities issued by the RBNZ on behalf of the government. They are available for terms ranging from one to twelve year maturities. Government stock have fixed coupon (interest) payments every six months. They are quoted on a semi annual yield basis and are priced on a discounted cashflow basis. They are readily negotiable in a very liquid secondary market.

2.0 Registered Banks**2.1 Call and Term Deposits**

Call and term deposits are funds accepted by the bank on an overnight basis (call) or for a fixed term. Interest is usually calculated on a simple interest basis. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments and termination prior to maturity date can often involve penalty interest costs.

2.2 Registered Certificates of Deposit (RCD)

RCDs are securities issued by banks for their funding needs or to meet investor demand. They are registered at the RBNZ or held 'on behalf of' by the dealing bank. Details of registration include the name of the investor, face value and maturity date. Ownership can be transferred by electronic transfer only. RCDs are priced on a yield basis and issued at a discount to face value or on a grossed up basis. They are generally preferred over term deposits because investors can sell them prior to maturity without suffering the penalty interest costs common to term deposits.

3.0 Corporates**3.1 Promissory Notes (also known as Commercial Paper)**

Promissory notes are issued by borrowers who usually have a credit rating and standing in the market that is sufficient to enable the notes to be issued without endorsement or acceptance by a bank. The notes are usually underwritten by financial institutions to ensure the borrower can obtain the desired amount of funds. Promissory notes are issued with maturities ranging from 7 days to over one year. The common maturities are for 30 and 90 days. The face value of the note is repaid, in full, to the investor on maturity.

3.2 Corporate Bonds

Corporate bonds are usually issued by companies, banks, local authorities and SOEs with strong credit ratings. These bonds are registered securities. There are two types of bond, the medium term note (MTN) and the floating rate note (FRN). The MTN has a fixed coupon payment that is paid semi annually to the holder of the security. They are priced on a semi annual yield basis and are issued at a discount/premium to face value. The interest on the FRN is set on a floating rate basis, usually off the 90 day BKBM bid rate. Corporate bonds are negotiable and can be bought and sold in the secondary market.

**APPROVED INTEREST RATE RISK MANAGEMENT INSTRUMENTS
(APPENDIX III)**

Borrowing

The following interest rate risk management instruments approved for use, consistent with the Borrowing Policy are as follows:

- fixing through physical borrowing instruments – bank term loan, loan stock
- floating through physical borrowing instruments – bank borrowing, floating loan stock
- forward rate agreements
- interest rate swaps
- purchase of interest rate option products including caps
- interest rate collar type option strategies (one to one basis only)

Investment

The following interest rate risk management instruments approved for use, consistent with the Investment Policy are as follows:

- fixing through physical investment instruments – term deposits, bonds
- floating through physical investment instruments – call deposits, promissory notes
- forward rate agreements
- interest rate swaps
- purchase of interest rate option products including floors
- interest rate collar type option strategies (one to one basis only)

The following interest rate risk management instruments are **not permitted** for use:

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

- Structured or leveraged interest rate option strategies where there is any possibility of the Council's total interest expense (income) increasing (decreasing) in a declining (increasing) interest rate market or where the Council's total interest cost (income) is increasing (declining) faster than the general market rate.
- Interest rate futures contracts, mainly for administrative ease.

Definitions

BKBM

The bank bill mid market settlement rate as determined at 10.45am each business day on Reuters page BKBM. This is the standard rate for the settlement of interest rate swaps, forward rate agreements and interest rate caps, floors and collars.

Bond Options

The Council when purchasing a bond option, has the right but not the obligation to buy or sell a specified government stock maturity on an agreed date and time and at an agreed rate.

This product is used where either there is some uncertainty in the underlying debt exposure or the outlook for interest rates is favourable but the policy requires some form of protection.

Forward Rate Agreement

An agreement between the Council and a counter-party (usually a bank) protecting the Council against a future adverse interest rate movement for a specified period of time. The Council and the counter-party agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). This definition includes the bond forward rate agreement where the benchmark is the underlying government bond yield.

This product is particularly useful where the underlying debt exposure is certain and the Council's dominant view is that yields will rise above current levels.

Interest Rate Collar Strategy

The combined purchase (or sale) of a cap or floor with the sale (or purchase) of another floor or cap. This can be a zero premium cost strategy. See Interest Rate Options below for further details.

This product can be used by both an investor and a borrower. From a borrower's perspective, this product is transacted to provide a limited amount of participation in a downward movement in interest rates to an agreed strike rate. If interest rates continue to move downwards, the Council cannot participate in any movement beyond the strike rate. If interest rates move in an unfavourable direction (upwards) then the

predetermined strike rate provides certainty through a known worst case rate.

For an investor, the collar allows some participation in an increase in rates and provides a worst case rate if interest rates decline.

Interest Rate Options

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right but not the obligation to borrow (described as a cap) or invest (described as a floor) at the future date for a specified period. The Council and the counter-party agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). Interest rate option products include caps, floors and bond options.

From a borrower's perspective, these products offer the Council maximum flexibility and protect the Council from a rise in rates but allow full participation in a fall in rates. When used by an investor, this product protects the Council from a decline in interest rates and allows full participation in rising rates.

This product is used where either there is some uncertainty in the underlying exposure or the outlook for interest rates is favourable but the policy requires some form of protection.

Interest Rate Swap

An interest rate swap is an agreement between the Council and a counter-party (usually a bank) whereby the Council pays (or receives) a fixed interest rate and receives (or pays) a floating interest rate. The parties to the contract agree the notional principal amount, start date of the contract, term, fixed interest rate and the benchmark rate (usually BKBM).

This product is particularly useful where the underlying debt exposure is certain and the Council's dominant view is that interest rates will rise above current levels. As an investor, the swap is used when the dominant view is that rates will fall from current levels.

DEVELOPMENT CONTRIBUTIONS POLICY

1.0 Introduction

This new policy has been developed by the Council to set out what financial contributions will be required by the Council when development occurs.

Note: This policy will replace many of the provisions that were proposed for inclusion in the Whakatane District Plan.

Under the Local Government Act 2002, the Council is required to have a policy on development contributions as part of its funding and financial policies in its LTCCP. Development contributions may be required from development if the Council has a development contributions policy in place.

Policies relating to development contributions are controlled by the Local Government Act 2002 (“LGA”). The LGA creates a new framework for managing the costs of growth (s106 LGA).

The Council has recently prepared Variation 3 to the Proposed Whakatane District Plan. This is a financial contributions policy under the Resource Management Act 1991. Despite having prepared this variation, the Council is still required to prepare a policy on development contributions under the LGA. The Council considers that by reviewing Variation 3 in terms of the LGA it can establish a more comprehensive and fair policy.

Development contributions taken by the Council under the LTCCP relate directly to the assumed cost of development on current and future infrastructure networks. The existing contributions taken by the Council for sub-division at a site and immediate neighbourhood basis will still apply since these charges relate to local effects only.

2.0 Purpose

The purpose of the Whakatane Development Contributions Policy (“the policy”) is to enable the collection of contributions from developers for network infrastructure, community infrastructure and reserves (these terms are defined in Appendix B).

The policy will apply to developments where applications for resource consent (land use and subdivision consents), building consents, or authorisations for service connection are received:

- After the 30 June 2004; or
- After the 31 December 2004, if the application for resource or building consent, including any service connections, is for the first household unit on a certificate of title; or
- The date the LTCCP is adopted,

which ever is the later date.

The policy is not intended to apply retrospectively as provided by the Local Government Act 2002 to developments where applications for resource or building consents or service authorisations have already been received or granted by the Council before the implementation date of the policy.

However, a contribution is payable at a later stage of the development, whether it be an application for resource consent, building consent or service connection, if an earlier application for a resource consent, building consent or service connection was received or granted prior to the implementation date of this policy. For example, an application for resource consent for a commercial development received prior to 1 July 2004 will not be assessed under this policy, but a building consent for the development received after 1 July 2004 will be assessed and a contribution is payable.

The Council may require contributions from development where the effect, including the cumulative effect of development, is to require new or additional assets or assets of increased capacity and, as a consequence, the Council incurs capital expenditure. This also includes capital expenditure the Council has already incurred in anticipation of growth. This

capital expenditure must be to provide for community facilities, which are specifically in the case of Whakatane District, network infrastructure, community infrastructure and reserves.

Funding the Council's capital expenditure for growth with development contributions must be considered alongside the Council's other funding tools, in order to provide certainty about the sources and levels of funding.

See also section 7.0 of this policy for further explanation of when the policy will apply.

3.0 Background

The Whakatane urban and adjacent coastal areas are currently undergoing a surge in development and investment. The district continues to grow as land is developed and subdivided. This is part of a trend both internationally and in particular in Australia and New Zealand, for people to seek a lifestyle near the coast or near any significant areas of water. During the last two years there has been a dramatic increase in coastal related subdivision in New Zealand.

The opportunity for investment and the growth potential of the area is being increasingly recognised and taken advantage of by investors from within and outside the area.

The number of building consents for dwellings in the Whakatane District issued in 2000 was 120; in 2003 this figure was 182. Revised 2004 estimates for potential residential dwellings in the main urban centres indicates that there are currently 288 sites in the Whakatane urban area, 245 in Ohope and 633 in Coastlands/Piripai, that are either vacant, proposed residential land or have infill potential. These figures show that there is future capacity within the Whakatane urban area, Ohope and Coastlands/Piripai for further residential development, although the demand for residential sites may be higher than the available land area for Whakatane urban area and Ohope over a sustained 10-year period.

There is also market pressure to re-develop the downtown harbour endowment land in Whakatane for commercial and residential use.

The continued development of apartment complexes and more intensive forms of residential development at Ohope and in the Whakatane urban

area, and potentially at Coastlands/Piripai will provide a greater density of accommodation units to be constructed. The figures above do not include the potential redevelopment of existing sites for higher density residential development.

There continues to be a demand for rural residential lots in many rural areas of the District. There has been an average of 56 building consents per year issued for new dwellings in rural areas and rural settlements over the last four years.

In business areas, 13 new commercial and 5 new industrial developments are created each year (based on building consents issued over the last four years). These developments vary widely in terms of size and demand for services. There is a demand for larger floor retailing in Whakatane.

The Whakatane District Council is planning to manage this growth, as the Council does not envisage it reducing into the future.

The use of land for housing, visitor accommodation or large business activities can put pressure on existing services, community infrastructure, roads, Whakatane town centre car parking and reserves. These services and reserves need to be upgraded as the district grows.

The existing Financial Contributions Policy does not take into account the need for capital expenditure as a result of growth. It is for this reason that the Council has made the decision to establish a Development Contributions Policy. The Resource Management Act 1991 restricts the use of financial contributions to the mitigation of environmental effects.

4.0 Development Contributions and Financial Contributions

Development Contributions under the LGA are different from Financial Contributions under the Resource Management Act 1991.

Councils require development contributions from development to meet the capital expenditure for community facilities resulting from growth, whereas Councils take financial contributions from development primarily in order to avoid, remedy, or mitigate the adverse effects of development activities on the environment.

The Council has in place financial contributions policies, objectives and rules in the District Plan. Changes to this policy have been notified by way of Variation 3 to the Proposed Whakatane District Plan. (*Refer Whakatane Proposed District Plan: Variation 3 (Financial Contributions) – Notified 14 February 2003*).

The current Financial Contributions Policy allows the Council to take financial contributions from any new development under the District Plan to avoid, remedy, or mitigate the localised adverse effects of development activities on the environment, for the following:

- Reserves
- Utility services
- Public car parking

Variation 3 proposes to allow the Council to take financial contributions for the following:

- Water, sewerage and stormwater services
- Rooding
- Reserve development
- Ecological enhancement
- Public car-parking areas

While the Council's Financial Contributions Policy is consistent with the purpose and principles of the RMA, it has a narrower scope and different focus than development contributions under the LGA.

The financial contributions policies, objectives, and rules in the Proposed District Plan do not meet the Council's new funding and financial policy obligations with regard to the funding of capital expenditure for growth under the LGA.

The Council considers that the preparation of a Development Contributions Policy will fulfil both its growth management and funding and financial policy obligations more comprehensively than Variation 3 to the Proposed Whakatane District Plan.

Development Contributions will be required from development under the Policy to meet the growth component of the capital expenditure for

community facilities, that is, network infrastructure, community infrastructure and reserves, specifically the following:

- Water
- Stormwater
- Wastewater
- Solid waste
- Rooding
- Community infrastructure
- Reserves
- Whakatane town centre car parking

The facilities to be funded fall into the following categories specified in the LGA:

- Network Infrastructure: water, stormwater, wastewater, rooding
- Community Infrastructure: solid waste, community infrastructure, Whakatane town centre car parking
- Reserves

Most of the Council's Financial Contributions Policy will be withdrawn once this Development Contributions Policy becomes operative. It will not and cannot be used to double take Development Contributions collected under the LGA.

Variation 3, as it relates to Esplanade Reserves and site-specific car parking, will remain part of the District Plan. The Development Contributions regime does not cover esplanade reserves so this section of the Financial Contributions Policy is required to remain in place.

On site car parking is difficult to cover under development contributions because of the uncertainties surrounding future capital expenditure. Because it is not possible to estimate with any accuracy ahead of the payment, the Council considers that the most practical way of taking cash-in-lieu of car parking is to administer the Proposed District Plan provisions contained within Variation 3. Requests for cash-in-lieu of car parking are sporadic in both time and location. Development contributions will be taken for Whakatane town centre car parking (i.e. the provision of larger car parks in the Whakatane Town Centre for the whole district).

5.0 Capital Expenditure for Community Facilities

Development contributions will only be required to meet the additional capacity / growth components of capital works projects, with the Council funding the improved level of service to existing developed areas from other sources.

The Council will spend all collected contributions on the asset classes from which they are collected. Whakatane District is divided into six rating areas. Development contributions for solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking will be taken on a district-wide basis. However, once collected they will be distributed according to the area or catchment that they were derived from if necessary.

The table below summarises:

- The total estimated capital expenditure to meet increased demand for community facilities resulting from growth over the next 10 years; and
- The proportion of total estimated capital expenditure to meet increased demand for community facilities resulting from growth which will be funded from development contributions and other funding sources over the next 10 years.

10-year estimated total capital expenditure and funding for growth

Community Facility	Total Cost Of Capital Works Projects	Other Sources Of Funding	Total Improved Level Of Service Component	Total Growth Component (Funded By Development Contributions)
Water	\$9,604,900	N/A	\$8,233,500	\$1,371,400
Stormwater	\$1,936,000	N/A	\$1,506,750	\$429,250
Wastewater	\$6,054,000	\$1,275,000 ⁷	\$3,823,000	\$956,000
Solid Waste	\$2,300,000	N/A	\$2,070,000	\$230,000
Roading	\$12,937,000	\$3,422,000 ⁸	\$6,113,700	\$3,401,300
Community Infrastructure	\$8,791,000	N/A	\$5,688,900	\$3,102,100
Reserves ⁹	\$5,227,000	N/A	\$1,537,000	\$3,690,000
Whakatane Town Centre Car Parking	\$1,475,000	N/A	\$295,000	\$1,180,000
TOTAL	\$48,324,900	\$4,697,000	\$29,267,850	\$14,360,050

Capital expenditure for reserves includes acquiring open space and development on existing reserves (e.g. walkways and landscaping).

It is the intention of the Council to update the Development Contributions Policy to take account of:

- Any changes to the significant assumptions to the Development Contributions Policy (refer 14.0).
- Any changes in policy as the Council deals with growth issues.
- Any changes in the capital works programme for growth.
- Changes in the estimate of total units of demand expected over a 10-year period.

⁷ Funding assumed from the Central Government Sanitary Works Subsidy Scheme

⁸ Funding assumed from Transfund

⁹ In addition, subdivisions fronting a waterway may also have to provide an esplanade reserve or strip under the Proposed Whakatane District Plan.

- Any changes in the pattern and distribution of development in the District.
- The regular reviews of the Funding and Financial Policy, and the LTCCP.

The capital expenditure costs are based on the best available knowledge at the time of preparation of this policy and largely represent a “rough order of costs” rather than specific estimates. These will be refined in subsequent years as in some cases policies become clearer and in others there is an improved knowledge of an asset. In most cases a percentage estimate of what is growth related costs has been used to determine the capital expenditure required for growth.

In the case of water, stormwater and wastewater, the capital expenditure figures are based on the best available information that the Council has at this time. A programme is in place to complete modelling work for these facilities. Once this has been completed more accurate predictions will be available.

6.0 Community Outcomes

The LTCCP identifies and details seven community outcomes for the Whakatane District. The categories of community outcomes are:

- Community
- Natural Environment
- Built Environment
- Health
- Safety
- Education
- Prosperity

Within these categories are a number of aims that the funding of capital expenditure for growth from development contributions will primarily contribute towards. The relevant portions (ie the community outcomes that relate to development contributions) are set out below.

Community

A supportive community will be achieved because:

- The important place and role of the Tangata Whenua of the District and the value of Māori culture has been recognised, is valued and supported.
- The heritage of our District is valued and protected.

Natural Environment

Our natural environment will be both valued and sustainable because:

- Issues that may adversely impact on the natural environment have been systematically addressed.
- Natural resources are managed to allow their use by future generations.
- People are able to access, experience and enjoy the natural environment.

Built Environment

The District’s built environment will be of a high quality because:

- Planning processes are in place to foresee and manage change using sustainability principles.
- Sustainable growth is planned within the context of serviceability, and the natural features, lifestyle and character valued by our communities.
- Activities minimise adverse impacts on the environment.
- Processes are in place which recognise the pressure and demand to develop by the coast.
- Infrastructure development is planned to support sustainable growth.
- Efficient, effective and high quality transportation and communication networks exist within the District and link with other strategic places outside the District.

Health

Residents of our District will have good health because:

- People enjoy a healthy and active lifestyle.
- Services are provided to promote, support and improve overall health and wellbeing.

Prosperity

Our District will be prosperous because:

- New businesses are investing in our District.
- Existing business are growing and developing.

The Council is concentrating its efforts and resources on these community outcomes and considers that this Development Contributions Policy, which will fund the growth component of community facilities, is the best funding and financial strategy to achieve these outcomes.

7.0 Distribution of Benefits

The Council considers it appropriate that development contributions are required from development on a district-wide basis in the funding of capital expenditure for growth for solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking, and on a catchment basis for water, stormwater and wastewater.

Where there is no benefit, for example no wastewater connection, no development contribution for that particular community facility will be required. For commercial and/or industrial development and subdivision for this purpose, the Council will limit the application of the policy to contributions towards network infrastructure, solid waste and Whakatane car-parking. No contribution for community infrastructure and reserves will be payable for commercial or industrial development, except where that development is for permanent and/or non-permanent accommodation.

Although development contributions will be taken generally on a district-wide basis for solid waste, roading, community infrastructure, reserves, and Whakatane town centre car parking, once collected they can be distributed according to the area or catchment that they were derived from.

The Council has allocated the additional capacity / growth component of capital works projects only among the units of demand generated by new development.

The Council sees roading as a district-wide network service. Growth related capital expenditure for roading is designed to reduce the effects of having more vehicles on the road. Part of the capital expenditure for roading is a direct result of growth. Development causes the need for growth related capital expenditure.

The Council runs a number of schemes across the district for water supply, stormwater and wastewater. Growth related capital expenditure improvements will generally have benefits mainly related to those people connected to that system. For this reason, development contributions for water, stormwater and wastewater are collected on the basis of catchments. Only those areas that will benefit are required to pay a development contribution.

Solid waste and Whakatane town centre car parking are of benefit to the whole district. They are facilities that are available for use by everyone. The Council considers that these facilities are a public good and that new development should contribute towards them.

The need for community infrastructure and reserves span generational needs. In general the community draws benefits from community infrastructure and reserves in relation to its lifecycle. For example use of reserves, swimming pools and indoor recreation centres in earlier years, a library throughout life, and lastly, a cemetery. Workers in commercial and industrial developments will generally benefit from community infrastructure and reserves outside working hours, during their leisure time. Therefore, the contribution towards this component of the policy will be sought at the time of residential development or commercial development that involves permanent or non-permanent accommodation.

In addition to the fact that community facilities are available to and benefit all of the community, issues of health, welfare and education are issues of general benefit.

8.0 Planning Timeframe

It is expected by the Council that the benefits of the capital works projects identified, some of which are already available to the District where community facilities have been built in anticipation of growth, will extend beyond the 10-year timeframe used, according to the life of the particular asset built.

The 10-year timeframe is the basis of capital expenditure forecasting information held by the Council.

9.0 Role of the Council

The Council considers its role in the provision of water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking as part of its historic, growth management, and sustainable development obligations to the District. Neither individuals, the community, the private sector or central Government can appropriately fulfil these roles.

The Council requires development contributions for the effect of development, including the cumulative effect, which requires the Council to incur capital expenditure to appropriately provide for new or additional water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking assets of increased capacity. This also includes capital expenditure the Council has already incurred in anticipation of growth.

- **Water**
The Council provides and maintains water supply to the urban settlements of Whakatane including Ohope, Edgumbe, Te Mahoe, Taneatua, Murupara, Matata, Waimana and Ruatoki. In addition there is a rural water supply scheme on the Plains, including Te Teko.
- **Stormwater**
The Council provides and maintains stormwater reticulation and catchment management systems for the disposal of stormwater in Whakatane and Ohope. Future contributions may be sought following modelling work in Coastlands/Piripai and Mill Road industrial areas.
- **Wastewater**
The Council provides wastewater schemes to the urban areas of Whakatane, including Ohope, Edgumbe, Taneatua, Te Mahoe and Murupara.
- **Solid Waste**
The Council provides refuse collection and disposal services, which includes recycling. A resource recycling centre and transfer station is proposed to better manage solid waste disposal in the District.

- **Roading**
The Council's role in roading is to provide a safe and cost effective network of roads to satisfy the current and future growth needs of road users. This includes the need for roading to form part of a safe and efficient regional and national system of transport.
- **Community Infrastructure**
The Council provides and maintains community infrastructure within the district such as sports facilities, community halls, and the museum and gallery.
- **Reserves**
The Council provides a range of reserves for district-wide and community-wide benefit including the provision of active and passive reserves as well as those that provide protection to significant ecological areas. Population growth that is anticipated largely in the urban areas will necessitate the development of new reserves and the provision of facilities on existing reserves.
- **Whakatane Town Centre Car-parking**
The Council provides car-parking within the Whakatane town centre for the whole community. This involves the construction of new car parks to meet increased demand.

The activities have been analysed and the reason the Council is engaged in each activity falls into one or more of the following definitions:

- **Legislative Requirement**
The Council has extensive powers, duties, and functions conferred upon it by central Government providing both mandatory and discretionary responsibilities.
- **Growth Management**
To manage the growth of the District in a timely, co-ordinated, cost-effective, and equitable manner. The Council also has a big role to play in anticipating the development drivers and trends within the district and also those occurring elsewhere that will have an effect on the district.

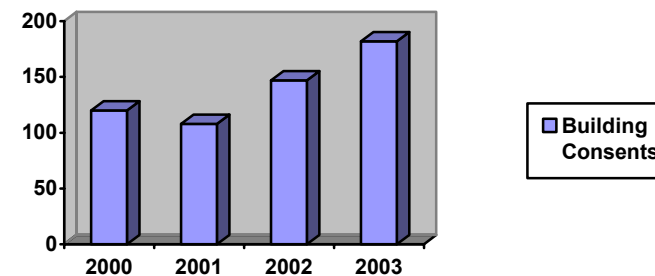
- **To Ensure Public Access**
These are activities the Council has chosen to fund and/or provide to ensure they are available at reasonable cost and in the required quantity.
- **To Meet Community Expectation**
Community expectation is measured through yearly Annual Plan processes and annual performance measures. These processes assist in the Council's decision-making in relation to the provision of individual services. Community expectation will also be given effect through the preparation and subsequent reviews of the inaugural LTCCP.
- **To Enhance Community Identity**
A 'sense of community' is strengthened by the provision of various recreational and community facilities.
- **As Part of Partnership with Central Government**
The Council is in partnership with central Government in various ways and there are situations where the Council has been able to assist at the local level.
- **No-one Else will Provide the Service**
These are activities where, if the Council were to stop providing a service, no alternative provider would appear.
- **To Enhance Community Safety**
Community safety applies to activities that relate to the protection of the community. In some instances there is a statutory responsibility to provide this service but the level of service is higher than the statutory minimum requirements.
- **Integration with other Regional and Sub-Regional Strategies**
Linkages with other strategies such as SmartGrowth (the Western Bay of Plenty sub-regional growth strategy), in particular the SmartGrowth Eastern Corridor Strategy, and the Regional Land Transport Strategy.

10.0 Costs, Benefits and Sustainable Development

The development that Whakatane and Ohope is experiencing will begin to place strain on the water, stormwater, wastewater, solid waste, roading, community infrastructure, reserve and Whakatane town centre car parking assets of the District if not well managed.

As illustrated in the following graph, the trend in the number of building consents has been steadily increasing, apart from a slight dip in 2001. The Council has also conducted an update on the Whakatane and Ohope Urban Residential Growth Strategy 2000. This update has found that the estimation of potential dwellings has increased in Ohope and Coastlands since the Growth Strategy was undertaken. Ohope has 245 potential dwellings, Coastlands/Piripai has 633 and Whakatane urban area has 288.

Building Consents Issued 2000 – 2003 (Whakatane District)



Coastal development continues to increase around New Zealand. With the significant growth currently being experienced in the Western Bay of Plenty, it is likely that some of this growth will find its way along the coast to Whakatane and the Eastern Bay of Plenty. The SmartGrowth Strategy has provided for a business park in Rangiuru, which may well have flow on effects for Whakatane.

The challenge is to put in place a transparent, consistent, and equitable basis for requiring contributions in order that those undertaking developments pay a fair share of the capital expenditure for water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking without inhibiting growth.

Those undertaking developments, the Council, and the community benefit from growth, and the cost of growth needs to be fairly balanced given the limited sources of funding available to the Council.

The overall impact of requiring development contributions on the current and future social, economic, environmental and cultural wellbeing of the community needs to be considered. If development contributions are not taken from developments, then either the Council will not be able to provide the necessary community facilities for new demand, or more revenue will need to come from rating. The latter scenario means that existing ratepayers carry the burden for new development. This situation will negatively impact on all aspects of wellbeing for the community.

The Council considers that requiring an appropriate level of development contributions from development applied alongside other funding tools, is the best overall solution in achieving community outcomes, while balancing the costs and benefits in terms of funding between the community, the Council, and those undertaking developments.

Providing appropriately for community facilities in anticipation of growth is a core Council obligation in the promotion of the social, economic and environmental well being of the community, for the present and for the future. As such, the Development Contributions Policy will provide predictability and certainty about the sources and levels of funding for the costs of growth, and continue to ensure the sustainable development of the District as a whole, without negatively impacting on growth.

11.0 Schedule to Development Contributions Policy

The following is the Schedule to the Development Contributions Policy that is required under sections 201(2) and 202 of the LGA. The Schedule specifies, in summary form where required:

- The requirement for development contributions.
- Statement on Goods and Services Tax.
- Explanation of units of demand.
- The event that will give rise to a requirement for a development contribution (resource consent, building consent or authorisation for service connection).

- The development contributions required from development for capital expenditure for growth for water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking.
- The basis on which the value of additional allotments or land is assessed for reserves.

11.1 Requirement for Development Contributions

Development contributions shall be required from new development in all areas of the District.

Development Contributions shall be required from new development in the form of money or land or both at the Council's discretion for capital expenditure for growth for water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking according to the calculation of development contributions specified in 11.5.

Development contributions taken by the Council under the LTCCP relate directly to the assumed cost of development on current and future infrastructure networks. The existing contributions taken by the Council for subdivision at a site and immediate neighbourhood basis will still apply since these charges relate to local effects only.

The requirement for a development contribution is subject to the credits and review procedure provided for in section 12.0.

The Council will generally reduce or waive a Development Contribution for development in areas where little growth is occurring, so as to not discourage development and subdivision in these areas. This will be implemented through the review process. The review process allows factors such as financial hardship and the rate of development in the area to be considered as reasons for reducing or waiving the development contribution that is payable. A review is more likely to be successful where the development is for residential housing. Each case will be considered on its merits. In general, a review is likely to be successful if the development is proposed in one of the following areas: Murupara, Minginui, Ruatahuna, Te Whaiti, Ruatoki Valley, Matahi Valley, Te Mahoe and Waiohau.

If a development can proceed without reticulation, then no development contribution will be charged for that particular community facility. For example, if there is no water connection and the development can proceed without this connection, then no development contribution for water will be required.

Development contributions for water and wastewater, as appropriate, will not be required where:

- The applicant is connecting to the Plains Rural Water Supply Scheme or the Ruatoki Water Supply Scheme, where separate connection charges apply; or
- There is no connection to the Council's water service and the development can proceed without this connection; or
- In addition to any requirement for on-site works, the applicant is required to complete or has elected to complete other off-site works to provide water and wastewater facilities to serve their development.

Generally, the maximum level of development contributions will be required on development over and above that existing at the time of an application, creating additional units of demand, as assessed by the Council according to 11.5.

Under this policy, development contributions will be assessed with the applicant before the lodgement of a resource consent, building consent or service connection application.

11.2 Statement on Goods and Services Tax (GST)

Development contributions required in the form of money are exclusive of Goods and Services Tax (GST).

11.3 Units of Demand

The Council has apportioned the cost of capital works projects between additional capacity / growth and improved level of service. The additional capacity / growth component of capital expenditure has been allocated to growth on the basis of units of demand generated by new development only.

The unit of demand over a 10-year period for each community facility has been determined by analysing data from the Whakatane and Ohope Urban Residential Growth Strategy (which was updated at the start of 2004). This information provides an estimate of potential dwellings, the basis of the unit of demand, in the Whakatane urban area, Coastlands and Ohope. For commercial and industrial development the unit of demand has been determined by using building consent data from the last four years and determining an average site area. The total units of demand for Whakatane over 10 years is a mix of:

- New buildings (residential and commercial/industrial)
- Infill potential (including the potential for an increase in density of residential development by the construction of apartment complexes and similar forms of higher density residential development);
- Land recently zoned for residential purposes that can be subdivided;
- Vacant lots that have been subdivided.

This data has provided the Council with an estimate of approximately 165 new household or commercial and industrial units each year, or 1650 over the period 2004/05 to 2014/15, for the whole district. This figure is only used for development contributions collected on a district-wide basis. It includes residential, commercial and industrial development.

This figure will be subject to change depending on the number of subdivisions and developments in any given year. For this reason the figure will be reviewed from time to time, and adjusted accordingly.

The Council has determined that units of demand for different land use types shall be as follows (note: the total units of demand will be whichever is greater – the site or the development):

Table 1: Units Of Demand Applicable To Different Land Use and Subdivision Types

Note: Many of the terms referred to in Table 1 are defined in Appendix B

ACTIVITY	DEMAND FACTORS
Subdivision	
One residential lot	1.0 unit of demand
One mixed use / commercial / industrial lot	1.0 unit of demand
Development	
One household unit	1.0 unit of demand per unit
One non-permanent unit of accommodation (excluding backpackers – see below). For example, motel, hotel units.	0.6 units of demand per unit for water, stormwater and wastewater contributions and 1.0 unit of demand for all other contributions
Backpackers	1.0 unit of demand per 300m ² of site area or part thereof
Industrial development Commercial development Mixed use Development (Excluding development for permanent or non-permanent accommodation – see above)	Water - 1.0 unit of demand for each 1.5m ³ consumed per day Sewer – 1.0 unit of demand for each 1.2m ³ waste water per day Stormwater and solid waste – 1.0 unit of demand for each 500m ² of site area developed or part thereof Roading and Whakatane car parking – 1.0 unit of demand per 25 car equivalent vehicle movements per day, where 1 car to and from the site =2 car equivalent movements, 1 truck to and from the site =6 car equivalent movements, 1 truck and trailer to and from the site =10 equivalent car movements.

The units of demand listed above under ‘demand factors’ are proportional.

For example, if an industrial development were:

- 750m² in site area, the unit of demand for stormwater and solid waste would be 1.5; and
- Using 3.0m³ of water per day, the unit of demand for water would be 2.0; and
- Generating 60 car equivalent movements to a site per day, the unit of demand for roading would be 2.4

For a commercial development occupying only 300m² of site area, the unit of demand for stormwater and solid waste would be 0.6.

11.4 Timing

The event that will give rise to the assessment of a development contribution is, at Councils discretion, but usually the earlier of:

- The issue of a resource consent under the Resource Management Act 1991; or
- A building consent under the Building Act 1991; or
- An authorisation for a service connection.

The event that will give rise to the payment of the assessed development contribution is, at Councils discretion, but usually the earlier of:

- The issuing of a building consent for the development;
- The authorisation of a service connection;
- The signing of a Section 224(c) certificate (Resource Management Act 1991) for a subdivision;
- The commencement of a development if one of the above events has not occurred.

11.5 Calculation of Development Contributions Required from Development or Subdivision

Where:

- DC** = Development contributions payable
- A** = The applicable rate of development contribution as specified in Tables 2 to 9 below.
- B** = The total units of demand for the site or total units of demand for the development, whichever is greater

The total development contribution payable (**DC**) will be the Development Contributions Rate per Unit of Demand (**A**) times the Total Units of Demand for the lot or development (**B**), whichever is the greater.

WATER

The development contributions payable for water will be calculated by:

$$DC = A \times B$$

Table 2: Development Contributions For Water

Planning Area	Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
Coastlands/Piripai	\$811,800	506	\$1604
Whakatane Urban	\$193,600	345	\$561
Ohope	\$225,900	234	\$965
Matata	\$140,100	60	\$2,335

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for water on a planning area basis applicable to the development. To determine if a site or development falls within the planning areas listed in the table above refer to Appendix A Planning Areas.

Refer to *Table 1: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

Development contributions for water will not be required where:

- The applicant is connecting to the Plains Rural Water Supply Scheme or the Ruatoki Water Supply Scheme, where separate connection charges apply; or
- There is no connection to the Councils water service and the development can proceed without this connection; or
- The applicant is required to complete or has elected to complete works to provide water to serve their development to an equivalent standard compliant with any relevant Act, regulation or District Plan rule.

STORMWATER

The development contributions payable for stormwater will be calculated by:

$$DC = A \times B$$

Table 3: Development Contributions For Stormwater

Planning Area	Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
Whakatane Urban	\$357,750	345	\$1037
Ohope	\$56,500	234	\$241
Matata	\$15,000	60	\$250

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for stormwater on a planning area basis applicable to the development. To determine if a site or development falls within the planning areas listed in the table above refer to Appendix A - Planning Areas.

Refer to *Table 1: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

Note: A development contribution for stormwater is required by all developments and subdivisions as defined in the planning areas shown in Appendix A, even if there is no connection to Council’s stormwater service and the development can proceed without this connection.

WASTEWATER

The development contributions payable for wastewater will be calculated by:

DC = A x B

Table 4: Development Contributions For Wastewater

Planning Area	Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
Coastlands/Piripai	\$494,400	506	\$977
Whakatane Urban	\$186,600	345	\$541
Ohope	\$275,000	234	\$1,175

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for wastewater on a planning area basis applicable to the development. To determine if a site or development falls within the planning areas listed in the table above refer to Appendix A Planning Areas.

Refer to *Table 1: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

Development contributions for wastewater will not be required where:

- There is no connection to the Councils wastewater service and the development can proceed without this connection; or
- The applicant is required to complete or has elected to complete works to provide wastewater facilities to serve their development to an equivalent standard compliant with any relevant Act, regulation or District Plan rule.

SOLID WASTE

The development contributions payable for solid waste will be calculated by:

DC = A x B

Table 5: Development Contributions For Solid Waste

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$230,000	1650	\$139

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for solid waste on a district-wide basis applicable to the development.

Refer to *Table 1: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

ROADING

The development contributions payable for roading will be calculated by:

DC = A x B

Table 6: Development Contributions For Roading

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$3,401,300	1650	\$2,061

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for roading on a district-wide basis applicable to the development.

Refer to *Table 1: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

COMMUNITY INFRASTRUCTURE

The development contributions payable for community infrastructure will be calculated by:

DC = A x B

Table 7: Development Contributions For Community Infrastructure

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$3,102,100	1650	\$1,880

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for community infrastructure on a district-wide basis applicable to the development.

Refer to *Table 1: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

RESERVES

The development contributions payable for reserves will be calculated by:

DC = A x B, unless this calculation exceeds 7.5% of the value of the additional allotments created by a subdivision and the value equivalent of 20 square metres of land for each additional household unit created by the development, in which case the lesser figure will apply.

Table 8: Development Contributions For Reserves

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$3,690,000	1650	\$2,236

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for reserves on a district-wide basis applicable to the development.

Refer to *Table 9.3: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

The total development contribution payable will be the Development Contributions Rate per Unit of Demand (**A**) times the Total Units of Demand for the site or development (**B**), whichever is the greater.

Section 203 of the LGA states that development contributions for reserves must not exceed the greater of 7.5% of the value of the additional allotments created by a subdivision and the value equivalent of 20 square metres of land for each additional household unit created by the development. The development contribution for reserves has been based on actual planned expenditure on reserves. The amount payable will be the lesser of:

- The development contribution set above; or
- 7.5% of the value of the additional allotments created by a subdivision; and/or
- The value equivalent of 20 square metres of land for each additional household unit created by the development

The basis on which the value of additional allotments or land is assessed for the purposes of section 203(1) of the LGA will be land value assessed by the Council.

Development contributions for reserves can be paid in land, money or a combination of the two.

Land will be preferred where:

- The provision of new reserves is to be part of a subdivision and the land proposed is suitable for the purpose.

Money will be preferred where:

- It is impractical to take land; or
- There is sufficient developed reserve land in the vicinity; or
- There are recreation needs elsewhere in the community.

Separate provisions for esplanade reserves as provided for by Section 229 of the Resource Management Act 1991 are contained in Variation 3 to the Proposed District Plan - Financial Contributions.

WHAKATANE TOWN CENTRE CAR PARKING

The development contributions payable for car parking will be calculated by:

$$DC = A \times B$$

Table 9: Development Contributions For Car Parking

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$1,180,000	1650	\$715

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for car parking on a district-wide basis applicable to the development.

Refer to *Table 1: Units of Demand Applicable to Different Land Use and Subdivision Types* for the unit of demand.

Note: The development contribution for car parking relates to Whakatane town centre car parking only. There are additional requirements under the District Plan for all activities to provide on-site car parking as part of a development. The payment of a development contribution is in addition to these requirements.

12.0 Credits and Reviews

The following is the Councils credit and review procedure for development contributions.

12.1 Credits

Credits are based on:

- Existing uses
- Monies paid and/or works undertaken and/or land set aside by prior:
 - (i) Financial contributions taken from a development under the District Plan for capital expenditure for growth for water, stormwater, wastewater, solid waste, roading, community infrastructure, reserve or Whakatane town centre car parking activities.
 - (ii) Agreements with the Council.
 - (iii) Development contributions.

Generally development contributions will be required on development over and above that existing at the time of an application, creating additional units of demand, assessed by the Council according to 11.5.

Any credit given for a contribution paid in the past that exceeds the amount of the contribution payable under this policy can not be credited towards other types of contributions that are otherwise payable. For example, any credit for reserves contributions paid in the past for a site cannot be used as a credit towards roading or solid waste.

Where a development will result in a lesser number of units of demand than that existing in the site at the time of application, the credit will remain with the site and not be payable to the applicant by the Council.

Credits towards the requirement for development contributions will be considered by the Council on a case-by-case basis taking into account the following matters:

1. The level of existing development on the site. Where multiple existing uses are established the Council will have regard to the average intensity of those uses.
2. Monies paid and/or works undertaken and/or land set aside by prior:
 - (i) Financial contributions taken from a development under the District Plan for capital expenditure for growth for water, stormwater, wastewater, solid waste roading, community infrastructure, reserve or Whakatane town centre car parking activities.
 - (ii) Agreements with the Council.
 - (iii) Development contributions.

The units of demand applicable in the calculation of a development contribution required on a development shall be assessed by the Council at the time of application for the necessary consents or service connection, and may be re-adjusted prior to the issue of a section 224 Resource Management Act 1991 certificate in the case of subdivision, or prior to the issue of resource consent, building consent or service connection as applicable, in the case of a development. This is in order to allow for units of demand for which development contributions may have previously been paid over and above credits provided for in this policy. That is, adjustment will be made by the Council in its assessment to avoid potential double counting of development contributions required on the development.

12.2 Reviews

An applicant may formally request the Council to review the development contributions required on the development concerned.

Any such request shall be made by notice in writing to the Council within 15 working days after the Council has advised in writing that development contributions are required on the development, setting out the reasons for the request.

In undertaking the review:

- The Council shall as soon as reasonably practicable consider the request.
- The Council 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.
- The Council may, at its discretion, uphold, reduce, postpone or cancel the original amount of development contributions required on the development and shall communicate its decision in writing to the applicant within 10 working days of any determination or hearing.

In making its decision the Council may take into account:

1. The Development Contributions Policy.
2. The Council's Funding and Financial Policy.
3. The extent to which the value and nature of any works proposed by the applicant reduces the need for works proposed by the Council in its capital works programme.
4. The level of any existing development on the site. Where multiple existing uses are established the Council will have regard to the average intensity of development.
5. Financial hardship. Where the applicant has a low value property, which will not realise sufficient funds to pay the required development contributions and the applicant can prove they have limited financial resources. Written confirmation of property value and a declaration as to financial circumstances must be made to the Council.
6. The level of development in the area over the previous 5 years.
7. The size and scale of the development relative to its potential demand on community facilities
8. Any other matters the Council considers relevant.

The Whakatane District Council will review the implementation of the development contributions policy on an annual basis. This will include monitoring the actual uptake of building consents for

dwellings and commercial and industrial activities, and the creation of allotments by subdivision to ensure that the estimates of the units of demand are accurate. The review process will be reported to the Council each year, where a decision will be made whether to change the policy under the provisions of the LGA.

13.0 Methodology

The full methodology which demonstrates how the calculations for development contributions are made in the Schedule to Development Contributions Policy is available for inspection at Council Offices.

14.0 Significant Assumptions

Significant assumptions underlying the calculation of the Schedule to the Development Contributions Policy (section 11.5) are as follows:

➤ Best Available Knowledge

That the capital expenditure costs are based on the best available knowledge at the time of preparation and largely represent a “rough order of costs” rather than specific estimates. These will be refined in subsequent years as in some cases policies become clearer and in others there is an improved knowledge of an asset. In most cases a percentage estimate of what is growth related costs has been used to determine the capital expenditure required for growth.

In the case of water, stormwater and wastewater, the capital expenditure figures are based on the best available information that the Council has at this time. A programme is in place to complete modelling work for these facilities. Once this has been completed more accurate predictions will be available.

➤ Estimates of Growth Related Capital Expenditure

The Council has to assume that its planned growth related capital expenditure will be undertaken. This is a realistic assumption, given that the Council has planned its capital expenditure in accordance with the statutory procedures.

➤ Estimates of Connections and Building Consents

The Council has assumed that building consents and connections to water, stormwater and wastewater services will continue at a rate similar to what has been experienced over the past few years.

➤ Growth Affordability

That managed growth within Whakatane is affordable and that the Council’s share, for example contributions to trunk services, is able to be financed predominantly through capital expenditure, supported by development contributions in parallel with the Council’s core business and other projects.

➤ Community Facilities Built in Anticipation of Growth

That the Council’s policy on development contributions for development will include consistent and equitable contributions towards the impact of growth on existing community facilities, that is, water, stormwater, wastewater, solid waste roading, community infrastructure, reserves and Whakatane town centre car parking built in anticipation of growth.

➤ Financial and Administrative Assumptions

That all figures in the Development Contributions Policy and Schedule to the Development Contributions Policy are in today’s dollars and that there has been no allowance made for inflation.

That the income generated from rates will be sufficient to meet the operating costs of capital expenditure into the future.

Operating expenditure will be allocated across the rating base of the District.

That there will be an impact from the capital expenditure on operating expenditure and an allowance has been made for this based on the type of asset.

That all Transfund New Zealand subsidies will continue at present levels and that the eligibility criteria will remain unchanged.

That methods of service delivery will remain substantially unchanged.

➔ Key Risks

That the growth assumptions are not met resulting in delayed development.

That there is a lag between expenditure being incurred by the Council and contributions received from those undertaking developments.

That the costs of capital are greater than expected.

14.1 Explanation and Justification for Calculations

The following is an explanation of, and justification for, the way each development contribution in the Schedule to Development Contributions (11.5) is calculated. This is a summary, for more detail please refer to the full methodology (see section 13.0).

Development contributions for water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking are all based on units of demand and the capital expenditure for growth required over a 10-year period.

The total units of demand that capital expenditure for growth will be spread across over 10 years has been taken from a mix of new buildings, infill potential, proposed residential land and vacant lots.

For district-wide services (solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking) this data has provided the Council with an estimate of 1650 units of demand over the next 10 years. This figure will be subject to adjustment in the future.

For catchment specific services of water, stormwater and wastewater, the figures are based on the potential household units,

and commercial and industrial activity for those particular areas over the next 10 years.

The unit of demand for each subdivision or development is based on a household unit, which is a building or part of a building intended to be used as an independent residence (eg a subdivision with one house built on the property is 1 unit of demand). Different units of demand apply to mixed-use, commercial and industrial development but on an estimated equivalent household unit basis. Commercial and industrial development (or a mix) will not pay for reserves contribution and community infrastructure components except where that development is for permanent or non-permanent accommodation.

The rate per unit of demand is calculated by taking the growth related capital expenditure over a 10 year period for each community facility (i.e. water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking) and dividing it by the total units of demand expected over that 10 year period. This is calculated by way of growth projections. In this way the cost of growth related capital expenditure is spread across all new development. This rate is then multiplied by the number of units of demand for each particular subdivision or development.

The LGA has slightly different requirements for development contributions relating to reserves. Section 203 sets a maximum that can be taken for reserves.

"Section 203 Maximum development contributions not to be exceeded

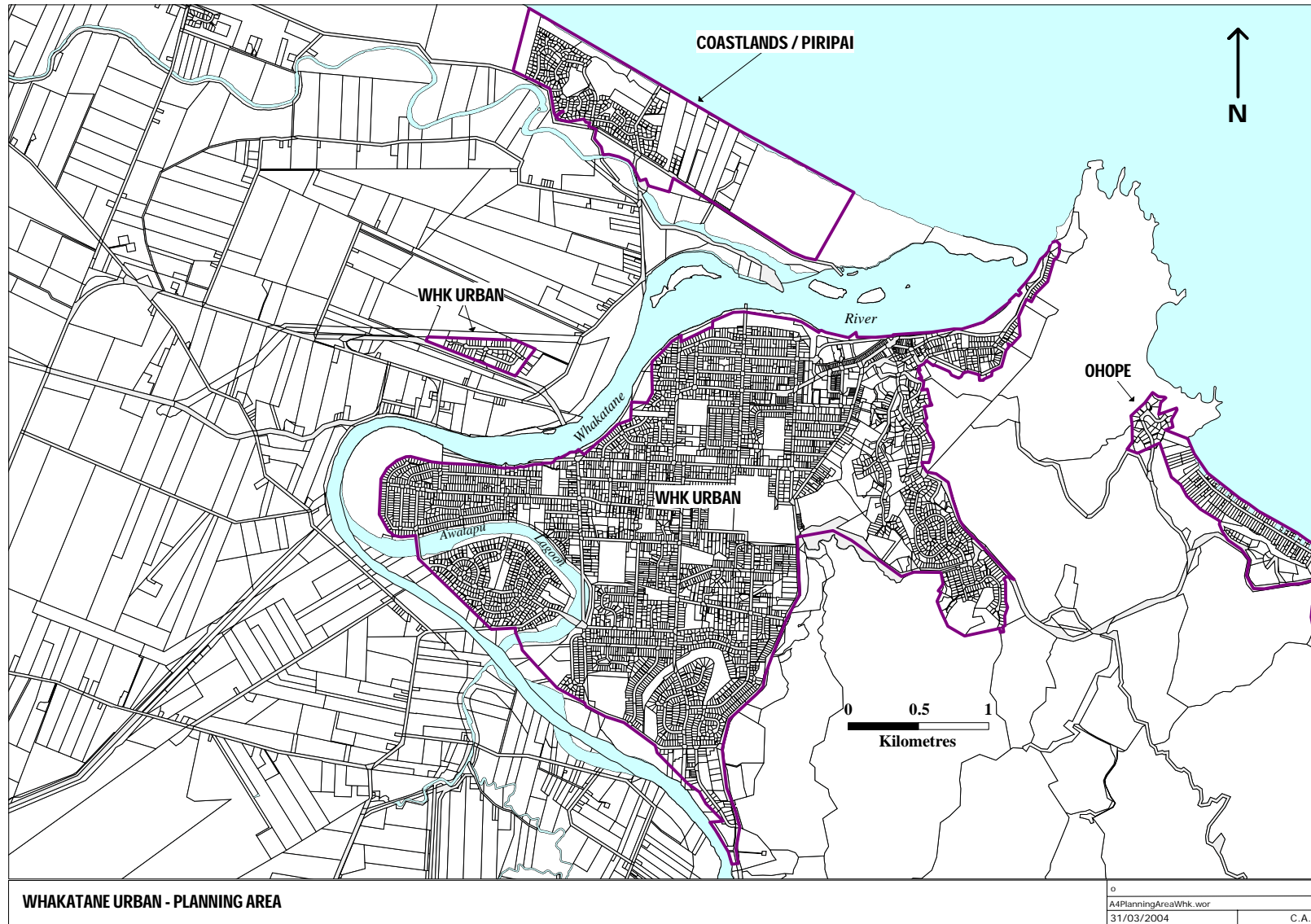
Development contributions for reserves must not exceed the greater of-

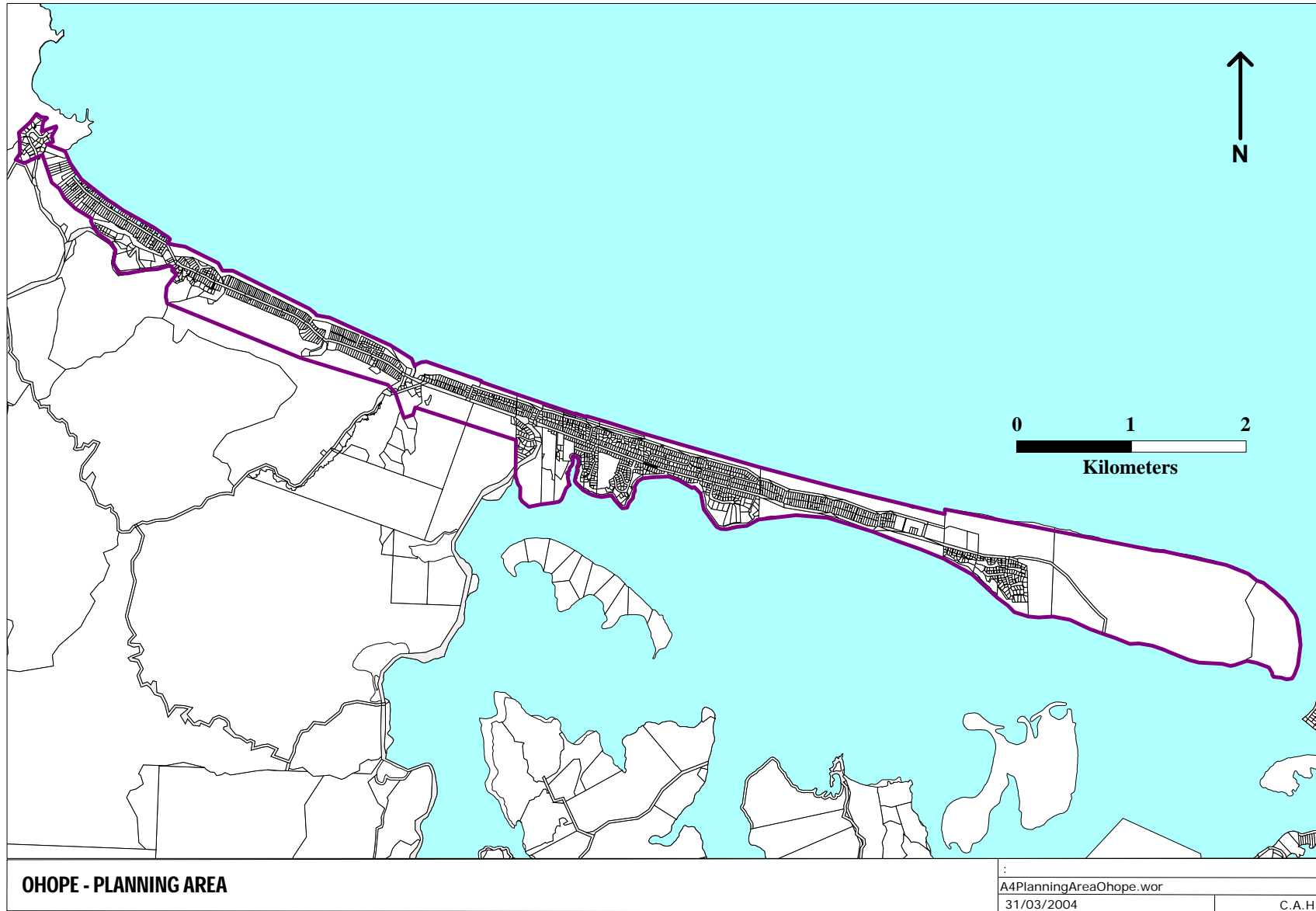
- (a) 7.5% of the value of the additional allotments created by a subdivision; and*
- (b) the value equivalent of 20 square metres of land for each additional household unit created by the development."*

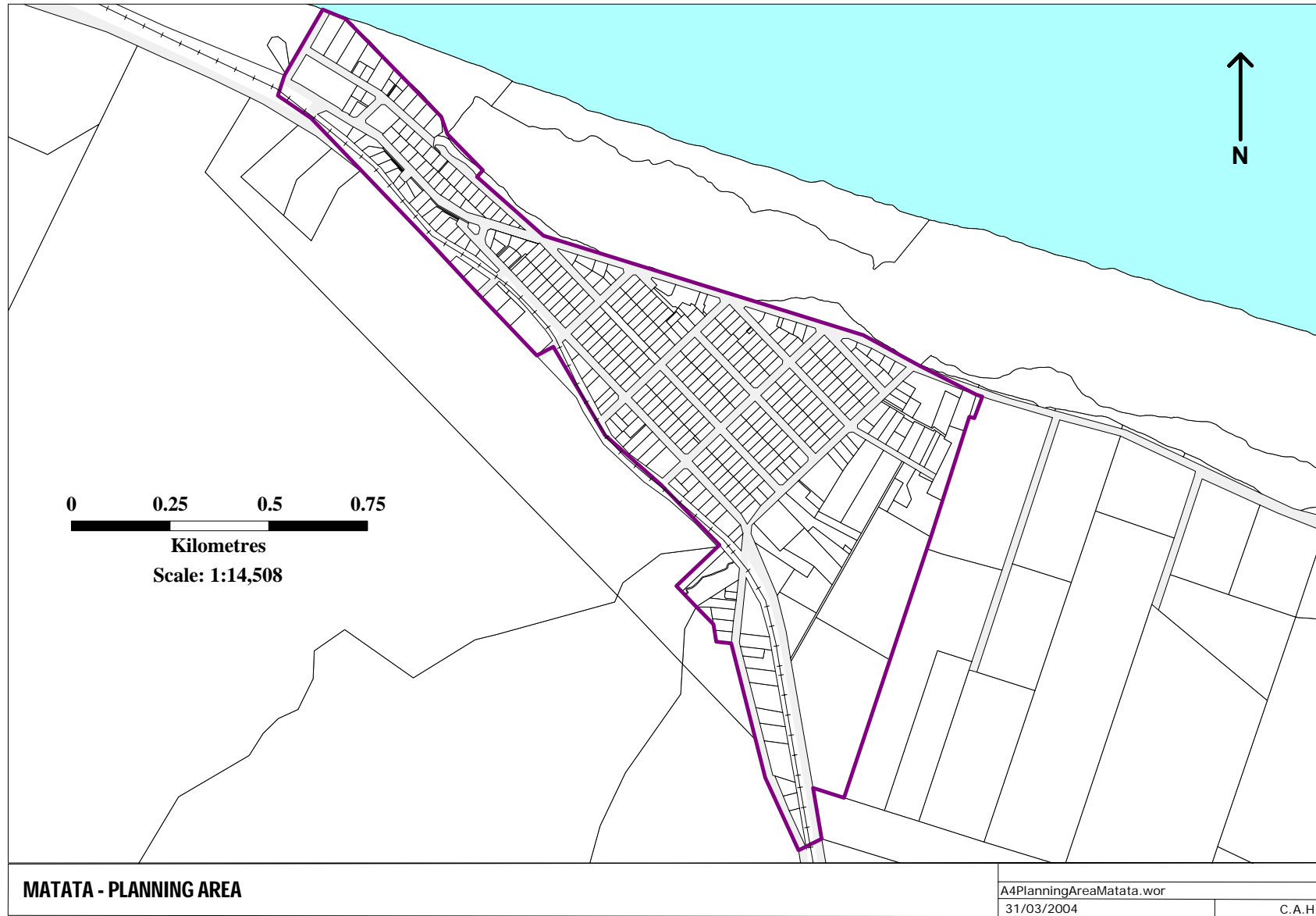
Contributions for reserves are calculated in the same way as the other community facilities. That is, the total growth related capital expenditure divided by the number of estimated new developments. Section 203 means that the amount of money or land taken cannot exceed the maximums set out above. The money or land taken will be capped according to section 203, however it is unlikely that the contribution required for reserves would ever exceed the maximums set out. Land taken for a reserve contribution will be converted to a value equivalent, and this amount will be subtracted from the total development contribution amount required.

Development contributions for reserves relates only to the provision of open space and developments on that land.

APPENDIX A: PLANNING AREAS







APPENDIX B: DEFINITIONS

Activity	<p>Has the same meaning set out in section 5 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p>"5 Interpretation (1) <i>In this Act, unless the context otherwise requires,-</i></p> <p>activity means a good or service provided by, or on behalf of, a local authority or a council-controlled organisation; and includes-</p> <p>(a) <i>the provision of facilities and amenities; and</i> (b) <i>the making of grants; and</i> (c) <i>the performance of regulatory and other governmental functions"</i></p>	Community infrastructure	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p>"197 Interpretation <i>In this subpart,-</i></p> <p>community infrastructure means-</p> <p>(a) <i>land, or development assets on land, owned or controlled by the territorial authority to provide public amenities; and</i> (b) <i>includes land that the territorial authority will acquire for that purpose"</i></p>
Commercial Development	<p>A development, which is not defined as an industrial activity, whose primary purpose is for commercial gain or any other professional activity not operated principally for commercial gain. It includes retailing, professional offices, banks and other service providers, social service providers, commercial recreational facilities, administrative uses, non-permanent accommodation facilities, technological activities and sorting activities.</p>	Development	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p>"197 Interpretation <i>In this subpart,-</i></p> <p>development means</p> <p>(a) <i>any subdivision or other development that generates a demand for reserves, network infrastructure or community infrastructure; but</i> (b) <i>does not include the pipes or lines of a network utility operator"</i></p>

Development contribution	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p>"197 Interpretation <i>In this subpart,-</i></p> <p>development contribution means a contribution-</p> <p>(a) <i>provided for in a development contribution policy included in the long-term council community plan of a territorial authority; and</i></p> <p>(b) <i>calculated in accordance with the methodology; and</i></p> <p>(c) <i>comprising-</i></p> <p>(i) <i>money; or</i></p> <p>(ii) <i>land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Māori land within the meaning of Te Ture Whenua Act 1993, unless that Act provides otherwise; or</i></p> <p>(iii) <i>both"</i></p>	Goods and Services Tax (GST)	Means goods and services tax under the Goods and Services Tax Act 1985 or any legislation substituted for the same.
Development Contribution Policy	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p>"197 Interpretation <i>In this subpart,-</i></p> <p>development contribution policy means the policy on development contributions included in the long-term council community plan of the territorial authority under section 102(4)(d).</p>	Industrial Development	A development whose primary purpose is to produce goods by manufacturing, processing, assembling or packaging, or dismantling, servicing, testing, repair, cleaning, painting, storage, and/or warehousing of any materials, goods or products, vehicles or equipment, and includes transportation activities, depots, engineering workshops, panelbeaters, spraypainters, the milling or processing of timber and offensive trades.
Household unit	A building or part of a building intended to be used as an independent residence and includes any apartment, townhouse, retirement unit, dwelling unit, flat or home unit.	Lot	<p>A parcel of land held in a separate certificate of title (or two or more titles required to be held in one ownership) but does not include a parcel of land which has been or may be disposed of separately as a public reserve or for other public purposes or which is to be amalgamated with adjoining land.</p> <p>In the case of land subdivided under the cross-lease or company lease systems (other than strata titles), lot shall mean an area of land containing:</p> <p>A building or buildings for residential or business purposes with any accessory building, plus any land exclusively restricted to the users of that building, or</p> <p>A remaining share or shares in the fee simple creating a vacant part of the whole for future cross-lease or company lease purposes.</p> <p>In the case of land subdivided under the Unit Titles Act 1972 (other than strata titles), lot shall mean an area of land containing a principal unit or proposed unit on a unit plan together with its accessory units, and an area of land being equivalent to the total land title area divided by the number of principal units located thereon.</p> <p>In the case of strata titles, site shall mean the underlying Certificate(s) of Title immediately prior to subdivision.</p>

Mixed Use	A development or a lot created for a development that combines commercial and industrial development.
Network infrastructure	Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below: <i>"197 Interpretation In this subpart,- network infrastructure means the provision of roads and other transport, water, wastewater, and stormwater collection and management."</i>
Reserves	Has the same meaning set out in section 2 of the Reserves Act 1977.
Residential Lot	A lot, as defined in this policy, that is or will be used for a household unit or units.
Roading	Has the same meaning set out in section 315 of the Local Government Act 1974.
Service connection	Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below: <i>"197 Interpretation In this subpart,- service connection means a physical connection to a service provided by, or on behalf of, a territorial authority."</i>
Site Area	The total area of the new and/or additional development proposed, including all buildings, structures and other areas used for car parking, access, manoeuvring areas, loading areas, outdoor storage and display areas, rubbish and waste collection areas and the like, associated with the new and/or additional development.

Solid waste	Recycling Park and refuse transfer station.
Stormwater	Stormwater drainage and any associated infrastructure.
Units of demand	Means those units set out in Schedule 13 of the Local Government Act 2002 or any legislation substituted for the same as below: <i>"Schedule 13 Methodology for calculating development contributions 1 Methodology for relating cost of community facilities to units of demand In order to calculate the maximum development contribution in respect of a community facility or an activity or group of activities for which a separate development contribution is to be required, a territorial authority must first-</i> <i>(a) identify the total cost of the capital expenditure that the local authority expects to incur in respect of the community facility, or activity or group of activities, to meet the increased demand resulting from growth within the district, or part of the district, as the case may be, as set out in the long-term council community plan in accordance with section 106(2)(a); and (b) identify the share of that expenditure attributable to each unit of demand, using the units of demand for the community facility or for separate activities or groups of activities, as the case may be, by which the impact of growth has been assessed.</i>

	<p>2 Attribution of units of demand to developments <i>For the purpose of determining in accordance with section 203(2) the maximum development contribution that may be required for a particular development or type of development, a territorial authority must demonstrate in its methodology that it has attributed units of demand to particular developments or types of development on a consistent and equitable basis.</i></p>
Wastewater	Means sewerage, treatment and disposal of sewage and all associated infrastructure.
Water	<p>Means Water Supply which has the same meaning set out in section 124 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p>"124 Interpretation <i>In this part,-</i></p> <p>water supply means the provision of drinking water to communities by network reticulation to the point of supply of each dwelling house and commercial premise to which drinking water is supplied.</p>

APPENDIX C - SCHEDULE OF COMPLIANCE

**WHAKATANE DISTRICT DEVELOPMENT CONTRIBUTIONS POLICY
SCHEDULE OF LOCAL GOVERNMENT ACT 2002 COMPLIANCE**

The following table sets out the requirements under the Local Government Act 2002 for the preparation of a Development Contributions Policy. The sections of the Development Contributions Policy which satisfy the requirements in the Local Government Act 2002 are noted in the second column.

It is considered that the Development Contributions Policy achieves full compliance.

SCHEDULE OF LGA 2002 COMPLIANCE

Provision of LGA 2002	Section of Development Contributions Policy
<i>Section 106(2)(a): summarise and explain the capital expenditure required identified in the long-term council community plan that the local authority expects to incur to meet the increased demand for community facilities resulting from growth.</i>	3.0 – Capital Expenditure for Community Facilities
<i>Section 106(2)(b): state the proportion of that capital expenditure to be funded by development contributions; financial contributions; other sources of funding.</i>	3.0 – Capital Expenditure for Community Facilities
<i>Section 106(2)(c): explain, in terms of the matters required to be considered under section 101(3), why the local authority has determined to use these funding sources to meet the expected capital expenditure.</i>	

<i>Section 101(3): The funding needs of Council must be met from those sources that the local authority determines to be appropriate, following consideration of, -</i>	
<i>Section 101(3)(a): in relation to each activity to be funded,-</i>	
<i>Section 101(3)(a)(i): the community outcomes to which the activity primarily contributes</i>	4.0 – Community Outcomes
<i>Section 101(3)(a)(ii): the distribution of benefits between community as a whole, any identifiable part of the community, and individuals.</i>	5.0 – Distribution of Benefits
<i>Section 101(3)(a)(iii): period in or over which those benefits are expected to occur.</i>	6.0 – Timeframe
<i>Section 101(3)(a)(iv): the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.</i>	7.0 – Role of Council
<i>Section 101(3)(a)(v): the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.</i>	8.0 – Costs, Benefits and Sustainable Development
<i>Section 101(3)(b): the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.</i>	8.0 – Costs, Benefits and Sustainable Development

<p>Section 106(2)(d): identify separately each activity or group of activities for which a development contribution will be required, and in relation to each activity or group of activities, specify the total amount of funding to be sought by development contributions.</p>	<p>3.0 – Capital Expenditure for Community Facilities</p> <p>9.0 – Schedule to Development Contributions Policy</p>
<p>Section 106(3): If development contributions are required, the local authority must keep available for public inspection the full methodology that demonstrates how calculations for those contributions were made.</p>	<p>11.0 – Methodology</p>
<p>Section 201(1)(a): an explanation of, and justification for, the way in which each development contribution in the [Schedule to Development Contributions Policy] is calculated</p>	<p>9.0 – Schedule to Development Contributions Policy</p> <p>13.0 – Explanation and Justification for Calculations</p>
<p>Section 201(1)(b): the significant assumptions underlying the calculation of the schedule of development contributions, including an estimate of the potential effects, if there is significant uncertainty as to the scope and nature of the effects.</p>	<p>12.0 - Significant Assumptions</p>
<p>Section 201(1)(c): the conditions and criteria (if any) that will apply in relation to the remission, postponement, or refund of development contributions, or the return of land.</p>	<p>10.0 - Credits and Reviews</p>

<p>Section 202 - Contents of schedule to development contributions policy</p> <p>(1) The schedule of development contributions required by section 201(2) must specify</p> <p>(a) the development contributions payable in each district, calculated, in each case, in accordance with the methodology in respect of-</p> <ul style="list-style-type: none"> (i) reserves; and (ii) network infrastructure; and (iii) community infrastructure; and <p>(b) the event that will give rise to a requirement for a development contribution under section 198, whether upon granting---</p> <ul style="list-style-type: none"> (i) a resource consent under the Resource Management Act 1991; or (ii) a building consent under the Building Act 1991; or (iii) an authorisation for a service connection. 	<p>9.0 – Schedule to Development Contributions Policy (in particular 9.5 - Calculation of Development Contributions Required from Development)</p>
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<p>(2) <i>If different development contributions are payable in different parts of the district, subsection (1) applies in relation to the parts of the district.</i></p> <p>(3) <i>The specifications required under subsection (1) or subsection (2) must be given separately in relation to each activity or group of activities for which separate development contributions are required.</i></p>	
<p>Section 203 - Maximum development contributions not to be exceeded</p> <p>(1) <i>Development contributions for reserves must not exceed the greater of –</i></p> <p style="padding-left: 20px;">(a) <i>7.5% of the value of the additional allotments created by a subdivision; and</i></p> <p style="padding-left: 20px;">(b) <i>the value equivalent of 20 square metres of land for each additional household unit created by the development.</i></p> <p>(2) <i>Development contributions for network infrastructure or community infrastructure must not exceed the amount calculated by multiplying the cost of the relevant unit of demand calculated under clause 1 of Schedule 13 by the number of units of demand assessed for a development or type of development, as provided for in clause 2 of Schedule 13.</i></p>	<p>9.0 – Schedule to Development Contributions Policy (9.5 - Calculation of Development Contributions Required from Development: Reserves)</p> <p>13.0 – Explanation and Justification for Calculations</p>

POLICY ON PARTNERSHIPS BETWEEN THE COUNCIL AND THE PRIVATE SECTOR

Conditions

The Council will enter into a partnership only where it is expected that the partnership will help achieve the community outcomes or objectives in the LTCCP, but nothing in this policy commits the Council to entering into such a partnership even if it will help achieve community outcomes or objectives.

Before entering into a Private Public Partnership (PPP), the Council must be satisfied that:

- the partnership will help achieve the community outcomes or objectives identified in the Strategic Plan or LTCCP;
- the benefit from the partnership is greater than the costs and risks;
- the partner has demonstrated an ability to meet the terms of any agreement between the Council and the private partner;
- all necessary consents, licences, or other approvals have been obtained prior to any financial commitment by the Council;
- the partnership and its proposed business are lawful;
- a clear exit/termination strategy is agreed;
- roles, responsibilities and liabilities of each partner are clearly defined.

The Council will **not** enter in a PPP where:

- the activity is primarily speculative in nature;
- insurance cover cannot be obtained that is considered adequate to meet foreseeable risks;
- the cost or risk of the PPP is judged to be greater to the community than the benefits that would accrue from the PPP.

(a) *Identification of Risk*

Risk must be identified, and allocated to whoever is best able to manage risk at the least cost, taking into account public interest considerations. The structure of the partnership project needs to take account of which partner is best able to take responsibility for managing such risks as:

- design and construction risk—cost, quality and time;
- commissioning and operating risk;
- service and under-performance risk;
- industrial relations risk;
- maintenance risk;
- regulation and legal change risk;
- technology obsolescence risk;
- planning risk;
- price risk;
- taxation risk;
- residual value risk; and (where appropriate)
- demand or volume risk;
- occupational safety and health risk.

(b) *Consultation*

The Council will undertake consultation on any revision of this "Policy on Private-private sector partnerships" as part of a LTCCP.

Where the Council decides to undertake a PPP in accordance with the policy, further consultation will not be required to be undertaken except in specific circumstances (below).

The Council will consult on individual PPPs where:

- a PPP is assessed as being greatly beneficial, but falls outside the conditions or circumstances identified in the policy;
- an investment is proposed;
- it is proposed to act as guarantor in extraordinary circumstances;

- the partnership would result in significant positive or negative changes in service levels, as defined in the Council's Significance Policy;
 - the proposal would have a material impact on the Council's projected budgets, performances measures, outcomes or other objectives;
 - ownership or control of a significant asset (as defined in the Council's Significance Policy), is to be transferred to or from the Council;
 - there is expected to be considerable public interesting whether or not the PPP should proceed and/or it meets the test of significance as set out in the Council's Significance Policy.
- a requirement for monthly financial reports on the partnership project;
 - a requirement for monthly performance reports on the achievement by the partnership of the relevant community outcomes (or for the year commencing 1 July 2003, strategic objectives), and any impacts on the social, economic, cultural and environmental wellbeing of the community; and
 - a requirement to report on specifically agreed outcomes and objectives.

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.

Where appropriate, the Council reserves the right to apply competitive tendering processes, in accordance with Council policy.

Other conditions may be imposed as considered appropriate by the Council.

Monitoring and Reporting

The Council's monitoring and reporting requirements in relation to partnerships with the private sector will reflect the significance of the agreement and the significance of resources allocated to the partnership.

The Council's monitoring and reporting requirements will be included in the written agreement with the private sector partner, and may include the following, as appropriate:

REMISSION AND POSTPONEMENT POLICIES

Introduction

In order to allow rates relief where it is considered fair and reasonable to do so, the Council is required to adopt policies specifying the circumstances under which rates will be considered for remission or postponement. There are various types of remission and postponement and the circumstances under which these are considered may be different. The conditions and criteria relating to each type of remission or postponement are set out in the following pages, including the objectives of the policy.

Key definitions

Non-Rateable land is land that is not rateable under the Local Government (Rating) Act 2002 or another Act which states that the land is non-rateable.

Land that is non-rateable under the Local Government (Rating) Act 2002, is detailed under Part 1 and Part 2 of Schedule 1 of this Act.

Remitted rates means rates for which the requirement to pay is remitted.

Postponed rates means rates for which the requirement to pay is postponed.

Māori freehold land means land whose beneficial ownership has been determined by the Māori Land Court by freehold order.

Rates Remission for a Rating Unit Affected by Calamity

Objective of Policy

The objective of this remission policy is to permit the Council to remit part or whole of the rates charged in any financial year on any land that has been detrimentally affected by erosion, subsidence, submersion, or other calamity.

Conditions and Criteria

The Council may remit the rates charged on a rating unit if:

1. Land is detrimentally affected by erosion, subsidence submersion, or other natural calamity.
2. The land is unable to support the activity which it was used prior to the calamity. For example a residence or commercial building that is unable to be occupied as a result of a calamity.
3. Rates remissions will only be considered and made following the receipt of an application by a qualifying property for the financial year in which the application was received. There will be no backdating of rates remissions.

Rates to be Remitted

Rates remissions (for part or all) may be applied to all rates charged on the qualifying properties.

Delegation

Decisions on the remission of rates charged on land that has been affected by erosion, subsidence, submersion, or other calamity will be delegated to the Chief Executive Officer.

Rates Remission for Residential Land in Commercial, Industrial or Rural Areas

Objective of Policy

The objective of this remission policy is to ensure that ratepayers of residential rating units situated in commercial, industrial or rural areas are not unfairly penalised by the zoning decisions of the Council.

Conditions and Criteria

1. To qualify for rates remission under this policy the rating unit must:
 - (a) be used solely for residential purposes and be situated within an area of land that has been zoned for commercial, industrial or rural use. (Ratepayers can ascertain the zoning of their property by inspecting the Whakatane District Council District Plan, copies of which are available at the Council Offices).
 - (b) that the residential property has a value that is at least 20% greater than similar properties that are located in a residential zone area.
2. Upon receipt of an application, staff will request the Council's valuation service provider to determine a valuation that will "value" the rating unit as if it were located in a comparable area that is zoned "residential". The ratepayer will be asked to contribute to the cost of this valuation.

Rates to be Remitted

The amount of remission granted under this policy will be limited to the difference between the rates charged on the original value and the rates chargeable on the "residential value" of the property.

Delegation

Decisions on for rates remissions under this policy will be delegated to the Chief Executive Officer, who will grant a rates remission being the difference between the rates charged on the original value and the rates chargeable on the "residential value" of the property.

Rates Remission of Uniform Annual General Charge and Targeted Rates in Certain Circumstances

Objective of Policy

The objective of this remission policy is to apply the Uniform Annual General Charge and Fixed Charges on a fair and equitable basis to ratepayers.

Section 20 of the Local Government (Rating) Act 2002 provides for two or more rating units to be treated as one unit for setting a rate if the units are:

- In the same ownership, and
- Used jointly as a single unit, and
- Contiguous or separated by a road, railway, drain, water race, river or stream.

This policy provides for the possibility of a rates remission where the above three conditions are not all met, but where it is nevertheless considered inequitable for the rating units to be treated as separate.

In addition it provides for remission of uniform annual general charges (UAGCs) and/or targeted fixed charge rates where a rating unit is liable for multiple charges but it is considered inequitable or excessive to assess full charges. This policy may also be applied to individual lots for subdivisions, before the titles are sold.

Conditions and Criteria:

1. The units may be in separate ownership, but if they are contiguous and are used jointly as a single unit, they will be treated as a single unit.
2. Contiguous rating units in the same ownership will be treated as a single unit where any of the following circumstances exist:
 - One unit is used as a private residence and the contiguous unit(s) is used solely as a garden or similar private part of the grounds only in connection with the residence.
 - One unit is used solely for vehicle parking in conjunction with a building on a contiguous rating unit in the same ownership.

3. The remission will be the uniform annual general charge plus targeted fixed charge rates, on all but one rating unit where all of these rating units are:
 - (a) subdivided into 5 or more lots where the titles have been issued; and
 - (b) owned by the original developer who is holding the individual titles pending their sale to subsequent purchasers.
 - (c) originally contiguous or separated only by road, railway, drain, water race, river or stream.

Rates to be Remitted

Rating units that meet the criteria under this policy may qualify for a remission of the uniform annual general charges (UAGC's) and any targeted rates set on the basis of a fixed dollar charge per rating unit. The ratepayer will remain liable for at least one set of each type of uniform annual general charge or fixed charge.

Delegation

Decisions on rates remission under this policy will be delegated to the Chief Executive Officer.

Rates Remission for Penalties on Unpaid Rates

Objective of Policy

The objective of this remission policy is to enable the Council to act fairly and reasonably in its consideration of penalties charged on rates which have not been received by the Council by the due date.

The intention is to have a fair and equitable approach to penalties. The Council's intention is that they are a method of encouraging payment on time, not a source of revenue.

Conditions and Criteria

1. Upon receipt of a written application from the ratepayer, the Council **may** remit penalty where it considers that it is fair and equitable to do so. Matters that will be taken into consideration by the Council include the following:
 - (a) Rates (excluding the penalty) should be paid in full before remission is considered, except where provision is made for the remission of penalties prior to full repayment where regular payment plans, extending beyond 12 months, are in place and performing satisfactorily.
 - (b) Remission may be granted where late payment has arisen for an acceptable genuine reason or extra-ordinary event.
 - (c) The past payment history of the ratepayer is to be considered in all circumstances.
 - (d) There should have been an established regular payment arrangements plan, which has been performing satisfactorily, resulting in the reduction of rate arrears.
2. The Council reserves the right to impose conditions on the remission of penalties.

Rates to be Remitted

Remissions up to the total amount of penalties charged on a rating unit may be applied to qualifying properties.

Delegation

Decisions on rates remission under this policy will be delegated to the Chief Executive Officer.

Rates Remission for Water-by-Meter Rates due to Leak Detection

Objective of Policy

The objective of this remission policy is to enable the Council to act fairly and reasonably to reduce accounts that are unusually high due to a water leak and there is evidence of timely repairs of any faults.

This policy is to provide some relief to metered water users, however the responsibility for water leaks beyond the water meter is ultimately the owners' and any water rates remitted will be a cost to other water users.

Conditions and Criteria:

1. Upon receipt of a written application from the ratepayer and satisfactory evidence of there having been a water leak and the ratepayer has repaired the leak within a satisfactory timeframe, the Council may remit part of the additional water consumed as measured by meter due to a water leak.
2. This policy applies only to targeted rates for water-by-meter and excess water usage charges, where applicable.
3. Any remission under this policy will be limited to one application within any two year period from any particular ratepayer.

Rates to be Remitted

The water rates relating to leakage will be determined by *"the total water consumption for the period less the normal water consumption."* The normal water consumption shall be calculated as the *"average water consumption over the previous two years"*.

The remission for water leakage (excluding normal consumption) will be calculated in accordance with the following formulae:

For water consumption rates arising from leakage, remit up to 50% of the water consumption rates attributable to leakage.

(The penalty being the difference between the amount arising from leakage less the remission).

Delegation

Decisions on rates remission under this policy will be delegated to the Chief Executive Officer.

Rates Remission for Educational Institutions Sewage (Pan) Charges

Objective of Policy

The objective of this remission policy is to enable the Council to reasonably rate educational institutions for sewerage disposal, having regard to the number of water closets and urinals needed for the number of staff and students rather than for the actual number of water closets and urinals available.

Conditions and Criteria:

1. This policy will apply to the following educational establishments:
 - (a) a state school under section (2)(1) of the Education Act 1989;
 - (b) an integrated school under section (2) (1) of the Private School Conditional Integration Act 1975;
 - (c) a special institution under section 92(1) of the Education Act 1989; or
 - (d) an early childhood centre under section 308(1) of the Education Act 1989, but excluding any early childhood centre operating for a profit.
2. This policy does not apply to schoolhouses.
3. Upon receipt of an annual written application from the educational establishment, including an annual return of staff and student numbers, the Council may remit the number of pan charges in excess of the deemed number of pans.

The excess number of pans will be number of water closets and urinals available, less the deemed number of pans.

4. The deemed number of pans will be calculated as follows:

$$(\text{Number of Staff} + \text{Number of Students})/20 = \text{Deemed number of pans}$$
5. The number of staff in an educational establishment is the number of teaching staff and administration staff employed by the educational establishment on 1 March immediately before the year to which the charge relates.
6. The number of students in an educational establishment is the number of students on its roll on 1 March in the year immediately before the year to which the charge relates.
7. If the actual number of water closets and urinals for the educational establishment exceeds the deemed number of pans, Council will remit the difference.

Rates to be Remitted

The number of pan charges for rates remission shall be "*the number of water closets and urinals available less the number of deemed water closet and urinals*".

Delegation

Decisions on rates remission under this policy will be delegated to the Chief Executive Officer.

Rates Postponement for Extreme Financial Hardship

Objective of Policy

The objective of this postponement policy is to assist ratepayers experiencing extreme financial circumstances/hardship which affects their ability to pay their rates.

Conditions and Criteria:

1. Upon receipt of a written application from the ratepayer, the Council will consider on a case by case basis, all applications received that meet its criteria and conditions:
 - (a) Only rating units used solely for residential purposes (as defined by the Council) will be eligible for consideration for rates postponement for extreme financial circumstances.
 - (b) When considering whether extreme financial circumstances/hardship exists, all of the ratepayers financial circumstances will be relevant including, assets owned and any encumbrances placed on those assets.
 - (c) The person entered on the Council's rating information database as the ratepayer and seeking a rate remission because of extreme financial hardship must not own, or have an interest, any other rating units, investment properties (whether in the District or another district), or realisable assets.
 - (d) Before approving an application the Council must be satisfied that the ratepayer is unlikely to have sufficient funds left over, after the payment of rates for normal health care and proper provision for maintenance of his/her home and chattels at an adequate standard as well as making provision for normal day to day living expenses.

Rates to be Postponed

The approved postponement will only apply for the rating year in which the application is made.

Rates under this policy will be postponed until:

- (a) the death of the ratepayer(s); or
- (b) the ratepayer(s) ceases to be the owner or occupier of the rating unit; or
- (c) the ratepayer(s) ceases to use the property as his/her residence; or
- (d) the circumstances of the ratepayer(s) no longer meets the conditions and criteria for providing a rates postponement.
- (e) a time specified by the Council.

Rates postponement (for all or part) may be applied to all rates charged on qualifying properties with the exception of targeted rates for water, sewerage and refuse collection.

Delegation

Decisions on rates postponement under this policy will be delegated to the Chief Executive Officer.

POLICY ON THE REMISSION AND POSTPONEMENT OF RATES ON MĀORI FREEHOLD LAND

Objective

The objective of this remission policy is to recognise the special characteristics of Māori Freehold land and to provide a remissions policy:

- (a) To recognise situations where the land is unoccupied, and no person is obtaining any benefit from the land;
- (b) To recognise situations where the land may be uneconomic to use;
- (c) To recognising matters related to the physical accessibility of the land.
- (d) To recognise that the presence of wāhi tapu may affect the use of the land
- (e) To recognise situations where the land is set apart to:
 - (i) protect its outstanding natural features for the benefit of the wider community, and/or
 - (ii) protect significant indigenous vegetation and significant habitats of indigenous fauna for the benefit of the wider community;
- (f) To facilitate the development and/or use of the land for the benefit of the owner/s and/or occupier/s.

Definitions

For the purposes of this policy, per Section 105 of the Local Government (Rating) Act 2002:

“Māori freehold land means land whose beneficial ownership has been determined by the Māori Land Court by freehold order.”

For the purposes of this policy, the term **unoccupied** means there is no person, whether with a beneficial interest in the land or not, who, alone or with others:

- (i) Leases the land, and/or
- (ii) Does any of the following things on the land for profit or other benefit:
 - resides on the land;
 - de-pastures or maintains livestock on the land;
 - stores anything on the land;
 - uses the land in any other way.

For the purposes of this policy, per Section 4 of the Te Ture Whenua Māori Act 1993/Māori Land Act 1993 the following definitions apply:

“Wāhi tapu means land set apart under section 338(1)(b) of the Te Ture Whenua Māori Act 1993/Māori Land Act 1993”.

Section 338(1)(b) states:

“The Chief Executive (of Te Puni Kokiri) may, by notice in the Gazette issued on the recommendation of the (Māori Land) Court, set apart as Māori reservation any Māori freehold land or any General land that is a wāhi tapu, being a place of special significance according to tikanga Māori.”

“Tikanga Māori means Māori customary values and practices.”

Conditions and Criteria

The Council will consider remitting rates on Māori freehold land that comes within the following criteria:

The land is unoccupied and

- (a) is uneconomic to use; or
- (b) no benefit is derived from the use or occupation of the land; or
- (c) the land is inaccessible; or
- (d) the land is set apart to:
 - (i) protect its outstanding natural features for the benefit of the wider community, and/or
 - (ii) protect significant indigenous vegetation and significant habitats of indigenous fauna for the benefit of the wider community; or
- (e) the land is set apart as a Māori reservation that is a wāhi tapu, affecting the use of the land for other purposes.

Any application for a remission of rates is to be made in writing annually, except where a remission has been granted for a longer period and signed by the applicant/s concerned.

The Council may consider unoccupied to be a portion of a block of Māori freehold land.

The Council reserves the right to seek such additional information from the applicant/s, or from any other source, as it may determine as necessary in considering an application;

Rates to be Remitted

Rates remissions (for all or part) may be applied to all rates charged on Māori Freehold land with the exception of any targeted rate for water, sewerage and refuse collection.

Any approved remission will generally be for a period of one year, but may be considered for up to three consecutive rating years. With the exception, that where the Council is considering a remission of rates for past rating years, the three year maximum period of remission may be exceeded at the Council's discretion

Delegation

Applications for the remission of rates for Māori Freehold Land will be approved for remission in terms of the Council's Policy by the Council's Chief Executive Officer and delegated Council Officer.

POLICY ON DETERMINING SIGNIFICANCE

Introduction

The Policy on determining Significance has been prepared under the provisions of section 90 Local Government Act 2002 (the Act). The Policy outlines the Council's general approach to determining the significance of proposals and/or decisions. It includes procedures, criteria and some thresholds that the Council will use in assessing which issues, proposals, decisions and other matters are significant.

General Approach to Determining the Significance of Proposals and Decisions

The Council will determine the significance of a proposal and/or decision in relation to issues, assets, or other matters, by making judgements about the likely impact of that proposal and/or decision on:

- (a) the current and future social, economic, environmental and cultural wellbeing of the community;
- (b) the parties who are likely to be particularly affected by, or interested in, the proposal and/or decision;
- (c) the likely impact/consequences of the proposal and/or decision from the perspective of those parties;
- (d) the Council's capacity to perform its role and carry out its activities, now and in the future and the financial, resources and other costs of doing so.

As part of its consideration the Council will take into account how important the proposal and/or decision is in terms of the achievement of, or ability to achieve the community outcomes as identified in the LTCCP.

The Council will consider each proposal and/or decision on a case-by-case basis using the thresholds, criteria and procedures set out in the Policy.

Thresholds for Determining Significance

The following financial thresholds will be used as a guide to determine whether the proposal and/or decision being considered by the Council has a high degree of significance:

- Issues, assets or other matters that individually incur more than \$2 million expenditure which was not approved as part of the LTCCP or Annual Plan.
- Decisions that will incur new or increased rates by more than 10% of the total rates projected in the LTCCP.
- Decisions that will result in at least 25 individual ratepayers each having rate increases of more than \$500 (per assessment per annum).

Criteria

The following criteria will be applied in assessing whether the proposal and/or decision being considered by the Council has a high degree of significance:

- The proposal and/or decision affects all or a large portion of the community in a way that is not inconsequential;
- The impact or consequences of the proposal and/or decision on the affected persons (being a number of persons) will be substantial;
- The financial implications of the proposal and/or decision on the Council's overall resources are substantial;
- The impact or consequences of the proposal and/or the decision on intended level of service for a significant activity is substantial;
- The impact or consequences of the proposal and/or the decision on the level of service performed by the Council or contractor for a significant activity or activities is substantial;
- The proposal and/or decision is likely to generate a high degree of controversy in the community.

Procedures

- (a) Every report on a proposal and/or decision in relation to issues, assets or other matters to the Council shall include a statement indicating that the significance of the proposal and/or decision has been considered in regard to the Council's policy on significance. The report shall include an assessment of the degree of significance of the proposal and/or decision based on the thresholds and criteria outlined in the policy and shall make a recommendation to the Council.
- (b) If the proposal or decision is considered to be significant the report will also include a statement addressing the appropriate observance of such of sections 77, 78, 80, 81 and 82 as are applicable.
- (c) Once the proposal and/or decision has been determined by the Council to be significant in accordance with this policy the decision-making provisions of the Local Government Act 2002 as outlined in sections 76-81 shall be applied, as is deemed appropriate by the Council.

Strategic Assets

A list of the Strategic Assets of the Whakatane District Council is contained in Appendix 1 of this Policy.

This is not an exhaustive list of the Council's assets, but includes those assets that are considered critical to ensuring that the Council is able to satisfactorily achieve identified community outcomes. The list also includes those assets that have been determined as being strategic assets under the provisions of section 5 of the Act.

Significant Activities

A list of the Significant Activities of the Whakatane District Council is contained in Appendix 2 of this Policy.

Review of the Policy

The Council will review its Significance Policy at the same time as it prepares the LTCCP for 2006. Thereafter it will review the policy every three years to coincide with the review of the LTCCP.

Use of the terms "Significant" and "Significance"

The Local Government Act 2002 uses the terms "significant" and "significance" in a number of contexts. Unless it is inappropriate in the context, the contents of this policy and the statutory definitions will apply.

APPENDIX 1

REGISTER OF THE WHAKATANE DISTRICT COUNCIL'S STRATEGIC ASSETS

For the purposes of section 90(2) of the Act the Council considers the following assets to be strategic assets.

Asset	Notes
District Libraries as a whole	Includes books and collections.
Whakatane Aquatic Centre	Includes land, building and structures.
Whakatane, Ohope, Edgecumbe and Murupara Halls	
Port as a whole (Whakatane, Ohope and Thornton)	Includes all land, buildings and structures associated with the Port Assets.
Amenity parks, sports parks and facilities under the Reserves Act 1977	
Public toilets as a whole	
Cemeteries	
Landfills, Recycling Park and Transfer Station	
Wastewater reticulation and treatment systems as a whole	Includes land, pipes, pump stations and sewerage ponds.
Stormwater reticulation systems as a whole	
Roading system as a whole	Includes the land, carriageway, footpaths, bridges, street lighting and off-street parking.

Asset	Notes
Water reticulation, storage and treatment systems as a whole	Includes the land, pipes, pumps, reservoirs and treatment plants.
Whakatane Airport	
Harbour Endowment property	
Pensioner Housing (see note 3)	

NOTES

1. Strategic assets as identified in the table are the assets in total and not the separate elements of the assets. The requirements of section 97 are only triggered if the proposal relates to the asset as a whole.
2. Section 97 of the Act requires that decisions to transfer the ownership or control of a strategic asset to or from the Council, or a decision to construct, replace or abandon a strategic asset can only be taken if the decision has been explicitly provided for by a statement of proposal in the Council's LTCCP.
3. Section 5 of the Act requires this asset to be included in the list as a Strategic Asset.

APPENDIX 2

REGISTER OF THE WHAKATANE DISTRICT COUNCIL'S SIGNIFICANT ACTIVITIES

For the purposes of section 90(1) of the Act the Council considers the following activities to be significant activities.

Activities	Significant Activities
	✓
Financially Assisted Roading	✓
Non-financially Assisted Roading	✓
Airports	✓
Port—Management & Maintenance	✓
Port—Management of Endowment Assets	✓
Water Supplies	✓
Wastewater Services	✓
Stormwater Services	✓
Refuse Collection	✓
Refuse Disposal	✓
Trade Waste Disposal	✓
Parks and Gardens	✓
Parks—Sportsfields	✓
Recreation	✓
Library Services	✓
Halls	✓
Museum and Gallery	✓
Cemeteries	✓
Swimming Pools	✓
Public Conveniences	✓
Community Housing	✓
Civil Defence	✓
Planning—Implementation	✓
Planning—Monitoring	✓

Activities	Significant Activities
	✓
Planning—Policy	✓
Building Inspections	✓
Environmental Health	✓
Hazardous Substances	✓
Licensing	✓
Bylaw Control	✓
Dog Control	✓
Stock Control	✓
Rural Fire Control	✓
Parking Enforcement	✓
Cost of Democracy	✓
Council Initiatives	✓
Promotion and Economic Development	✓
Visitor Information	✓
Safer Communities	✓

NOTES

1. Significant activities as identified in the table are the activities in total and not the separate elements of the activities. The requirements of sections 88 and 97 are only triggered if the proposal relates to the activity as a whole.
2. Section 97 (1) (a) of the Act requires that any decision to alter significantly the intended level of service provision including a decision to commence or cease any activity must be explicitly provided for in the LTCCP.
3. These provisions cannot be applied to changes in activities including the decision to alter or cease any activity and/or to significantly alter the level of service as a result of new statutes or changes to existing statutes being enacted.