Forecasting assumptions, financial statements and policies

Forecasting assumptions

Forecasting assumptions and risk assessment

In preparing this Our Community Our Future plan, we have had to make a number of assumptions as to what we expect may change or stay the same in the future. These assumptions are based on the best information we have available today. There is a risk that these assumptions could prove to be incorrect over time. Where the effect of an assumption being incorrect may have a significant financial impact or an impact on the levels of services, it is discussed below.

Forecasting assumption (something we reasonably expect to happen)	**Risk** (chance that loss will occur)	**Level of uncertainty** (likelihood of doubt)	**Reasons for and financial effect of uncertainty**
Growth			
This Our Community Our Future plan has been prepared on the basis that the majority of growth in the district will be centered in the three urban areas, Matamata, Morrinsville and Te Aroha while the population of the district's rural areas are projected to remain constant. Over the last ten years, the populations of Morrinsville and Matamata have grown at a rate of just less than 1% per year, and the rural population has remained constant; these trends are expected to continue for the overall ten year period. This means that the total population of the district could grow from 31,804 to 33,416 by 2022. The populations of Morrinsville and Matamata are predicted to grow to approximately 7,250–7,800 residents each, and Te Aroha to 4,200 people by the year 2022. We have assumed that this growth will translate to a growth in Council's rating base of 0.5% per annum.	Growth in the district occurs at higher or lower rates than assumed.	Medium	The recent effects of the global recession on growth and development have become evident with declining property prices and a lack of financing, property development and construction has slowed down. Growth rates have been carefully researched but economic conditions could cause variations from year to year. We closely monitor dwelling growth rates (from sources such as the number of subdivision and building consents granted) and can make adjustments to infrastructure capacity for increases or decreases in the projected growth. If the growth does not occur this will impact on the development contributions received for financing development. It will also impact on rates as there would be less than the forecast number of ratepayers over which to spread the rating burden. The growth component of new capital projects will be funded from development contributions. If development does not occur at the rate predicted, we may have to borrow additional funds. Further information on our population growth can be found in part one of this document and in our Development Contribution Policy.
Levels of service			
In developing this Our Community Our Future plan, we have assumed that the current levels of service we provide will continue unless specifically stated otherwise.	External factors or budgetary constraints may adversely affect our ability to deliver intended levels of service.	Low	The financial effect of uncertainty for this assumption cannot be quantified. We will signal any significant change in the Our Community Our Future plan/Annual Plan and seek community feedback.
Subsidies			
Council receives annual subsidies of over $5 million from the New Zealand Transport Agency. We have assumed that the rate of subsidy (approximately 48%) will remain constant over the ten year period.	The rate of subsidy received is lower than expected	Medium	A change in the level of subsidy will either affect rates or the level of service able to be provided.

Forecasting assumptions

Forecasting assumption (something we reasonably expect to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Climate change/natural hazards			
The effects of climate change are likely to cause extreme weather events, resulting in storms, flooding and droughts. Climate change will pose challenges for the district in relation to landuse and the economy in the future. The Government recognises climate change as a long term strategic issue for New Zealand. This is evident through the development of the emissions trading scheme which has effectively put a price on emissions, therefore creating an incentive, to both business owners and individuals, to reduce the amount of emissions released. Waikato Regional Council expects the region will be reasonably sheltered from extreme rainfall events as a result of climate change. We recognise New Zealand's vulnerability to natural disasters. If our communities are not adequately prepared we may not be able to recover from a natural disaster. We have assumed no impact from climate change in this plan, no significant natural disasters will occur and that our funding of civil defence will continue. The Canterbury earthquakes have increased the cost of obtaining insurance. These additional costs, as far as they are known to date, have been included in our forecasted expenditure over the next 10 years We will continue to monitor the impact of the Christchurch earthquake on our business and our community over the coming years.	Projected climate change and hazard scenarios such as storm events are greater or less than what has been forecast. Unpreparedness in the event of a natural disaster. Nationally significant natural disasters could further increase insurance costs beyond the level budgeted	Medium	Climate change and hazards could have adverse impacts on public and private property, and our infrastructure such as the roading and stormwater networks. Overestimation of the effects of climate change or hazards could result in unnecessary work, but an underestimation of effects could impact on us through emergency project works. Either scenario would affect ratepayers as infrastructure and hazard planning cost money. Significant increases in the cost of insurance as we have seen in the wake of the Canterbury earthquakes are dependent on the occurrence and scale of future natural disasters, so the timing and financial impact on the forecasts in the Long Term Plan cannot be quantified
Assets			
The useful lives of assets are assessed in accordance with the depreciation rates as set out in our accounting policies. There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets.	The physical deterioration and condition assessment used in the valuation of an asset could be at an amount that does not reflect its actual condition. This is a particular risk for those assets which are not visible, such as stormwater, wastewater and water supply pipes that are underground.	Low	There is no certainty that asset components will last for their design lives. These have been identified through the National Asset Management Support Standards and experience to date indicates no significant errors. Asset replacement is budgeted at the expected end of their useful life and earlier replacement will result in a loss on disposal of any residual value. Earlier replacement may result in the deferral of other discretionary capital projects in order to remain within self imposed debt limits. This risk is minimised by us performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any deterioration or surplus capacity of an asset.

Forecasting assumptions

Forecasting assumption (something we reasonably expect to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Inflation			
The forecasted figures in the financial statements have been adjusted to include inflation expectations over the next ten years. We have used the inflation forecasts provided by the Business and Economic Research Limited (BERL), who were contracted by the Society of Local Government Managers in September 2011 to provide such forecasts specifically for the Local Government sector for this purpose. The inflation factors applied in the plan are listed in the table below:	Inflation occurs at rates much greater than forecast.	Low	There is no certainty that the forecasts will be accurate especially in the current economic climate. If forecasts prove to be understated, then additional funding may be required, to maintain the existing levels of service.

	2012/13 %	2013/14 %	2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %	2020/21 %	2021/22 %
Roading	0.00	3.05	3.59	3.12	2.94	3.26	3.48	3.66	3.46	3.49
Property	0.00	2.90	2.91	3.00	3.17	2.74	2.83	2.99	3.28	3.25
Water	0.00	3.86	3.54	3.67	3.87	3.49	3.52	3.85	4.06	4.11
Staff	0.00	2.38	2.41	2.54	2.65	2.33	2.36	2.55	2.73	2.73
Other	0.00	3.21	3.20	3.37	3.43	3.40	3.37	3.33	3.53	3.55

Forecasting assumption (something we reasonably expect to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Valuations			
All properties in the district will be revalued in 2012 with new values taking effect from 1 July 2013. It is possible that this process will change the incidence of rates (e.g. rural values may increase by a greater proportion than urban values).	Valuations change the incidence of rates.	Medium	No allowance has been made for the possible impact of changes in rating valuations in this plan. We have the opportunity to review this annually as part of the Annual Plan.
Return on investment			
A component of the Power New Zealand investment fund is currently invested in overseas shares. Any realised profits from this investment are used to subsidise rates. Council has forecasted a dividend of $390,000 per annum.	Realised profits may be lower than expected.	Medium	Global economic conditions will impact on the value of the investment and the dividends received. Additional funding from rates may be required if returns are lower than forecast.
Source of funds for future replacement of significant assets			
We have assumed that depreciation will fund the renewal of assets and loans will fund any shortfall if depreciation reserves have been exhausted.	Funding will not be available to replace assets.	Low	If loan funding for renewals is required above any level budgeted, this would increase interest costs beyond those budgeted for.

Forecasting assumptions

Forecasting assumption (something we reasonably expect to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Borrowing			
We have assumed that we will have ready access to loan funds at competitive interest rates. Our strong balance sheet supports this assumption, and the establishment of the Local Government Funding Agency provides more certainty and competitiveness. We could utilise capital through the repatriation of the investment fund if necessary. An interest rate of between 6 and 6.5 percent has been forecast over the ten years of the plan.	Interest rates are higher than expected	Low	There is no certainty that the forecasted interest rates will be accurate. If the forecasted interest rate proved to be significantly understated, then additional funding may be required to maintain are existing levels of service.
Legislation			
Legislation is never static. Amendments come about through changes of government, changes of policy direction and review of old legislation. As an organisation that is created and derives its powers from statute, changes to legislation have a direct impact on the way we conduct our business. Recent examples of legislative reform that directly affected local government include the Local Government Act 2002 Amendment Act 2010, the Resource Management (Simplifying and Streamlining) Amendment Act 2009, and the Building Amendment Act 2009. We are also affected by changes to legislation not directly involving local government. Examples of this include the Employment Relations Amendment Act 2010, and the review of property law which culminated in the Property Law Act 2007. Central government is currently working through a review of the Sale of Liquor Act 1989 and further changes to the Building Act 2004 and Resource Management Act 1991. There have also been discussion papers from the Law Commission of a review of the Local Government and Official Information Act 1987. The speed of review of legislation depends largely on the policy direction and priorities of the government of the day. The possible effect of the revised legislation is unknown, therefore we have assumed business as usual for the duration of this Our Community Our Future plan.	Central government will reform legislation and this may affect the activities we undertake and their cost.	Low	In general the aim of legislative reform is to improve the processes that we follow in carrying out our functions. This is the purpose of the Resource Management (Simplifying and Streamlining) Amendment Act 2009 and the Building Amendment Act 2009. The Local Government Act 2002 Amendment Act 2010 aimed to simplify some processes, but to also improve to the transparency of how we undertake our business. Future changes to the Resource Management Act 1991 and the Building Act 2004 (some of which will be as a result of the Christchurch earthquakes) will have the same goal. The cost and impact on the activities of us as a result of future legislative changes cannot be quantified at this stage.

Forecasting assumptions

Forecasting assumption (something we reasonably expect to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Energy			
There will be increasing pressure to be energy efficient and to move to more renewable energy sources. This is partly because of the role energy plays in responding to the threat of climate change and partly because of other benefits associated with a more energy efficient and renewable energy focused society. Energy efficiency is a critical component of environmental sustainability and resource efficiency. Issues surrounding energy efficiency (such as the rise in fuel prices) are largely out of our control. We are currently conserving energy where we can, by ensuring all our housing is energy efficient and that we are working towards using fuel efficient fleet cars. However if costs keep rising we may need to consider how sustainable our current levels of service are. We have assumed that energy costs will increase and have allowed for this in inflation.	Forecasts on energy costs are not accurate.	Medium	Energy costs may rise or fall at levels inconsistent with our forecasting.
Treaty of Waitangi settlements			
There will be no significant additional costs to us arising from Treaty of Waitangi settlements, including co-management agreements.	Impacts from Treaty of Waitangi settlements are greater than expected	Low	Co-management processes may add significant costs, but we have not been able to quantify what those costs (if any) will be.
Precinct F (Matamata)			
We have assumed that growth will not occur in Precinct F until 2019. This is on the basis that demand in Precinct F needs to reach a level where a 50 lot subdivision (the minimum subdivision size under current District Plan rules) will be financially viable for a developer. We have estimated the cost of infrastructure based on the structure plan for Precinct F and reports on the infrastructure needs for the area, then adjusted for inflation. Timing of infrastructure development and revenue from development contributions are based on our growth projections. We have assumed that revenue will meet the cost of infrastructure for Precinct F	Growth forecasts and infrastructure costs are incorrect	Medium	There is no certainty that growth will occur in Precinct F when we have predicted, or that the costs of supplying infrastructure won't change. If our forecasts are incorrect, then infrastructure in Precinct F may be loan funded for longer than anticipated, resulting in additional interest costs and an increase in the development contributions for this area, which in turn may discourage further development. The current minimum requirement for a 50 lot subdivision minimises some of this risk, we will also seek to share risk with any potential developer through a developer agreement. We are also working to potentially reduce this risk further through a review of the current District Plan rules for Precinct F

Forecasting assumptions

Forecasting assumption (something we reasonably expect to happen)	Risk (chance that loss will occur)	Level of uncertainty (likelihood of doubt)	Reasons for and financial effect of uncertainty
Local government structure			
Council is a territorial authority by virtue of Part 2 Schedule 2 of the Local Government Act 2002. Given recent government announcements, it is likely that there will be changes to local government legislation. This may result in structural changes to the local government sector including amalgamations. The government has signalled it is seeking greater efficiencies from Councils however at the time of writing no direction has been given as to how this will be achieved. This Long Term Plan has been prepared on the basis that the structure of local government won't change (i.e. the status quo)	The Government will reform legislation and this may affect the structure, functions, activities and costs of Council	Medium	As an organisation we rely on legislation to provide our functions and powers therefore legislative or central government policy changes will have time, resource and cost issues that cannot yet be quantified. There is also the potential for mandatory amalgamations with other district Council or boundary changes. Council is not aware of what the indicated changes in local government structure will be at this stage. Any resulting cost changes will flow on into operational costs and capital works. Partly in response to the government's direction, Council has budgeted in this Long Term Plan to work towards greater regional collaboration. It is unknown whether future legislative changes will require greater collaboration than Council is planning for.
Uncalled capital – Waikato Regional Airport Limited			
Council has an uncalled capital share of $1.5 million in respect of our 15.625% shareholding in the Waikato Regional Airport Limited. There is no expectation this will be called upon within the 10 year period. Our forecasts reflect this assumption.	A call will be made on some or all of the unpaid capital	Low	While there are no expectations at present that any calls will be made, it is possible, (and has happened in the past), that the Board may require capital in order to take advantage of opportunities that further the company's objectives, as they arise. Any call on capital could be up to a maximum of $1.5 million.
Local Authority Protection Programme			
Council is a member of the Local Authority Protection Programme (LAPP), which was established to support local authorities with their responsibilities under the National Civil Defence Emergency Management (CDEM) Plan. Under the CDEM Plan, central government will meet 60% of emergency costs. The purpose of the LAPP fund is to provide a pool of funding to cover the 40% balance. As a result of the Christchurch earthquakes, almost $180 million has been contributed to the two member Christchurch councils, effectively exhausting the LAPP fund. In order to replenish this fund as quickly as possible, member council's annual contributions increased significantly in 2011/12. Any additional significant events may increase these annual contributions again, however no further increases have been assumed in the 10 year period of this plan.	A significant natural disaster in New Zealand will increase Council's contribution to the LAPP fund beyond the level budgeted for.	Medium	Any increased contributions to the fund are dependent on the occurrence and scale of future natural disasters, so the timing and financial impact on the forecasts in the Long Term Plan cannot be quantified.

Financial statements

Forecast statement of comprehensive income
A forecast for the ten years ending 30 June 2022

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Income											
General rates, uniform annual general charges, rates penalties	17,195	17,992	18,981	19,660	20,097	21,316	22,662	22,942	23,837	25,538	25,826
Targeted rates (other than a targeted rate for water supply)	10,640	11,533	12,336	13,127	13,290	13,842	14,535	14,689	14,675	15,884	15,955
Lump sum contributions	-	166	173	179	186	193	200	207	215	223	232
Subsidies and grants for operating purposes	2,362	2,213	2,348	2,382	2,457	2,529	2,612	2,703	2,801	2,898	3,000
Subsidies and grants for capital expenditure	3,229	3,149	3,089	3,290	3,393	3,492	3,606	3,732	3,868	4,002	4,142
Fees, charges and targeted rates for water supply	6,717	8,270	8,574	8,825	9,088	9,513	9,676	9,960	10,356	10,743	11,144
Interest and dividends from investments	670	618	632	647	698	714	735	757	781	805	830
Local authorities fuel tax, fines, infringement fees, and other receipts	230	231	239	246	251	261	271	282	290	302	310
Development and financial contributions	1,185	650	671	694	717	683	705	729	755	4,694	3,080
Vested assets	369	576	597	618	2,869	662	685	709	736	764	794
Other gains	-	104	105	106	107	109	110	111	112	113	114
Total income	**42,597**	**45,502**	**47,745**	**49,774**	**53,153**	**53,314**	**55,797**	**56,821**	**58,426**	**65,966**	**65,427**
Expenditure											
Payments to staff and suppliers	27,234	29,182	30,442	31,512	32,308	33,586	34,465	35,320	36,698	37,933	39,057
Finance costs	2,962	2,947	3,468	3,755	3,726	3,888	4,005	4,018	4,127	4,936	4,894
Depreciation and amortisation	11,271	13,122	13,361	13,983	14,189	14,385	15,964	16,025	16,196	18,127	18,250
Other losses	-	-	-	-	-	-	-	-	-	-	-
Total expenditure	**41,467**	**45,251**	**47,271**	**49,250**	**50,223**	**51,859**	**54,434**	**55,363**	**57,021**	**60,996**	**62,201**
Share of joint venture surplus/(deficit) for the year	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit)	**1,130**	**251**	**474**	**524**	**2,930**	**1,455**	**1,363**	**1,458**	**1,405**	**4,970**	**3,226**
Other comprehensive income											
Gains/(losses) on property, plant and equipment revaluations *	-	-	-	17,547	-	-	58,813	-	-	68,634	-
Total other comprehensive income	-	-	-	**17,547**	-	-	**58,813**	-	-	**68,634**	-
Total comprehensive income	**1,130**	**251**	**474**	**18,071**	**2,930**	**1,455**	**60,176**	**1,458**	**1,405**	**73,604**	**3,226**

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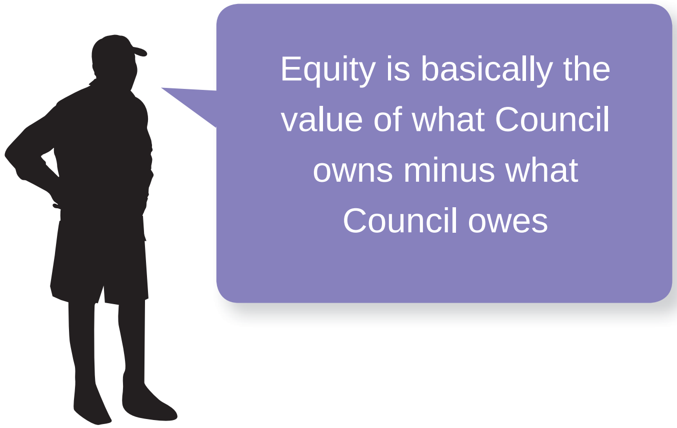
Forecast statement of changes in equity
A forecast for the ten years ending 30 June 2022

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Balance at 1 July	**519,621**	**542,469**	**542,720**	**543,194**	**561,265**	**564,195**	**565,650**	**625,826**	**627,284**	**628,689**	**702,293**
Total comprehensive income	1,130	251	474	18,071	2,930	1,455	60,176	1,458	1,405	73,604	3,226
Balance at 30 June	**520,751**	**542,720**	**543,194**	**561,265**	**564,195**	**565,650**	**625,826**	**627,284**	**628,689**	**702,293**	**705,519**
Equity represented by:											
Retained earnings	407,194	435,892	436,366	436,890	439,820	441,275	442,637	444,095	445,500	450,471	453,703
Other reserves	113,557	106,828	106,828	124,375	124,375	124,375	183,189	183,189	183,189	251,822	251,816
Total equity	**520,751**	**542,720**	**543,194**	**561,265**	**564,195**	**565,650**	**625,826**	**627,284**	**628,689**	**702,293**	**705,519**




The BMX track at Swap Park in Matamata

* The opening balance of equity at 1 July 2012/13 has been reforecast based on the actual closing equity balance at 30 June 2011, plus indicative changes to equity for the current financial year as a result of the 1 July 2011 revaluation of property, plant and equipment, and the expected surplus for the year

Financial statements

Forecast statement of financial position
A forecast as at 30 June for the ten years to 2022

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Current assets											
Cash and cash equivalents	1,314	1,169	1,239	1,461	1,939	2,655	2,983	3,754	4,636	5,056	5,366
Trade and other receivables	2,000	3,528	3,505	3,034	3,007	2,965	1,481	1,466	1,446	1,386	1,405
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	7,000	5,155	5,556	6,124	6,625	6,901	7,777	8,941	9,183	7,832	8,087
Inventory	139	600	619	639	661	683	706	730	755	781	809
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Total current assets	**10,453**	**10,452**	**10,919**	**11,258**	**12,232**	**13,204**	**12,947**	**14,891**	**16,020**	**15,055**	**15,667**
Less current liabilities											
Trade and other payables	5,023	3,000	3,096	3,195	3,303	3,416	3,532	3,651	3,773	3,906	4,044
Employee benefit liabilities	1,325	1,303	1,345	1,388	1,435	1,484	1,534	1,586	1,639	1,696	1,757
Borrowings	732	2,450	3,081	2,939	3,104	1,815	3,272	163	3,251	6,366	-
Provisions	21	66	68	70	85	47	48	50	52	92	55
Total current liabilities	**7,101**	**6,819**	**7,590**	**7,592**	**7,927**	**6,762**	**8,386**	**5,450**	**8,715**	**12,060**	**5,856**
Working capital	**3,352**	**3,633**	**3,329**	**3,666**	**4,305**	**6,442**	**4,561**	**9,441**	**7,305**	**2,995**	**9,811**
Non-current assets											
Other financial assets	10,739	18,414	18,477	18,543	18,611	18,681	18,753	18,828	18,904	19,103	19,331
Investments in Council Controlled Organisations and other entities	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876	2,876
Property, plant and equipment *	547,441	567,579	572,815	592,269	596,290	599,608	660,171	659,050	670,942	745,025	743,027
Intangible assets	869	1,224	1,263	1,304	1,348	1,394	1,441	1,490	1,539	1,594	1,650
Total non-current assets	**561,925**	**590,093**	**595,431**	**614,992**	**619,125**	**622,559**	**683,241**	**682,244**	**694,261**	**768,598**	**766,884**

Financial statements

Forecast statement of financial position
A forecast as at 30 June for the ten years to 2022

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Non-current liabilities											
Borrowings	43,621	49,946	54,539	56,400	58,293	62,425	61,065	63,510	72,008	68,489	70,395
Employee benefit liabilities	393	439	453	468	483	500	517	534	552	572	592
Provisions	512	621	574	525	459	426	394	357	317	239	189
Total non-current liabilities	**44,526**	**51,006**	**55,566**	**57,393**	**59,235**	**63,351**	**61,976**	**64,401**	**72,877**	**69,300**	**71,176**
Net assets	**520,751**	**542,720**	**543,194**	**561,265**	**564,195**	**565,650**	**625,826**	**627,284**	**628,689**	**702,293**	**705,519**
Equity represented by:											
Retained earnings	407,194	435,892	436,366	436,890	439,820	441,275	442,637	444,095	445,500	450,471	453,703
Other reserves	113,557	106,828	106,828	124,375	124,375	124,375	183,189	183,189	183,189	251,822	251,816
Total equity	**520,751**	**542,720**	**543,194**	**561,265**	**564,195**	**565,650**	**625,826**	**627,284**	**628,689**	**702,293**	**705,519**

Provisions are set aside for future costs of maintaining and monitoring Council's closed landfills and the Tui mine

A friendly cow on a Te Aroha dairy farm

Forecast statement of cashflows
A forecast for the ten years ending 30 June 2022

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Operating activities											
Cash was provided from:											
General and targeted rates and rates penalties	27,835	29,525	31,317	32,788	33,387	35,158	37,197	37,631	38,512	41,423	41,780
Subsidies and grants	5,591	5,361	5,437	5,672	5,849	6,022	6,218	6,434	6,670	6,901	7,141
Fees, charges and targeted rates for water supply	6,717	8,270	8,574	8,825	9,088	9,513	9,676	9,960	10,356	10,743	11,144
Interest from investments	670	228	230	232	269	270	275	283	291	297	304
Local authorities fuel tax, fines, infringement fees and other receipts	209	397	410	425	439	453	469	485	503	522	542
Development and financial contributions	1,185	650	671	694	717	683	705	729	755	4,694	3,080
Net GST	-	-	-	-	-	-	-	-	-	-	-
Cash was applied to:											
Payments to staff and suppliers	27,234	29,182	30,439	31,513	32,310	33,586	34,460	35,316	36,696	37,931	39,057
Finance costs	2,962	2,947	3,468	3,755	3,726	3,888	4,005	4,018	4,127	4,936	4,894
Net cashflow from operating activities	**12,011**	**12,302**	**12,732**	**13,368**	**13,713**	**14,625**	**16,075**	**16,188**	**16,264**	**21,713**	**20,040**
Investing activities											
Cash was provided from:											
Repayment of loans and advances	-	147	152	157	162	167	173	179	185	35	-
Sale of assets	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale/maturity of investments and dividends received	390	390	403	415	429	444	459	475	490	508	526
Cash was applied to:											
Purchase of property, plant and equipment	25,422	17,878	17,823	14,855	15,361	16,847	15,565	14,218	27,137	21,126	15,486
Purchase of intangible assets	40	36	217	14	23	240	34	26	265	37	28
Acquisition of investment	-	184	401	568	501	276	876	1,164	241	269	282
Net cashflows from investing activities	**(25,072)**	**(17,561)**	**(17,886)**	**(14,865)**	**(15,294)**	**(16,752)**	**(15,843)**	**(14,754)**	**(26,968)**	**(20,889)**	**(15,270)**

Financial statements

Forecast statement of cashflows
A forecast for the ten years ending 30 June 2022

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financing activities											
Cash was provided from:											
Proceeds from borrowings	15,562	6,869	7,674	4,800	4,998	5,947	1,911	2,609	11,749	2,847	1,906
Cash was applied to:											
Repayment of borrowings	1,642	1,755	2,450	3,081	2,939	3,104	1,815	3,272	163	3,251	6,366
Net cashflows from financing activities	**13,920**	**5,114**	**5,224**	**1,719**	**2,059**	**2,843**	**96**	**(663)**	**11,586**	**(404)**	**(4,460)**
Net increase/(decrease) in cash and cash equivalents	**859**	**(145)**	**70**	**222**	**478**	**716**	**328**	**771**	**882**	**420**	**310**
Opening cash and cash equivalents	455	1,314	1,169	1,239	1,461	1,939	2,655	2,983	3,754	4,636	5,056
Closing cash and cash equivalents	**1,314**	**1,169**	**1,239**	**1,461**	**1,939**	**2,655**	**2,983**	**3,754**	**4,636**	**5,056**	**5,366**

This statement shows how Council will use the cash they receive during the year

The water feature at Centennial Drive Reserve in Matamata

Statement of accounting policies

Reporting entity

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

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

Our primary objective is to provide goods or services for the community for social benefit rather than making a financial return. Accordingly we have designated ourselves as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial information contained within these policies and documents is prospective financial information in terms of Financial Reporting Standard 42 Prospective Financial Information. The purpose for which this has been prepared is to enable the public to participate in decision making processes as to the services to be provided by the District Council over the next ten financial years, and to provide a broad accountability mechanism of the Council to the community. The financial information in the Our Community Our Future plan may not be appropriate for purposes other than those described.

Our forecast financial statements are for the ten years ended 30 June 2022. The forecast financial statements were authorised for issue as part of the Our Community Our Future plan by Council on 27 June 2012.

Cautionary note

The information in the forecast financial statements is uncertain and the preparation requires the exercising of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or we may subsequently take actions that differ from the proposed courses of action on which the forecast financial statements are based. The information contained within these forecast financial statements may not be suitable for use in another capacity.

Basis of preparation

Statement of compliance

The forecast financial statements in part three have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Local Government Act 2002. They comply with NZ IFRS and other applicable financial reporting standards as appropriate for public benefit entities.

In September 2011, the External Reporting Board issued a position paper and consultation papers proposing a new external reporting framework for public benefit entities (PBEs). The papers proposed that accounting standards for PBEs would be based on International Public Sector Accounting Standards, modified as necessary. The proposals in these papers do not provide certainty about any specific requirements of future accounting standards. Therefore, the accounting policies on which the forecast information for 2012-22 has been prepared are based on the current New Zealand equivalents to International Financial Reporting Standards.

Measurement base

The forecast financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, and certain infrastructural and other assets.

Functional and presentation currency

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars $000. The functional currency for us is New Zealand dollars.

Opening balances

The forecast financial statements have been prepared based on expected opening balances for the year ended 30 June 2012. Estimates have been restated accordingly if required.

Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these forecast financial statements.

Significant accounting policies

Joint venture

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

Revenue

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

- **Rates -** Rates revenue is recognised at the due date of each installment.
- **Private works -** The revenue from private works is recognised as revenue by reference to the stage of completion of the work at balance date.
- **Government grants** - Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Other grants and requests received by us are recognised as revenue when control over the asset is obtained.
- **Fees and charges -** Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence.
- **Interest -** Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.
- **Dividends -** Revenue is recognised when the shareholders' right to receive the payment is established.
- **Rental income -** Rental income arising on property owned by us is accounted for on a straight line basis over the lease term.
- **Development contributions -** Development and financial contributions are recognised as revenue when the we provide, or are able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time we provide, or are able to provide, the service.
- **Vested assets -** Vested asset income recognises the value of land and/or infrastructural works that have been handed over to us following completion of the subdivision consent process. Vested assets are valued by applying standard unit rates to actual quantities of infrastructural components vested. The rates used are provided by the land developers and tested for reasonableness by us engineering staff. Vested asset income is recognised as revenue when the control over the asset is obtained.
- **Found assets** - Found asset income recognises the value of assets that are owned by Council, or where Council have full control and management of the asset (and that asset is not recorded as such by any other entity), and these assets have not been previously accounted for. These assets are recognised at their fair value from the time that they are identified.

Expenditure

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

- **Borrowing costs -** Borrowing costs are recognised as an expense when incurred.
- **Grant expenditure -** Non discretionary grants are grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

  Discretionary grants are those grants where we have no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the decision.
- **Leases** - Finance leases, which transfer to us substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases do not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from investing activities, and interest rate risks arising from financing activities. In accordance with our treasury policies, we do not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. The associated gains or losses are recognised in the surplus or deficit in the statement of comprehensive income. The fair value of the derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise derivatives are classified as non current.

Other financial assets

We classify our financial instruments into the following four categories: financial assets at fair value through surplus or deficit, loans and receivables, held to maturity investments, and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the statement of comprehensive income. Purchases and sales of investments are recognised on trade date, the date on which we commit to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cashflows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

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

The four categories of financial assets are:

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking. Derivatives are also categorised as held for trading.

Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset. The current/non current classification of derivatives is explained in the derivatives accounting policy above.

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Held to maturity investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that we have the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non current assets.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Financial assets at fair value through other comprehensive income

These are non derivative financial assets that are designated as fair value through equity at initial recognition or are not classified as any of the categories above. They are included in non current assets, unless management intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date.

After initial recognition, these investments are measured at fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in equity is reclassified from equity to the surplus or deficit.

Impairment of financial assets

At each balance date we assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held to maturity investments

Impairment is established when there is objective evidence that the we will not be able to collect the amount due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted using the original effective interest rate.

For trade and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock and community loans are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive income

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment. For debt instruments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in equity is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventory

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

Assets held for sale

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write downs of assets held for sale are recognised in the statement of comprehensive income. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consists of:

Operational assets

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

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

Infrastructure assets

Infrastructure assets are the fixed utility systems owned by us. Each asset class includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and wastewater pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Operational assets	Useful life	Depreciation rate
Buildings	2 to 100 years	1% - 50%
Restricted assets (buildings)	2 to 100 years	1% - 50%
Plant and machinery	2 to 10 years	10% - 50%
Furniture and equipment	2 to 20 years	5% - 50%
Computer equipment	3 to 5 years	20% - 33%
Server hard drives	1 year	100%
Library collection	2 to 9 years	11% - 50%

Additions

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

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

Disposals

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

Depreciation

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

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

Revaluation

Land, buildings (operational and restricted), and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

Infrastructural assets	Useful life	Depreciation rate
Roading network		
Street lighting	25 years	4%
Formation carriageway	Indefinite	0%
Pavement surfacing	7 to 50 years	2% - 14%
Pavement structure	39 to 47 years	2% - 3%
Footpaths	5 to 50 years	2% - 20%
Drainage	60 to 90 years	1% - 2%
Bridges	90 years	1.1%
All other	1 to 57 years	2% - 50%
Utility assets		
Buildings	50 to 80 years	1% - 2%
Wastewater mains	60 to 80 years	1% - 2%
Wastewater other	60 to 80 years	1% - 2%
Wastewater pump station equipment	14 to 80 years	1% - 7%
Wastewater service lines	60 to 80 years	1% - 2%
Water mains	60 to 80 years	1% - 2%
Water valves	80 years	1.25%
Water hydrants	80 years	1.25%
Water nodes	80 years	1.25%
Water pump station equipment	15 to 100 years	1% - 7%
Water service lines	80 years	1.25%
Stormwater mains	60 to 80 years	1% - 2%
Stormwater manholes	60 to 80 years	1% - 2%
Stormwater pumps	60 to 80 years	1% - 2%
Stormwater service lines	80 years	1.25%
Swale drains	Indefinite	0%

We assess the carrying values of our revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Accounting for revaluations

We account for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in this statement will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	2 to 15 years	6% - 50%

Impairment of non-financial assets

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

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Trade and other payables

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

Borrowings

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

Employee entitlements

Short term benefits

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

Long term benefits

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave; have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement
- the likelihood that staff will reach the point of entitlement and contractual entitlements information, and
- the present value of the estimated future cashflows

A discount rate of 6 to 6.5 percent and an inflation factor of 3.5% were used. The discount rate is based on the weighted average of government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long term increase in remuneration for employees.

Defined contribution superannuation scheme

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of comprehensive income.

Provisions

Provisions are recognised when we have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where we expect some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cashflows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for landfill aftercare and Tui mine site monitoring

As owners of three closed landfills and the former site of the Tui mine, we have a legal obligation under the resource consents to provide ongoing maintenance and/or monitoring services at the sites. Provisions for post-closure and monitoring costs have been recognised as a liability. The provisions are measured based on the present value of future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provisions include all reliably known costs. The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to us.

Equity

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

The components of equity are:

Retained earnings

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

Reserves

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by us. Restricted reserves are those reserves subject to specific conditions accepted as binding by us and which may not be revised by us without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain conditions are met. Council created reserves are reserves established by our decision. We may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at our discretion. Asset revaluation reserves represent unrealised gains on assets owned by us. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Cashflows are included in the cashflow statement on a gross basis and the GST component of cashflows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department are classified as operating cashflows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Inland Revenue Department.

Cost allocation

We have derived the cost of service for each significant activity using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Statement of accounting policies

Critical accounting estimates and assumptions

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

Provisions for landfill aftercare and Tui Mine site monitoring

The cash outflows for landfill after care and site monitoring costs are expected to occur over 25 years or more. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provisions have been estimated taking into account existing technology and discounted using a discount rate of 8%.

The following assumptions have been made in the calculation of the provisions:

- obligations for the work are for the period of the resource consents for these sites
- costs have been estimated based on best information and technology known at this point

Infrastructural assets

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

These include:

- The physical deterioration and condition of an asset, for example we could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by us performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then we could be over or under estimating the annual deprecation charge recognised as an expense in the statement of comprehensive income.

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

Kaimai Cheese Company Cafe, Waharoa

Forecast depreciation and amortisation

Forecast depreciation and amortisation by group of activity

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Community facilities	1,620	2,001	2,035	2,129	2,173	2,224	2,461	2,464	2,481	2,720	2,725
Roading	5,421	5,426	5,446	5,631	5,656	5,691	6,285	6,307	6,362	7,107	7,144
Rubbish and recycling	15	32	43	45	45	45	50	50	50	55	55
Stormwater	618	668	670	698	701	705	790	794	814	940	961
Wastewater	1,486	2,627	2,724	2,861	2,866	2,871	3,204	3,207	3,238	3,656	3,685
Water	1,261	1,478	1,529	1,653	1,759	1,836	2,035	2,038	2,059	2,309	2,312
Community development	1	1	1	1	1	1	1	1	1	1	1
Environmental care	4	2	2	2	2	2	2	2	2	2	2
Corporate assets*	845	887	911	963	986	1,010	1,136	1,162	1,189	1,337	1,365
Total depreciation and amortisation	**11,271**	**13,122**	**13,361**	**13,983**	**14,189**	**14,385**	**15,964**	**16,025**	**16,196**	**18,127**	**18,250**

*Corporate assets include computers, office furniture, vehicles etc used by the supporting activities of Council that do not relate directly to one of Council's groups of activities.

View from the water treatment plant, Te Aroha

Reserve funds

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by us. Restricted reserves are those reserves subject to conditions accepted as binding by us and which may not be revised by us without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain conditions are met. Council created reserves are established by Council decision. We may alter them without reference to any third party or the Courts or a third party. Transfers to and from these reserves are at our discretion. Asset revaluation reserves represent unrealised gains on assets owned by us. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings. Details of the specific reserve funds held by us are as follows:

Reserve fund	Purpose	Activities related to	Forecast balance 1 July 2012	Transfers in	Funds will come from	Transfers out	Funds will be applied to:	Forecast balance 30 June 2022
			$000	$000		$000		$000
Council created reserves								
Asset replacement reserves	Reserves held for asset purchase,replacement or emergency purposes.	All Council activities	2,622	527	Interest revenue	-		3,149
Community Purposes & Facilities reserves	Reserves held for use on community facilities or for community purposes e.g. grants.	Community Facilities & Community Development	328	66	Interest revenue	75	Fund investigations for Matamata library/memorial centre redevelopment and Te Aroha Events Centre investigations and grant for Hobbiton Premier	319
Property sales reserves	Reserves developed from the proceeds of property sales. Available for general community use or property purchase.	All Council activities	2,563	435	Interest revenue	389	"Fund Regional coordination activities from 2013-2016 Fund Council's potential financial commitment for the first 5 years of the operation of the Hauraki Rail Trail. Fund the district plan review of Precinct F"	2,609
Energy Share Proceeds	Fund developed from initial divided received from Council's PNZ shareholding. Available for general purpose use.	All Council activities	625	126	Interest revenue	-		751
General purpose reserves	Residual funds from former authority general reserves.		77	15	Interest revenue	-		92
Property self-funded activities	Reserve to record the balance of self funded activities - rural halls, elderly persons housing & owner occupier housing	Community Facilities	(88)	-		535	Operating deficit for the 10 year period.	(623)

Reserve funds

Reserve fund	Purpose	Activities related to	Forecast balance 1 July 2012	Transfers in	Funds will come from	Transfers out	Funds will be applied to:	Forecast balance 30 June 2022
			$000	$000		$000		$000
PNZ Share reserve	Reserve to reflect the change in share value.		-	1,108	Increase in share value	-		1,108
PNZ Internal Loans Reserve			11,951	6,726	Interest on internal loans provided to activities.	6,726	Transfer of Internal interest to activities.	11,951
Wastewater Capital contribution reserve	Capital contributions from industry used to offset future deprecation.	Wastewater	-	682	Contributions from industry in excess of annual interest & depreciation costs.	-		682
Precinct F reserve	Accumulated operating balance for the development		-	-		1,170	Accumulated operating deficit	(1,170)
Depreciation Reserves	Reserves to fund the replacement of assets.	All Council activities	949	142,654	Depreciation funding & interest	141,274	"Repayment of loans. Replacement of assets (renewals)"	2,329
Restricted reserves								
Reserves Development	Residual funds from reserves contributions to be used on parks & reserves.	Developments on parks & reserves	1,016	54	Interest revenue	1,056	Capital projects on reserves	14
Bequests & trust funds	**Funds to be used for the purposes of the bequest or trust**	**Nominated purposes**	**50**	**11**	**Interest**	**-**		**61**
Sub-total			**20,093**	**152,404**		**151,225**		**21,273**
Asset revaluation reserves			**85,599**	**144,944**	**3 yearly revaluation of assets**			**230,543**
Total other reserves			**105,692**	**297,348**		**151,225**		**251,816**

Reconciliation between the funding impact statement and statement of comprehensive income

The funding impact statement is prepared in compliance with the requirements of clause 15, part 1, schedule 10 of the Local Government Act 2002. Unlike the statement of comprehensive income, the funding impact statement is not compliant with generally accepted accounting standards (GAAP). The funding impact statement is intended to show in a transparent manner, how all sources of funding received by us are applied. It does not include "non-cash" that is classified as income on the statement of comprehensive income (as required by GAAP) such as assets that are vested to us through the subdivision process, or unrealised gains on assets. The statement of comprehensive income also requires "non-cash"expenses such as depreciation, amortisation, and unrealised losses of assets to be reflected, whereas these are excluded from the funding impact statement. The reconciliation below identifies the differences between these two statements.

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Funding sources as shown in the funding impact statement											
Total operating funding	37,844	40,857	43,110	44,888	45,882	48,175	50,490	51,332	52,739	56,169	57,064
Total capital funding	19,946	9,078	9,157	5,881	6,353	7,209	4,607	4,006	16,425	8,515	2,994
Less capital movements											
Increase/(decrease) in debt	15,562	5,113	5,224	1,719	2,058	2,841	95	(663)	11,586	(405)	(4,461)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Add non-funded income											
Vested assets	369	576	597	618	2,869	662	685	709	736	764	794
Other gains	-	104	105	106	107	109	110	111	112	113	114
Total funding sources	**42,597**	**45,502**	**47,745**	**49,774**	**53,153**	**53,314**	**55,797**	**56,821**	**58,426**	**65,966**	**65,427**
Total income as shown in the statement of comprehensive income	**42,597**	**45,502**	**47,745**	**49,774**	**53,153**	**53,314**	**55,797**	**56,821**	**58,426**	**65,966**	**65,427**

Reconciliation between the funding impact statement and statement of comprehensive income

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Application of funding as shown in the funding impact statement											
Total applications of operating funding	30,196	32,129	33,910	35,267	36,034	37,474	38,470	39,338	40,825	42,869	43,951
Total applications of capital funding	27,594	17,806	18,357	15,502	16,201	17,910	16,627	16,000	28,339	21,815	16,107
Less capital movements											
Capital expenditure	25,462	17,915	18,039	14,870	15,384	17,086	15,600	14,242	27,402	21,163	15,514
Increase/(decrease) in reserves	2,132	(397)	11	(42)	209	715	917	628	584	270	479
Increase/(decrease) in investments	-	288	307	674	608	109	110	1,130	353	382	114
Add non-funded expenditure											
Depreciation and amortisation	11,271	13,122	13,361	13,983	14,189	14,385	15,964	16,025	16,196	18,127	18,250
Other losses	-	-	-	-	-	-	-	-	-	-	-
Total funding application	**41,467**	**45,251**	**47,271**	**49,250**	**50,223**	**51,859**	**54,434**	**55,363**	**57,021**	**60,996**	**62,201**
Total expenditure as shown in the statement of comprehensive income	**41,467**	**45,251**	**47,271**	**49,250**	**50,223**	**51,859**	**54,434**	**55,363**	**57,021**	**60,996**	**62,201**

Funding impact statement

Funding impact statement for 1 July 2012 to 30 June 2022 for Council

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	17,194	17,992	18,980	19,660	20,097	21,315	22,662	22,943	23,837	25,540	25,826
Targeted rates (other than a targeted rate for water supply)	10,641	11,524	12,337	13,126	13,291	13,842	14,535	14,689	14,675	15,884	15,955
Subsidies and grants for operating purposes	2,362	2,213	2,348	2,382	2,457	2,529	2,612	2,703	2,801	2,898	2,999
Fees, charges, and targeted rates for water supply	6,747	7,408	7,633	7,849	8,124	8,511	8,626	8,896	9,290	9,615	9,950
Interest and dividends from investments	670	1,490	1,575	1,625	1,660	1,717	1,786	1,823	1,847	1,933	2,025
Local authorities fuel tax, fines, infringement fees, and other receipts	230	230	237	246	253	261	269	278	289	299	309
Total operating funding (A)	**37,844**	**40,857**	**43,110**	**44,888**	**45,882**	**48,175**	**50,490**	**51,332**	**52,739**	**56,169**	**57,064**
Applications of operating funding											
Payments to staff and suppliers	27,238	29,206	30,479	31,579	32,376	33,664	34,562	35,417	36,822	38,070	39,191
Finance costs	2,958	2,923	3,431	3,688	3,658	3,810	3,908	3,921	4,003	4,799	4,760
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**30,196**	**32,129**	**33,910**	**35,267**	**36,034**	**37,474**	**38,470**	**39,338**	**40,825**	**42,869**	**43,951**
Surplus/(deficit) of operating funding (A – B)	**7,648**	**8,728**	**9,200**	**9,621**	**9,848**	**10,701**	**12,020**	**11,994**	**11,914**	**13,300**	**13,113**

Forecasting assumptions, financial statements and policies

Funding impact statement

Funding impact statement for 1 July 2012 to 30 June 2022 for Council

	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Sources of capital funding											
Subsidies and grants for capital expenditure	3,199	3,149	3,089	3,290	3,393	3,492	3,606	3,732	3,868	4,002	4,142
Development and financial contributions	1,185	649	671	693	716	683	706	730	756	4,695	3,081
Increase/(decrease) in debt	15,562	5,113	5,224	1,719	2,058	2,841	95	(663)	11,586	(405)	(4,461)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	167	173	179	186	193	200	207	215	223	232
Total sources of capital funding (C)	**19,946**	**9,078**	**9,157**	**5,881**	**6,353**	**7,209**	**4,607**	**4,006**	**16,425**	**8,515**	**2,994**
Applications of capital funding											
Capital expenditure											
—to meet additional demand	343	90	83	323	117	205	83	86	11,562	6,549	247
—to improve the level of service	13,473	6,299	6,073	3,799	3,478	4,627	994	778	1,792	938	870
—to replace existing assets	11,646	11,526	11,883	10,748	11,789	12,254	14,523	13,378	14,048	13,676	14,397
Increase/(decrease) in reserves	2,132	(397)	11	(42)	209	715	917	628	584	270	479
Increase/(decrease) of investments	-	288	307	674	608	109	110	1,130	353	382	114
Total applications of capital funding (D)	**27,594**	**17,806**	**18,357**	**15,502**	**16,201**	**17,910**	**16,627**	**16,000**	**28,339**	**21,815**	**16,107**
Surplus/(deficit) of capital funding (C – D)	**(7,648)**	**(8,728)**	**(9,200)**	**(9,621)**	**(9,848)**	**(10,701)**	**(12,020)**	**(11,994)**	**(11,914)**	**(13,300)**	**(13,113)**
Funding balance ((A – B) + (C – D))	-	-	-	-	-	-	-	-	-	-	-

Calculation of rates

Calculation of rates for 1 July 2012 to 30 June 2022

Source	Category	How the rate will be calculated	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			$	$	$	$	$	$	$	$	$	$	$
General rates (inclusive of GST)													
General rate	All rateable land in the district	Cents in the dollar of capital value	0.00138835	0.00139089	0.00144914	0.00148114	0.00151300	0.00161648	0.00171401	0.00173477	0.00181207	0.00193104	0.00195727
Uniform annual general charge		Uniform charge per rating unit	502.12	500.26	537.37	567.21	576.57	598.90	635.56	639.31	652.82	701.88	701.65
Targeted rates													
Community Boards	Matamata ward	Uniform charge per rating unit	20.77	23.30	24.00	24.46	24.95	25.56	26.50	26.96	27.67	28.73	29.36
	Morrinsville ward		23.29	26.10	26.88	27.40	27.95	28.64	29.69	30.20	30.99	32.18	32.89
	Te Aroha ward		33.74	37.85	38.98	39.73	40.52	41.52	43.04	43.79	44.95	46.67	47.71
Stormwater	Rating units within serviced areas	Uniform charge per rating unit within the townships of Matamata, Morrinsville, Te Aroha and Waharoa	161.95	127.03	124.29	123.02	118.95	139.02	145.16	141.97	139.54	156.23	153.84
Waste Management		Uniform charge per portion of a rating unit to which the service is available	164.46	170.98	177.75	181.78	185.92	190.52	195.87	200.44	205.33	211.52	216.93
Wastewater (sewerage disposal)	Connected single residential house	Uniform charge per connected rating unit	593.90	687.00	745.87	778.04	763.47	792.38	830.30	838.13	831.51	898.45	893.67

Calculation of rates

Calculation of rates for 1 July 2012 to 30 June 2022

Source	Category	How the rate will be calculated	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			$	$	$	$	$	$	$	$	$	$	$
Wastewater (sewerage disposal)	Connected non-residential/ commercial	Uniform charge for the **first pan** on all connected properties, and	593.90	687.00	$745.87	778.04	763.47	792.38	830.30	838.13	831.51	898.45	893.67
		Additional uniform charge per pan (excluding the first pan) for properties with up to 4 pans	Connected non-residential rating units paid a flat rate of $593.90 under the 11/12 Annual Plan. These rates are charged **per pan**	687.00	745.87	778.04	763.47	792.38	830.30	838.13	831.51	898.45	893.67
		OR **Additional** uniform charge per pan (excluding the first pan) for properties with up to 10 pans		583.95	633.99	661.33	648.95	673.52	705.76	712.41	706.78	763.68	759.62
		OR **Additional** uniform charge per pan (excluding the first pan) for properties with up to 15 pans		549.60	596.70	622.43	610.78	633.90	664.24	670.50	665.21	718.76	714.94
		OR **Additional** uniform charge per pan (excluding the first pan) for properties with up to 20 pans		515.25	559.40	583.53	572.60	594.29	622.73	628.60	623.63	673.84	670.25
		OR **Additional** uniform charge per pan (excluding the first pan) for properties with more than 20 pans		480.90	522.11	544.63	534.43	554.67	581.21	586.69	582.06	628.92	625.57

Calculation of rates

Calculation of rates for 1 July 2012 to 30 June 2022

Source	Category	How the rate will be calculated	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			$	$	$	$	$	$	$	$	$	$	$
Wastewater (sewerage disposal)	Serviceable properties	Uniform charge per rating unit to which the service is available (but not connected)	296.95	343.50	372.93	389.02	381.73	396.19	415.15	419.07	415.75	449.23	446.83
Industry contributions to the Morrinsville wastewater treatment plant upgrade	Fonterra Co-operative Group Limited	Uniform charge per industry	494,493.10	585,647.89	608,234.86	629,746.26	652,871.024	678,146.91	701,809.45	726,547.56	754,512.39	785,166.13	817,433.23
	Greenlea Premier Meats Limited		156,976.15	185,913.11	193,083.31	199,912.08	207,253.00	215,276.80	222,788.44	230,641.52	239,518.91	249,249.90	259,493.05
Water supply (non metered)	Connected properties	Uniform charge per portion of a rating unit to which the service is provided	352.85	328.73	354.47	404.05	424.63	427.76	449.88	446.66	435.65	476.82	472.17
	Serviceable properties	Uniform charge per portion of a rating unit to which the service is available	176.43	164.37	177.24	202.02	212.31	213.88	224.94	223.33	217.82	238.41	236.09
Water supply (metered)	Metered supply (general)	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter) or the first 27 cubic metres consumed per month	0.95	0.95	1.03	1.17	1.23	1.24	1.30	1.29	1.26	1.38	1.36

Calculation of rates

Calculation of rates for 1 July 2012 to 30 June 2022

Source	Category	How the rate will be calculated	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			$	$	$	$	$	$	$	$	$	$	$
Water supply (metered)	Metered supply raw water Te Aroha West	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter) or the first 27 cubic metres consumed per month, in the Te Aroha West supply area	0.68	0.68	0.73	0.84	0.88	0.89	0.93	0.92	0.90	0.99	0.98
	Metered supply Braeside Aquaria 1981	Charge per cubic metre of water consumed (as measured by meter) over and above or the first 27 cubic metres consumed per month in respect of the Braeside Aquaria	0.49	0.49	0.53	0.60	0.63	0.64	0.67	0.67	0.65	0.71	0.70
	Inghams Enterprises (NZ) Pty Ltd supply*	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month in respect of the supply to Inghams Factory, Waitoa	0.44	0.44	0.48	0.54	0.57	0.57	0.60	0.60	1.26	1.38	1.36

* The balance (cost) is invoiced as per a separate contract with Inghams Enterprises (NZ) Pty Ltd. The current contract expires in 2018/19

Calculation of rates

Calculation of rates for 1 July 2012 to 30 June 2022

Source	Category	How the rate will be calculated	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			$	$	$	$	$	$	$	$	$	$	$
Water supply (metered)	Matamata farm properties**	Charge per cubic metre for Matamata farm properties that contain the Matamata trunk main from Tills Road	0.95	0.95	1.03	1.17	1.23	1.24	1.30	1.29	1.26	1.38	1.36
Targeted rural hall rates will apply to all land within the hall rating area, as listed	Tauhei	Cents in the $ on land value	0.007354	0.008642	0.008893	0.009152	0.009426	0.009726	0.009992	0.010275	0.010582	0.010930	0.011286
	Hoe-o-Tainui		0.003100	0.003100	0.003190	0.003283	0.003381	0.003489	0.003584	0.003686	0.003796	0.003921	0.004048
	Springdale		0.001840	0.001840	0.001893	0.001948	0.002007	0.002071	0.002127	0.002188	0.002253	0.002327	0.002403
	Kiwitahi		0.001120	0.001120	0.001152	0.001186	0.001222	0.001260	0.001295	0.001332	0.001371	0.001417	0.001463
	Patetonga		0.003100	0.03100	0.003190	0.003283	0.003381	0.003489	0.003584	0.003686	0.003796	0.003921	0.004048
	Wardville		0.001230	0.001230	0.001266	0.001302	0.001342	0.001384	0.001422	0.001462	0.001506	0.001556	0.001606
	Tahuna	Uniform charge per rating unit	33.73	33.73	34.71	35.72	36.79	37.96	39.00	40.10	41.30	42.66	44.05
	Mangateparu		22.70	23.70	24.39	25.10	25.85	26.67	27.40	28.18	29.02	29.97	30.95
	Kereone		40.90	40.90	42.09	43.31	44.61	46.03	47.29	48.63	50.08	51.73	53.41
	Tatuanui		61.35	61.35	63.13	64.97	66.92	69.04	70.93	72.94	75.12	77.59	80.12
	Walton		20.00	20.00	20.58	21.18	21.81	22.51	23.12	23.78	24.49	25.29	26.12
	Okauia	Cents in the $ on capital value	0.001737	0.001737	0.001787	0.001839	0.001895	0.001955	0.002008	0.002065	0.002127	0.002197	0.002268
	Hinuera	Cents in the $ on capital value	0.001599	0.001599	0.001645	0.001693	0.001744	0.001799	0.001849	0.001901	0.001958	0.002022	0.002088
	Piarere		0.001840	0.001840	0.001893	0.001948	0.002007	0.002071	0.002127	0.002188	0.002253	0.002327	0.002403
	Peria Hills		0.001127	0.001270	0.001307	0.001345	0.001385	0.001429	0.001468	0.001510	0.001555	0.001606	0.001658

** A 50% discount will be applied to this rate if the invoice is paid by the due date

Calculation of rates for 1 July 2012 to 30 June 2022

Source	Category	How the rate will be calculated	Annual Plan 2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			$	$	$	$	$	$	$	$	$	$	$
Targeted rural hall rates will apply to all land within the hall rating area, as listed	Mangaiti	Uniform charge per separately inhabited part of a rating unit (per dwelling)	12.27	12.27	12.63	12.99	13.38	13.81	14.19	14.59	15.02	15.52	16.02
	Waharoa		10.25	10.25	10.55	10.85	11.18	11.53	11.85	12.19	12.55	12.96	13.39
	Waitoa		25.55	25.55	26.29	27.06	27.87	28.87	29.54	30.38	31.29	32.31	33.37
	Waihou		13.30	18.30	18.83	19.38	19.96	20.59	21.16	21.76	22.41	23.14	23.90
	Elstow		21.47	21.47	22.09	22.74	23.42	24.16	24.82	25.53	26.29	27.15	28.04
	Manawaru		25.55	25.55	26.29	27.06	27.87	28.75	29.54	30.38	31.29	32.31	33.37
	Te Poi		36.80	36.80	37.87	38.97	40.14	41.41	42.55	43.75	45.06	46.54	48.06
Lump sum contributions													
Tahuna Wastewater Scheme	Connected properties	Uniform charge per connected rating unit	682.92	651.04	651.04	651.04	-	-	-	-	-	-	
	Serviceable properties	Uniform charge per rating unit to which service is available (but not connected)	409.75	401.88	401.88	401.88	-	-	-	-	-	-	-
Waharoa/ Raungaiti Wastewater Scheme	Connected properties	Uniform charge per connected rating unit	-	669.84	669.84	669.84	669.84	669.84	-	-	-	-	-
	Serviceable properties	Uniform charge per rating unit to which service is available (but not connected)	-	401.88	401.88	401.88	401.88	401.88	-	-	-	-	-

GST - The calculation of rates is shown inclusive of GST at the current rate of 15%. Any future changes in the rate of GST would need to be applied to these rates as appropriate.

Separately used or inhabited part of rating unit - A separately used or inhabited part of a rating unit is any part of a rating unit that is or is able to be separately used or inhabited by the ratepayer, or by any other person or body having a right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

Revenue and Financing Policy - The rationale for the selection of various funding sources is set out in our Revenue and Financing Policy.

Examples of the impact of the rates for 2012/13

Our district has a mix of rural and urban properties, and the rating proposals outlined in the Funding Impact Statement affect each property differently because of the differing services that are provided or available to each. Any changes made to the general rate have a greater impact on higher valued properties as they are calculated as a percentage of the capital value of the property. Changes in the uniform annual general charge affect properties equally as everyone pays the same amount. Changes to targeted rates mainly affect urban services. Examples of how a range of properties are impacted by the proposed rates for 2012/13 are outlined below. (Note that this is in an average district-wide example intended to be indicative only.) There will be minor variances for various wards or rating areas due to differing community board and rural hall rates applied. The indicative rates below include GST.

	Rates 2011/12 $	Forecast rates 2012/13 $	Increase from the previous year %
Urban home (connected to all services) with a capital value of $200,000	2,021	2,118	4.80
Urban home (connected to all services) with a capital value of $500,000	2,421	2,536	4.75
Urban Cafe with 2 pans (connected to all services) with a capital value of $500,000*	2,421	2,765	14.21
Urban motel with 15 pans, with a capital value of $1,500,000* (a) Applying the remission for the transition to 'pan charge' targeted rates OR (b) Assessed at 4 household equivalents, applying the proposed remission of 'pan charge' targeted rates based on water use	3,756 3,756	6,491 5,987	72.82 59.40
Urban school with 20 pans (connected to all services)* (a) Applying the remission for the transition to 'pan charge' targeted rates OR (b) Assessed at 6 household equivalents, applying the proposed remission of 'pan charge' targeted rates for educational establishments	1,111 1,111	4,450 4,622	300.54 316.02
Urban bare section (serviceable by all services but not connected) with a capital value of $150,000	1,316	1,370	4.10
$200,000 home in Waharoa township (charged for connection to wastewater and stormwater for the first time in 2012/13): - Including the capital contribution for the wastewater scheme (being paid over five years) - Excluding the capital contribution for the wastewater scheme (paid as a lump sum)	1,273 1,273	2,795 2,125	119.56 66.93
Rural lifestyle property (not connected or serviceable by any services) with a capital value of $500,000	1,148	1,222	6.45
Rural property (not connected or serviceable by any services) with a capital value of $4,000,000	5,819	6,090	4.66

* Note that the full effect of the new pan charges on non-residential properties will not take effect until the 2014/15 year, due to the rates remission policy, which effectively phases in the pan charges over three years.

Revenue and financing policy

The revenue and financing policy describes how we will fund operating expenses and capital expenditure from the funding sources specified in section 103 of the Local Government Act 2002.

Policy considerations

We will select funding sources for each activity after having regard to the following:

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

The following is a summary of how we have approached these considerations.

The community outcomes to which the activity primarily contributes

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

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

We have taken the following general approaches to relate benefits to funding sources:

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

We have expressed the allocation of benefits in the first part of the consideration process in the following terms

- high - generally above 75%
- medium - 40-75%
- low-below 40%

See also the "other policy considerations" section.

The period over which benefits are expected to occur

During the development of this plan we received feedback from the community on the types and levels of services expected from us. The overall conclusion is that the community expects the current services to continue to be available now and in the future. This is reflected in this plan, as are the following principles:

- current and future generations will benefit from each activity
- we will implement appropriate accounting and funding policies to ensure intergenerational equity (so one generation does not benefit at the expense of another)
- we may encounter extraordinary situations that involve addressing legacy issues (e.g. environmental issues from old landfill sites). In cases like this we may not be able to impose the cost of addressing the issues on the people who caused the problem. We will consider funding options to minimise the impact of these issues on current and future generations. This might involve the use of retained earnings or proceeds from the sale of assets.

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

We encounter situations where the actions or inactions of individuals or groups cause us to utilise additional resources.

These can be generally categorised as follows:

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

We will consider:

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

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

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

We have a desire for a simple rating structure that can be easily understood by the community.

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

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

We can create numerous targeted rates to separately represent the full range of our activities however this would compromise our desire for a simple rating system. After allowing for the various targeted rates and user charges, the remaining Council activities are mainly funded from general rates. Our view is that rates are a form of tax and the quantum an individual pays does not necessarily reflect the level of benefit received. The use of additional targeted rates may inflate individual expectations about the level of benefit that should be received. This does not promote accountability. We promote transparency by disclosing the amount funded from general rates for all activities with rates assessments. This has a low administration cost and is considered to achieve the same outcome as the use of numerous targeted rates.

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

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

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

Other policy considerations

Funding 'public good'

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

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

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

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

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

There are two types of general rates:

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

The Uniform Annual General Charge is levied on each rateable property as a fixed sum.

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

The Uniform Annual General Charge is subject to a statutory maximum. Our policy is that the Uniform Annual General Charge can be set at a range between 75-100% of the maximum. This percentage will be reviewed annually.

A change in the level of the Uniform Annual General Charge will change the level of the capital value based general rate.

Funding 'private good'

Activities with strong private good characteristics are typically neither non rival or non excludable

We hold the view that a rating system is primarily a taxation system and not a system inherently based on a principle of user pays.

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

Differential general rates

We consider that public goods are available to be enjoyed equally by the whole community. General rates should therefore be levied on the same basis across the district. For this reason, we do not consider that there are any compelling arguments to utilise differential rating for general rates.

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

Valuation system

The capital value rating system has been in place in this district since 1990. We acknowledge that this system is not an accurate representation of 'ability to pay', however, we do not consider that the alternatives (land or annual value) offer any advantages over capital value. Our community is familiar with the current system and there are no compelling reasons to change at this time.

Capital expenditure

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

- of the expected lives of assets, and/or
- the impacts on operating costs of our activities.

Revenue and financing policy

The available funding sources for capital expenditure are:

- borrowing (either internal or external)
- development and financial contributions as per the Developments/ Financial Contributions Policies (including interest costs as per the policy) private contributions as may be agreed from time to time with individuals/ organisations. This will apply where we have entered into a partnership or arrangement to undertake capital development
- lump sum contributions in accordance with the Local Government (Rating) Act 2002
- targeted rates in accordance with the Local Government (Rating) Act 2002
- subsidies (where applicable)
- specific revenue streams we determine
- the proceeds of the sale of assets
- retained earnings (special funds and depreciation reserves).

Considerations

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

- We wish to allocate the cost of capital expenditure over the period that benefits are generated from the expenditure. Loan or accumulated depreciation reserves will be the normal source of funding for capital expenditure. The annual loan costs will be met from the underlying funding sources for each significant activity. The considerations that apply for operating expenditure will by default, apply to capital funding, (for example a targeted rate for an activity will meet the annual loan repayments).
- The primary factors giving rise to the need for capital expenditure will influence our choice of funding mechanism. For example:
  - development contributions must be used for the specified capital project
  - the needs of a specific community may result in funding being raised from that community
  - special funds created for specific activities will be used for those activities
- The costs and benefits of different funding sources will be assessed within the context of our Our Community Our Future plan. We can then assess the potential impact of the selected funding source against the community outcomes.

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

Group of Activities	Borrowing	Financial contributions	Development contributions	General and special reserves	Lump sum contributions	Grants and subsidies	Targeted rates*
Community Development				✔			
Community Facilities	✔	✔		✔			
Environmental Care							
Roading	✔		✔	✔		✔	
Rubbish and recycling	✔			✔			
Stormwater	✔		✔	✔			
Wastewater	✔		✔	✔	✔	✔	✔
Water	✔		✔	✔			

* Targeted rates are charged to industries considered to have a high impact on Council's wastewater system, in order to recover an agreed share of the cost of capital upgrades to our systems.

Operating Costs

Operating costs are the annual operating costs as contained within our Our Community Our Future plan and/or Annual Plan.

The following tables summarise our considerations for each activity.

Community Facilities	Activity			
	Housing and other property			Libraries
Funding considerations	Housing	Rural halls	Corporate property/ general property	
Primary outcomes	1.d) Council will encourage access to good quality and affordable housing	3.b) People, will be well informed of the districts resources, equipment, and facilities	3.a) Council's reserves and facilities will be safe, well maintained and accessible to encourage people to use them	5.d) People will have the opportunity to learn about their own and others kawa (protocol), tikanga (customs), whakapapa (ancestral heritage), heritage and culture
Distribution of benefits	Individuals - high (private occupancy)	Community within rural hall areas - high. Individuals and area groups private hire - high	Community at large 90% - (access and availability) Private individuals 10% - individual or group utilisation	Community at large - medium (access and availability) Private individuals - high (personal use of library resources)
Period which benefits occur	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	None	None	Minor issues relating to extraordinary demands from specific users	None
Transparency and accountability	Direct user charges reinforce accountability and transparency in the management of the activity	Separate funding sources link to community management of assets	Not affected by selected funding source	Fees and charges reinforce accountability to individual customers for library resources. The charges also promote the need for Council to demonstrate 'value' to Library customers
Overall impact on social, economic, environmental and cultural wellbeing of the district	User charges to be set to recover costs. Economies of scale achieved to ensure costs are competitive and therefore charges below market levels are achieved	Selected funding sources assist with the achievement of the desired outcomes. The local communities within the major rating areas are the major users of the halls. The percentage recovery from fees and charges is a realistic amount. The local hall rates account for the difference.	Selected funding sources assist with the achievements of the desired outcomes	Setting the level of individual recovery too high will result in the decline in the utilisation of the libraries. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and this is reflected in the range below
Funding sources	User charges 100%	Targeted hall rates on varying bases for each of the rating areas 80% Fees and charges on varying bases for each of the rating areas	General rates 80-90% Fees and charges 10-20%	General rate 80-93% Fees and charges 7 -20%

Revenue and financing policy

Community Facilities	Activity			
	Parks and reserves	Public amenities		Recreation and culture
Funding considerations		Cemeteries	Other public amenities	
Primary outcomes	3.a) Council's reserves and facilities will be safe, well maintained and accessible to encourage people to use them	3.a) Council's reserves and facilities will be safe, well maintained and accessible to encourage people to use them	3.a) Council's reserves and facilities will be safe, well maintained and accessible to encourage people to use them 3.c) Council walking and cycling tracks will be promoted, well maintained, and developed as resources allow	3.a) Council's reserves and facilities will be safe, well maintained and accessible to encourage people to use them 3.c) Council walking and cycling tracks will be promoted, well maintained, and developed as resources allow
Distribution of benefits	Community at large - high (access and availability)	Total community benefit medium (access and availability) Individuals medium (burials and plot utilisation)	Community at large - high	Community at large - medium Private individuals - high
Period which benefits occur	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	Some users result in the need for higher costs (e.g. sports fields) than would otherwise be necessary	None	None	Some users result in lost opportunities for revenue and impose higher administration costs
Transparency and accountability	Fees and charges reinforce accountability to individuals and groups	Fees and charges for burials. Use of general rate does not affect accountability	Not affected by selected funding sources	Not affected by selected funding source
Overall impact on social, economic, environmental and cultural wellbeing of the district	Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. Council will recover additional costs where possible	Selected funding sources assist with the achievement of the desired outcomes	100% public funding to ensure achievement of desired outcomes is sustainable	Setting the level of individual or group recovery too high will be counter-productive to the outcomes Council is seeking to achieve. Council has assessed a realistic and achievable target for user fees. A higher level would be preferred and in individual facilities, this may be achievable without compromising utilisation
Funding sources	General rates 90-100% Fees and charges 0-10%	General rates 40-60% Fees and charges 60-40%	General rates 90-100% Fees and charges 0-10%	General rates 60-70% Fees and charges 30-40%

Community Infrastructure	Activity			
	Roading	Rubbish and recycling		
Funding considerations		**Waste management facilities**	**Solid waste kerbside collection**	**Solid waste recycling**
Primary outcomes	6.g) Council will contribute to a safe and efficient transport network	4.b) Council will provide and promote sustainable waste management options to protect our environment	4.b) Council will provide and promote sustainable waste management options to protect our environment	4.b) Council will provide and promote sustainable waste management options to protect our environment
Distribution of benefits	Community at large - medium Private individuals - high	Community at large - medium (access, availability, healthy environment) Individuals - high	Community at large - medium (healthy environment) Individuals - high	Community at large - medium (access, availability, healthy environment) Individuals - high
Period which benefits occur	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	Heavy traffic and some commercial activities can negatively impact on network maintenance	Individuals generate waste and through their actions or inaction can significantly impact the waste volume. Some activities generate hazardous wastes or large volumes of waste	Individuals generate waste and through their actions or inaction can significantly impact the waste volume	Individuals who do not separate recyclable material
Transparency and accountability	Council has limited ability to directly recover the private benefits other than through rates. Government subsidy contributes a significant portion of the total funding	User charges for the use of waste management facilities is transparent and promotes accountability on waste generators	Targeted rate for properties to which Council is prepared to provide collection, promotes transparency and accountability linking a service provided to a specific Council rate	User charges for the disposal of recyclable material is transparent and promotes accountability on waste generators (recyclable waste will be charged at a lower rate than non-recyclables)
Overall impact on social, economic, environmental and cultural wellbeing of the district	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits from the activity generates	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits from the activity generates
Funding sources	Subsidy - as determined by Government agency Council has resolved to allocate dividends received from the externally invested power New Zealand fund to the Roading activity to reduce the rates requirement. Council will determine the budgeted dividend allocation on an annual basis. General rates - balance of funding	General rates 10% Fees and charges 90%	General rates 0-10% Targeted rate on a uniform basis for serviced properties 90-100%	General rates 30% Fees and charges 70%

Community Infrastructure	Activity		
Funding considerations	**Stormwater**	**Wastewater**	**Water**
Primary outcomes	6.c) Council will provide essential infrastructure to meet the needs of our community now and in the future	6.c) Council will provide essential infrastructure to meet the needs of our community now and in the future	6.e) Systems will exist to provide sustainable clean water for our community/Iwi
Distribution of benefits	Community at large - low (approximately 14% of the networks service public areas - roads, parks etc.) Township and property owners - high	Community at large - medium Individuals - high	Community at large - low-medium Private individuals - high
Period which benefits occur	Current and future	Current and future	Current and future
Exacerbator issues	Some issues where particular activities result in pollutants entering stormwater reticulation	Properties connected to the sewer generate the waste. Rating legislation prevents residential properties being charged for more than one pan. Properties with more than one pan and with a higher intake of water are assumed to have a higher impact on the network. Some industries and businesses create high loading on the network	Activities that generate extraordinary levels of water utilisation Properties that are serviced by the reticulation, but not connected
Transparency and accountability	Targeted rate for properties within urban areas serviced by stormwater promote transparency and accountability, linking a service provided to a specific Council rate	Targeted rates for properties within urban areas serviced by waste water reticulation promote transparency and accountability, linking a service provided to a specific Council rate. Charging on a pan basis and modifying this by way of remission, further promotes accountability. Trade waste agreements address high impact activities	Targeted rate for properties within urban areas serviced by public water reticulation and water meter charging promote transparency and accountability, linking a service provided to a specific Council rate
Overall impact on social, economic, environmental and cultural wellbeing of the district	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits the activity generates	Selected funding sources assist with the achievement of the desired outcomes. Council's ability to use general rate funding acknowledges the wider community benefits the activity generates
Funding sources	General rates 14% Targeted rate on a uniform basis for serviced urban areas 86%	Fees and charges through trade waste agreements The balance of funding after fees and charges will come from either: General rates 0-6%, or Targeted rate on a per pan basis (using a scale of charges) for serviced urban areas 94-100% Factors - properties connected Properties able to connect but not connected Council will determine the actual percentages within the allowable range on an annual basis.	Fees and charges from metered water The balance of funding after fees and charges will come from either: General rates 0-6%, or Targeted rate on a uniform basis for serviced urban areas 94-100% Factors - properties connected Properties able to be connected but not connected Council will determine the actual percentages within the allowable range on an annual basis

Community Development	Activity				
	Communications	Democracy		District Plan	Strategies and plans
Funding considerations		Council	Community Boards		
Primary outcomes	2.a) Our community/Iwi will be informed and have the opportunity to comment on significant issues	2.c) Council's decision making will be sound, visionary, and consider the different needs of our community/Iwi		6.a) Council plans will be flexible, to accommodate well planned, sustainable growth	2.c) Council's decision making will be sound, visionary, and consider the different needs of our community/Iwi
Distribution of benefits	Total community benefit - high	Total community benefit - high	Total community benefit - (by ward) high	Total community benefit - high	Total community benefit - high
Period which benefits occur	Current and future	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	None	None	None	None	None
Transparency and accountability	Not affected by selected funding sources	Not affected by selected funding sources Other accountability processes in place	Separate funding sources reinforce accountability to the specific communities	Not affected by funding sources	Not affected by funding sources
Overall impact on social, economic, environmental and cultural wellbeing of the district	100% public funding to ensure achievement of desired outcomes is sustainable	Selected funding sources assist with the achievement of the desired outcomes	Selected funding sources assist with the achievement of the desired outcomes	100% public funding to ensure achievement of desired outcomes is sustainable	100% public funding to ensure achievement of desired outcomes is sustainable
Funding sources	General rates 100%	General rates 100%	100% Targeted rates on a uniform basis per ward	General rates 100%	General rates 100%

Environmental Care	Activity				
	Animal control	Building control	Community protection		Regulatory planning
Funding considerations			Other community protection	Health	Resource Consents
Primary outcomes	1.a) Council will aim to significantly reduce illegal activities and anti-social behaviour in our community	1.d) Council will encourage access to good quality and affordable housing 6.d) Council consent processes will ensure that our communities and environment are safe and sustainable	1.a) Council will aim to significantly reduce illegal activities and anti-social behaviour in our community 1.e) Council will prepare for emergencies	1.f) Council services and activities will contribute to the health and wellbeing of our community/Iwi	6.d) Council consent processes will ensure that our communities and environment are safe and sustainable
Distribution of benefits	Community at large - medium (public safety) Individuals - medium	Community at large - medium (managed/appropriate development) Individuals - medium	Community at large - high	Community at large - high Private individuals - medium	Community at large - medium (managed/appropriate development) Individuals - medium (resource consents)
Period which benefits occur	Current and future	Current and future	Current and future	Current and future	Current and future
Exacerbator issues	The need for this activity arises from the expectation that animal ownership will not negatively impact on public safety Irresponsible owners create the majority of problems on this activity	Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement	Actions of some individuals can give rise to emergency response (e.g. rural fires). Council will attempt to recover these costs from the individual land owner	Non-compliance with conditions by some individuals result in the need for extraordinary monitoring and enforcement	The district plan captures the community's collective view on the types of development it desires as of right. People who propose development outside these parameters impose additional costs on Council Non-compliance with some individuals result in the need for extraordinary monitoring and enforcement

Environmental Care	Activity				
	Animal control	Building control	Community protection		Regulatory planning
Funding considerations			Other community protection	Health	Resource consents
Transparency and accountability	Fees and charges promote owner accountability and transparency on Council's part	Building fees promote transparency and accountability on Council to individual customers	Not affected by selected funding sources	Not affected by selected funding sources	Planning fees promote transparency and accountability on Council to individual customers
Overall impact on social, economic, environmental and cultural wellbeing of the district	Council is satisfied that imposing the majority of the costs of the activity on animal owners promotes public safety. It is in the interests of the owners to reduce their ownership costs by being responsible. People who are irresponsible will pay a higher level again. The general rates funding is set at a level that Council believes that the community is willing to pay to have a safe environment	Council can demonstrate a strong linkage between the level of fees charged and the services received. Council is satisfied that the level of funding is consistent with the desired outcome to achieve managed and appropriate development for the community	Selected funding source assists with the achievement of desired outcomes	Fees and charges for the activity are set largely by statute. The general rates funding must fund the balance	Council can demonstrate a strong linkage between the level of fees charged and the services received. Council is satisfied that the level of funding is consistent with the desired outcome to achieve managed and appropriate development for the community
Funding sources	General rates 20% Fees and charges (including fines) 80%	General rates 40-60% Fees and charges 40-60%	General rates 100% exacerbator charges where possible	General rates 66% Fees and charges 34%	General rates 60-70% Fees and charges 30-40% (hearing costs)

Rates remissions policy

Policy on the remission of rates on land protected for conservation purposes

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

Objective

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

The objectives are to:

- help landowners who have voluntarily protected areas of significance
- encourage landowners who do not want to protect these areas, to protect these areas; and
- ensure that these areas remain protected

Criteria and conditions

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

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

We will determine the amount of any remission at our discretion and will be guided by:

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

Policy on the remission of penalties on unpaid rates

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

Objectives

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

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

Criteria and conditions

Penalties on unpaid rates may be remitted where:

a. We have not issued a rates assessment and/or invoice as required under the Local Government Act 2002; or

b. It can be substantiated that a ratepayer has been disadvantaged in the delivery of a rates assessment and/or invoice. Substantiation shall consist of some form of tangible evidence such as undelivered mail being returned to Council, or

c. the ratepayer pays the rates through electronic banking and makes an error in the transaction, or

d. The ratepayer:

- provides a written explanation why payment could not be made by the due date; and
- the explanation is considered reasonable, and
- the ratepayer has not received a rates remission within the last three years, and
- the ratepayer has not incurred more than three penalties within the last three years, and
- there are no overdue rates outstanding (excluding the penalty remission application)

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

e. A formalised and approved rate payment arrangement has been complied with. Only those penalty charges incurred since commencement of the arrangement will be considered for remission, or

f. Where those who wish to pay their rates for the year in full within one month from the date the first installment penalty charge notice was issued

g. Where a monthly direct debit is in place and being honoured

All applications for remission must be made in writing.

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

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

Policy on the remission of rates: other categories

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

Objectives

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

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

To allow us to remit all or part of a Uniform Annual General Charge in situations where:

- a number of rating units are occupied and used as one property
- the rating units satisfy all the conditions of section 20 of the Local Government (Rating) Act 2002 (LGRA) except that the owners are private individuals and the related property is a family trust

Criteria and conditions

Service Charges

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

- the rates are for land that is owned or used by a society or association of persons for games or sports (excluding galloping races, harness races and greyhound races) except for rates due for any area covered by a liquor licence
- the rates are for land owned or used by a society incorporated under the Agricultural and Pastoral Societies Act 1908 as a showground or place of meeting
- the rates are for land owned or used by a society or association of persons (whether incorporated or not) for the purpose of any branch of the arts
- half service charges for Council owned land which is non rateable under section 8 and schedule 1 of the Local Government (Rating) Act 2002 and where no services (as defined above) are provided or contemplated
- in the case of clauses 1(a) to 1(c) a maximum remission of 50% is available and in the case of clause 1(d) a full remission is available.

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

- properties with a capital value of less than $1,500. These are generally small areas of land used for utility purposes or similar
- land used or set aside for cemetery purposes that has an area greater than two hectares

Uniform Annual General Charges

We will give consideration to the remission of all or part of the Uniform Annual General Charge on properties where:

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

Applicants must apply by 31 August and provide such information as considered necessary by staff to support the application. The total amount that we will remit in any one year will be limited to our annual budget allocation. We will have regard to the requirements of the Local Government (Rating) Act 2002 when considering an application under this section.

All remissions are at our discretion and are subject to annual review. It is a precondition of remission that those rates that are not remitted are paid in full.

Remission of small rates balances:

- Objective - To save us the costs of collecting rates of uneconomic value
- Conditions and criteria - To qualify for remission under this part of the policy the rating unit must have a balance of less than $1 owing at the time of assessing or invoicing a rate
- Process - The Chief Executive Officer has the authority to remit any outstanding rates less than $1 on a quarterly basis. The Chief Executive officer may delegate this authority to finance staff

Policy on the remission of rates on Maori freehold land

This policy is prepared pursuant to sections 102 and 108 of the Local Government Act 2002 and section 114 of the Local Government (Rating) Act 2002.

We have considered the matters set out in Schedule 11 of the Local Government Act 2002. Maori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Maori Land Court by freehold order. Only land that is the subject of such an order may qualify for remission under this policy.

This policy aims to:

- Contribute to the fair and equitable collection of rates from all sectors of the community. We recognise that certain Maori lands have particular conditions or circumstances which make it appropriate to provide relief from rates.
- To put in place a means of providing relief on rating for Maori land pursuant to section 108 of the Local Government Act 2002 by way of rate remission.

Objectives

The objectives of this policy are:

- to recognise situations where there is no person or owner gaining an economic or financial benefit from the land
- to set aside land that is better set aside for non-use because of its natural features (whenua rahui)
- to recognise matters related to the physical accessibility of the land
- to recognise and take account of the presence of wahi tapu that may affect the use of the land for other purposes
- where only part of a block is occupied, to grant remission for the portion of land not occupied
- to facilitate development or use of the land where we consider rates based on actual capital value make the current use of the land uneconomic.

(Note that application of the Mangatu decision to discount values will likely provide some relief also).

Principles

The principles used in establishing this policy are:

- that as defined in section 91 of the Local Government (Rating) Act 2002, Maori freehold land is liable for rates in the same manner as general land
- we are required to consider whether it should have a policy for remission of rates on Maori freehold land
- the community benefits through the efficient collection of rates and the removal of rating debt that is non-collectable
- that applications for relief meet the criteria set by us
- that the policy does not provide for the permanent remission or postponement of rates on the property concerned

Conditions and criteria

We will maintain a register called the 'Maori freehold land rates relief register' (the register). This will record properties that have had rates remitted under this policy. Application for land to be added to the register should be made in writing prior to commencement of the next rating year. Applications made after commencement of the rating year may be accepted at our discretion.

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

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

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

The register will be reviewed annually by us (or on a more regular basis at our discretion). It may at its discretion add properties to the register.

It may also determine that properties no longer comply either fully or in part, and either remove them from the register or reduce the extent of the relief.

We will consider granting a remission of rates on property where any one or more of our policy objectives will be met. Any remission granted will be to the extent the objective relates to the entire property.

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

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

We must be satisfied that the following condition is met for any remission under the objective:

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

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

Policy on the postponement of rates on Maori freehold land

This policy is prepared pursuant to sections 102 and 108 of the Local Government Act 2002 and section 115 of the Local Government (Rating) Act 2002. Council has considered the matters set out in Schedule 11 of the Local Government Act 2002.

Maori freehold land is defined in the Local Government (Rating) Act 2002 as land whose beneficial ownership has been determined by the Maori Land Court by freehold order. Only land that is the subject of such an order may qualify for remission under this policy.

This policy aims to:

- contribute to the fair and equitable collection of rates from all sectors of the community. We recognise that certain Maori lands have particular conditions or circumstances that make it appropriate to postpone rates
- to put in place a means of providing relief on rating for Maori land pursuant to section 108 of the Local Government Act 2002 by way of postponement of rates.

Objectives

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

Principles

The principles used in establishing this policy are:

- that as defined in section 91 of the Local Government (Rating) Act 2002, Maori freehold land is liable for rates in the same manner as general land
- we are required to consider whether it should have a policy for the postponement of rates on Maori freehold land

- that applications for postponement meet the criteria we have set
- that the policy does not provide for the permanent postponement of rates on the property concerned

Conditions and criteria

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

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

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

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

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

Policy on remissions for metered water leaks

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

Objective

The responsibility of water leaks on the south side of the meter is ultimately the owners' and any water rates remitted will be a cost to other water users.

This Policy allows us to provide some relief to metered water users from extraordinarily high charges as a result of a water leak on their property south of the meter when there is evidence that the required repairs have been carried out within thirty (30) days of notification of the high consumption to the owner.

Conditions and criteria

We may consider granting relief where:

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

- we have received satisfactory evidence that there has been a water leak, and
- the property owner has repaired the leak within the Policy timeframe, and
- we have received written application for relief.

We will calculate the volume of water lost based on the total water consumption for the particular period less the average period water consumption over the previous two years.

The relief for water leakage (excluding normal consumption) will be 50% of the water rates attributable to the leakage.

Any relief granted under this policy is limited to one application within any five year period for any particular meter.

Policy on remissions for the transition to "pan charge" targeted rates

This policy is prepared pursuant to sections 102 and 109 of the Local Government Act 2002 and section 85 of the Local Government (Rating) Act 2002. This policy should be read in conjunction with the proposed policy on remissions of 'pan charge' targeted rates based on water use, and the proposed policy on remissions of 'pan charge' targeted rates for Educational Establishments below.

Objective

We recognise the economic impact that the introduction of the "pan charge" targeted rate has on some ratepayers. This policy allows us to provide some relief to these ratepayers for the first two years.

Principles

The principles used in establishing this policy are:

- this policy only applies to the 2012/13 and 2013/14 rating years
- we have applied a targeted rate to all rateable properties connected to the wastewater supply based on the number of pans in each rateable property, (or in the case of educational establishments based on the Donnelly formula)
- pursuant to clause 12, schedule 3, of the Local Government (Rating) Act 2002 all single residential rateable properties can only be charged for one pan
- during the first two transitional years, the effect of transition remission will

ensure that a ratable property will be charged the lesser of the actual number of pans, (or in the case of educational establishments based on the Donnelly formula), and the assessed number of HEUs

Conditions and criteria

- We will remit part of the targeted rate for pan charges introduced in the 2012/13 year
- The remission will apply to rateable properties with more than one pan charge
- The remission will be available to rateable properties other than residential rateable properties
- The remission will apply at two thirds (2/3) of the pan charges subsequent to the first charge for 2012/13 only
- The remission will apply at one third (1/3) of the pan charges subsequent to the first charge for 2013/14 only

Additional proposed rates remission policies related to 'pan charge' targeted rates for wastewater

In response to feedback received during the Our Community Our Future consultation process Council now proposes to introduce two additional policies relating to the remission of 'pan charges'. These proposed policies set out below are subject to a separate special consultative procedure that will be undertaken from July and is expected to be completed on 22 August 2012.

Proposed policy on remissions of ‘pan charge’ targeted rates based on water use

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

This policy should be read in conjunction with the Policy on remissions for the transition to 'pan charge' targeted rates above.

Objective

To provide a transparent, fair and more effective “user-pays” targeted rate for wastewater, taking account of:

- the specific circumstances of the rateable property
- the interests of all ratepayers

Principles

The principles used in establishing this policy are:

- we have applied a targeted rate to all rateable properties connected to the wastewater supply based on the number of pans in each rating unit
- pursuant to clause 12, schedule 3, of the Local Government (Rating) Act 2002 all single residential rateable properties can only be charged for one pan
- we recognise the number of pans may not necessarily equate to the volume of discharge to the wastewater network
- we recognise a correlation between the consumption of water and volume of wastewater discharged
- currently the average water consumption per single residential rateable property is deemed to be 328 cubic metres of water per annum. This is a Household Equivalent Unit (HEU)
- the most accurate way to measure water consumption is by a water meter, however not all properties currently have a meter installed
- despite the number of pans, some properties are considered to have a low-impact on the wastewater network. To avoid the unnecessary expense of installing a water meter to these ratepayers, we will assess the number of HEUs applicable per rating unit by comparing them to similar properties that have a water meter
- in assessing the number of HEUs, the number will be rounded up to the next whole unit
- the HEU may be periodically reviewed
- this remission does not apply to schools or educational establishments. See the separate policy on remissions of ‘pan charge’ targeted rates for educational establishments that follows

Conditions and criteria

1. Properties with an existing water meter
    a. The rateable property has six months (or more) historical water consumption information to enable assessment of HEUs
    b. The remission will be the difference between the actual number of pans and the HEU based on historical water consumption
    c. The ratepayer may for the years 2012/13 and 2013/14, choose to accept either:
        - this remission; or
        - the remission for the transition to "pan charge" targeted rates (below).
    d. The HEU will be reassessed annually based on the consumption for the year and an adjusted remission will be applied from 1 July one calendar year later
        - For the avoidance of doubt, rateable properties with a meter cannot elect to be assessed for a remission on the same basis as a rateable property without a water meter
2. Properties without an existing water meter
    a. We will assess the number of HEUs applicable per rateable property by comparing the current use of this property with a metered property of similar use
    b. The remission will be the difference between the actual number of pans and the assessed HEU
    c. The ratepayer may for the years 2012/13 and 2013/14, choose to accept either:
        - this remission ;or
        - the remission for the transition to "pan charge" targeted rates (below);
    d. Alternatively to a-c above, the ratepayer can apply to have a water meter installed. Installation must be completed before 1 October in any rating year, so as to allow six months of consumption data to reassess the remission during the final quarter. The cost of the water meter and its installation will be at the applicant's expense
    e. Any amended remission as a result of the water meter data will be processed during the final quarter of the rating year
    f. For the avoidance of doubt, rateable properties once fitted with a meter cannot then elect to be assessed for a remission on the same basis as a rateable property without a water meter

Proposed policy on remissions of 'pan charge' targeted rates for Educational Establishments

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

This policy should be read in conjunction with the Policy on remissions for the transition to "pan charge" targeted rates above.

Objective

To provide a transparent, fair and more effective "user-pays" targeted rate for wastewater, taking account of

- the specific circumstances of educational establishments

Principles

The principles used in establishing this policy are:

- this policy applies to schools and educational establishments as defined in Schedule 1, Part 1, clause 6(b) of the Local Government (Rating) Act 2002. It specifically excludes schools and early childhood centres that operate for profit
- we consider the nationally used "Donnelly formula" (one pan per twenty students/staff) as a fair basis for providing remission to educational establishments
- we have applied a targeted rate to all educational establishments connected to the wastewater supply based on the number of pans calculated using the "Donnelly formula"
- we recognise the number of pans may not necessarily equate to the volume of discharge to the wastewater network

- we recognise a correlation between the consumption of water and volume of wastewater discharged
- currently the average water consumption per single residential rateable property is deemed to be 328 cubic metres of water per annum. This is a Household Equivalent Unit (HEU).
- the most accurate way to measure water consumption is by a water meter, however not all educational establishments currently have a meter installed
- despite the number of pans calculated using the "Donnelly formula", some educational establishments are considered to have a low-impact on the wastewater network. To avoid the unnecessary expense of installing a water meter to these, we will assess the number of HEUs applicable per rateable property by comparing them to other educational establishments with a similar roll/staff numbers
- the school roll used to calculate the "Donnelly formula" will be as advised annually by the Ministry of Education and will be applied from the following 1 July.
- in assessing the number of HEUs, the number will be rounded up to the next whole unit
- the HEU may be periodically reviewed

Conditions and criteria

1. Educational establishments with an existing water meter
   a. The rateable property has six months or more historical water consumption information to enable assessment of HEUs
   b. The remission will be the difference between the number of pans assessed using the "Donnelly formula" and the HEU based on historical water consumption
   c. The educational establishment may for the years ended 2012/13 and 2013/14, choose to accept either:
      - this remission ;or
      - the remission for the transition to "pan charge" targeted rates (below)
   d. The HEU will be reassessed annually based on the consumption for the year and an adjusted remission will be applied from 1 July one calendar year later.
   e. For the avoidance of doubt, rateable properties with a meter cannot elect to be assessed for a remission on the same basis as a rateable property without a water meter
2. Educational establishments without an existing water meter
   a. We will assess the number of HEUs applicable per rateable property by comparing the current use of this property with a metered property of similar use
   b. The remission will be the difference between the number of pans calculated using the "Donnelly formula" and the assessed HEU
   c. The educational establishment may for the years ended 2012/13 and 2013/14, choose to accept either:
      - this remission ;or
      - the remission for the transition to "pan charge" targeted rates (below);
   d. Alternatively to a-c above, the educational establishment can apply to have a water meter installed. Installation must be completed before 1 October in any rating year, so as to allow six months of consumption data to reassess the remission during the final quarter. The cost of the water meter and its installation will be at the applicant's expense
      - Any amended remission as a result of the water meter data will be processed during the final quarter of the rating year
   e. For the avoidance of doubt, rateable properties once fitted with a meter cannot then elect to be assessed for a remission on the same basis as a rateable property without a water meter

Development contributions policy

1.0 Introduction

1.1 Context

Although the population has been relatively static over the last decade or so, our district has still experienced steady growth in the number of dwellings, as well as growth in the number of businesses. As a result, we must expand our infrastructure networks to support the increased use of essential services, such as water and roads. The cost of expanding these networks is typically very high, and how these developments are funded is an important issue. Using rates to fund these works is unfair, because existing ratepayers neither caused them, nor do they directly benefit from them. As part of the pre-consultation carried out in preparation for the Our Community Our Future plan 2012-22 we also asked the community how it wanted to fund growth. Community feedback showed a very strong preference for developers paying the cost of growth. Very few submitters supported ratepayers paying the cost of growth or sharing the costs. As a result, we must consider alternative funding options, such as development contributions.

1.2 Legislative requirements

This document sets out our policy on development contributions, as required by section 102 of the Local Government Act 2002.

1.3 Relationship to financial contributions under the Resource Management Act 1991

We currently operate a financial contributions policy under our District Plan.

Financial contributions are separate from - and may be charged in addition to - development contributions under the Local Government Act 2002. However, they cannot be charged against the same development for the same purpose. This avoids so called 'double dipping.'

1.4 Navigating this document

This document is made up of several sections including:

- Section 2 Policy overview: This provides a brief overview of the policy including: the purpose of development contributions, when contributions may be required, the types of development that may be charged, and other general information regarding development contributions
- Section 3 Adoption implementation and review: This addresses the adoption and implementation of this policy including: the date of adoption, the frequency and scope of policy reviews, and any transitional provisions
- Section 4 Planning for growth: This outlines the growth context, and summarises the capital expenditure we expect to incur (and have already incurred) to cater for growth
- Section 5 Charges, usage and limitations: This presents the schedule of development contributions charges, and details any limitations on the use of those funds
- Section 6 How to calculate development contributions: This provides a simple flowchart diagram that shows how to calculate the contributions payable on developments
- Section 7 Assessment and application of the policy: This demonstrates application of the policy to various development activities and outlines how credits are granted
- Section 8 Remissions, reductions and refunds: This presents our policy on remissions, refunds, reductions and postponement of development contributions
- Section 9 Other administrative matters: This provides details on additional administrative matters, such as invoicing and payment, and the handling of GST
- Section 10 Measuring demand: This outlines how demand has been measured, including the definition of household equivalent units
- Section 11 Methodology and significant assumptions: This presents the methodology used to calculate charges and outlines the significant assumptions underlying this policy
- Section 12 Examples: This demonstrates application of the policy via a number of examples
- Section 13 Glossary of terms: Is a glossary of terms used in this policy
- Section 14 Catchment maps: This presents catchment maps for each activity

2.0 Policy overview

2.1 Purpose of development contributions

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

2.2 When may development contributions be required

According to the Local Government Act 2002, development contributions may be required for new developments if the effect of the developments will require new or additional assets. Development contributions may also be charged if the developments require assets of increased capacity and, as a consequence, we incur capital expenditure to provide appropriately for those assets. We are also able to require a development contribution for capital expenditure incurred in anticipation of development.

2.3 Types of development that may be charged

Any development - whether residential or non residential - may be required to pay a development contribution. Only the pipes or lines of a network utility operator (such as United Networks) are explicitly exempt under the Local Government Act 2002.

2.4 Types of activities that may be funded

We may charge development contributions to help fund:

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

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

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

3.0 Adoption, implementation and review

3.1 Timing

Any application for resource consent, or building consent or service connection received on, or after, 1 July 2012 will be subject to the conditions of this policy (and any amendments).

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

3.2 Frequency and scope of reviews

As required by the Local Government Act 2002, we will review this policy at least once every three years (or more frequently if deemed necessary). Such reviews may be triggered by - and will take into account, the following factors:

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

Each review will include a detailed analysis of the factors listed above. Any potential changes will be carefully considered, then subject to the special consultative procedure under the Local Government Act 2002.

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

4.0 Planning for growth

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

4.1 Historic growth trends

Although the district's population has fluctuated in recent times, the population dwellings has steadily increased due to decreases in average household size. These trends are shown in Figures 1, 2 and 3.

Figure 1: Usually resident population: 1991-2012

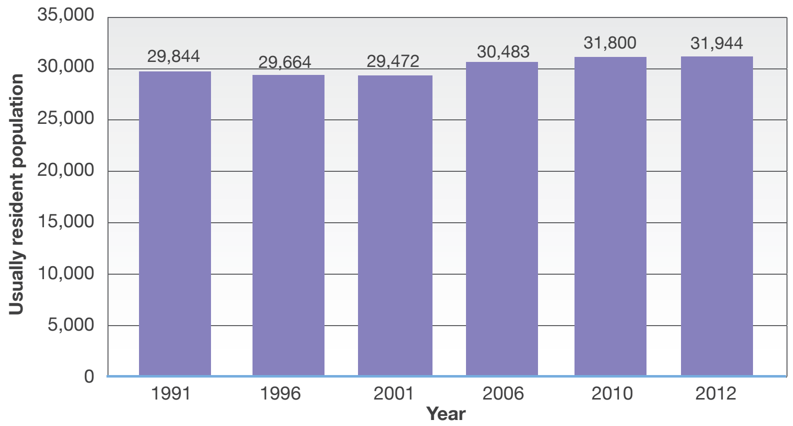
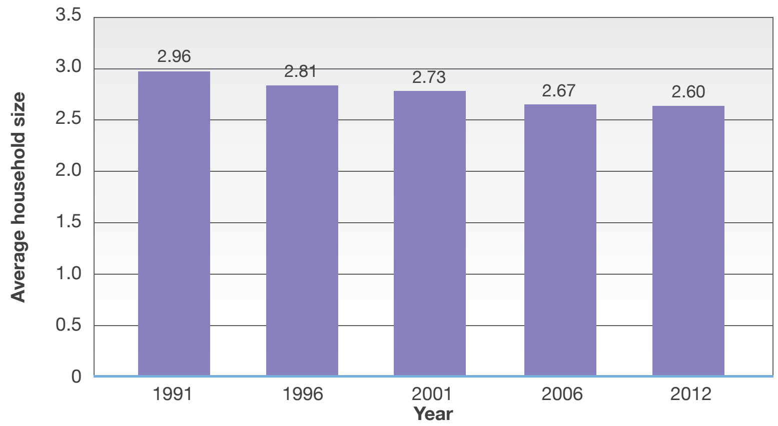


Figure 2: Average household size: 1991-2012



Development contributions policy

Figure 3: Total dwellings: 1991-2012

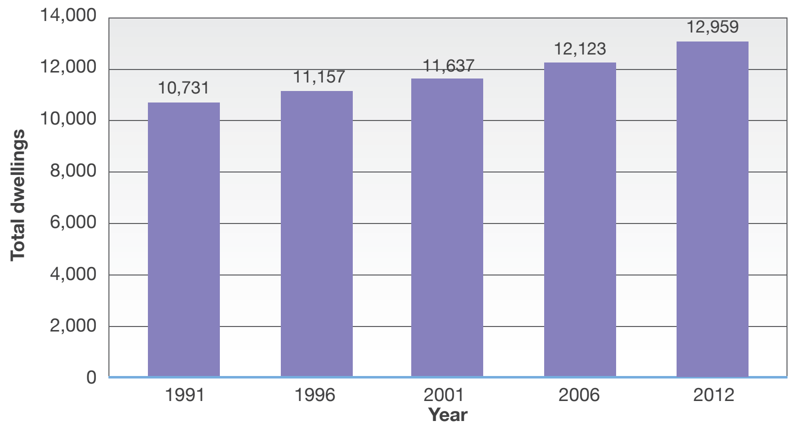
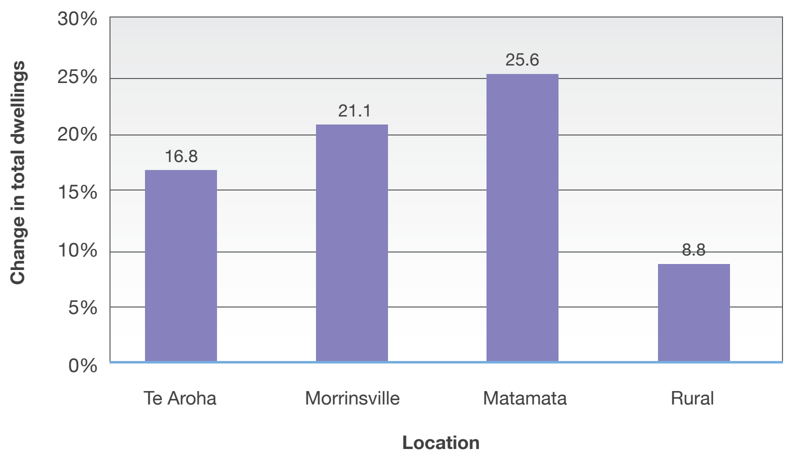


Figure 4: Dwelling growth 1996-2012



Underlying this steady growth at the district level are pockets of more rampant growth. This is illustrated in the Figure 4, which shows growth in the number of dwellings between 1996 and 2012.

According to Figure 4, some parts of the district experienced dwelling growth of more than 20% since 1996. It is this much stronger sub district growth that drives the need for this policy, rather than the more modest district level growth described earlier.

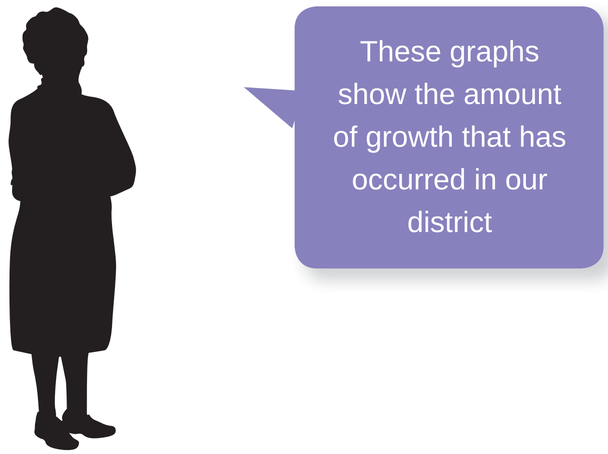
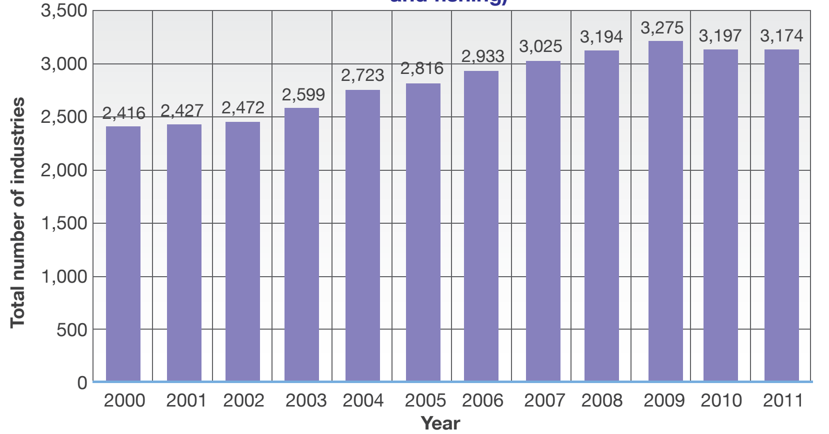


Figure 5: Total number of businesses (excluding agriculture, forestry and fishing)



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

Figure 5 shows the number of total registered businesses (defined as any GST registered business turning over $30,000 a year) in the district excluding those classed as agriculture, forestry and fishing from 2000 to 2011. The numbers have steadily increased to 2009, with 2010 and 2011 showing a slight decrease, most likely as a result of the 'global financial crisis'.

4.2 Growth projections

Accurate growth projections are a fundamental component of any development contributions policy. They help determine the extent of capital works required to service growth, as well as the level of demand over which the resulting costs should be spread. For the purposes of this policy, growth projections have been produced separately for residential and non residential developments. This allows for any differences in the rates of growth to be accommodated.

4.2.1 Residential projections

Residential growth projections were developed through our Growth Strategy 2008, these figures have been revised down as part of the review of this policy, as set out in Table 1A and 1C. The slowing in growth that we have experienced is confirmed in the slowing number of new dwellings show in Figure 6. Growth increases for Precinct F, a currently identified residential growth area in Matamata, have also been shown separately below in tables 1B and 1D to demonstrate when we anticipate growth occurring in this area.

Table 1A: Forecast of households 2012-2038

Area	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2028	2033	2038
Morrinsville	2,741	2,782	2,824	2,867	2,910	2,954	2,999	3,044	3,091	3,138	3,186	3,490	3,768	4,069
Matamata	2,932	2,966	2,999	3,033	3,067	3,102	3,138	3,173	3,209	3,246	3,284	3,518	3,729	3,955
Te Aroha	1,753	1,768	1,783	1,798	1,814	1,829	1,845	1,861	1,877	1,894	1,911	2,015	2,107	2,204
Urban	7,426	7,515	7,606	7,698	7,791	7,886	7,982	8,079	8,178	8,278	8,380	9,023	9,603	10,228
Rural	4,863	4,879	4,896	4,913	4,930	4,948	4,965	4,982	5,000	5,018	5,036	5,145	5,241	5,340
Total	**12,289**	**12,394**	**12,502**	**12,611**	**12,721**	**12,834**	**12,947**	**13,061**	**13,178**	**13,296**	**13,416**	**14,168**	**14,844**	**15,568**

Table 1B: Forecast of households in Precinct F and the rest of Matamata 2012-2038

Area	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2028	2033	2038
Precinct F	-	-	-	-	-	-	15	31	46	63	79	183	277	380
Matamata elsewhere	2,932	2,966	2,999	3,033	3,067	3,102	3,138	3,173	3,209	3,246	3,284	3,518	3,729	3,955
Matamata total	**2,932**	**2,966**	**2,999**	**3,033**	**3,067**	**3,102**	**3,138**	**3,173**	**3,209**	**3,246**	**3,284**	**3,518**	**3,729**	**3,955**

Table 1C: Forecast of population 2012-2038

Area	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2028	2033	2038
Morrinsville	6,989	7,066	7,145	7,224	7,304	7,385	7,467	7,550	7,634	7,719	7,805	8,341	8,817	9,319
Matamata	6,774	6,821	6,868	6,916	6,963	7,011	7,060	7,108	7,157	7,207	7,257	7,565	7,831	8,107
Te Aroha	4,031	4,048	4,065	4,082	4,099	4,116	4,133	4,151	4,168	4,186	4,204	4,311	4,403	4,496
Urban	17,794	17,935	18,078	18,222	18,366	18,512	18,660	18,809	18,959	19,112	19,266	20,217	21,050	21,922
Rural	14,150	14,150	14,150	14,150	14,150	14,150	14,150	14,150	14,150	14,150	14,150	14,150	14,150	14,150
Total	**31,944**	**32,085**	**32,228**	**32,372**	**32,516**	**32,662**	**32,810**	**32,959**	**33,109**	**33,262**	**33,416**	**34,367**	**35,200**	**36,072**

Table 1D: Forecast of population in Precinct F and the rest of Matamata 2012-2038

Area	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2028	2033	2038
Precinct F	-	-	-	-	-	-	35	69	104	139	175	393	582	778
Matamata elsewhere	6,774	6,821	6,868	6,916	6,963	7,011	7,025	7,039	7,053	7,068	7,082	7,172	7,249	7,329
Matamata total	**6,774**	**6,821**	**6,868**	**6,916**	**6,963**	**7,011**	**7,060**	**7,108**	**7,157**	**7,207**	**7,257**	**7,565**	**7,831**	**8,107**

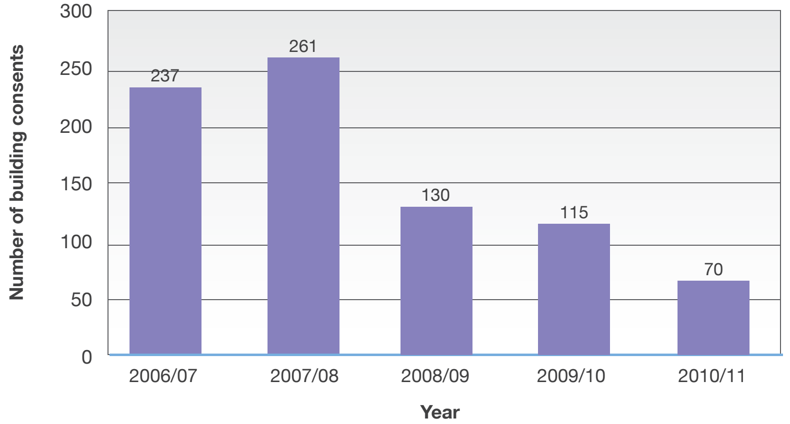


Figure 6: Number of building consents granted for new dwellings

Table 2: Predicted non residential growth

Catchment	Average annual new development (metres squared)			Total (metres squared)	Average annual HEU
	Commercial	Retail	Industrial		
Morrinsville	366.5	430.2	697.9	**1494.6**	**14.9**
Matamata	984.7	173.9	1,321	**2479.6**	**24.8**
Te Aroha	0	1.8	52.9	**54.7**	**0.5**
District wide	**1,351.2**	**605.9**	**2,071.8**	**4,028.9**	**40.2**

4.2.2 Non residential projections

To estimate the projected non-residential growth in the district, the average floor area for all new industrial, retail and commercial buildings (as obtained from building consents granted between 2008 and 2011) was calculated. An annual average was then calculated using this data and converted into HEU's (1 HEU = 100 metres squared GFA). The resulting calculation is shown in Table 2. Table 2 indicates that non-residential development in the district is projected to increase annually by a total of 40.2 HEU's.

4.3 Capital expenditures required to service growth

Table 3 presents capital expenditure (from the Our Community Our Future plan) that we expect to incur to meet the increased demands resulting from growth. These also include expenditures that we have incurred in anticipation of growth. What follows is a brief explanation of these growth related expenditures.

4.3.1 Roading

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

4.3.2 Stormwater

Growth related works for stormwater are split into three catchments, one for each of the three urban centres - Te Aroha, Matamata and Morrinsville. Works focus mainly on expanding reticulation networks.

4.3.4 Wastewater

Like stormwater, there is one wastewater catchment for each of the three main urban centres. Growth related works encompass several activities, such as trunk main replacements (in Te Aroha) and treatment plant upgrades (for all three centres).

4.3.5 Water

Water catchments broadly match those of wastewater and stormwater - one for each of the three main urban centres. Growth related works programmed in the Our Community Our Future plan reflect a diverse mix of activities, such as the provision of new bores, reservoirs, standby generators, and booster pumps.

4.4 Policy rationale

Section 106(2)(c) of the Local Government Act 2002 requires us to explain in terms of the matters outlined in section 101(3), why it has determined to use development

Table 3: Summary of Capital Expenditures ($000s) 2012-2022

Area	Capital expenditures ($000s)	Capital expenditure attributable to growth	
Activity	Total	Rest of district growth	Precinct F growth
Parks and reserves	1,770	0	942
Roading	87,309	762	5,391
Stormwater	7,206	0*	4,995
Wastewater	24,992	0*	5,307
Water	25,287	505	1,443
Total	**146,564**	**1,267**	**18,078**

* Growth figures in the Development Contributions Policy include historic projects that are not shown in the 2012-22 timeframe

4.4.1 Community outcomes

Using development contributions to fund growth related capital expenditures will help contribute to the following community outcomes, as set out by our Our Community Our Future plan:

Strong and safe communities

- 1 c) Council will encourage growth and prosperity to ensure the district is an attractive place to raise a family
- 1 f) Council services and activities will contribute to the health and wellbeing of our community/Iwi

Growth and Development

- 6 a) Council plans will be flexible, to accommodate well planned, sustainable growth
- 6 b) Development will be conducted in a manner respectful to kawa (protocol), tikanga (customs) and values
- 6 c) Council will provide essential infrastructure to meet the needs of our community now and in the future
- 6 d) Council consent processes will ensure that our communities and environment are safe and sustainable
- 6 e) Systems will exist to provide sustainable clean water for our community/ Iwi
- 6 f) Council will support Tangata Whenua in their role to provide facilities such as marae and papakaainga
- 6 g) Council will contribute to a safe and efficient transport network

4.4.2 Distribution of benefits

By definition, capital works funded by development contributions relate primarily to future residents and businesses. Their aim is to increase capacity to accommodate new users, not to improve service levels for existing users. As a result, new users benefit directly from the growth related works their development contributions are put towards. While there may be some spill over benefits (where existing ratepayers benefit from growth related works) these are generally offset by new ratepayers benefiting from existing infrastructure, such as roads. Overall, new residents and businesses gain the most benefit from these works and, therefore, are the primary funding source.

4.4.3 Period over which benefits occur

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

4.4.4 Need to undertake activity

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

4.4.5 Separation from other activities

Growth related capital works do not usually stand alone within our capital works programme; they are usually included within much larger projects that simultaneously cater for a number of different needs. The use of development contributions to fund the growth components not only improves equity, but also transparency and accountability. It forces us to allocate the shared costs of capital works between various project drivers and to recover those costs according to the amount of pressure that each driver exerts on our services.

5.0 Charges, usage and limitations

5.1 Schedule of charges

Table 4 presents the development contributions per Household Equivalent Unit for 2012/13 by ward.

5.2 Use of development contributions

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

5.3 Limitations

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

- where, under section 108(2)(a) of the Resource Management Act 1991 it has imposed a condition on a resource consent in relation to the same development for the same purpose, or
- where the developer will fund or otherwise provide for the same reserve network infrastructure, or community infrastructure, or
- where it has received, or will receive, full funding from a third party

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

The growth area in Matamata known as ‘Precinct F’ is not included in these development contribution calculations. Development contributions for Precinct F will be agreed with prospective developers as private developer agreements under clause 7.6 of this policy.

Table 4: Development contributions per household equivalent unit for 2012-22 (excluding GST)

Area	Roading $	Stormwater $	Wastewater $	Water $
Matamata Ward	-	1,865	3,662	2,986
Morrinsville Ward	-	1,339	5,767	1,376
Te Aroha Ward	-	3,098	5,078	2,485
District Wide	1,916	-	-	-

6.0 How to calculate contributions payable

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

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

Step 1: Identify catchments

Go to the catchment maps in the section 14 and, for each service, identify which catchment your development falls in

Step 2: Identify contributions payable

Go to the development contributions schedule in section 5.1 and identify the contributions payable per unit of demand in the catchments identified in step 1

Step 3: Calculate the number of HEUs

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

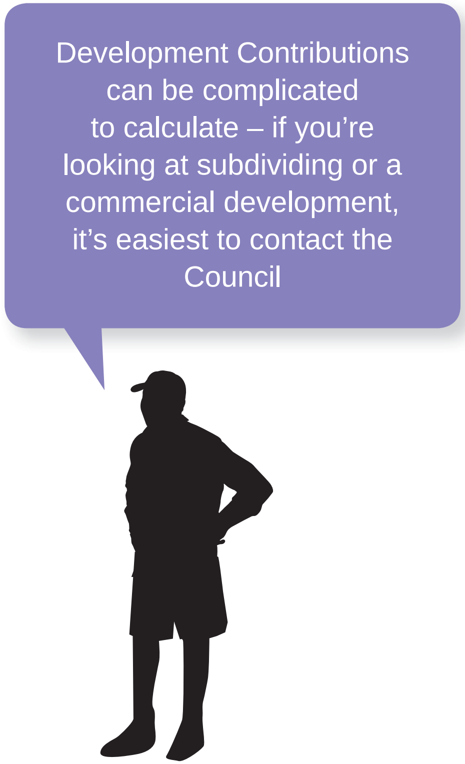
(In general, credits are given as per the existing status of properties. Credits may also be granted for historic payments of development contributions or financial contributions)

Step 4: Calculate charges for each service

Multiply the Household Equivalent Units calculated in step 3 by the contributions payable identified in step 2

Step 5: Aggregate charges and add GST

Calculate the total development contributions payable by summing the charges calculated in step 4 and adding GST at the prevailing rate



7.0 Assessment and application of policy

7.1 Timing of assessment

Development contributions do not automatically apply to every development in the district. Only developments that place extra demands on infrastructure – and that cause us to incur capital costs - will be liable. Whether or not a development will have to pay development contributions will usually be assessed when granting:

- a resource consent under the Resource Management Act 1991 for a development, or
- a building consent under the Building Act 2004, or
- an authorisation for a service connection

7.2 Assessment process

Assessment of whether development contributions will be required will be made against the first consent application lodged for each development, and when (if any) subsequent consent or an extension of time, is sought, a reassessment will be undertaken using the current development contributions policy at the time. If, for whatever reason, development contributions were not assessed at the first available opportunity, they still may be required at subsequent stages in the development process. In a multi-stage development the initial assessment shall be applicable only to the first completed stage(s), each subsequent remaining stage(s) shall be subject to an assessment at the time that construction/development has commenced. The assessment of the development contribution payable will be based on the current policy at the date when all information has been received by us.

7.3 Residential activities

7.3.1 Resource consent applications

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

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

7.3.2 Building consent applications

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

Note: Additions to residential dwellings do not attract development contributions unless they create additional independent dwelling units. Thus, garages, car ports and garden sheds do not attract charges. As a matter of clarification, dependent persons dwelling shall be assessed at 0.5 Household Equivalent Unit each. However, if no separate connections are required (for water, wastewater or stormwater) the fee shall be waived for each such activity.

7.3.3 Service connection applications

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

7.4 Non residential activities

7.4.1 Subdivision

Non residential subdivisions will attract development contributions on each additional allotment created. If the intended land use is unknown at the time of subdivision, each allotment will be charged a development contribution equal to one Household Equivalent Unit. The balance will then be assessed at the time a building consent, land use consent or service connection application is lodged (at which time land use will be considered known). If the intended land use is known at the time of subdivision, contributions will be based on; (i) each lot's planned Gross Floor Area, and (ii) the intended land use.

7.4.2 Land use and building consent applications

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

7.4.3 Service connection applications

Service connection applications accompanied by building consent applications will not be assessed separately. Instead, they will be assessed as per section 7.4.2. Unaccompanied service connection applications will be assessed in the same manner as resource consent or building consent applications, but only for the activity that the connection is sought for. Applications to separate shared meters will not attract contributions.

7.5 Council developments

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

7.6 Exceptional circumstances

7.6.1 Private development agreements

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

Such agreements must clearly state:

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

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

7.6.2 Special assessments

Our policy on development contributions is based on the average infrastructure demands of a wide range of residential and non-residential developments. However, there may be instances where a development does not readily fit within the specified development categories, or where the infrastructure demands created by the development differ significantly from the averages upon which the policy is based. In these circumstances, we may undertake a special assessment at our sole discretion.

A decision on whether a special assessment will be undertaken will be made by Council at the application stage, once details of the development are known. Applicants will be expected to provide supporting information and detailed calculations of the likely demand for roading, water, wastewater and stormwater associated with the development. This information will be used to calculate the number of Household Equivalent Units for each activity for which the development will be liable.

7.6.3 Precinct F

Precinct F is an area in Matamata that has been identified and currently zoned for residential growth under the Matamata-Piako District Plan. A catchment map showing Precinct F is contained in section 14 of this policy. Infrastructure required for development that occurs in this area and the development contributions payable to us will be agreed between Council and prospective developers through a development agreement. In developing ‘Precinct F’ we will seek to share the risk associated with providing infrastructure ahead of planned growth with the developer.

7.7 Application in other circumstances

7.7.1 Cross boundary developments

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

- Where a development spans more than one catchment, the total Household

Equivalent Units of that development will be allocated to the various catchments on the basis of site area. The resulting number of Household Equivalent Unit in each catchment will then be used to calculate contributions payable.

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

7.7.2 Consent variations and extensions of time

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

7.7.3 Boundary adjustments

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

7.8 Credits

7.8.1 Overview

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

This also applies to historic payments for financial contributions.

Where there is no logical connection to a reticulated system at the time development contributions are paid, a credit will be applied for those activities for which no logical connection exists. If a subsequent connection is made, development contributions will be reassessed at the service connection stage in accordance with the provisions of this policy. Also, if a property was not connected to a service as at 1 July 2012, it is not assessed to have any credit for that service.

Credit will also be given for the pre existing status of properties as at 1 July 2012, even if no previous financial or development contributions have been paid. Credits will be associated with the existing title and calculated and assigned to individual activities. More details on the nature of these credits are outlined below.

7.8.2 General principles of credit

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

8.0 Remissions, reductions and refunds

8.1 Remissions

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

8.2 Reductions

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

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

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

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

- the Development Contributions Policy
- the Funding Model
- our Long Term Plan
- our funding and financial policies
- the extent to which the value and nature of works proposed by an applicant reduces the need for works proposed by us in our capital works programme
- the level of existing development on the site
- contributions paid and/or works undertaken and/or land set aside
- any other matters we consider relevant

8.3 Refunds

There may be occasions where we must refund development contributions collected under this policy. The specific circumstances in which this may occur - as well as the way in which refunds must be handled - are set out in sections 209 and 210 of the Local Government Act 2002. In essence, refunds may occur if:

- development or building does not proceed, or
- a consent lapses or is surrendered, or
- we do not provide the reserve, network infrastructure or community infrastructure for which the development contribution was required.

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

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

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

8.4 Postponement

We will not consider postponements of contributions payable under this policy.

9.0 Other administrative matters

9.1 Reassessment and invoicing

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

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

- an application for a certificate under section 224(c) or 226 of the Resource Management Act 1991, or
- an application for a Code Compliance Certificate under section 92 of the Building Act 2004, or
- a request for service connection

9.2 Timing of payments

The due date for payment will be:

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

9.3 Non payment and enforcement powers

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

- In the case of a development contribution assessed on subdivision, withhold a certificate under section 224(c) of the Resource Management Act 1991.
- In the case of a development contribution assessed on building consent, withhold a Code Compliance Certificate under section 95 of the Building Act 2004.
- In the case of a development contribution assessed on an authorisation for a service connection, withhold a service connection to the development.
- In the case of a development contribution assessed on a land use consent application, prevent the commencement of resource consent under the Resource Management Act 1991.
- In the case where a development has been undertaken without a building consent, not process an application for Certificate of Acceptance for building work already done.

We may register the development contribution under the Statutory Land Charges Registration Act 1928 as a charge on the title of the land in respect of which the development contribution was required, as provided for in section 208 of the Local Government Act 2002.

9.4 Contributions taken as money in first instance

The Local Government Act 2002 specifies that contributions may be taken either as money, land or both. We will usually take contributions as money, but may also accept land from time to time at our sole discretion as per the policy in place at time of assessment.

9.5 GST

The entire process for calculating development contributions is GST exclusive. Once all calculations are complete, GST will be added to the final invoice as required by the prevailing legislation and/or regulations of the day. Please also note that assessments are not tax invoices for the purpose of GST.

10.0 Measuring demand

10.1 Units of demand

Units of demand provide the basis for distributing the costs of growth. They illustrate the rates at which different types of development utilise capacity. We have adopted the Household Equivalent Unit as the base unit of demand, and describe the demand from other forms of development as Household Equivalent Unit multipliers.

The following subsections outline the demand characteristics of each Household Equivalent Unit and the multipliers used to convert non residential demand to Household Equivalent Units.

The following subsections outline the demand characteristics of each Household Equivalent Unit and the multipliers used to convert non residential demand to Household Equivalent Units.

10.2 Base units

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

Table 5: Base units (Demand per Household Equivalent Unit)

Activity	Unit of measurement	Demand per HEU
Roading	Vehicle trips per day	10 trips
Water	Litres/lot/day	650 litres
Wastewater	Litres/lot/day	488 litres
Stormwater	Impervious surface area	250m^2

10.3 Conversion factors

The tables outlines the factors used to convert non residential demands to Household Equivalent Units.

Table 6: Household Equivalent Units per 100 metres squared of Gross Floor Area (ISA* for stormwater)

Activity	Commercial	Industrial	Retail
Roading	0.40	0.40	1.40
Water	0.26	0.26	0.26
Wastewater	0.26	0.26	0.26
Stormwater	0.26	0.26	0.26

* Impervious surface area

Household equivalent units are the base unit used by Council to calculate development contributions for different activities

11.0 Methodology and significant assumptions

11.1 Methodology overview

The method we use to calculate development contribution charges comprises the following eight steps:

Step 1: Define catchments
↓
Step 2: Define levels of service
↓
Step 3: Identify growth related capital works
↓
Step 4: Allocate costs between growth and non growth drivers
↓
Step 5: Define appropriate units of demand
↓
Step 6: Identify the design capacity for growth
↓
Step 7: Allocate costs to each unit of demand
↓
Step 8: Calculate fees by activity and catchment

11.2 Methodology steps

11.2.1 Define catchments

Service catchments are geographic boundaries within which linkages can be created between infrastructure investments and the specific developments that benefit from those investments and/or which cause them to occur. The smaller the catchment; the tighter these linkages become. For example, suppose we install a water treatment plant to serve a small area of growth. If a catchment is used to isolate the specific developments that caused that particular investment to occur (and who will receive direct service from it), only those developments will help fund our costs. If a catchment is not used, however, the costs of that investment will be spread across all the developments in the district, regardless of whether they caused (or benefited from) the investment.

Given the intentions of the Local Government Act 2002 - to allocate costs on the basis of causation and benefits received - it follows that catchments should be used wherever possible.

11.2.2 Define levels of service

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

11.2.3 Identify growth related capital works

The specific capital works need to be identified for which development contributions are sought. These comprise both future capital works - as listed in the Our Community Our Future plan - and historic works undertaken in anticipation of growth.

11.2.4 Allocate project costs

Many of the capital works projects underlying this policy are multi dimensional. That is to say, very few projects are designed to serve only growth. The reason for this is so called ‘economies of scope.’ Economies of scope mean that it is cheaper to undertake one project that serves several purposes than to undertake a series of smaller single purpose projects. Economies of scope lead to shared costs, and the goal of cost allocation is to spread those shared costs across project drivers (one of which is growth). The cost allocations underlying this policy were based on a two staged approach. In stage one, the method checks whether a project bears any relation to growth. If so, stage two derives a percentage cost allocation. Both stages of the allocation process have been guided by a number of considerations, such as:

- Section 101(3) of the Local Government Act 2002 sets out the issues to which we must have regard when determining its funding sources. These include the distribution of benefits (both temporally and spatially), the extent of any cost causation, and the impacts on community outcomes and policy transparency. It also requires us to assess the likely impacts on the four wellbeings, both current and future.
- asset management plans, which provide detail about the scale and nature of capital works
- network modelling, which helps understand the usage of infrastructure networks
- cost allocation principles, such as stand alone costs and incremental costs.
- the presence of any third party funding

11.2.5 Define appropriate units of demand

After identifying the specific capital works for which contributions will be required, we need to identify the unit of demand used to attribute costs to different forms of development. The Local Government Act 2002 requires this to be done on a consistent and equitable basis. We consider the household equivalent unit, which captures the demands of an average household, as the appropriate unit of demand, and specify the demands imposed by other forms of development as multipliers. This approach mirrors that used by other councils in New Zealand.

11.2.6 Identify the design capacity for growth

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

In general, project costs should be spread over the assets design life. This makes sense, because only developments occurring within the design life can physically connect to the network and receive benefit from its provision. In some cases, however, the design life may be very long and a shorter funding period may be used.

In this development contributions policy, costs are spread over the shorter of asset design life and 25 years.

11.2.7 Allocate costs to each unit of demand

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

11.2.8 Calculate fees by activity and catchment

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

11.3 The funding model

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

- all capital expenditure estimates are inflation adjusted and GST exclusive
- the backlog, renewal and maintenance portions of each project will not be funded by development contributions
- methods of service delivery will remain largely unchanged
- interest will be earned by us where contributions precede works. Conversely, interest expenses will be incurred (or interest revenue will be foregone) where works precede contributions. Both are calculated at an average annual interest rate of 6.5%
- any debts incurred for a project will be fully repaid by the end of that project's funding period
- the development contributions charges listed in table 4 will be adjusted each year at the rate of inflation. This has been modeled as an average increase of 3.2% per annum

- increases in general rates and user charges - due to increases in the number of ratepayers - will be sufficient to fund increases in operational expenses (including depreciation) associated with growth related capital works

11.4 Other significant assumptions

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

11.4.1 Planning timeframe

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

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

Where the risks to the community associated with 'bank rolling' future growth is considered too great by Council, we will seek to share the risk with developers through private developer agreements.

11.4.2 External funding

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

11.4.3 Best available knowledge

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

11.4.4 Changes to capital works programme

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

11.4.5 Avoidance of double dipping

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

11.5 Identification of risks

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

12.0 Examples

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

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

A credit is provided for the existing lot, with development contributions payable only on the two new lots. Using the charges for Te Aroha listed in section 5.1, the contributions payable on this development are $28,927(GST inclusive). The table below sets out the calculations.

Activity	Total HEUs	Credit HEUs	Extra HEUs	$/HEU	Contribution $
Roading	3.00	1.00	2.00	1,916.00	3,832
Stormwater	3.00	1.00	2.00	3,098.00	6,196
Wastewater	3.00	1.00	2.00	5,078.00	10,156
Water	3.00	1.00	2.00	2,485.00	4,970
Subtotal					**25,154**
GST					**3,773**
Total					**28,927**

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

A credit is provided for the existing dwelling, with a 0.5 Household Equivalent Unit charge applicable for the new dwelling. Using the charges for Morrinsville listed in section 5.1, the contributions payable on this development are $5,978.85 (GST inclusive). The table below sets out the calculations.

Activity	Total HEUs	Credit HEUs	Extra HEUs	$/HEU	Contribution $
Roading	1.50	1.00	0.50	1,916.00	958
Stormwater	1.50	1.00	0.50	1,339.00	669
Wastewater	1.50	1.00	0.50	5,767.00	2883
Water	1.50	1.00	0.50	1,376.00	688
Subtotal					**5,199**
GST					**779**
Total					**5,978**

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

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

13.0 Glossary of terms

Activity means a good or service provided by, or on behalf of, a local authority or a council controlled organisation e.g. water supply, transport networks. Allotment has the meaning given to it in section 218(2) of the Resource Management Act 1991. Allotment area is the total land area of an allotment.

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

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

Catchment means the area served by a particular infrastructure investment.

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

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

Community facilities means reserves, network infrastructure, or community infrastructure that development contributions may be required for in accordance with section 199 of the Local Government Act 2002

Community infrastructure means:

(a) land, or development assets on land, owned or controlled by the territorial authority to provide public amenities; and

(b) includes land that the territorial authority will acquire for that purpose.

Community outcomes in relation to a district or region (as defined in the Local Government Act 2002) means the outcomes that a local authority aims to achieve in order to promote the social, economic, cultural and environmental wellbeing of the district for the present and the future

Development means;

(a) any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure; but

(b) does not include the pipes or lines of a network utility operator.

Development contribution means a contribution -

(a) provided for in a development contribution policy included in the Long Term Plan of a territorial authority; and

(b) calculated in accordance with the methodology; and

(c) comprising

(i) money; or

(ii) land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Maori land within the meaning of Te Ture Whenua Maori Act 1993, unless that Act provides otherwise; or

(iii) both.

Development contribution policy means the policy on development contributions included in the Long Term Plan under section 102(4)(d).

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

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

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

Gross Floor Area (GFA) means, for the purposes of development contributions, the sum of the area of all floors of all buildings on any site measured from the exterior faces of the exterior walls, or from the centre lines of walls separating two abutting buildings but excluding:

- carparking
- loading docks
- vehicle access and manoeuvring areas/ramps
- plant and equipment enclosures on the roof
- service station canopies
- pedestrian circulation space in an enclosed retail shopping centre
- foyer/lobby or a primary means of access to an enclosed retail shopping centre, which is accessed directly from a public place

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

Industrial means any:

a) Premises used for any industrial or trade purposes, or

b) Premises used for the storage, transfer, treatment, or disposal of waste materials or for other waste management purposes, or used for composting organic materials, or

c) Other premises from which containment is discharged in connection with any other industrial or trade process.

d) Activity where people use materials and physical effort to:

- extract or convert natural resources
- produce goods or energy from natural or converted resources
- repair goods
- store goods (ensuing from an industrial process)

e) Rural industry, such as dairy or intensive farming.

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

Impervious surface area for the purpose of development contribution, impervious surface area (**ISA)** means the area of any site that is not capable of absorbing water and includes any area that:

- falls within the definition of coverage
- is covered by decks
- is occupied by swimming pools

- is used for parking, manoeuvring or loading of motor vehicles
- is paved with a continuous surface with a run off coefficient of greater than 0.45

LGA means the Local Government Act 2002

Local authority means a regional council or territorial authority.

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

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

Network utility operator has the meaning given to it by section 166 of the Resource Management Act 1991.

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

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

RMA means the Resource Management Act 1991.

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

Subdivision has the same meaning as Section 218 of the Resource Management Act 1991.

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

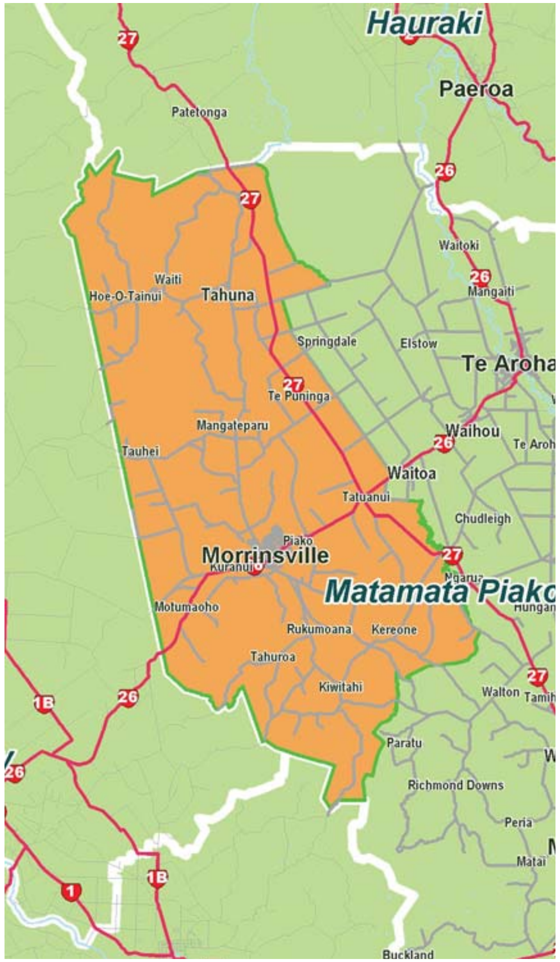
Unit of demand means the measure of demand for community facilities.

The rose gardens, Morrinsville

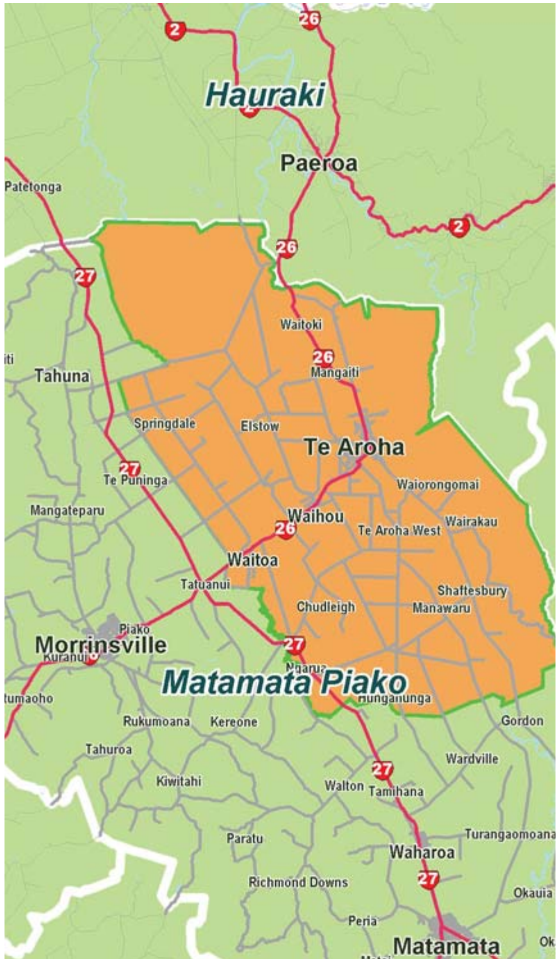
Development contributions policy

14.0 Catchment maps

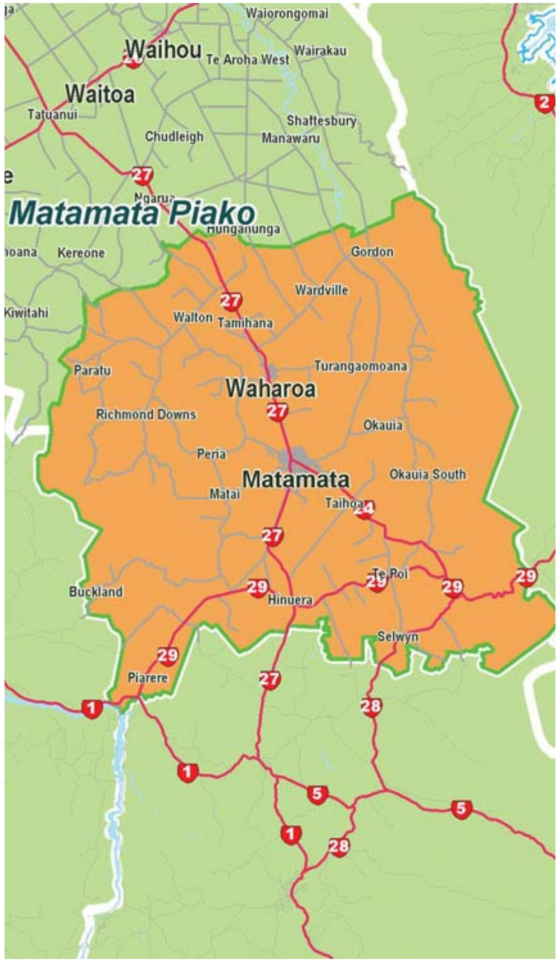
14.1 Morrinsville ward



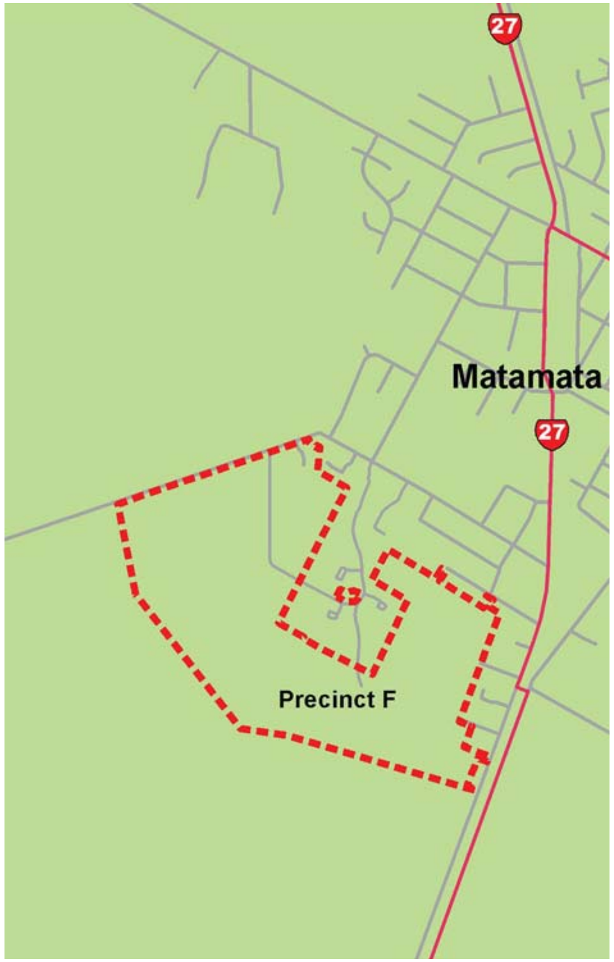
14.2 Te Aroha ward



14.3 Matamata ward



14.4 Precinct F



Investment policy

Section 105 of the Local Government Act 2002 requires us to adopt a policy for the management of investments. We generally hold investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to us.

Specific purposes for maintaining investments include:

- for strategic purposes consistent with Our Community Our Future plan
- the retention of vested land
- holding short term investments for working capital requirements
- holding investments that are necessary to carry out our operations consistent with Annual Plans, to implement strategic initiatives, or to support intergenerational allocations
- providing ready cash in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets
- to invest amounts allocated to Council created restricted reserves, special reserves and general reserves etc
- to invest proceeds from the sale of assets

We recognise that as a responsible public authority, all investments held should be low risk. We also recognise that low risk investments generally mean lower returns. We may internally borrow from reserve funds in the first instance to meet future capital expenditure requirements, unless there is a reason for establishing external debt.

We may consider disposition of part of our investments should it be prudent to do so.

In the context of this policy, investments include: equity investments

- property investments
- financial investments (e.g. loans)
- treasury investments

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

Our investments are currently managed in two categories:

- general investments
- the Power New Zealand investment

Shareholdings not covered by this policy

We own shares or interests in a number of companies/entities. This ownership occurred through historical arrangements or non financial objectives (e.g. we do not expect a financial return).

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

- Waikato Regional Airport Limited
- New Zealand Local Government Insurance Company
- Thames Valley Emergency Management Group
- Local Authority Shared Services

Objectives

The objectives of the policy are:

- to provide a framework for the prudent and effective management of investments
- to provide an appropriate level of return from our investments
- to manage investments in a sustainable and equitable way, having regard for current and future generations

- recognising the community ownership of these assets and the need for a balanced investment/risk profile
- to maintain a prudent level of liquidity and flexibility to meet both planned and unforeseen cash requirements

This will be achieved by having regard to:

- the mix of investments that we will utilise
- the process for the acquisition of new investments
- the management and assessment of risk
- the need for appropriate management and reporting procedures

Risk management

We will adopt prudent risk management practices that will include:

- engaging appropriate expertise when major investment strategies are being developed
- reference to authoritative and current economic commentaries and financial market forecasts.

This policy contains parameters and procedures that have been established to reflect our risk tolerance.

Equity investments

Objective

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

- achieve the desired level of returns
- to provide a diversified investment portfolio
- to meet strategic, economic development and financial objectives

Policy

We will only invest in equity investments after having received advice from qualified investment advisors.

We will develop a separate Statement of Investment Policy and Objectives to apply to the management of any equity investments.

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

A review of the Statement of Investment Policy and objectives will be conducted no less than annually and changes we propose will be considered in the context of the decision making framework within the Local Government Act 2002 and our significance policy.

Power New Zealand investment fund

Investment in equities will generally only apply to the Power New Zealand investment fund.

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

- cash
- internal borrowings
- equities
- bond investments

Investment policy

We have set the following long term objectives for the fund:

- to maintain the capital base of the fund in real terms adjusted for annual inflation
- to utilise the fund as a source of funding for capital development for our activities (i.e. internal borrowings)
- to utilise investment earnings (at a level we determine appropriate) as a source of revenue for our activities

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

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

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

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

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

Property investments

We own property to achieve our strategic objectives. As a general rule we will not maintain a property where it is not essential to the delivery of relevant services and the property is retained where it relates to one of our primary outputs. We review property ownership through assessing the benefits of continued ownership in comparison to other arrangements that could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of our services.

Net proceeds from the sale of investment properties, unless subject to statutory constraints, will form part of the reserves of the district, to be reinvested in new assets or the betterment of existing assets for the benefit of the present and future residents of the district.

Financial investments

Loans and advances

From time to time we have provided loans and/or advances to community organisations to assist with the achievement of community outcomes. The amounts involved are typically below $50,000 and the number of applications received (and/or approved) are minimal.

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

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

Treasury investments

Objective

To provide the ability to utilise a range of financial investments (not already specified in this policy) to achieve the desired level of returns within acceptable risk parameters.

Policy

- Our primary objective when investing is the protection of our investment capital. Accordingly, we may only invest in approved creditworthy counterparties
- We may invest in approved financial instruments that are of high credit quality and liquid
- Our net investment interest rate profile will be managed within the parameters outlined in 'Duration of investments'

Investment policy

Approved treasury instruments

The approved treasury instruments are as follows:

Category	Instrument
Investments (term <91 days)	Call and term bank deposits Bank certificates of deposit (RCDs) Treasury bills Promissory notes/commercial paper (senior)
Investment (term >90 days)	Government bonds Local authority stock/bonds (secured, fixed and floating rate) Bank/corporate bonds/commercial paper (senior, fixed and floating rate)

Any other treasury instrument must be specifically approved by us on a case by case basis and only be applied to the one singular transaction.

Approved counterparties/issuers

The following counterparties/issuers are approved for investment:

Counterparty/issuer	Minimum short term/ long term "Issue" credit rating	Approved investments	Maximum investment per counterparty/% of total investment portfolio
New Zealand Government	N/A	New Zealand Government bonds & treasury bills	100%
Local Government	A-1/A	Bonds, commercial paper,	$2 million (maximum of 20% of total portfolio)
New Zealand registered bank	A-1/A	Bank deposit, bank registered certificate of deposit, bank accepted bills	$20 million (maximum of 100% of total portfolio)
Corporate	A-1/A	Corporate bonds, commercial paper,	$2 million (maximum of 20% of total portfolio)

Duration of investments

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

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

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

The following risk control limit system ensures a continuous and forced diversification of maturities across the portfolio on investments and thus spreads and reduces the concentration of interest rate repricing risk at times of reinvestments:

Time Period	Minimum % of Portfolio	Maximum % of Portfolio
0 to 1 year	30%	70%
1 to 2 years	30%	50%
2 to 5 years	0%	35%

The above limits do not apply to internal loans.

Internal loans

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

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

Acquisition of new investments

We will assess the acquisition of any new investments having regard to the following:

- the requirements of the Local Government Act 2002
- our significance policy
- our community outcomes and objectives
- the provisions of this policy

Application of returns on investments

Returns on investments will be applied as outlined in the Our Community Our Future plan, the Annual Plan or as specifically determined by us from time to time.

Foreign currency

Objective

To protect and provide certainty on the New Zealand dollar value of foreign currency denominated costs, revenues, capital expenditure and financial investments.

Policy

We recognise that any offshore financial investments gives rise to foreign currency exposures that impact both the amount of income received and the New Zealand dollar capital value of the investment. Foreign currency management instruments will be used within the policy parameters and as detailed in the separate Statement of Investment Policy and Objectives document and Investment Manager's agreement.

We may from time to time be exposed to foreign exchange risks through the occasional purchase of foreign exchange denominated services, plant and equipment etc. Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved and legally committed. We can use both spot and forward foreign exchange contracts.

The following instruments may be used for risk management activity:

Category	Instrument
Foreign exchange risk management	Forward foreign exchange contracts Foreign currency deposits Purchased currency options Foreign currency option collars (one for one collars only)

Delegated authority to invest

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

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

Reporting requirements

We will be provided with the following reports on investment performance:

- equity investments – monthly reports from our investment manager
- other investments – quarterly reports included as part of the quarterly financial reports

Te Aroha Leisure Pools

Liability management policy

Section 104 of the Local Government Act 2002 requires us to adopt a policy for the management of borrowing and other liabilities. Our infrastructure and community assets generally have long economic lives and long term benefits. The use of debt is seen as an appropriate and efficient way to promote intergenerational equity between current and future ratepayers in relation to our assets and investments as well as assisting us to meet the infrastructure demands of our ratepayers in a timely manner.

We borrow money as we consider appropriate within the flexible and diversified borrowing powers contained within the Local Government Act 2002 and its amendments.

We maintain borrowings and various other liabilities in order to:

- raise specific debt associated with projects and capital expenditures
- raise finance leases for fixed asset purchases
- fund assets whose useful lives extend over several generations of ratepayers

We will not borrow in foreign currency (in terms of section 113 of the Local Government Act 2002).

Objectives

The objective of the policy is to provide a framework for the prudent and effective management of borrowings and liabilities to assist in achieving Council's outcomes and objectives.

This will be achieved by having regard to:

- interest rate exposure
- liquidity
- credit exposure
- debt repayment
- borrowing limits
- securities

This policy covers internal and external borrowings.

Statutory objectives

- All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet the requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy
- We will approve all projected borrowings as part of the Annual Plan process or resolution of Council before the borrowing is affected
- All legal documentation in respect to borrowing and financial instruments will be approved by our solicitors prior to the transaction being executed
- We will not enter into any borrowings denominated in a foreign currency
- We will not transact with any Council Controlled Trading Organisation on terms more favourable than those achievable by Council itself
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
- the period of indebtedness is less than 91 days (including rollovers)
- the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.

Liability management policy

General objectives

- Minimise our costs and risks in the management of our borrowings
- Minimise our exposure to adverse interest rate movements
- Monitor, evaluate and report on treasury performance
- Borrow funds and transact risk management instruments within an environment of control and compliance under the Council approved Policy so as to protect our financial assets and costs
- Arrange and structure long term funding for us at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement
- Monitor and report on financing/borrowing covenants and ratios under the obligations of our lending/security arrangements
- Comply with financial ratios and limits stated within this policy
- Ensure our management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in house presentations
- Maintain appropriate liquidity levels and manage cashflows within Council to meet known and reasonable unforeseen funding requirements
- To minimise exposure to credit risk by dealing with credit-worthy counterparties
- Ensure that all statutory requirements of a financial nature are adhered to
- To ensure adequate internal controls exist to protect our financial assets and to prevent unauthorised transactions
- Develop and maintain relationships with financial institutions, brokers and investors

Interest rate exposure

Objective

To manage and minimise our costs and risks arising out of interest rate movements associated with our borrowing activities.

Policy

Our borrowings must be within the following fixed/floating interest rate risk control limit:

Master fixed/floating risk control limit	
Minimum fixed rate	Maximum fixed rate
50%	95%

"Fixed rate" is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis.

"Floating rate" is defined as an interest rate repricing date within 12 months.

The percentages are calculated on the rolling 12 month projected net debt level calculated by management (signed off by the Chief Executive Officer). Net debt is the amount of total debt net of cash or cash equivalents. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate hedges in place may have to be adjusted to ensure compliance with the policy minimums and maximums.

The fixed rate amount at any point in time should be within the following maturity bands:

Fixed rate maturity profile limit		
Period	Minimum cover	Maximum cover
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 to 10 years	15%	60%

Interest rate risk management products may be used to convert fixed rate borrowing into floating rate, floating rate borrowing into fixed or hedged borrowing. Independent external advisors will be consulted when using interest rate risk management products.

The following instruments may be used for risk management activity:

Category	Instrument
Interest rate risk management	**Forward rate agreements ("FRA") on:** Bank bills Government bonds Interest rate swaps including: Forward start swaps (start date <24 months) Amortising swaps (whereby notional principal amount reduces) Swap extensions and shortenings **Interest rate options on:** Bank bills (purchased caps and one for one collars) Government bonds Interest rate swaptions (purchased swaptions and one for one collars only)

Use of interest rate instruments:

- Selling interest rate options for the primary purpose of generating premium income is not permitted, because of its speculative nature
- During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed out simultaneously
- Purchased borrower swaptions mature within 12 months
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2% above the appropriate swap rate cannot be counted as part of the fixed rate percentage calculation
- Forward start period on swaps and collar strategies to be no more than 24 months
- Buying and selling of financial futures is not permitted due to the administrative burden

Liquidity/funding

Objective

To ensure that we have adequate committed financial resources, to meet all of our obligations as and when they arise. Our funding risk management centres on the ability to refinance or raise new debt at a future time at the same or more favourable pricing (fees and borrowing margins) and terms.

Our ability to readily attract cost effective borrowing is largely driven by our ability to maintain a strong financial position, raise general rates and manage our relationships with investors and bankers/brokers. Where practical, we seek a diversified pool of external borrowing and ensure bank borrowings and incidental arrangements (risk management products) are only sought from strongly rated New Zealand registered banks.

Policy

We manage liquidity/funding risk by:

- Appropriate cashflow management to ensure that sufficient funds are available to meet financial obligations as they fall due
- Maintaining appropriate short term borrowing facilities with our bank counterparties
- Term loans and committed debt facilities must be maintained at an amount of 110% over the projected peak net debt levels over the next 12 months
- A spread of funding maturities to reduce concentration risk so that overall borrowing costs are not unnecessarily increased due to market conditions

The funding maturity profile of the total committed funding in respect to term loans and committed facilities is set by the following risk control limits:

Period	Minimum	Maximum
0 to 3 years	20%	60%
3 to 5 years	20%	60%
5 years plus	0%*	60%

*Should our net debt exceed $50 million, the minimum percentage will increase to 10%.

A maturity schedule outside of these limits will require specific Council approval.

Credit exposure

Objective

To minimise our risk of default on the part of any counterparty that has a contractual obligation to make any payments to us.

Policy

Proposed counterparties to borrowing transactions will be assessed to ensure that there is reasonable certainty that obligations under borrowing contracts will be honoured. Treasury related transactions will only be entered into with organisations specifically approved by us. Counterparties and limits can only be approved on the basis of long term single “A” and above credit ratings (Standard & Poors’, Fitch, or Moodys) and/or short term ratings of “A-1” or above. Positions should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

The following matrix guide will determine limits:

Counterparty	Minimum long term/ short term credit rating	Risk management instrument maximum per counterparty ($ million)	Total maximum per counterparty ($ million)[1]
New Zealand registered bank	A/A-1	10.0	30.0

1 Total counterparty exposure includes: treasury instruments for investments and risk management instruments.

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. bank deposits) – transaction principal x weighting 100% (unless a legal right of set-off exists)
- Interest rate risk management (e.g. swaps, FRAs) – transaction notional x maturity (years) x 3%
- Foreign exchange – transactional face value amount x the square root of the maturity (years) x 15%

Debt repayment

Objective

To ensure that we are able to repay debt in a timely manner from appropriate sources.

Policy

We will manage debt on a net portfolio basis and will only externally borrow when it is commercially prudent to do so. We may determine that all or any part of the following cashflows may be used for the repayment of debt or reduction in borrowing requirements:

- depreciation charges for activities
- the proceeds of asset sales if we consider it appropriate
- contributions from other parties in terms of any contractual arrangements
- specific revenue streams determined by us (e.g. repayment of rental housing loans from rental housing income or loan repayment rates)

Borrowing limits

Objective

To ensure that our debt is maintained within prudent limits.

Policy

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

Item	Borrowing limit
Net debt as a percentage of total revenue	<150%*
Net interest as a percentage of total revenue	<15%*
Net interest as a percentage of annual rates income (debt secured under debenture)	<20%

*Excludes non-government capital contributions (e.g. developer contributions and vested assets) from revenue and government contributions netted from debt but excluded from revenues.

- Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue.
- Net debt is defined as total debt less cash or cash equivalents.
- Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or renegotiated as and when appropriate.
- Disaster recovery requirements are to be met through the liquidity ratio

Securities

Objective

To provide appropriate security that does not restrict our operations or limit control of our strategic assets, whilst being sufficiently attractive to lenders to secure competitive borrowing margins, fees, interest rates and terms.

Policy

We offer security by way of a charge over rates and rates revenue through the Debenture Trust Deed. Under a Debenture Trust Deed, our borrowing is secured by a floating charge over all Council rates levied under the Local Government (Rating) Act 2002. From time to time, with Council and Trustee approval, specific security may be offered by providing a charge over one or more of our assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset which it funds (e.g. an operating lease, or project finance)
- We consider a charge over physical assets to be appropriate
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

Source of funds

Objective

To specify appropriate sources of funding.

Policy

The following are considered to be appropriate sources:

- any registered bank
- Council reserves or special funds
- borrowing by deed of charge
- lease to own arrangements – the counterparties will be the open market
- Council issued stock and debentures
- short and long term wholesale/retail debt capital markets

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) we take into consideration the following:

- available terms from banks, debt capital markets including loan stock issuance
- our overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time
- prevailing interest rates and margins relative to the term for loan stock issuance, debt capital markets and bank borrowing
- the outlook on bank and debt capital market credit margins
- ensuring that the implied finance terms and conditions within the specific debt (e.g. project finance) are evaluated in terms such as cost/tax/risk limitation compared to the terms and conditions we could achieve in our own right
- legal documentation and financial covenants

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial position and manage its relationships with its investors and bankers/brokers.

Management procedures and reporting

Objective

To implement appropriate procedures and delegations to ensure the efficient and effective implementation of the Liability Management Policy.

Policy

The Chief Executive Officer shall ensure that reports on Council's borrowings are provided on a quarterly basis.

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

Documented treasury and operational procedures for borrowing activities shall be approved by the Group Manager Business Support, and shall be administered by the Finance and Business Service Manager.

Policy review

Objective

To uphold and maintain current Liability Management Policy to best practice standards.

Policy

This Policy is to be formally reviewed on at least a triennial basis. The Group Manager of Business Support, or equivalent, has the responsibility to prepare a review report that is presented to the Council or Council subcommittee. The report will include:

- recommendations as to changes, deletions and additions to the policy
- an overview of the treasury function in achieving the stated treasury objectives, including performance trends in actual borrowing cost against budget (multi-year comparisons)
- summary of breaches of the policy and one off approvals outside the policy to highlight areas of policy tension
- analysis of bank lender service provision, share of financial instrument transactions etc
- comments and recommendations from our external auditors on the treasury function, particularly internal controls, accounting treatment and reporting
- an audit of the treasury system/spreadsheets and procedures should be undertaken
- adherence to debt limits specified in the covenants of bank lenders to Council

The Council will receive the report, approve policy changes and/or reject recommendations for policy changes.

Significance policy

This policy has been developed to help to promote robust, transparent and sustainable decision making. It outlines the approach we will take when determining the significance of issues, proposals and decisions and other matters. It also includes the thresholds and criteria that we will use to assess significance and what procedures we will follow if an issue is determined as significant (e.g. community consultation). It also provides a list of assets that we consider are strategic assets.

Objectives

The objectives of this policy are to:

- provide guidance to the community and Council for identifying significance in relation to the issues, proposals, decisions or other matters affecting the lives or future of the Matamata-Piako community
- ensure we are is informed of, and carefully consider the consequences of, decisions of significance during the process of decision making
- determine the appropriate means to engage with the community on a particular issue, proposal, decision or matter where appropriate

General approach

An issue, proposal, decision or matter will be considered significant (or be of significance) if the likely impact and/or likely consequences are material for:

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

Assessments of significance will be made on a case by case basis using the thresholds and criteria in this policy.

Significant issues

Certain matters are defined as significant under this policy, these are:

- a decision to significantly alter the intended level of service for any significant activity we undertake or undertaken on our behalf (including a decision to commence or cease that activity)
- any transfer of ownership or control of a strategic asset (as defined in this policy)
- the sale of our shareholding in any council controlled trading organisation, or council controlled organisation
- entry into any partnership with the private sector where the outcome of the partnership would be considered significant in terms of this policy

Criteria and thresholds

We will determine whether an issue is significant by assessing it against the criteria and thresholds below. We will give deeper consideration to issues that 'tend towards significance'. However, an issue that exceeds the 'not significant' threshold in the table below is not automatically significant (e.g. an issue that has a financial impact in excess of $100,000 is not automatically 'significant').

Criteria	Threshold - not significant	Threshold - tending towards significance
What are the likely consequences or impacts of the issue on the current and future social, economic, environmental, and cultural wellbeing of the community?	There is no impact on our ability to achieve or deliver on our community outcomes specified in the Our Community Our Future plan.	The issue will impact on our ability to achieve our community outcomes and the potential negative impact is high.
What is the impact on current or planned levels of service?	There is no impact on levels of service.	May/will result in a major decline in the current or planned level of service for an activity (assessed against the level of service specified in the Our Community Our Future plan).
How many people will be affected and to what extent?	Few people are affected by the issue and to a limited extent.	The issue could potentially have a negative impact on the majority of the community to a moderate extent. OR The issue could potentially have a negative impact on one sector of the community (e.g. commercial property owners) or a specific community (e.g. rural town) to a large extent.
Will the issue promote a high degree of public interest?	There is a low level of public interest in the issue.	There is a history or evidence of wide spread public interest or debate in the community (e.g. we have received a large number of representations from diverse groups on an issue or multiple letters to the editor in local newspapers). We believe that the issue will be of high interest to a local community, ward or the district.
What is the financial impact?	Increases in fees or charges due to scheduled reviews (e.g. lease reviews). Any issue that has a financial impact (on costs or revenues) less than $100,000.	The issue could potentially increase rates or fees and charges by more than 10%
What are the likely consequences or impacts on our capacity to perform our role, and the costs of doing so?	There is no impact on our capacity to perform our role (e.g. provide services).	We may not be able to carry out our functions (e.g. due to the cost of the issue).
What are the costs and benefits of any consultation process or procedure?	The costs of a consultation process or procedure outweigh the benefits (e.g. community views on the matter are already known)	A consultation process would allow us to understand community views on the issue, and the benefits outweigh the costs involved.
What is the consistency with our financial strategy?	Consistent with the financial strategy.	May result in Council exceeding the limits on rates, rate increases and borrowing set out in the financial strategy.
What is the impact on our compliance with our liability management and investment policies?	No impacts on our policies - consistent with the liability management and investment policies.	The issue could lead to Council breaching its liability management and investment policy.

Criteria	Threshold - not significant	Threshold - tending towards significance
How much do we already know about the views and preferences of the affected or interested parties?	We already know community views and preferences on the issue through previous consultation, local media, existing policies and plans, work done under other legislation, and Councillors knowledge.	Community views and preferences on the issue are unknown or have not been fully explored.
Is the issue or decision consistent with our existing plans, strategies or policies or decisions already consulted on?	The matter has been included within our planning and policy documents (e.g. the matter is included in the Annual Plan). Where there has been previous public consultation it is likely we will not treat the matter as significant.	The matter has not already been considered as part of the formal budgeting and planning process. No previous community consultation has been undertaken on the issue.
What is the practicality of consultation?	The cost of consultation, the urgency of the matter, compassionate or commercial considerations means consultation is not practical.	Consultation can be accommodated and would help us make decisions in a more informed manner.
Can the decision be reversed?	The outcome is likely to be able to be reversed.	The issue, decision or matter will lead to a final outcome (e.g. we are locked into a lease or contract). The more difficult it is to reverse a decision, the greater its significance.
Is the outcome of the issue uncertain?	There is little uncertainty about the significance of the matter.	If there is uncertainty about the significance of the issue we will treat it as having more significance.
What is our ability to undertake alternative options?	There is no other feasible option (e.g. we have no other feasible option than to provide sewage services).	Various options can be considered and are available to us.

Procedures

The framework for our decision making is set out in the Local Government Act 2002. Assessing the significance of an issue requires judgments to be made. The following procedure will be followed to determine significance:

- When writing reports to Council (or its Committees), staff will specifically assess the significance of issues according to the general approach, thresholds and criteria detailed in this policy. Reports will include a statement indicating that significance has been considered and a recommendation on the significance of the issue
- Where we (or the relevant Committee) do not accept the report writer's assessment of significance, a separate resolution will be made, explicitly stating the reasons why it does not consider the issue to be significant
- Where the issue, proposal, decision or other matter triggers the thresholds or criteria of this policy and is likely to be significant, the report to Council will also include a suggestion for achieving sections 76–82 of the Local Government Act 2002 (parts relating to decision making) and other relevant Council policy (such as the Consultation Policy)

This procedure must be followed for all issues, proposals, decisions or other matters. The only exception to this is for reports relating to the Resource Management Act 1991 (the Act) where significance has already been determined in accordance with the notification provisions of the Act.

When we determine an issue is significant (or tending towards significance) it is expected that it will:

- demonstrate a higher standard of compliance with the Local Government Act decision making requirements
- undertake consultation (which may be confined to targeted consultation)
- provide more information to the affected community than we would for decisions that are not significant
- decide whether it wishes to hold a formal hearing of submissions
- consult with the Te Manawhenua Forum Mo Matamata-Piako
- consult with the Community Board(s)

We will generally use local newspapers as the primary means of consulting with and informing the community.

Other matters

Councillors will retain all decision making authority relating to the determination of significance of issues, proposals and decisions.

If an issue, proposal or decision is determined as significant, we do not necessarily have to follow the Special Consultative Procedure, but we must adhere to the principals of consultation in the Local Government Act 2002.

The more significant an issue is, the more likely we will undertake consultation in a similar way to the special consultative procedure. The level of consultation will depend on the level of significance and circumstances of the issue.

We will determine the most appropriate way to conduct consultation on significant issues, decisions or matters on a case by case basis. Generally, we will undertake these consultation processes as part of, or in conjunction with the Long Term Plan or Annual Plan. This will minimise the amount of times we are seeking community feedback and reduce consultation costs.

We may also decide to undertake consultation on matters we think are important, to ensure our decision making is well informed (even if the matters are not considered significant under the definition in the Local Government Act 2002 or this policy). In these cases, we will consider whether we wish to consult and whether the community wants to be consulted.

Our consultation policy and consultation guidelines set out how we will consult and engage with the community. There are instances where it may not be appropriate to engage with the community - such as when there is a good reason for withholding confidential or commercially sensitive information, so we can carry out a commercial activity without prejudice.

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

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

Strategic assets

The Local Government Act 2002 requires that this policy identifies its strategic assets, as defined in section 5 and 90 of the Local Government Act 2002.

The strategic assets listed below are not an exhaustive list of Council assets, but include those that are considered to be significant in ensuring the Council's capacity to achieve or promote any important outcome.

For this policy to apply to these assets the decision must affect the whole of the asset. Decisions affecting parts of the asset or network are not significant unless they will substantially affect our ability to deliver the service as a whole.

If the issue, decision or matter concerns an individual asset (e.g. a bridge), it should be assessed in terms of its effect on the operation of the network it belongs to (e.g. the roading system)

Te Aroha Mineral Spas

Significance policy

Assets (as a whole)	Notes
Roading system	Footpaths, parking, bridges, road reserve, culverts, underpasses and street lighting.
Reservoirs and water reticulation systems	Land, buildings, plant, pipes and pump stations
Wastewater systems	Land, buildings, plant, pipes and pump stations
Stormwater reticulation systems	
Amenity parks, sports parks and reserves under the Reserves Act 1977	Matamata Aerodrome, Te Aroha Domain buildings and structures, Morrinsville Recreation Ground camping ground facilities
Cemeteries	
Refuse transfer stations	Decommissioned landfills
Matamata-Piako District libraries	Book, non book and local history collections
Matamata-Piako District Council offices	Land, buildings, structures and plant
Community facilities – aquatic	Land, buildings, structures and plant
Community facilities – historic/museum	Land, buildings and structures
Matamata Memorial Centre and Westpac Events Centre Morrinsville	
Elderly persons housing	Excludes owner occupier units
Shareholding in Waikato Regional Airport Limited	
Power New Zealand Investment Fund	

Matamata Sports Centre outdoor pool

This policy is prepared pursuant to section 90 of the Local Government Act 2002

Working with others

Council controlled organisations

Council controlled organisations are described in the Local Government Act 2002 as any organisation in which one or more councils control 50% or more of the voting rights or appoint one or more of the directors. The Local Government Act 2002 requires us to include in the Long Term Plan information on certain council controlled organisations in which we are a shareholder. This includes information on:

- our policies and objectives that relate to the ownership and control of the organisation
- the nature and scope of the activities to be provided by the council controlled organisation
- the key performance targets and other measures by which performance may be judged.

Council works with other organisations for the benefit of the district and to save money by sharing resources

Waikato Regional Airport Limited (WRAL)		
Ownership	**Why does it exist?**	**What does it do?**
Waikato Regional Airport Limited is jointly owned by five local authorities: Hamilton City, Waikato District, Waipa District, Otorohanga District and Matamata-Piako District Councils Matamata-Piako's shareholding is 15.625%	Waikato Regional Airport Limited replaced the Airport Authority in 1989, which previously ran the airport We consider that the airport is a significant infrastructural asset for the region and important for economic growth and development The Local Government Act 2002 defines shareholding in an airport as a strategic asset	The objective of the Waikato Regional Airport Limited is to provide and operate a successful, affordable commercial business, providing safe, appropriate and efficient services for the transportation of people and freight The airport enhances the economic development of the Waikato Region and the retention of the airport as a major infrastructural facility is important to the economy of the Waikato

Performance measures	Actual		Target		
	2009/10	2010/11	2012/13	2013/14	2014/15
To achieve the Airport Certification Standards as required by the Civil Aviation Authority	Achieved	Achieved	Achieved		
To achieve above average traveller satisfaction ratings through conducting a biennial ACI international benchmarking survey	No survey was carried out during this year	No survey was carried out during this year			
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted on	135 customer feedback cards collected. Personal complaints were responded to	117 customer feedback cards collected. Personal complaints were responded to			
Introduce a new domestic carrier to promote competition and consequently, competitive pricing options for travellers	Pacific Blue commenced Trans-Tasman operations from 1 September 2010 with low cost fares	The airport continues to monitor relative pricing of domestic airfares and encourage availability of competitive pricing			

Council controlled organisations

	Actual		Target		
	2009/10	2010/11	2012/13	2013/14	2014/15
Earnings before interest, taxation and depreciation (EBITDA)	$545,384	$2,434,417	$2,300,000	$2,310,000	$3,200,000
Net surplus/(deficit) after tax	($5,608)	$11,227	$200,000	$183,000	$389,000
Net profit/(deficit) after tax to shareholders' funds	(8.62%)	0.19%	0.34%	0.30%	0.64%
Net profit/(deficit) after tax to total assets	(7.13%)	0.14%	0.26%	0.23%	0.50%
Percentage of non landing charges revenue	79.90%	81.84%	82.06%	79.49%	80.03%
Total liability/shareholders' funds (debt/equity ratio)	34:66	25:75	23:77	23:77	22:78
Applicable to parent company (Airport) operations only					
Interest rate cover *The interest cover measures the number of times the net profit before interest, tax and depreciation (EBITDA) covers interest paid on debt*	2.94x	2.54x	2.70x	3.86x	4.15x

These tables show the outcomes that the Council Controlled Organisations want to achieve

The central business district, Morrinsville

Council controlled organisations

Local Authority Shared Services Limited (LASS)		
Ownership	**Why does it exist?**	**What does it do?**
Local authorities of the Waikato Region have established Local Authority Shared Services Limited as a council controlled organisation by way of a company, in which each local authority in the Waikato Region has a single share Matamata-Piako's shareholding is 7.69% One member is appointed between Thames-Coromandel, Hauraki and Matamata-Piako District Councils	The local authorities of the Waikato Region have worked closely together over a number of years on mutually beneficial joint projects These projects have demonstrated the benefits of working together, such as the outcomes achieved and the reduction of costs to the community The shared service initiatives have been formalised by the establishment of the Local Authority Shared Services Limited Council became a shareholder for the purpose of developing shared services across the local authorities in the Waikato region, following public consultation in the 2005/06 Annual Plan	This company is used as an umbrella for future development of shared services throughout the region There are a number of services provided by local authorities, particularly in respect of information collection and management, where improved services at lower aggregate cost can be achieved by having a number of authorities participate in purchase or development of infrastructure for the service, and ongoing operation of it The specific objectives of the company will be agreed each year in accordance with the constitution and the Statement of Intent to be agreed between the Board of the company and the shareholders Current activities are a Shared Valuation Database Service and Waikato Regional Transport Model

Performance measures	Actual		Target		
	2009/10	2010/11	2012/13	2013/14	2014/15
LASS will carry out an annual survey of shareholders to assist directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided	Achieved	Achieved	Achieved		
Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors	Total expenditure was under budget. All administration costs in the LASS were below budget, with savings being made in external audit fees	Achieved, actual expenditure was $5,220 favourable to budget			
LASS will maintain an overall positive cashflow position	Not measured				
The board will provide a written report on the business operations and financial position of the company on a six monthly basis	Six monthly reports have been sent to shareholders	Six monthly reports have been sent to shareholders			
There will be an annual report to directors showing/stating that all statutory requirements of the LASS are being adhered to	Not measured	Reported to August Board meeting			
SVDS will be available to users at least 99% of normal working hours	Not measured	Achieved 99.92%			

Forecasting assumptions, financial statements and policies

Council controlled organisations

<table>
<tr><th rowspan="2">Performance measures</th><th colspan="2">Actual</th><th colspan="3">Target</th></tr>
<tr><th>2009/10</th><th>2010/11</th><th>2012/13</th><th>2013/14</th><th>2014/15</th></tr>
<tr><td>At least 98% of agreed timelines are met for sale and property files that have been delivered to the file transfer protocol (FTP) server for access to customers</td><td>Not measured</td><td>Achieved 100%</td><td colspan="3" rowspan="5">Achieved</td></tr>
<tr><td>All capital enhancement development work is supported by a business case approved by the advisory group</td><td colspan="2">Not measured</td></tr>
<tr><td>All required modelling reports are actioned within the required timeframe</td><td>Not measured</td><td>Achieved</td></tr>
<tr><td>A full report on progress of the model be provided to the LASS board twice each year</td><td>Not measured</td><td>Achieved</td></tr>
<tr><td>In response to requests from shareholders, LASS will provide regular reports and updates to the Regional Governance group regarding progress with shared service initiatives</td><td colspan="2">Not measured</td></tr>
</table>

Council policies and objectives relating to council controlled organisations

We do not have any significant policies or objectives about ownership and control of council controlled organisations. Appointment of a director to a council controlled organisation, who represents the Matamata-Piako District Council, aligns with our policy on appointment of directors.

Our pools provide safe places for children to learn how to swim

Council controlled organisations are one way that Council can work with others in the region

Other organisations

We are also involved in other key partnerships that do not come within the council controlled organisation reporting requirements under the Local Government Act 2002. Some of our key partnerships are listed below; they have developed in different forms and structures, reflecting the need to develop partnerships that work together in the ways most appropriate to address the specific issues they face.

Hamilton and Waikato Tourism Limited		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
Hamilton and Waikato Tourism Limited is a company that is 100% owned by Waikato Regional Airport Limited, of which we are a shareholder	Hamilton and Waikato Tourism Limited was formed to promote tourism in the Waikato region, through the development of a website and raising the profile of the region in the tourism industry	Hamilton and Waikato Tourism Limited operates the website www.hamiltonwaikato.com, and works with tourist operators and the international tourism sector to promote and raise the profile of the Waikato region as a tourist destination
Titanium Park Limited		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
Titanium Park Limited is a company that is 100% owned by Waikato Regional Airport Limited, of which we are a shareholder	Titanium Park Limited was formed to develop land surrounding the Hamilton airport in to a business park to compliment the airport's operations	Titanium Park Limited is developing Titanium Park as a joint venture with McConnell Property Limited. This involves developing and advertising the lease and sale of land in the development area
Hauraki Rail Trail Charitable Trust		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
The Hauraki Rail Trail Charitable Trust (Trust) is intended to be a charitable trust. At the time of writing it is yet to be granted charitable trust status The Trust has been created by Hauraki, Thames-Coromandel and Matamata-Piako District Councils, who can each appoint three trustees. Iwi in the three districts can also appoint three trustees to the Trust The Trust falls within the definition of a council controlled organisation, however on 14 December 2011 we exempted the Trust from council controlled organisation reporting requirements under the Local Government Act 2002. The exemption must be reviewed every three years, this means we will need to do this before 14 December 2014	The Trust's purpose is generally to operate and facilitate the use and enjoyment of the Hauraki Rail Trail The defined purposes of the Trust include the specific objectives of expanding the Hauraki Rail Trail where possible and maintaining the Hauraki Rail Trail to appropriate standards	The Trust will oversee the operation and maintenance of the Hauraki Rail Trail by a commercial operator It will also seek funding from charitable organisations (such as gambling trusts) to fund the extension of the Hauraki Rail Trail

Other organisations

Hauraki Gulf Forum		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
The Forum is a statutory body formed under the Hauraki Gulf Marine Park Act 2000. It has representatives of the Ministers of Conservation, Fisheries, and Maori Affairs, six representatives of the tangata whenua of the Hauraki Gulf and its islands, seven representatives from the Auckland, Hauraki, Matamata-Piako, Thames-Coromandel, Waikato District and Waikato Regional Councils	Broadly speaking, the purpose of the Hauraki Gulf Forum is to: • integrate and promote the conservation and management of the resources of the Hauraki Gulf • facilitate co-operation on matters relating to the statutory functions of the parties in relation to the Hauraki Gulf • recognise the relationship of tangata whenua with the Hauraki Gulf	The Forum's functions include: • strategic planning • producing a state of the environment report every three years and an Annual Report each year • monitoring and sharing information on the state of resources • receiving reports and commissioning research on the Hauraki Gulf • education and promoting Hauraki Gulf matters
Thames Valley Rural Fire Committee		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
The Thames Valley Rural Fire Committee (Committee) is a rural fire committee under the provisions of the Forest and Rural Fires Act 1977. The Committee includes one representative from the Hauraki, Matamata-Piako and Thames-Coromandel District Councils, principal plantation forest owners, and New Zealand Fire Service. Under the provisions of the Forest and Rural Fires Act 1977, the Committee is a Body Corporate. The Committee falls within the definition of a council controlled organisation, however on 10 February 2010 we exempted the Committee from council controlled organisation reporting requirements under the Local Government Act 2002. The exemption must be reviewed every three years, this means we will need to do this before 10 February 2013.	The Committee was established to administer the Thames Valley Rural Fire District. It is responsible for the prevention, detection and suppression of all fires in the rural area. The rural area is defined as all lands outside of the urban fire districts and lands administered by the Department of Conservation	The Committee manages the Thames Valley Rural Fire District Plan (Plan) The Plan aims to reduce the risk of fire, and ensure that we are ready to respond to a fire hazard should one occur

Other organisations

Waikato Region Civil Defence Emergency Management Group		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
The Waikato Region Civil Defence Emergency Management Group is a statutory committee formed under the Civil Defence Emergency Management Act 2002. The members are all the councils in the Waikato Region. Administration support is provided by the Waikato Regional Council. The group has the role of approving policy/strategy in respect of Civil Defence planning at a regional level. Thames Valley Civil Defence Emergency Management Group is a sub-regional statutory committee formed under the Civil Defence Emergency Management Act 2002. Membership of the committee is made up of the Thames-Coromandel, Hauraki and Matamata-Piako District Councils	The Civil Defence Emergency Management Act 2002 is the overarching legislation for New Zealand Civil Defence Emergency Management. The purpose of the Act is to promote sustainable management of hazards, encourage communities to achieve acceptable levels of risk, provide for planning and preparation for civil defence emergencies, and for response and recovery. The Act requires local authorities to coordinate through regional groups, provides a basis for the integration of national and local civil defence and emergency management, encourages coordination across a wide range of agencies, recognising that civil defence emergencies are multi-agency events	The regional committee's functions are to identify, assess, and manage those hazards and risks and consult and communicate about risks, and to assist other groups in the implementation of civil defence emergency management in their areas, within its area, promote and raise public awareness of, and compliance with civil defence requirements. The sub-regional committee's functions are to prepare a civil defence plan, and to promote and monitor civil defence readiness at a sub-regional level
Waikato Triennial Forum		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
Section 15 of the Local Government Act 2002 requires all councils within each region to enter into an agreement containing protocols for communication and co-ordination among them during the period until the next local government election. The Waikato Triennial Forum (Forum) includes the elected members from all Waikato Regional councils	The Forum exists to develop and implement the Waikato Triennial Agreement and to ensure collaboration at a regional level	The Forum meets regularly to discuss and collaborate on regional issues
Waikato Regional Council committees		
What type of organisation is it?	**Why does it exist?**	**What does it do?**
We have representatives that sit from time to time on committees that have been created by the Waikato Regional Council under the Local Government Act 2002. These currently include the regional transport and catchment committees	Waikato Regional Council forms committees to ensure that it can work efficiently in its areas of responsibility. The inclusion of regional stakeholders in some committees ensures that these stakeholders have a voice in decisions that affect them	The committees work on regional issues that affect the community, for example the regional transport committee looks at regional policy and issues regarding roading and transport

Intention to participate in a new Council controlled trading organisation - New Zealand Local Government Funding Agency (LGFA)

Introduction

The Local Government Funding Agency (LGFA) has been established by a group of local authorities (Councils) and the Crown (Government) to enable Councils to use their collective bargaining power to borrow money at lower interest margins than would otherwise be available.

The Government have a shareholding of 20% with Councils holding the remaining shares. The LGFA is recognised in legislation under the Local Government Borrowing Act 2011 which facilitates the operation of LGFA and is categorised as a Council Controlled Trading Organisation (CCTO).

All Councils will be able to borrow from the LGFA, but different benefits apply depending on the Council's level of participation.

Our participation

We intend to participate in the LGFA scheme as a Guaranteeing Local Authority. In order to participate in the LGFA in this way we will need to do the following:

- borrow from the LGFA
- subscribe for Borrower Notes
- enter into the Guarantee in favour of the LGFA and other councils
- provide a rates charge to secure some or all of its obligations under the LGFA Scheme

We intend to borrow up to $75 million over the next ten years and the expected average interest cost over the ten year period is $4 million per annum. The LGFA provides a secure means for us to borrow these funds at lower rates of interest.

Reasons for participating

We intend to participate in the LGFA because we believe it will enable us to borrow at lower interest margins, and that the savings made in getting cheaper loans will substantially outweigh the risks associated in providing a guarantee in the LGFA.

Due to its size, economies of scale, higher credit rating and regulatory advantage we expect the LGFA will be able to borrow money at a low enough rate (lower than what we could negotiate on our own) for the LGFA scheme to be attractive.

Importantly the LGFA will also provide us with increased certainty of access to funding, and more favorable terms and conditions (including the potential access to longer funding terms e.g. ten plus years).

Costs, benefits and risks

The level of our external borrowing was $35 million as at 30 June 2011. Our external borrowing is forecast to increase as high as $75 million over the next ten years. Consequently, the benefits of lower interest margins are significant. On the basis of the modelling done to date, we anticipate saving approximately $40,000 per $10 million of debt, per annum. This is $140,000 per annum based on the level of borrowing as at 30 June 2011, and those savings are projected to rise as high as $300,000 per annum over the ten years based on the projected increase in our debt.

Although the modelling is based on a number of assumptions, this number gives an indication of the scale of potential savings. We believe that the benefit of these savings outweigh the risks referred to in the following sections.

Risks in providing a 'Guarantee'

All Councils borrowing from the LGFA will be required to use the ability to charge rates as security.

This is a powerful form of security for the LGFA because it means that if a Council defaults on its loan, a receiver appointed by the LGFA can assess and collect sufficient rates in the Councils region to recover the defaulted payments. As a result, it significantly reduces the risk of long-term default by a Council borrower and the LGFA.

From our point of view it our also advantageous, because so long as we do not default, we can conduct our affairs without any interference or restriction.

To reduce the risk of defaulting on its debt repayment obligations, the LGFA will hold significant cash reserves as well as a committed cash stand-by facility of $1 billion with the New Zealand Debt Management Office and will be able to redeem Councils debt for cash with the Reserve Bank of New Zealand.

Whenever a participating Council borrows, it will not receive the full amount of the borrowing in cash. Instead, a small percentage of the borrowed amount will remain with the LGFA as equity in the CCTO (Borrower Notes). That percentage is expected to be 1.6% of the amount borrowed. The equity contributed in this way will be repaid when the borrowing is repaid. In effect, the amount which must be repaid will equal the cash amount actually advanced.

Intention to participate in a new Council controlled trading organisation

For example, if a Council borrowed $1 million for five years from the LGFA it would receive $984,000 in cash and $16,000 in Borrower Notes. At the end of the five years, it would repay $1 million but simultaneously redeem its Borrower Notes for $16,000 meaning its net repayment was equal to the $984,000 it initially received in cash.

The purpose of a Guarantee is to provide additional assurance to lenders (and therefore credit-rating agencies) that there will be no long-term default. It may also be used to cover a short-term default if there is a default which cannot be covered using other protections. Ultimately a default will be fully secured by having the ability to recover shortfalls through rates. The Guarantee allows the LGFA to draw upon the resources of all Guaranteeing Local Authorities to avoid defaults by other local authorities or the LGFA itself once other sources of funds have been exhausted.

There will be a mechanism to ensure that payments made under the Guarantee are shared between all Guaranteeing Local Authorities. The proportion between any payments borne by a single Guaranteeing Local Authority is likely to be based on the rates revenue of the district and/or the region to the total rates revenue of all the Guaranteeing Local Authorities.

A call for additional equity contributions will only be made if calls on the uncalled capital and on the cross guarantee will not be sufficient to eliminate the risk of imminent default by the LGFA. It is possible that Guaranteeing Local Authorities will be required to provide a rates charge to secure their obligations to contribute additional equity.

We have considered the risks associated with the guarantee and consider it to be low because:

- The only borrowers from LGFA will be Councils. As such, the risk of default is low. In the unlikely event of a default, the LGFA will immediately be able to appoint a receiver and assess a special rate against all ratepayers in the defaulting Local Authority's district
- The LGFA will have considerable sources of capital and liquidity available to meet any shortfall in timing of payments before any call is made under the guarantee
- Operational risk is minimal due to the conservative borrowing and lending policies proposed as part of the LGFA scheme. Furthermore, it is proposed that all borrowing, investing, back office and hedging functions will be undertaken on behalf of LGFA by the Debt Management Office of the New Zealand Treasury

Why can we not quantify the guarantee exposure?

At the time of preparing this Our Community Our Future plan, we are unable to quantify our potential exposure arising from the financial guarantee in support of the LGFA and to all participating council's. As a sector, Council's are seeking independent advice on how the potential exposure can be measured. The exposure will be different for each Council as it is proportionate to that Council's rates. Once we are able to quantify the potential exposure, it is likely we will be required to recognise the amount of potential exposure as a liability to ensure our prospective financial statements comply with relevant reporting standards.

How does this relate to the Investment Policy and Liability Management Policies?

- **Investment Policy** - The Investment Policy allows for our participation in the LGFA. The primary objective for our interest in LGFA is to lower the cost of our borrowing.
- **Liability Management Policy** - The Liability Management Policy allows for us to participate in the LGFA Scheme, including borrowing from the LGFA and entering into the transactions relating to that borrowing.

The primary objective is to allow borrowing by us at lower interest margins than we currently face.

Conclusion

We intend to participate in the LGFA as a Guaranteeing Local Authority because we believe the benefits of lower interest and a secure funding source outweigh the risks associated with providing a guarantee in favour of the LGFA.