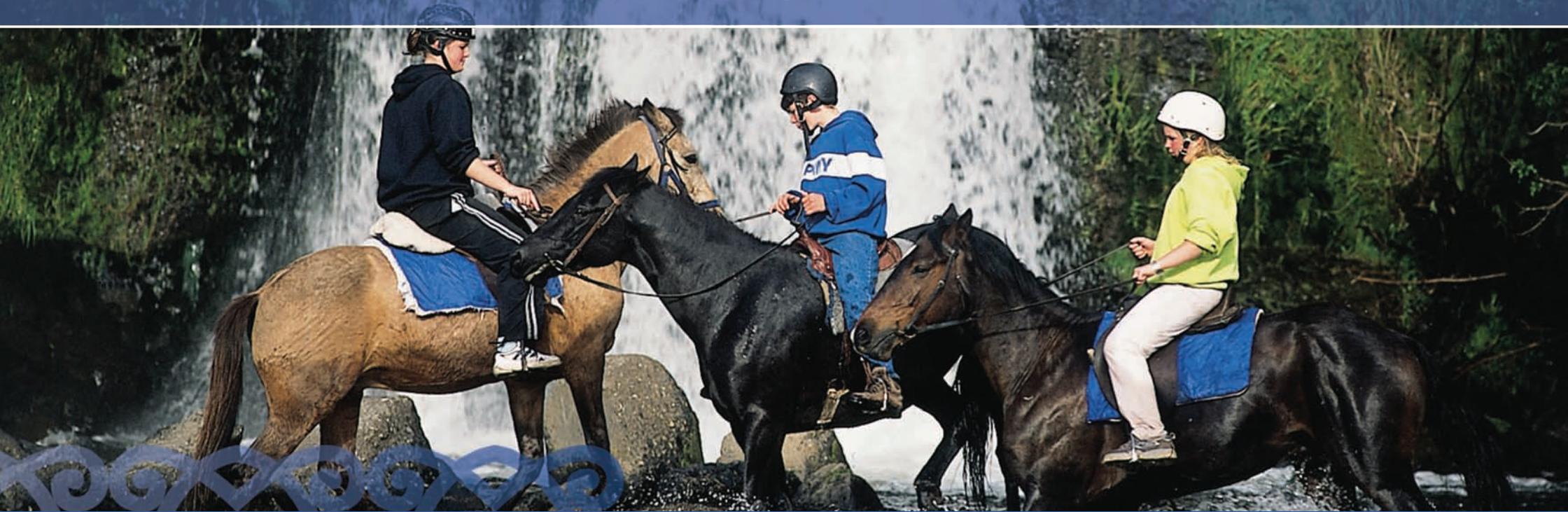


# Volume Two

## Ten-year Council Community Plan



## Policies

Long-term Council Community Plan 2006 - 2016

### VOLUME TWO

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## INTRODUCTION

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

### Revenue and Financing Policy

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

### Funding Impact Statement (including Rating Policy)

The Funding Impact Statement details the rating system and rating mechanisms. The Rating Policy includes the rates set for 2006/07.

### Liability Management Policy

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

### Investment Policy

The Investment Policy outlines the Council's approach to managing investments.

### Development Contributions Policy

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

### Policy on Partnerships between the Council and the Private Sector

This policy outlines under what circumstances the Council will enter

into partnership arrangements with private businesses, what conditions will be imposed and what consultation will take place.

### Rates Remissions and Postponement Policies

These Policies cover a number of issues and address how and when the Council may consider it appropriate to assist by providing rates relief through remission of rates. These specific issues include:

- Rating unit affected by calamity
- Residential land in commercial, industrial or rural areas
- Uniform Annual General Charge and Targeted Rates in certain circumstances
- Penalties on unpaid rates
- Water-by-meter rates due to leak detection
- Educational institutions sewage (pan) charges
- Extreme financial hardship
- Outstanding rates and penalties on undeveloped sections

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

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

### Policy on Determining Significance

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

## REVENUE AND FINANCING POLICY

### Introduction

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

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

### (a) Funding sources that are available to the Council

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

The sources of local authority funding are:

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

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

### (b) Rates

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

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

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

**(c) Basis of rating**

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

- Land Value
- Capital Value
- Annual Value

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

- The annual value of the rating unit.
- The capital value of the rating unit.
- The land value of the rating unit.
- The value of improvements to the rating unit.
- The area of land within the rating unit.
- The area of land within the rating unit that is sealed, paved, or built on.
- The number of separately used or inhabited parts of the rating unit.
- The extent of provision of any service to the rating unit by the local authority, including any limits to conditions that apply to the provision of the service.
- The number or nature of connections from the land within each rating unit to any local authority reticulation system.
- The area of land within the rating unit that is protected by any amenity or facility that is provided by the local authority.
- The area of floor space of buildings within the rating unit.

- The number of water closets and urinals within the rating unit.

**Policies for funding expenditure**

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

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

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

The Council intends, for the first two years of the Long Term Council Community Plan (LTCCP) to use surpluses from previous years

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

#### **(a) Funding of operating expenses**

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

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

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

#### **(b) Funding of capital expenditure**

The Council funds capital expenditure from the following sources:

- General Rates;
- Targeted Rates;
- Fees and Charges;
- Subsidies and Grants (for capital expenditure);
- Borrowing;

- Interest and Dividends;
- Proceeds from Asset Sales;
- Financial Reserves (including Development Contributions).

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

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

### TEN-YEAR COUNCIL COMMUNITY PLAN

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

Activities	Key Community Outcomes Activities Contribute	Exacerbator Component Identified	Public Benefit Funding			Private Benefit Funding		
			General Rates %	Targeted Rates %	Investment Income %	Subsidies/ Grants %	Fees and Charges %	Targeted Rates
<b>Community Leadership and Governance</b>								
Cost of Democracy	Strong, transparent and open leadership		100.0					
Community Boards				100.0				
Council Initiatives			100.0					
Disaster Mitigation					100.0			
Strategic Policy				100.0				
<b>Transport Networks and Systems</b>								
Roading – Financially Assisted	High-quality affordable infrastructure	✓		56.0		44.0		
Roading – Non-financially assisted		✓		100.0				
Road Safety					20.0	80.0		
Parking Enforcement		✓					100.0	
Airports						20.0	80.0	
<b>Water-related Services</b>								
Stormwater Services	High-quality affordable infrastructure Clean protected environment			100.0				
Water Supplies				15.0				85.0
Wastewater Services		✓		100.0				
Trade Waste Disposal		✓			30.0		70.0	

### TEN-YEAR COUNCIL COMMUNITY PLAN

Activities	Key Community Outcomes Activities Contribute	Exacerbator Component Identified	Public Benefit Funding			Private Benefit Funding		
			General Rates %	Targeted Rates %	Investment Income %	Subsidies/ Grants %	Fees and Charges %	Targeted Rates
<b><i>Solid Waste Management</i></b>								
Refuse Collection	Clean protected environment High-quality affordable infrastructure	✓		100.0				
Refuse Disposal		✓		80.0			20.0	
Refuse Recycling					33.0			67.0
<b><i>Promotion and Economic Development</i></b>								
Promotion and Economic Development	Prosperous economy		60.0					40.0
Visitor Information			70.0				30.0	
<b><i>Environmental Planning</i></b>								
Planning— Monitoring and Implementation	Environmentally responsible development Clean protected environment	✓	20.0				80.0	
Planning Policy	Prosperous economy	✓	100.0					

### TEN-YEAR COUNCIL COMMUNITY PLAN

Activities	Key Community Outcomes Activities Contribute	Exacerbator Component Identified	Public Benefit Funding			Private Benefit Funding		
			General Rates %	Targeted Rates %	Investment Income %	Subsidies/ Grants %	Fees and Charges %	Targeted Rates
<b>Environmental Controls</b>								
Licensing (Liquor and Gambling)	Healthy people and quality housing Safe caring community	✓	5.0				95.0	
Building Inspection		✓	20.0				80.0	
Environmental Health		✓	70.0				30.0	
<b>Libraries and Museum</b>								
Library Services	Education and training opportunities for all Diverse, creative and active community	✓		90.0			10.0	
Museum and Gallery			90.0				10.0	
<b>Recreation and Community Facilities</b>								
Recreation	Diverse, creative and active community Healthy people and quality housing Prosperous economy High-quality affordable infrastructure	✓		100.0				
Swimming Pools <sup>1</sup>				100.0				
Halls				80.0			20.0	
Public Conveniences		✓	100.0					
Pensioner Housing							100.0	
Strategic Property				100.0				
Investment Property						100.0		
Harbour Lease Property						100.0		
Ports						80.0		20.0

<sup>1</sup> Net cost to the Council

### TEN-YEAR COUNCIL COMMUNITY PLAN

Activities	Key Community Outcomes Activities Contribute	Exacerbator Component Identified	Public Benefit Funding			Private Benefit Funding		
			General Rates %	Targeted Rates %	Investment Income %	Subsidies/ Grants %	Fees and Charges %	Targeted Rates
<b><i>Parks, Reserves and Cemeteries</i></b>								
Parks, Reserves and Gardens	Diverse, creative and active community Clean protected environment Environmentally responsible development Healthy people and quality housing			100.0				
Sportsfields				100.0				
Cemeteries		✓	25.0				75.0	
Crematorium		✓					100.0	
<b><i>Environmental Protection</i></b>								
Hazardous Substances	Clean protected environment Safe caring community	✓	25.0				75.0	
Rural Fire Control		✓	100.0					
General Inspections		✓	10.0				90.0	
<b><i>Community Safety</i></b>								
Civil Defence	Safe caring community		100.0					
Dog Control		✓	10.0				90.0	
Stock Control		✓	90.0				10.0	
Safer Communities		✓	60.0			40.0		

### TEN-YEAR COUNCIL COMMUNITY PLAN

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

Activities	General Rates	Targeted Rates	Subsidies/ Grants	Borrowing	Investment Income	Reserves	Asset Disposal
Cost of Democracy	✓						
Community Boards		✓					
Council Initiatives	✓						
Disaster Mitigation		✓	✓	✓			
Strategic Policy	✓						
Roading – Financially Assisted		✓	✓				
Roading – Non financially Assisted		✓		✓			
Road Safety		✓	✓				
Parking Enforcement						✓	
Airports				✓		✓	
Stormwater Services		✓		✓			
Water Supplies		✓		✓			
Wastewater Services		✓	✓	✓			
Trade Waste Disposal		✓		✓			
Refuse Collection		✓		✓			
Refuse Disposal		✓		✓			
Refuse Recycling		✓		✓			
Promotion and Economic Development	✓	✓					
Visitor Information	✓						
Planning—Monitoring and Implementation	✓						
Planning—Policy	✓						
Licensing (Liquor and Gambling)	✓						
Building Inspection	✓						
Environmental Health	✓						
Library Services		✓		✓			
Museum and Gallery	✓		✓	✓		✓	
Recreation		✓					
Swimming Pools		✓	✓	✓			

### TEN-YEAR COUNCIL COMMUNITY PLAN

Activities	General Rates	Targeted Rates	Subsidies/ Grants	Borrowing	Investment Income	Reserves	Asset Disposal
Halls	✓			✓		✓	
Public Conveniences	✓			✓			
Pensioner Housing			✓	✓		✓	
Strategic Property	✓						
Investment Property					✓		
Harbour Lease Property					✓		
Ports					✓	✓	
Parks, Reserves and Gardens		✓	✓	✓		✓	✓
Sports Fields		✓	✓	✓		✓	✓
Cemeteries	✓						
Crematorium				✓			
Hazardous Substances	✓						
Rural Fire Control	✓						
General Inspections	✓						
Civil Defence	✓						
Dog Control	✓						
Stock Control	✓						
Safer Communities	✓						

## FUNDING IMPACT STATEMENT

### Introduction

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

The 2006/07 fees and charges for activities undertaken by the Council are included in Volume Three. The fees and charges are calculated to achieve the funding mix as identified in the Revenue and Financing Policy.

### Rating system

The Council has adopted the following philosophy for the apportionment of rates:

- Where services and the users of those services can be clearly defined, the users should contribute towards the cost of providing those services in proportion to their level of use; and
- Where services are provided to particular parts of the District, the cost of those services should be met through rates charged to that part of the District the services are provided to; and
- Where the users or the level of use of services cannot easily be defined then everyone should pay the same.

To implement this philosophy, the Council utilises the **Capital Value** system of rating for all valuation-based rates with the exception of the Works and Facilities rate in the Murupara Community Rating area (Land Value).

Council has adopted the Capital Value based rating system for the following reasons:

- the benefits/funding alignment for Capital Value is greater than for Land Value as improvements are included in the valuation and high capital development usually results in high levels of activity and high demand for Council services
- the valuation base is larger and therefore a bigger subset of total wealth. This larger tax base also means less distortionary impact on rate at revaluation and as the valuation base grows
- there is a two fold increase in rating base with both subdivision and then building development contributing
- there is an improved ability to pay as under capital value low cost housing and older seaside dwellings will be comparatively better off than under Land Value
- utility companies can be rated in full
- Capital Value is probably the system best understood by ratepayers as it is the closest to market value of the property whereas Land Value is part of the property value and is sometimes adjusted to offset decline/increase in improvements value. There is also good sales evidence to support valuations.

### Differential rates

To further the Council's funding philosophy, it has adopted a regime of Differential Rates. The principal reasons for this are:

- to reflect a significant difference in the levels of benefits (Council

### TEN-YEAR COUNCIL COMMUNITY PLAN

- services) in one ratepayer sector compared to another
- to reflect the ability to pay of the respective ratepayer sectors
- to phase in an alternative rate or a higher level of funding
- to ameliorate an adverse impact of a District revaluation

### Targeted rates

The Council also utilises Targeted Rates in the application of its funding philosophy. These targeted rates are set both as a Rate based on valuation (Works and Facilities and Roading) and as a uniform charge for each rating unit (Community Board, Works and Facilities, Swimming Pool, Roading, Refuse, Parks, Promotion and Development, Sewage and Water).

These targeted rates are also set on a differential basis in some cases.

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

- The basis of setting the general rate, i.e. land, annual or capital value (section 13).
- Any category or categories that will be used for differentiating the general rate (section 14).
- The function or functions for which a targeted rate will be set (section 16).
- Any category or categories of land that will be used to set a targeted rate on a differential basis or determine whether a property will be liable for a targeted rate (section 16).

- Any factor or factors that will be used to calculate liability for a targeted rate (section 18).
- An indication that the Council wishes to set charges for water supply by volume consumed if the Council is intending to do so (section 19).

Section 21 of the Local Government (Rating) Act 2002 provides that Council are limited to 30% of the total rates revenue collected by way of uniform Annual General charges and targeted rates set on a uniform basis.

Excluded from this restriction are rates for water supply and sewage disposal. The following table shows the Council will comply with this provision in 2006/07.

Report on 30% Cap	
2006/07	
	Incl GST
UAGC	4,457,050
Roading	685,500
Refuse Collection	1,443,634
District Parks	646,596
Promotion	166,304
	7,399,084
<b>Total Rates</b>	<b>25,420,475</b>
Percentage	29.11%

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

### Rating Policy

#### 1. Introduction

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

**All figures in this policy are GST inclusive.**

#### 2. General Rates (Budgeted Revenue \$6,517,912)

The Council sets a general rate on the capital value of each rating unit in the District.

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

	Differential
<ul style="list-style-type: none"> <li>Commercial/Industrial properties greater than \$10.0 million of capital value (excluding farming, forestry and horticulture)</li> </ul>	<b>0.6</b>
<ul style="list-style-type: none"> <li>All other properties</li> </ul>	<b>1.0</b>

The rates (in cents in the dollar of capital value) for 2006/07 are:

<ul style="list-style-type: none"> <li>Commercial/Industrial properties greater than \$10.0 million of capital value (excluding Farming, Forestry and horticulture)</li> </ul>	<b>0.022842</b>
<ul style="list-style-type: none"> <li>All other properties</li> </ul>	<b>0.038070</b>

In addition, the Council sets a Uniform Annual General Charge on all rating units in the District. In the 2006/07 year this charge is **\$325.00** per rating unit.

#### 3. Works and Facilities Rate (Budgeted Revenue \$4,510,639)

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

The Council sets a Works and Facilities targeted rate based on a fixed amount on rating units as follows:

Uniform Annual Charge	\$
All rating units in the rural rating area	<b>\$50.00</b>
All rating units in the Ohope Community rating area	<b>\$100.00</b>
All rating units in the Edgecumbe Community rating area	<b>\$50.00</b>
All rating units in the Taneatua Community rating area	<b>\$150.00</b>
All rating units in the Murupara Community rating area	<b>\$150.00</b>

### TEN-YEAR COUNCIL COMMUNITY PLAN

In addition, the Council sets a targeted rate on the capital value (except for Murupara where the rate is set on land value) of each rating unit by location.

The rate in the dollar, based on capital value (except for Murupara, Land Value), is calculated after deducting the fixed charge from the total rate requirement.

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

<b>Rates on Capital/Land Value set Differentially (Cents in the dollar of Capital/Land Value) for 2006/07 are as follows:</b>	<b>Differential</b>	<b>Rate</b>
Whakatane Commercial/Industrial properties up to \$10.0 million of capital value (being all rating units situated in the Whakatane urban rating area that principally undertake any commercial/industrial activity or are zoned Commercial/Industrial excluding residential properties)	<b>2.2</b>	<b>0.3352</b>
Whakatane Commercial/Industrial properties greater than \$10.0 million capital value (being all rating units situated in the Whakatane urban rating area that principally undertake any commercial/industrial activity or are zoned Commercial/Industrial excluding residential properties)	<b>1.0</b>	<b>0.1523</b>
All other rating units in the Whakatane Urban rating area	<b>1.0</b>	<b>0.1523</b>
Rural Commercial/Industrial Properties greater than \$10.0 million of capital value (excluding farming, forestry and horticulture)	<b>0.60</b>	<b>0.0084</b>

All other rating units situated in the Rural rating area.	<b>1.0</b>	<b>0.0140</b>
All rating units in the Ohope Community Board rating area	<b>1.0</b>	<b>0.0298</b>
Edgecumbe Commercial/Industrial rating units greater than \$10.0 million of capital value	<b>0.60</b>	<b>0.0856</b>
All other rating units situated in the Edgecumbe Community rating area.	<b>1.0</b>	<b>0.1426</b>
All rating units in the Taneatua Community rating area.	<b>1.0</b>	<b>0.2509</b>
Murupara lifestyle rating units (Land Value)	<b>0.05</b>	<b>1.1916</b>
All other rating units situated in the Murupara Community rating area (Land Value)	<b>1.0</b>	<b>23.8318</b>

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#### 4. Community Board Rate (Budgeted Revenue \$353,874)

The Community Board rate is set to fund the costs of the five Community Boards.

The Council sets a Community Board targeted rate on rating units within each of the following areas (locations):

Uniform Annual Charge	\$
All rating units in the Whakatane Community Board Area	<b>20.65</b>
All rating units in the Ohope Beach Community Board area	<b>35.65</b>
All rating units in the Edgecumbe/Tarawera Community Board Area	<b>17.10</b>
All rating units in the Taneatua Community Board Area	<b>48.00</b>
All rating units in the Murupara Community Board Area	<b>43.00</b>

#### 5. Swimming Pool Rate (Budgeted Revenue \$134,328)

The Swimming Pool Rate is set to fund the rural portion of the costs associated with the Whakatane Aquatic Centre (13%) and the Murupara Swimming Pool (45%).

The Council sets the Swimming Pool targeted rate on rating units as follows:

Fixed Charge	\$
All rating units situated in the Murupara/Galatea Ward area, (excluding the Murupara Community rating area)	<b>66.90</b>
All rating units situated in the Rural rating area, (excluding the Murupara/Galatea Ward)	<b>24.25</b>

#### 6. Roading Rate (Budgeted Revenue \$6,382,261)

The Council sets a targeted rate for roading on rating units and a rate on the capital value as follows:

(Cents in the dollar of Capital Value) for 2006/07 are as follows:	Differential	Rate
All rating units with a capital value greater than \$10 million	<b>0.60</b>	<b>0.06375</b>
All other rating units	<b>1.0</b>	<b>0.10625</b>

In addition, the Council sets a Roading Targeted rate on all rating units in the district of **\$50.00**.

The rate in the dollar, based on Capital Value is calculated after deducting the targeted rate from the total rate requirement.

#### 7. Refuse Removal Rate (Budgeted Revenue \$1,443,634)

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

##### Residential/ Commercial Properties

The fixed amount for 2006/07 is **\$124.70** per separately used or inhabited part of a rating unit with Council approved refuse/ green waste/ recycling bins. **For any additional refuse/recycling bins a fixed amount of \$124.70 per refuse/recycling bin applies.**

### Rural Properties

The fixed amount for 2006/07 is **\$89.70** per separately used or inhabited part of a rating unit with Council approved refuse/ recycling bins. **For any additional refuse/ recycling bins a fixed amount of \$89.70 per refuse/ recycling bin applies.**

### 8. District-wide Parks Rate (Budgeted Revenue \$646,596)

The Council sets a targeted district-wide parks rate to fund 30% of the net cost of the parks activity. This targeted rate is set as a fixed amount on every rating unit in the district. In the 2006/07 year the charge is **\$47.50** per rating unit.

### 9. Promotion and Development Rate (Budgeted Revenue \$166,304)

The Council sets a targeted rate to fund 40% of the cost of the Marketing and Development.

This rate is set as a targeted rate of a fixed amount per rating unit of \$309.00 for all commercial and industrial properties within the district.

### 10. Sewerage Rates

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

- Whakatane
- Ohope

- Edgecumbe
- Taneatua
- Murupara
- Te Mahoe

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

The different categories of service are:

- Connected - any rating unit that is connected directly or indirectly to a public sewerage drain
- Serviceable - any rating unit that is not connected to a public sewerage drain but is within 30 metres of such a drain.

The rates for the 2006/07 year are shown below:

Whakatane (Budgeted Revenue \$989,206)	
\$132.00	per separately used or inhabited part of a <b>residential</b> rating unit <b>connected</b>
\$132.00	per <b>water closet or urinal</b> in each <b>commercial/industrial</b> rating unit <b>connected</b>
\$66.00	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)

### TEN-YEAR COUNCIL COMMUNITY PLAN

<b>Ohope (Budgeted Revenue \$419,938)</b>	
\$225.00	per separately used or inhabited part of a <b>residential</b> rating unit <b>connected</b>
\$225.00	per <b>water closet or urinal</b> in each <b>commercial/industrial</b> rating unit <b>connected</b>
\$112.50	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)

<b>Edgecumbe (Budgeted Revenue \$165,126)</b>	
\$190.00	per separately used or inhabited part of a <b>residential</b> rating unit <b>connected</b>
\$190.00	per <b>water closet or urinal</b> in each <b>commercial/ industrial</b> rating unit <b>connected</b>
\$95.00	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)

<b>Taneatua (Budgeted Revenue \$72,422)</b>	
\$228.00	per separately used or inhabited part of a <b>residential or commercial (excluding Industrial)</b> rating unit <b>connected</b>
\$5,005.10	per <b>Industrial</b> rating unit <b>connected</b>
\$114.00	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)

<b>Murupara (Budgeted Revenue \$80,934)</b>	
\$100.00	per separately used or inhabited part of a rating unit <b>connected</b>
\$100.00	per <b>water closet or urinal</b> in each <b>commercial/industrial</b> rating unit <b>connected</b>
\$50.00	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)

<b>Te Mahoe (Budgeted Revenue \$29,361)</b>	
\$725.00	per separately used or inhabited part of a rating unit <b>connected</b>

Rating units which are neither connected to the scheme nor serviceable are not liable for these rates.

#### 11. Water Supplies (Metered and Non-metered)

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

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

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

### TEN-YEAR COUNCIL COMMUNITY PLAN

The targeted rates are set as a fixed amount per separately used or inhabited part of a rating unit which is serviceable or connected. Targeted rates are also set based on the volume of water supplied.

The differential categories of service for the targeted rate for water supply are:

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

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

The rates for the 2006/07 year are shown below:

Whakatane (Budgeted Revenue \$1,771,427)	
\$286.00	per separately used or inhabited part of a rating unit <b>connected and non metered</b>
\$143.00	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)
\$65.00	per separately used or inhabited part of a rating unit <b>connected and metered</b>
97.0 cents	per cubic metre of all water supplied to each rating unit <b>connected and metered</b>

Ohope (Budgeted Revenue \$416,606)	
\$65.00	per separately used or inhabited part of a rating unit <b>connected and metered</b>
\$32.50	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)
\$1.10	per cubic metre of all water supplied to each rating unit <b>connected and metered</b>

Edgecumbe (Budgeted Revenue \$237,620)	
\$310.00	per separately used or inhabited part of a rating unit <b>connected and non-metered</b>
\$155.00	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)
\$1.20	per cubic metre of all water supplied to each rating unit <b>connected and metered</b> , with a minimum fixed amount of \$310.00 per connection

Matata (Budgeted Revenue \$140,024)	
\$435.00	per separately used or inhabited part of a rating unit <b>connected and non-metered</b>
\$217.50	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)
\$1.50	per cubic metre of all water supplied to each rating unit <b>connected and metered</b> with a minimum fixed amount of \$435.00 per connection

Taneatua (Budgeted Revenue \$94,081)	
\$238.00	per separately used or inhabited part of a rating unit <b>connected and non-metered</b>
\$119.00	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)
78.0 cents	per cubic metre of all water supplied per separately used or inhabited part of a rating unit <b>connected and metered</b> with a minimum fixed amount of \$238.00 per connection
\$1.40	per cubic metre of all water supplied to each rating unit outside the gazetted water supply area, <b>connected and metered</b> with a minimum fixed amount of \$328.00.

Murupara (Budgeted Revenue \$102,575)	
\$95.00	per separately used or inhabited part of a rating unit <b>connected and non-metered</b>
\$47.50	per separately used or inhabited part of a rating unit <b>serviceable</b> (capable of connection)

### TEN-YEAR COUNCIL COMMUNITY PLAN

<b>\$1.00</b>	per cubic metre of all water supplied to each rating unit <b>connected and metered</b> with a minimum fixed amount of <b>\$95.00</b> per connection
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<b>Ruatoki (Budgeted Revenue \$73,437)</b>	
<b>\$60.00</b>	per separately used or inhabited part of a rating unit <b>serviceable or connected</b>
<b>\$30.00</b>	per separately used or inhabited part of a rating unit <b>connected and metered</b>
<b>68.0 cents</b>	per cubic metre of all water supplied to each rating unit <b>connected and metered</b>

<b>Waimana (Budgeted Revenue \$22,955)</b>	
<b>\$475.00</b>	per separately used or inhabited part of a rating unit <b>connected and non-metered</b>
<b>\$1.50</b>	per cubic metre of all water supplied to each rating unit <b>connected and metered</b> with a minimum fixed amount of <b>\$475.00</b> per connection

<b>Plains (Budgeted Revenue \$654,637)</b>	
<b>\$80.00</b>	per separately used or inhabited part of a rating unit <b>connected and metered</b>
<b>23.0 cents</b>	per cubic metre of all water supplied to each rating unit <b>connected and metered.</b>
	<p>The Council sets an additional targeted rate for any excess water consumed that is over and above the purchased entitlement for each property connection to these water supplies. An overuse targeted rate is set for the excess volume consumed over and above the purchased entitlement of <b>50 cents</b> per cubic metre.</p> <p>Note: where properties meet the definition of being contiguous either under legislation or Council policy, the entitlements for such properties will be aggregated prior to an imposition of the overuse penalty.</p>

<b>Awakeri Extension (Budgeted Revenue \$95,540)</b>	
<b>\$140.00</b>	per separately used or inhabited part of a rating unit <b>connected and metered</b>
<b>36.0 cents</b>	per cubic metre of all water supplied in each rating unit <b>connected and metered.</b>
	<p>The Council sets an additional targeted rate for any excess water consumer that is over and above the purchased entitlement for each property connection to these water supplies. An overuse targeted rate is set for the excess volume consumed over and above the purchased entitlement of <b>50 cents</b> per cubic metre.</p> <p>Note: where properties meet the definition of being contiguous either under legislation or Council policy, the entitlements for such properties will be aggregated prior to in imposition of the overuse penalty.</p>

<b>Te Mahoe (Budgeted Revenue \$23,842)</b>	
<b>\$795.00</b>	per separately used or inhabited part of a rating unit <b>connected</b>

<b>Ruatahuna (Budgeted Revenue \$1,787)</b>	
<b>\$179.00</b>	per separately used or inhabited part of a residential rating unit <b>connected</b>
<b>\$358.00</b>	per separately used or inhabited part of a <b>commercial/ industrial</b> rating unit <b>connected.</b>

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

### 12. Disaster Mitigation Rate ( Budgeted Revenue \$66,650)

The Council sets a Disaster Mitigation rate as a targeted rate on rating units as follows :

All rating units in the Awatarariki Catchment	\$22.50
All rating units in the Waimea Catchment	\$243.50
All rating units in the Waitepuru Catchment	\$10.00
All rating units in the Matata Community	\$14.50
All rating units in the Edgecumbe Catchment	\$3.00
All rating units in the Edgecumbe Community	\$1.50
All rating units in the Awatapu Catchment	\$1.50
All rating units in the Whakatane Community	\$0.75
All rating units in the Otarawairere Catchment	\$26.00
All rating units in the Ohope Community	\$1.30

*In addition Council sets a targeted rate on the capital value of all rating units in the district.*

District Rate on Capital Value	.0000051
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### 13. Instalment Due Dates

#### 13.1 Rates

There will be four equal instalments for the 2006/2007 rates and the due dates are as follows:

Instalment 1:	Friday 25 August 2006
Instalment 2:	Friday 24 November 2006
Instalment 3:	Friday 23 February 2007
Instalment 4:	Friday 25 May 2007

A 10% instalment penalty will apply if any of these rates remain outstanding after each of the above instalment due dates. A further 10% additional charge will be added on 1 October 2006 to any rates that were set prior to 1 July 2006 and which are unpaid at 1 July 2006 and which remain unpaid at 30 September 2006.

#### 13.2 Water Rates Due Dates

The following dates are the due dates for water invoices:

- Three-monthly water invoices - Friday 20 October 2006
- Three- and six-monthly water invoices - Friday 19 January 2007
- Three-monthly water invoices - Friday 20 April 2007
- Three - and six-monthly water invoices - Friday 20 July 2007

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

### 14. Payments

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

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

## TEN-YEAR COUNCIL COMMUNITY PLAN

### Funding Impact Statement Summarised rates and revenues

Summarised Rates and Revenues	Categories	Explanation	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Forecasts Adjusted for Inflation</b>			\$1,000's									
<b>(Requirements Net of GST)</b>												
<b>General Rates</b>			5,794	6,255	6,864	6,980	7,326	7,195	7,249	7,902	8,099	7,793
Commercial/Industrial	Greater than \$10M CV - 0.60 times	0.022842c per \$ of Capital Value										
All other Properties	1.0 times for all other Rating Units	0.038070c per \$ of Capital Value										
UAGC	All Rating Units	\$325.00 per Rating Unit										
<b>Targeted Rates</b>												
<b>Works and Facilities</b>			4,440	4,732	5,377	5,653	5,917	6,029	6,190	6,361	6,648	6,956
Whakatane Urban Rating Area												
Commercial/Industrial Differential	Up to \$10M CV - 2.2 times	0.3352c per \$ of Capital Value										
Commercial/Industrial Differential	Greater than \$10M CV - 1.0 times	0.1523c per \$ of Capital Value										
Whakatane Urban Differential	1.0 times for all other Rating Units	0.1523c per \$ of Capital Value										
Rural	Uniform Annual Charge	\$50.00 per Rating Unit										
Rural Differential	1.0 times for all Rating Units	0.0140c per \$ of Capital Value										
Rural Commercial/Industrial	Greater than \$10M CV - 0.60 times	0.0084c per \$ of Capital Value										
Ohope Community	Uniform Annual Charge	\$100.00 per Rating Unit										
Ohope Community Differential	1.0 times for all Rating Units	0.0298c per \$ of Capital Value										
Edgecumbe Community	Uniform Annual Charge	\$50.00 per Rating Unit										
Edgecumbe Community Differential	1.0 times for all Rating Units	0.0856c per \$ of Capital Value										
Edgecumbe Commercial/Industrial	Greater than \$10M CV - 0.60 times	0.1426c per \$ of Capital Value										
Taneatua Community	Uniform Annual Charge	\$150.00 per Rating Unit										
Taneatua Community Differential	1.0 times for all Rating Units	0.2509c per \$ of Capital Value										
Murupara Community	Uniform Annual Charge	\$150.00 per Rating Unit										
Murupara Community Differential	0.05 times for Lifestyle Rating Units	1.1916c per \$ of Land Value										
Murupara Community Differential	1.0 times for all other Rating Units	23.8318c per \$ of Land Value										
<b>Community Boards</b>			302	322	366	385	403	411	422	433	453	474
Whakatane	Uniform Annual Charge	\$20.65 per Rating Unit in Area										
Ohope	Uniform Annual Charge	\$35.65 per Rating Unit in Area										
Edgecumbe-Tarawera	Uniform Annual Charge	\$17.10 per Rating Unit in Area										
Taneatua	Uniform Annual Charge	\$48.00 per Rating Unit in Area										
Murupara	Uniform Annual Charge	\$43.00 per Rating Unit in Area										
<b>Whakatane Water Supply</b>			1,541	1,642	1,866	1,962	2,053	2,092	2,148	2,208	2,307	2,414
Rating Units Connected and Non Met	Separately used or inhab parts of Rating Unit	\$286.00 per qualifying part or portion										
Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$143.00 per qualifying part or portion										
Rating Units Connected and Metered	Separately used or inhab parts of Rating Unit	\$65.00 per qualifying part or portion										

## TEN-YEAR COUNCIL COMMUNITY PLAN

Summarised Rates and Revenues	Categories	Explanation	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rating Units Connected and Metered	All Metered Consumers	\$0.97c per cu mt										
<b>Ohope Water Supply</b>			296	316	359	377	395	402	413	424	443	464
Rating Units Connected and Metered	Separately used or inhab parts of Rating Unit	\$65.00 per qualifying part or portion										
Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$32.50 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$1.10 per cu mt										
<b>Edgcombe Water Supply</b>			165	175	199	210	219	224	230	236	247	258
Rating Units Connected and Non Met	Separately used or inhab parts of Rating Unit	\$310.00 per qualifying part or portion										
Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$155.00 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$1.20 per cu mt (Min Ch \$310.00)										
<b>Matata Water Supply</b>			93	99	113	119	124	127	130	134	140	146
Rating Units Connected and Non Met	Separately used or inhab parts of Rating Unit	\$435.00 per qualifying part or portion										
Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$217.50 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$1.50 per cu mt (Min Ch \$435.00)										
Taneatua Water Supply			80	86	97	102	107	109	112	115	120	126
Rating Units Connected and Non Met	Separately used or inhab parts of Rating Unit	\$238.00 per qualifying part or portion										
Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$119.00 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$0.78c per cu mt (Min Ch \$238.00)										
Rating Units outside Gazetted Area	Connected and Metered Consumers	\$1.40 per cu mt (Min Ch \$328.00)										
<b>Murupara Water Supply</b>			88	93	106	112	117	119	122	126	131	137
Rating Units Connected and Non Met	Separately used or inhab parts of Rating Unit	\$95.00 per qualifying part or portion										
Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$47.50 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$1.00 per cu mt (Min Ch \$95.00)										
<b>Ruatoki Water Supply</b>			63	67	76	80	84	85	87	90	94	98
Rating Units Serviceable or Connected	Separately used or inhab parts of Rating Unit	\$60.00 per qualifying part or portion										
Rating Units Connected and Metered	Separately used or inhab parts of Rating Unit	\$30.00 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$0.68c per cu mt										
<b>Waimana Water Supply</b>			28	30	34	35	37	38	39	40	42	44
Rating Units Connected and Non Met	Separately used or inhab parts of Rating Unit	\$475.00 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$1.50 per cu mt (Min Ch \$475.00)										
<b>Plains Water Supply</b>			559	596	677	712	745	759	780	801	837	876
Rating Units Connected and Metered	Separately used or inhab parts of Rating Unit	\$80.00 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$0.23c per cu mt										
Rating Units Connected and Metered	All Metered Consumers	\$0.50c per cu mt for overuse of entitl										
<b>Plains - Awakeri Extn</b>												
Rating Units Connected and Metered	Separately used or inhab parts of Rating Unit	\$140.00 per qualifying part or portion										
Rating Units Connected and Metered	All Metered Consumers	\$0.36c per cu mt										
Rating Units Connected and Metered	All Metered Consumers	\$0.50c per cu mt for overuse of entitl										
<b>Te Mahoe Water Supply</b>			28	30	34	36	38	39	40	41	43	45
Rating Units Connected	Separately used or inhab parts of Rating Unit	\$795.00 per qualifying part or portion										
Ruatahuna Water Supply			2	2	2	2	2	2	2	2	2	2

## TEN-YEAR COUNCIL COMMUNITY PLAN

Summarised Rates and Revenues	Categories	Explanation	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Residential Rating Units Connected	Separately used or inhab parts of Rating Unit	\$179.00 per qualifying part or portion										
Comm/Industrial Rating Units Conn	Separately used or inhab parts of Rating Unit	\$358.00 per qualifying part or portion										
<b>Whakatane Sewerage</b>			866	923	1,049	1,103	1,154	1,176	1,207	1,241	1,297	1,357
Residential Rating Units Connected	Separately used or inhab parts of Rating Unit	\$132.00 per qualifying part or portion										
All Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$66.00 per qualifying part or portion										
Commercial/Industrial	Each Water Closet or Urinal	\$132.00 per water closet or urinal										
<b>Ohope Sewerage</b>			393	418	475	500	523	533	547	562	588	615
Residential Rating Units Connected	Separately used or inhab parts of Rating Unit	\$225.00 per qualifying part or portion										
All Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$112.50 per qualifying part or portion										
Commercial/Industrial	Each Water Closet or Urinal	\$225.00 per water closet or urinal										
<b>Edgecumbe Sewerage</b>			202	215	244	257	269	274	281	289	302	316
Residential Rating Units Connected	Separately used or inhab parts of Rating Unit	\$190.00 per qualifying part or portion										
All Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$95.00 per qualifying part or portion										
Commercial/Industrial	Each Water Closet or Urinal	\$190.00 per water closet or urinal										
<b>Taneatua Sewerage</b>			64	69	78	82	86	87	90	92	96	101
Residential Rating Units Connected	Separately used or inhab parts of Rating Unit	\$228.00 per qualifying part or portion										
All Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$114.00 per qualifying part or portion										
Industrial	Connected Rating Units	\$5,005.10 per Rating Unit										
<b>Murupara Sewerage</b>			83	89	101	106	111	113	116	119	125	130
Residential Rating Units Connected	Separately used or inhab parts of Rating Unit	\$100.00 per qualifying part or portion										
All Rating Units Serviceable	Separately used or inhab parts of Rating Unit	\$50.00 per qualifying part or portion										
Commercial/Industrial	Connected Rating Units	\$100.00 per water closet or urinal										
<b>Te Mahoe Sewerage</b>			25	27	30	32	33	34	35	36	38	39
Rating Units Connected	Separately used or inhab parts of Rating Unit	\$725.00 per qualifying part or portion										
<b>Refuse Removal</b>			1,154	1,229	1,397	1,469	1,537	1,566	1,608	1,653	1,727	1,807
District Wide-Residential/Comm	Separately used or inhab parts of Rating Unit	\$124.70 per part of a Rating Unit										
District Wide-Rural	Separately used or inhab parts of Rating Unit	\$89.70 per part of a Rating Unit										
<b>Swimming Pools</b>			115	122	139	146	153	156	160	164	172	180
Murupara/Galatea Ward	Excl Murupara Comm Rating Area	Targeted Rate \$66.90 per Rating Unit										
Rural Rating Area	Excl Murupara/Galatea Ward	Targeted Rate \$24.25 per Rating Unit										
<b>Roading</b>			5,454	5,811	6,605	6,944	7,267	7,404	7,603	7,813	8,165	8,543
Roading Targeted Rate	All Rating Units	\$50.00 per Rating Unit										
Roading Differential	Greater than \$10M CV - 0.60 times	0.06375c per \$ of Capital Value										
Roading Differential	1.0 times for all other Rating Units	0.10625c per \$ of Capital Value										
<b>Parks</b>			553	589	669	703	736	750	770	792	827	865
<b>Promotion and Development</b>			142	151	172	181	189	193	198	204	213	223
<b>Disaster Mitigation</b>			67	900	1,389	1,629	1,666	1,702	1,737	1,771	1,804	1,838
	Awatarai-Catchment	\$22.50 per Rating Unit										
	Waimea-Catchment	\$243.50 per Rating Unit										
	Waitepuru-Catchment	\$10.00 per Rating Unit										

### TEN-YEAR COUNCIL COMMUNITY PLAN

Summarised Rates and Revenues	Categories	Explanation	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Matata-Community	\$14.50 per Rating Unit										
	Edgecumbe-Catchment	\$3.00 per Rating Unit										
	Edgecumbe-Community	\$1.50 per Rating Unit										
	Awatapu-Catchment	\$1.50 per Rating Unit										
	Whakatane-Community	\$0.75 per Rating Unit										
	Otarawairere-Catchment	\$26.00 per Rating Unit										
	Ohope-Community	\$1.30 per Rating Unit										
	District Wide	.0000051c per \$ of Capital Value										
<b>Total Rates Levied</b>			<b>22,596</b>	<b>24,988</b>	<b>28,521</b>	<b>29,917</b>	<b>31,292</b>	<b>31,619</b>	<b>32,318</b>	<b>33,650</b>	<b>34,960</b>	<b>35,846</b>
Rates Penalties			200	200	200	200	200	200	200	200	200	200
User Fees and Charges			4,724	4,906	5,227	5,373	5,836	6,097	6,391	6,657	6,823	7,036
Subsidies and Grants			6,843	8,880	11,481	8,280	6,155	6,222	6,355	6,489	16,329	6,755
General Interest			210	210	210	210	210	210	210	210	210	210
Sundry Income			729	905	745	754	762	770	779	787	795	804
Development Contributions			1,541	1,578	1,614	1,651	1,688	1,725	1,762	1,799	1,836	1,873
<b>Total Operating Revenue</b>			<b>36,843</b>	<b>41,668</b>	<b>47,998</b>	<b>46,386</b>	<b>46,144</b>	<b>46,844</b>	<b>48,015</b>	<b>49,792</b>	<b>61,154</b>	<b>52,725</b>
Other Funding Sources												
Loans			5,184	9,031	10,743	4,942	3,589	2,493	3,040	2,579	14,045	912
Net Reserve Transfers			9,038	9,922	7,917	6,384	7,236	5,095	4,925	5,624	7,305	4,948
<b>Total Source of Funds</b>			<b>51,065</b>	<b>60,622</b>	<b>66,658</b>	<b>57,712</b>	<b>56,969</b>	<b>54,432</b>	<b>55,980</b>	<b>57,995</b>	<b>82,504</b>	<b>58,585</b>
<b>Funding:</b>												
Operating Expenses			34,543	35,092	36,923	38,282	39,764	40,202	41,095	42,540	43,850	44,570
Capital Expenditure			16,141	24,682	28,458	17,861	15,491	12,417	12,951	13,417	36,054	11,379
Principal Loan Repayments			381	847	1,277	1,570	1,713	1,813	1,935	2,038	2,600	2,636
<b>Total Expenditure</b>			<b>51,065</b>	<b>60,622</b>	<b>66,658</b>	<b>57,712</b>	<b>56,969</b>	<b>54,432</b>	<b>55,980</b>	<b>57,995</b>	<b>82,504</b>	<b>58,585</b>

## LIABILITY MANAGEMENT POLICY

### General policy

To provide appropriate parameters in which Council will manage its borrowing activities and external liabilities to ensure compliance with the provisions of the Local Government Act 2002.

Section 102(4)(b) of the Local Government Act 2002 (the “Act”) requires the Council to adopt a liability management policy (the “policy”). Section 104 of the Act outlines the contents of such a policy:

#### “104: Liability management policy

A policy adopted under section 102(4)(b) must state the local authority’s policies in respect of the management of both borrowing and other liabilities, including –

- (a) interest rate exposure; and
- (b) liquidity; and
- (c) credit exposure; and
- (d) debt repayment; and
- (e) specific borrowing limits; and
- (f) the giving of securities.”

Council is required to use the special consultative procedure in adopting its Policy although it may be adopted as part of its Long-term Council Community Plan (LTCCP). Once adopted the policy can only be changed as an amendment to the LTCCP.

The policy is to be consistent with the LTCCP and annual plans. It is to achieve the lowest possible net borrowing costs obtainable within the policy parameters by pro-actively managing funding and interest rate exposures. Benefits from favourable interest rate movements are to

be maximised while proactive measures are to be taken to minimise the effect of significant adverse interest rate movements.

A glossary of terms is set out in Appendix III.

### Specific policies

#### (a) General borrowing

The Council approves a borrowing programme by resolution during the annual planning process.

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

Whakatane District Council will use term borrowing to fund capital works providing assets where:

- The benefits of such expenditure are received over terms greater than one financial year.
- The term of the borrowing is related to the expected economic life of the assets purchased or created (where assets are deemed to have a life in excess of 25 years, the maximum term of borrowing will be 25 years).

The Council raises debt for the following primary purposes:

- General debt to fund the Council’s capital works which are primarily infrastructure assets;
- Short term debt to manage timing differences between cash inflows and outflows and to maintain the Council’s liquidity;

- Borrowing through hire purchase, credit, deferred payment or lease arrangements in the ordinary course of the Council's business.

### (b) Specific borrowing limits

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

- **Net interest expense of all borrowings not to exceed 10% of annual income**
- **A current ratio of 1.1<sup>1</sup>**
- **Net debt<sup>2</sup> as percentage of Annual Income not to exceed 110%**

Compliance to these limits is continually monitored by the Director Corporate Services and reported on a six monthly basis. The Council will adhere to the borrowing limit that is reached first and provides the lowest level of debt capacity.

### (c) Borrowing mechanisms

The Council is able to borrow through a variety of market mechanisms including, issuing loan stock or direct bank borrowing. (Refer Appendix I). The Council is also able to internally borrow.

Alternative funding mechanisms such as leasing are evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

<sup>1</sup> Current ratio = Current assets divided by current liabilities

<sup>2</sup> Net debt is total debt less liquid financial assets/investments/specific reserves used for internal borrowing.

The internal debt portfolio is used as an input into determining the Council's external debt requirements. Council's internal funding mechanisms are discussed in Section (e).

In assessing strategies for new borrowings in relation to source, pricing, size and term, delegated staff take into account the following:

- The size and economic life of the project;
- The impact of new debt on borrowing limits;
- Relevant margins and total cost under each borrowing source;
- The Council's overall debt maturity profile, to avoid concentration of debt at reissue/rollover time;
- Prevailing interest rates relative to term for both stock issuance and bank borrowing and the Council's view of future interest rate movements;
- Available terms from bank and loan stock issuance;
- Legal documentation, financial covenants and security requirements.

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

A borrowing strategy is determined on a six monthly basis which is approved by the Director Corporate Services.

### (d) Liquidity and credit risk management

The Council's ability to readily attract cost effective borrowing is largely driven by its ability to maintain a strong balance sheet

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as well as its ability to rate, manage its image in the market and its relationship with bankers and brokers.

Where possible the Council seeks a diversified pool of borrowing and ensures that bank borrowings are only sought from approved strongly rated New Zealand registered banks<sup>3</sup>.

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

The Council minimises its liquidity risk by:

- Matching expenditure closely to its revenue streams and managing cash flow timing differences to its favour;
- Maintaining its financial investments in liquid investments;
- Ensuring where sinking funds or debt redemption reserves are maintained to repay borrowing, that these investments are held for maturities not exceeding the borrowing repayment date (see Section (h) of this policy);
- Avoiding concentration of debt maturity dates (refer below). So funds are available when needed the Council ensures that:
- There is sufficient available operating cash flow and committed bank facilities to meet cash flow requirements between rates instalments as determined by the Finance Department.
- Term debt and a liquidity buffer are maintained at an amount that averages 110% of projected peak net debt levels over the next 12 months.
- The liquidity buffer is maintained from either available committed bank facilities and/or liquid negotiable financial investments. Investments have a maturity of no more than 3 months.

<sup>3</sup> Registered banks that have a Standard & Poor's/Moody's long term credit rating of A+ or better.

To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond the Council's control, delegated staff ensure debt maturities are generally spread widely over a band of maturities. Specifically, total committed funding in respect to all loans and committed facilities is controlled by the following system:

Period	Minimum	Maximum
0 to 3 years	10%	50%
3 to 5 years	20%	60%
5 years plus	10%*	60%

\* Should Council's net debt exceed \$30 million this component of the policy should be reviewed.

A maturity schedule outside these limits requires specific Council approval. A twelve-month phase-in non-compliance period is permitted.

The Chief Executive has the discretionary authority to re-finance, rollover, re-negotiate existing debt on more favourable terms. Such action is reported to the Council at the earliest opportunity.

#### (e) Internal borrowing

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

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies through not paying fees/margins and other costs associated with raising funds from financial institutions.

In addition to external borrowing the following specific reserves are used for internal borrowing purposes:

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

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

- Council seeks to firstly utilise prepaid amounts or related specific reserve funds that are allocated to that activity centre. Any additional funding is provided through internal loans.
- Where possible the term of the internal loan is no greater than the original purpose of the reserve account or external borrowing. Loans are repayable on demand;
- The Council seeks to match the maturity and interest rate profile on its borrowing and investing activities. Any maturity mismatches are managed through the liquidity policy outlined in Section (d).
- A notional internal loan is set up for all new capital projects and allocated to the activity centre incurring the expenditure;

- Loans are established on the basis of equal annual instalments of principal with interest calculated on a reducing balance;
- The interest rate charged is reviewed annually. The interest charged is a cost to the activity that received the loan finance and the interest received is credited to the activity providing the funds.
- The Council has reserved the right to reset interest rates quarterly.
- The interest rate for internal borrowing is based on the Council's expected weighted average cost of funds and takes into account the following factors:
  - Anticipated cost of new external borrowing over the next twelve months;
  - Anticipated rate of return over the next twelve months on surplus general funds, special fund reserves and the Harbour Property Fund.
  - A buffer which provides for certainty in the charging rate and avoids frequent adjustments.

Wherever possible, the Council's reserves are used to assist in reducing external debt requirements, thereby effectively reducing the Council's net interest cost.

**(f) Interest rate risk management**

The borrowing programme exposes Council to interest rate movements and the impact they have on Council's available cash and Annual Plan and LTCCP forecasts. Interest rate risk refers to the impact that movements in interest rates can have on the Council's cash flows, Annual Plan and LTCCP forecasts.

Generally, given the long-term nature of the Council's assets, intergenerational factors and the desire to avoid an adverse impact on rates, the approach is to have a percentage of debt at a fixed rate.

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

Master Fixed/Floating	Risk Control Limit
Minimum Fixed Rate	Maximum Fixed Rate
55%	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 within 12 months.

The percentages are calculated on the rolling 12 month projected net debt level calculated by management (signed off by the Director Corporate Services). Net debt is the amount of total debt less net of liquid financial assets/investments/specific reserves. This allows for prefixing in advance of projected physical draw downs of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to comply with the policy minimums and maximums.

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

Fixed Rate Maturity Profile Limit		
Period	Minimum Cover	Maximum Cover
1 to 3 years	20%	50%
3 to 5 years	20%	50%
5 to 10 years	10%	50%

The implementation of the fixed rate framework assumes dealing lines are available from Council's dealing bank (s).

Any swap beyond 10 years requires approval from the Chief Executive.

An interest rate risk management strategy is determined on a six monthly basis which is approved by the Director Corporate Services.

The interest rate risk management strategy is implemented by delegated staff by:

- **Using interest rate risk management instruments to convert fixed rate debt into floating rate debt; and floating rate debt into fixed rate debt.**

The use of interest rate risk management instruments are approved by the Council. A current list of approved interest rate risk management instruments and definitions are included in Appendix II and III respectively.

Within policy limits, the Director Corporate Services has delegated authority to authorise the use of the Council approved interest rate risk management instruments on a case-by-case basis.

**(g) Security**

The Council generally does not offer assets other than a charge over rates or rates revenue as security for general borrowing programmes and interest rate risk management instruments. Security is offered through the Charge Document over the Council's rates. Internal loans are provided on an unsecured basis.

From time to time, with prior Council approval, security may be offered by providing a charge over one or more of the Council's specific assets.

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);
- The Council considers a charge over physical assets to be appropriate.

The Director Corporate Services ensures that the required register of charges and any associated documents are provided, filed and kept in accordance with the provisions of the Local Government Act 2002 and any other relevant legislation.

**(h) Debt repayment**

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

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

**(i) Contingent liabilities**

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

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

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

***The total value of guarantees at any one time will not exceed 3% of the total annual rates, levied during that year.***

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

As a condition of the guarantee, the guarantor's, annual financial statements are to be promptly given to Council. Should the guarantee be called upon, the Council will take immediate steps to recover the money.

**(j) Foreign exchange**

Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

#### Reports

Report Name	Frequency	Prepared by	Recipient
Liability Management Report	Every Ordinary Council meeting	Director Corporate Services	Council
Strategy Papers - Borrowing - Investment - Interest rate	Semi-annual	Finance Manager	Director Corporate Services Chief Executive
Report of Treasury Performance	Semi-annual	Director Corporate Services	Chief Executive
Annual Report	Annually	Director Corporate Services	Council
Statement of Sinking Funds	Annually	Director Corporate Services	Chief Executive

#### Delegated authorities

Pursuant to clause 32 (2), schedule 7, of the Local Government Act 2002, Council may make delegations to officers of Council to allow for the efficient conduct of Council business. Clause 32 (3), schedule 7 of this Act allows officers to delegate those powers to other officers.

Notwithstanding clause 32 (1) (c), schedule 7 the power to borrow money, or purchase or dispose of assets, other than in accordance with the LTCCP remains the sole responsibility of Council. This responsibility cannot be delegated.

Approved delegations to Officers are approved by the Chief Executive Officer and this policy is contained within the Delegations Register.

The Liability Management Policy related delegations are outlined below.

Activity	Responsibility
Approve policy document	Council
Alter policy document	Council
Approval of borrowing programme for the year	Council
Approval for charging assets as security over borrowing	Council
Approve new loans, borrowing facilities in accordance with the Council general resolution	Director Corporate Services
Refinancing of existing debt	Director Corporate Services
Approving borrowing and interest rate transactions outside policy	Council
Open/close bank accounts	Council
Approve authorised cheque/electronic signatory positions	Chief Executive
Transfers of stock/register new debt issues	Seal register signatories
Borrowing management activity	Director Corporate Services
Interest rate risk management activity	Director Corporate Services
Approving allowable risk management instruments	Council
Adjust interest rate risk profile	Director Corporate Services Fixed/floating ratio between 55% and 95% Fixed rate/hedging maturity profile limit as per risk control limits
Managing funding maturities	Director Corporate Services Per risk control limits

Activity	Responsibility
Maximum daily transaction amount (approved borrowing, interest rate risk management)	Council (unlimited) Chief Executive (\$10 million) Director Corporate Services (\$5 million)
Ensuring compliance with policy	Director Corporate Services

### Performance measurement

Measuring the effectiveness of the Council's Liability Management activities is achieved through a mixture of subjective and objective measures. The predominant subjective measure is the overall quality of the liability management information. Objective measures are as follows:

### Borrowing management

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

### Key internal controls

The Council's systems of internal controls over borrowing and interest rate management include:

- Adequate segregation of duties among core borrowing activities
- A documented discretionary approval process for treasury activity
- Reporting to the Council at every Ordinary Council meeting
- Regular operational risk control reviews by the Council's external auditors
- Organisational, systems, procedural and reconciliation controls to ensure all activity is bona-fide and properly authorised and checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely.

More specifically, key internal controls are as follows:

#### (a) General

##### (i) Organisational controls

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

A Liability Management Report is presented to each Ordinary Council meeting, which includes a schedule of borrowing/ interest rate management activity.

**(b) Borrowing**

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

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

**(c) Incidental arrangements (Risk management instruments)**

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

- The use of incidental arrangements is confined to managing interest rate risk of Council external borrowings and is to be within the confines of the parameters and instruments specified in the respective Liability Management Policy.
- The use of incidental arrangements requires formal prior approval of the Director Corporate Services.
- Standard master agreements (ISDA) for incidental arrangements are completed by the Council with its relationship bank.

**APPENDIX I - APPROVED BORROWING MECHANISMS****1.0 Bank Borrowing****1.1 *Overdraft***

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

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

**1.2 *Committed bank facilities***

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

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

## 2.0 Local authority stock

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

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

## APPENDIX II - APPROVED INTEREST RATE RISK MANAGEMENT INSTRUMENTS

The use of interest rate risk management instruments is approved by the Council as part of this policy.

Interest rate risk management instruments approved for use, consistent with the policy contained in Section (f) are:

- Fixing through physical borrowing instruments – e.g. loan stock, debentures, bank term loan.
- Floating rate bank debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Forward Rate Agreements (FRA) on bank bills and government bonds. FRAs outstanding at any one time must not exceed 75% of the total floating rate debt. FRAs may be “closed out” before maturity date by entering an equal and opposite FRA to the same maturity date or, alternatively, by purchasing an option on a FRA for the equal and opposite amount to the same date.
- Interest rate swaps including:
  - Forward start swaps (start date less than 24 months)
  - Amortising and accreting swaps (notional principal amount reduces)
  - Purchase of interest rate options products on:
    - Bank bills (purchased caps and one for one collars)
    - Government bonds.

Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 1.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.

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- Interest rate collar type option strategies. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option.
- Purchased borrower swaptions only that mature within 12 months.
- Interest rate risk management instruments in foreign currency (see s113 of the Act).

A glossary of terms for interest rate risk management mechanisms are set out in Appendix III.

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counter party credit limits (refer Investment Policy).

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

- Interest rate options must not be sold outright. 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, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- Structured interest rate option strategies where there is any possibility of Council’s total interest expense increasing in a declining interest rate market or where Council’s total interest cost is increasing faster than the general market rate.
- Interest rate futures contracts, mainly for administrative ease.

**APPENDIX III - GLOSSARY OF TERMS FOR TREASURY MANAGEMENT**

<u>Term</u>	<u>Definition</u>
Amortising Swap	An interest rate swap contract that has a reducing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an amortising swap is the weighted average maturity, not the final maturity date.
Accreting Swap	An interest rate swap contract that has an increasing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an accreting swap is the weighted average maturity, not the final maturity date.
Bank Bill	A “bill of exchange” security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquify itself with cash. Normally for terms of 30, 60, 90 or 180 days.
Base rate	Normally a lending bank’s cost of funds/interest rate for a particular funding period. The base or “prime” rate will be changed by the bank from time to time, but not every day like market rates.
Basis Point(s)	In financial markets it is normal market practice to quote interest rates to two decimal places e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.

Basis Risk	The risk that the interest rate difference between the current physical debt instrument (say, a bank bill) market interest rate and the interest rate quoted for that debt instrument’s future price (say, a bank bill futures price) changes over the period to the date of the future price.
Benchmark	An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.
Bid–Offer Spread	The exchange points (FX) or basis points (interest rates) difference between the bid and offer rate when quoted by a bank is known as the “bid-offer spread”. Banks make their profits from dealing at their own bid and offer prices, thus earning the spread.
Bid Rate	Exchange rates and interest rate securities/instruments that are traded between banks are always quoted as a two-way price. One rate is where the quoting bank will buy – the bid rate, the second rate or price where the bank will sell at – the offer rate.
Bond	The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond’s interest rate is always fixed.
Bond FRA	A tailored contract to buy or sell a bond (Government or Corporate) at a fixed interest rate at some specified future date. The Bond FRA contract rate will differ from the current physical market bond yield, depending on the slope of the interest rate yield curve.
Bond Option	The right, but not the obligation by the owner/holder of the option to buy or sell bonds (Government or Corporate) at a predetermined interest rate at a

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	specified future date. The buyer pays a “premium” in cash up-front to reduce risk and have insurance-type protection, the seller or grantor of the bond option receiving the premium for assuming the risk.	Commercial Paper	The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called “one-name paper” } and “promissory notes” issued by competitive public tender to investors or by private treaty to one investor.
Call Option	The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/ currency/commodity at the price stated in the option “ contract.	Commoditised	When a financial market or instrument becomes so popular and “plain vanilla” that there is no longer any difference in the prices quoted by participants in the market.
Cap	A series or string of bought interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the “capped rate.” A cap is normally for more than one 90-day funding period.	Convexity	A measure of the degree of curve or slope in an interest rate yield curve.
Certificate of Deposit “CD”	A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors.	Coupon	The interest rate and amount that will be paid on the interest due dates of a bond. The coupon will normally differ from the purchase or issue yield/interest rate on a bond instrument.
Closing-Out	The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.	Counter party	The contracting party to a financial transaction or financial instrument.
Collar	Two option contracts linked together into the one transaction or contract. A borrower’s collar is normally a bought “cap” above current market rates and a sold “floor” below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a “cylinder”.	Covenants	Special conditions and financial ratios required to be met or maintained by a borrower for a lender under the legal security documents.
Collateral	A legal term means “security”.	Cover	A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.
		Credit Risk or Exposure	The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.

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Credit Spread	The interest rate difference (expressed as basis points) between two types of debt securities. The credit spread being a reflection of the difference in credit quality, size, and liquidity between the two securities e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds.	Duration	Not the simple average maturity term of a debt or investment portfolio, but a measure of the interest rate risk in a portfolio at a particular point in time. The duration of a portfolio is the term (measured in years and months) if the total portfolio of bonds/fixed interest investments was revalued at market rates and expressed as one single bond. The profit/loss on revaluation of a one basis point movement being the same in both cases.
Current Ratio	A liquidity measure to determine how quickly Council can generate cash. Current assets are divided by current liabilities.	Embedded Option	An option arrangement that may be exercised by a borrower at a future date, but the determining conditions are buried or “embedded” in a separate debt or financial instrument.
Debenture	A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.	Eurodollar	The borrowing and depositing of a currency outside its domestic financial markets.
Delta	“Greek” letter that measures how the price of an option (premium) changes given a movement in the price of the underlying asset/instrument.	Event Risk	The risk of a major/unforeseen catastrophe e.g. earthquake, year 2000, political elections, adversely affecting a Council’s financial position or performance.
Derivative(s)	A “paper” contract whose value depends on the value of some “underlying” referenced asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a “synthetic.” The value of the assets will change as its market price changes; the derivative instrument will correspondingly change its value.	Exchange - Traded	A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.
Digital Option	An option contract that provides a predetermined payout based on an agreed and contracted market price path.	Exercise Date/Price	The day and fixed price that an option contract is enforced/actioned or “exercised” because it is in the interests of one of the parties to the contract to do so.
Discount	A bond or bank bill is discounted when the interest rate is applied to the face value of the security and the net proceeds after deducting the interest is paid out to the borrower. Investors pay for the discounted (NPV) value at the commencement of the investment and receive the interest coupon payments along the way and the full face value at the maturity date.	Fair Value	The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.
		Federal Reserve	The US Government’s central bank and/or monetary authority.

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Fixed Rate	The interest rate on a debt of financial instrument is fixed and does not change from the commencement date to the maturity date. Fixed is defined as an interest rate that does not change in the next 12 months.	Futures	Exchange-traded financial and commodity markets which provide forward prices for the underlying asset, instrument or commodity. Futures contracts are standardised in amount, term and specifications. Futures markets are cash-based, transacting parties do not take any counter party credit risk on each other. Deposits and margin-calls are critical requirements of all futures markets.
Floating Rate	The interest rate on a loan or debt instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days). Floating is defined as an interest rate that changes in the next 12 months.	Gamma	“Greek” letter used in option pricing that measures how rapidly the delta of an option changes given a change in the price of the underlying asset/instrument.
Floor	The opposite of a “cap.” An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the “linked” bought cap.	Hedging	The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.
Forward Rate Agreement	A contract (“FRA”) whereby a borrower or investor in Bank Bills or Government Bonds agrees to borrow or invest for an agreed term (normally 90-days) at a fixed rate at some specified future date. A FRA is an “over-the-counter” contract as the amount and maturity date is tailored by the bank to the specific requirements of the borrower/investor.	High-Yield Bonds	Corporate bonds issued by borrowing companies that are non-prime i.e. have a low or no credit rating. The margin or credit spread above Government bond yields is high (>300 basis points) to compensate the investor into the bond for the higher credit and liquidity risk.
Forward Start Swap	An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.	Implied Volatility	Used in option pricing. To estimate the future volatility of the underlying asset or instrument, the option pricing models use historical volatility (expressed as a percentage) as a key variable to calculate the option premium amount. The movement in option prices is therefore a good indicator of future market volatility, as volatility is “implied” in the option price.
Funding Risk	The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due the Council’s own credit worthiness, industry trends or banking market conditions.	Index Linked Bonds	Debt instruments that pay an interest coupon or return that is wholly or partially governed by the performance of

	another separate index e.g. a share market index, or the gold price.	LIBOR	London Inter-bank Offered Rate, the average of five to six banks quote for Eurodollar deposits in London at 11:00am each day. The accepted interest rate-fixing benchmark for most offshore loans.
ISDA	International Security Dealers Association: a governing body that determines legal documentation/standards for over-the-counter swaps/options/FRAs and other derivative instruments for interest rates, currencies, commodities etc. Corporate users of such instruments sign an ISDA Master Agreement with banking counter parties that covers all transactions.	Limit(s)	The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called “risk control limits”.
Incidental Arrangements	The term used in the Local Government Act for interest rate risk management instruments or derivatives.	Liquidity Risk	The risk that Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.
Interest Rate Swaps	A binding, paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.	Loan Stock	See definition Appendix I
“In-the-Money” Option	An option contract that has a strike price/rate that is more favourable or valuable than the current market spot or forward rate for the underlying currency/instrument.	“Long” Position	Holding an asset or purchased financial instrument in anticipation that the price will increase to sell later at a profit.
Inverse Yield Curve	The slope of the interest rate yield curve (90-days to 10 years) is “inverse” when the short-term rates are higher than the long-term rates. The opposite, when short-term rates are lower than long-term interest rates is a normal curve or “upward sloping.” In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates; hence they are higher to build in this extra risk premium.	Look-back Option	An option structure where the strike price is selected and the premium paid at the end of the option period.
Liability Management	The policy, strategy and process of pro-actively managing the treasury exposures arising from a portfolio of debt.	Marked-to-Market	Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.
		Margin	The lending bank or institution’s interest margin added to the market base rate, normally expressed as a number of basis points.
		Medium Term Notes	A continuous program whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.

### TEN-YEAR COUNCIL COMMUNITY PLAN

Moody's	A rating agency similar to Standard & Poor's.	Pre-hedging	Entering forward or option contracts in advance of an exposure being officially recognised or booked in the records of the Council.
Netting	Method of subtracting currency receivables from currency payables (and vice versa) over the same time period to arrive at a net exposure position.	Primary Market	The market for new issues of bonds or MTNs.
Open Position	Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.	Proxy Hedge	Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation of price movements between the two underlying prices to justify using a proxy hedge.
Option Premium	The value of an option, normally paid in cash at the commencement of the option contract, similar to an insurance premium.	Put Option	The right, but not the obligation to sell a debt security/currency/commodity at the contract price in the option agreement.
Order	The placement of an instruction to a bank to buy or sell a currency or financial instrument at a preset and pre-determined level and to transact the deal if and when the market rates reach this level. Orders are normally placed for a specific time period, or "good till cancelled." The bank must deal at the first price available to them once the market level is reached. Some banks will only take orders above a minimum dollar amount.	Revaluation	The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counter party at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.
"Out-of-the-Money"	An option contract which has a strike price/rate that is unfavourable or has less value than the underlying current spot market rate for the instrument.	Roll-over	The maturity date for a funding period, where a new interest rate is reset and the debt re-advanced for another funding period.
Over-the-Counter	Financial and derivative instruments that are tailored and packaged by the bank to meet the very specific needs of the corporate client in terms of amount, term, price and structure. Such financial products are non-standard and not traded on official exchanges.	Secondary Market	The market for securities or financial instruments that develops after the period of the new issue.
Perpetual Issue	A loan or bond that has no final maturity date.	"Short" Position	Selling of an asset or financial instrument in anticipation that the price will decrease or fall in value to buy later at a profit.

### TEN-YEAR COUNCIL COMMUNITY PLAN

Spot Rate	The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.	Treasury	Generic term to describe the activities of the financial function within Council that is responsible for managing the cash resources, financial investments, debt, and interest rate risk.
Standard & Poor's	A credit rating agency that measures the ability of an organisation to repay its financial obligations.	Treasury Bill	A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.
Stop Loss	Bank traders use a "stop-loss order" placed in the market to automatically closeout an open position at a pre-determined maximum loss.	Vega	Another "Greek" letter that is the name given to the measure of the sensitivity of the change in option prices to small changes in the implied volatility of the underlying asset or instrument price.
Strike Price	The rate or price that is selected and agreed as the rate at which an option is exercised.	Volatility	The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.
Strip	A series of short-term interest rate FRAs for a one or two year period, normally expressed as one average rate.	Yield	Read-interest rate, always expressed as a percentage.
Structured Options	An option instrument where the relationship/profile to the underlying referenced asset or liability is not linear i.e. 1:1	Yield Curve	The plotting of market interest rate levels from short term (90-days) to long term on a graph i.e. the difference in market interest rates from one term (maturity) to another.
Swap Spread	The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.	Zero Coupon Bond	A bond that is issued with the coupon interest rate being zero i.e. no cash payments of interest made during the term of the bond, all interest paid on the final maturity date. In effect the borrower accrues interest on interest during the term, increasing the total interest cost compared to a normal bond of paying interest quarterly, half-yearly or annually.
Station	An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.		
Time Value	Option contracts taken for longer-term periods may still have some time value left even though the market rate is a long way from the strike rate of the option and the option is unlikely to be exercised.		
Tranches	A loan may be borrowed in a series of partial drawdowns from the facility, each part borrowing is called a tranche.		

## INVESTMENT POLICY

### General policy

The Council recognises its fiduciary responsibility as a public authority and any investments that it holds should be at an appropriate level of risk, giving preference to conservative investment policies and avoiding speculative investments.

Section 102(4)(c) of the Local Government Act 2002 (the “Act”) requires Council to adopt an investment policy (the “Policy”). Section 105 of the Act outlines the contents of such a policy:

#### “105 Investment policy

A policy adopted under Section 102(4)(c) must state the local authority’s policies in respect of investments, including –

- (a) the objectives in terms of which financial and equity investments are to be managed; and
- (b) the mix of investments; and
- (c) the mix of investments; and
- (d) the acquisition of new investments; and
- (e) an outline of the procedures by which investments are managed and reported on to the local authority; and
- (f) an outline of how risks associated with investments are assessed and managed.”

The Council recognises its custodial responsibility and reviews the performance and purpose of all investments on an annual basis. The Finance Manager reports on all investments at every Ordinary Council meeting.

Council is required to use the special consultative procedure in adopting its Policy although it may be adopted as part of its long

term council community plan (LTCCP). Once adopted the policy can only be changed as an amendment to the LTCCP.

A glossary of terms is set out in Appendix III.

### Investment mix

From time to time, the Council holds investments in the following financial assets:

- equities – share holdings held for strategic purposes
- property
- forestry
- internal loans
- financial instruments both short and long term

#### (a) Equity investments

The Council holds equity investments in the NZ Local Government Insurance Corporation as part of the Council’s membership.

The Council also has a 50:50 joint equity venture with the Crown (Ministry of Transport – Air Transport division) in the ownership of the Whakatane Airport. This investment is held for the strategic purpose of providing public access to emergency and scheduled air services to east Bay of Plenty. The Council controls the operation of the airport and the results of operations are consolidated into Council’s financial accounts. The Whakatane Airport Annual report is reviewed and adopted by Council prior to 30 September.

Income from the Council’s equity investments, including dividends, is included within general income. Proceeds from the sale of equity investments are applied to general or special funds.

The Council aims to receive a rate of return on its equity investments that is higher than the official cash rate.

The sale or purchase of all equity investments requires the prior approval of the Council.

### **(b) Property investments**

The Council owns harbour endowment land that is currently leased to commercial tenants. Historically there were strategic and commercial reasons for holding this land, but the Council is now considering the option of selling a number of sites to leaseholders. Where appropriate the Council will consult with Iwi on property disposal and acquisitions.

The Council owns a number of other properties. Each year, the Council reviews the performance of all its property investments to ensure that the benefits of continued ownership are consistent with stated objectives.

All rental income received from the harbour endowment land is recorded in the Harbour Activity Account. Other property income is recorded as general funds or credited to the appropriate reserve account.

Council approval is required for the sale and purchase of all property investments.

The net proceeds from the sale of harbour endowment land are to be credited to the Harbour Property Fund.

Property management reports are completed annually. The Council reports on property value in the Annual Plan, LTCCP and in the Annual Report.

### **(c) Forestry investments**

The Council owns forestry assets. These assets are held as a long-term commercial investment to assist in maximising the return on the land. Income is included in general revenue. Any sale or purchase of forestry assets requires the prior approval of the Council, with the net proceeds of sale applied to general funds.

### **(d) Financial investments**

In investing in financial instruments the Council's primary objective is the minimisation of the risk of capital loss.

The Council holds funds from time to time as its cash flows dictate as well as those derived from its reserves and other funds. Investments are therefore made for the following primary reasons:

- to invest surplus cash and working capital funds (refer to the Cash Management Section)
- to invest monies allocated to general and specific reserves, debt redemption reserves and sinking fund
- to invest Harbour Property Fund sale proceeds (refer Section (e) of this policy).

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

Normally, financial investments are held to maturity date. In

the unusual circumstance where investments are liquidated prior to maturity, approval is obtained from the Director Corporate Services. Proceeds from the redemption of financial investments are used in accordance with the terms of the original purpose of the reserve or fund, or in accordance with a resolution of the Council.

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

Within policy limits, the Director Corporate Services has delegated authority to negotiate and authorise any financial investment transaction within the approved policy. The Director Corporate Services is responsible for reviewing the performance of financial investments.

The Council aims to achieve a rate of return on its financial investments that is higher than the official cash rate.

#### (i) Financial investment objectives

The Council's primary objective is to preserve the capital value of investments. Accordingly, investment is restricted to creditworthy institutions (counter parties) that must have a minimum credit rating of A-1 for short term and A for long term investments (see the Counter party Exposure Limits Section).

Within its credit constraints contained above the Council seeks to:

- Ensure investments are liquid and sufficiently negotiable

- Diversify the mix of financial investments
- Optimise investment return
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity

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

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

#### (ii) Approved investment instruments

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

- Government securities
- Registered bank investments
- Approved corporate, local authority and SOE securities

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

An investment strategy is determined on a six monthly basis which is approved by the Director Corporate Services.

### (iii) Interest rate risk management

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

A key part in the management of financial investments is the formulation of an approved interest rate strategy. An interest rate strategy is approved by the Director Corporate Services.

Once approved the interest rate risk management strategy is implemented by:

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

The use of interest rate risk management instruments requires the approval of the Council.

Approved risk management instruments are outlined in Appendix II.

### (e) Harbour property fund

The Council holds the net proceeds from the sale of harbour property land in a separate fund for the long-term benefit, management and development of the District's Ports and associated lands. The fund is considered separately from other financial investments discussed in Section (d) of the Investment Policy.

The fund's investment objectives are to:

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

Specific investment policies relating to this fund are:

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

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The operating parameters for the fund are:

- Investments are held in investment grade issuers or internally lent to Council activity centres. Investment grade refers to issuers that have a Standard and Poors credit rating of at least A2 (short term) and BBB+ (long-term) or better. An appropriate level of diversification across a range of financial instruments is encouraged
- Investments are spread amongst a number of issuers with no more than NZD1 million of investments held with any one issuer
- Investments are held in negotiable instruments and can be readily bought and sold in a secondary market
- No financial instrument has a maturity of more than five years

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

**(f) Sinking funds**

The Council is not required to use specific funding mechanisms but may choose to establish sinking funds. Existing sinking funds are managed by Council appointed commissioners in a manner consistent with the general investment policy.

A Statement of Sinking Funds is prepared annually by Council's Sinking Fund Commissioners.

**(g) Foreign exchange**

Council does not invest or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

**Cash management**

The Council regularly has funds that are not immediately required to cover the cost of capital works or operational activities and are therefore available for short-term investment. These funds comprise both general working capital and special reserves. These are managed by investing temporary cash surpluses on a short term basis to improve the value of interest received.

Monthly bank reconciliations are completed monthly by the Finance Department. A summary of special fund balances and list of all bank investments are reported to each regular meeting of the Council.

**Cash management activities are undertaken within the following parameters:**

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

**Counter party exposure limits**

The Council ensures that all investment and interest rate risk management activity is undertaken with institutions that have a strong credit rating. This is to ensure that the amounts owing to the Council

### TEN-YEAR COUNCIL COMMUNITY PLAN

are paid fully and on due date. Default or credit risk is minimised through a combination of portfolio diversification and the selection of quality investments.

More specifically, the Council minimises its credit exposure by:

- Transacting with entities that have a strong or better Standard & Poor's credit rating
- Limiting total exposure to prescribed amounts and portfolio limits
- Monthly monitoring of compliance against set limits.

The following table summarises credit requirements and limits:

Institution	Minimum S&P Short Term Credit Rating	Minimum S&P Long Term Credit Rating	Total Exposure Limit for each Counter party	Portfolio Limit (% of Total Portfolio)
Government	A1+	AA+	Unlimited	100%
Registered Bank	A1	A+	\$5 million	70%
• On balance sheet exposures • Off balance sheet exposures	A1	A+	\$5 million	
Strongly rated Corporates, Local Authorities and SOE's (on balance sheet exposures only)	A1	A+	\$1 million	30%

Approval is required from the Director Corporate Services for any alterations to these limits. If any counter party's credit rating falls below the minimum specified in the above table, all practical steps are taken to reduce the credit exposure to that counter party to zero as soon as possible. Counter parties exceeding limits are reported to Council. Maximum financial exposure to the counter parties is computed as follows:

#### On balance sheet

Total amounts invested with that counter party.

#### Off balance sheet

Credit exposure on interest rate contracts is computed by multiplying the face value of outstanding transactions by an interest rate movement factor of 3% per annum i.e. notional amount \* maturity (years) \* 3%.

#### Reports

Report Name	Frequency	Prepared by	Recipient
Investment Report	Every Ordinary Council meeting	Director Corporate Services	Council
Strategy Papers - Investment - Interest rate	Semi-annual	Finance Manager	Director Corporate Services Chief Executive
Annual Report	Annually	Director Corporate Services	Chief Executive Council
Report of Treasury Performance	Semi-annual	Director Corporate Services	Chief Executive
Statement of Sinking Funds	Annually	Director Corporate Services	Chief Executive Council

#### Delegated authorities

Pursuant to clause 32 (2), schedule 7, of the Local Government Act 2002, Council may make delegations to officers of Council to allow for the efficient conduct of Council business. Clause 32 (3), schedule 7 of this Act allows officers to delegate those powers to other officers.

Notwithstanding clause 32 (1) (c), schedule 7 the power to borrow money, or purchase or dispose of assets, other than in accordance with the LTCCP remains the sole responsibility of Council. This responsibility cannot be delegated.

Approved delegations to Officers are approved by the Chief Executive Officer and this policy is contained within the Delegations Register. The Investment Policy related delegations are outlined below.

Activity	Responsibility
Approve policy document	Council
Alter policy document	Council
Acquisition and disposition of investments other than financial investments	Council
Approve interest rate risk management instruments contained in Appendix II and subsequent additions and deletions	Council
Open and close bank accounts	Director of Corporate Services
Transfers of stock/register new debt issues	Seal register signatories
Approved cheque and electronic banking signatories	Chief Executive
Investment management activity	Director Corporate Services
Interest rate risk management activity	Director Corporate Services

Activity	Responsibility
Cash management activity	Director Corporate Services
Approving transactions outside policy	Council
Maximum daily transaction amount (approved investment, cash management, interest rate risk management)	Council (unlimited) Chief Executive (\$10 million) Director Corporate Services (\$5 million)
Ensuring compliance with policy	Director Corporate Services

#### Performance measurement

Measuring the effectiveness of the Council's Investment activities is achieved through a mixture of subjective and objective measures. The predominant subjective measure is the overall quality of the investment management information. Objective measures are adhering to the Investment Policy and reporting on benchmarks to the Ordinary Council meetings.

- Adherence to policy
- For financial investments, comparison of actual monthly and year-to-date accrued returns, with actual returns based on the monthly average official cash rate.

All treasury limits are complied with including (but not limited to) counter party credit limits, dealing limits and exposure limits.

All treasury deadlines are to be met, including reporting deadlines.

**Key internal controls**

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

- Adequate segregation of duties
- A documented discretionary approval process for treasury activity
- Reporting to the Council at every Ordinary Council meeting
- Regular operational risk control reviews by the Council's external auditors
- Organisational, systems, procedural and reconciliation controls to ensure all investment activity is bona fide and properly authorised and checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely.

More specifically, key internal controls are as follows:

**(a) General****(i) Organisational Controls**

- The Director Corporate Services has responsibility for establishing appropriate structures, procedures and controls to support investment and interest rate activity
- All investment, cash management and risk management activities are undertaken in accordance with approved delegations authorised by the Council
- An Investment Policy Report is presented to the Council at every Ordinary Council meeting which includes a schedule of investments and interest rate activity.

**(b) Investments**

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

- Investment activity is undertaken within limits specified in the Investment Policy
- Financial investments/securities are normally held on behalf of by the dealing bank. Bank registry notices are checked with the Council's treasury records.

**(c) Incidental arrangements (interest risk management instruments)**

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

- The use of incidental arrangements is confined to managing the interest rate risk of the Council's investments and is to be within the confines of the parameters and instruments specified in the Investment Policy
- Standard master agreements (ISDA) with Council's relationship banks exist for incidental financial arrangements.

## APPENDIX I - APPROVED FINANCIAL INVESTMENT INSTRUMENTS

### 1.0 New Zealand Government

#### 1.1 Treasury bills:

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

#### 1.2 Government stock

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

### 2.0 Registered banks

#### 2.1 Call and Term deposits

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

### 2.2 Registered Certificates of Deposit (RCD)

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

### 3.0 Corporates

#### 3.1 Promissory Notes (also known as Commercial paper)

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

#### 3.2 Corporate bonds

Corporate Bonds are financial instruments issued by companies, banks, local authorities and SOE's that have a strong credit rating. These bonds are registered securities. There are two types of bond: the medium term note (MTN) and the floating rate note (FRN). The MTN has a fixed coupon

payment that is paid semi annually to the holder of the security. They are priced on a semi annual yield basis and are issued at a discount/premium to face value. The interest on the FRN is set on a floating rate basis, usually off the 90 day BKBM bid rate. Corporate bonds are negotiable and can be bought and sold in the secondary market.

## APPENDIX II - APPROVED INTEREST RATE RISK MANAGEMENT INSTRUMENTS

Approved risk management instruments include:

- Forward rate agreements on bank bills
- Interest rate swaps of less than 18 months
- Purchased interest rate option products on bank bills (purchased floors)
- Interest rate collar type option strategies (one for one basis only). One for one collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option

Glossary of terms for interest rate risk management mechanisms are set out in Appendix III.

Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counter party credit limits.

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

- Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature
- During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously.

The sold option leg of the collar structure must not have a strike rate “in-the-money”

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

Additions to and deletions from this list are recommended by the Director Corporate Services and approved by the Council.

### APPENDIX III - GLOSSARY OF TERMS FOR TREASURY MANAGEMENT

<u>Term</u>	<u>Definition</u>
Amortising Swap	An interest rate swap contract that has a reducing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an amortising swap is the weighted average maturity, not the final maturity date.
Accreting Swap	An interest rate swap contract that has an increasing principal or notional amount over the term of the contract period. The appropriate market swap rate from which to price an accreting swap is the weighted average maturity, not the final maturity date.
Bank Bill	A “bill of exchange” security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquefy itself with cash. Normally for terms of 30, 60, 90 or 180 days.
Base Rate	Normally a lending bank’s cost of funds/interest rate for a particular funding period. The base or “prime” rate will be changed by the bank from time to time, but not every day like market rates.
Basis Point(s)	In financial markets it is normal market practice to quote interest rates to two decimal places e.g. 6.25% - one basis point is the change from 6.25% to 6.26%, one hundred basis points is the change from 6.25% to 7.25%.

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Basis Risk	The risk that the interest rate difference between the current physical debt instrument (say, a bank bill) market interest rate and the interest rate quoted for that debt instrument's future price (say, a bank bill futures price) changes over the period to the date of the future price.		Corporate) at a predetermined interest rate at a specified future date. The buyer pays a "premium" in cash up-front to reduce risk and have insurance-type protection, the seller of grantor of the bond option receiving the premium for assuming the risk.
Benchmark	An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.	Call Option	The owner or buyer of a call option has the right, but not the obligation, to buy the underlying debt security/ currency/commodity at the price stated in the option contract.
Bid-Offer Spread	The exchange points (FX) or basis points (interest rates) difference between the bid and offer rate when quoted by a bank is known as the "bid-offer spread". Banks make their profits from dealing at their own bid and offer prices, thus earning the spread.	Cap	A series or string of bought interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the "capped rate." A cap is normally for more than one 90-day funding period.
Bid Rate	Exchange rates and interest rate securities/instruments that are traded between banks are always quoted as a two-way price. One rate is where the quoting bank will buy – the bid rate, the second rate or price where the bank will sell at – the offer rate.	Certificate of Deposit "CD"	A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors.
Bond	The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond's interest rate is always fixed.	Closing-Out	The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.
Bond FRA	A tailored contract to buy or sell a bond (Government or Corporate) at a fixed interest rate at some specified future date. The Bond FRA contract rate will differ from the current physical market bond yield, depending on the slope of the interest rate yield curve.	Collar	Two option contracts linked together into the one transaction or contract. A borrower's collar is normally a bought "cap" above current market rates and a sold "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a "cylinder".
Bond Option	The right, but not the obligation by the owner/holder of the option to buy or sell bonds (Government or	Collateral	A legal term, means "security".

### TEN-YEAR COUNCIL COMMUNITY PLAN

Commercial Paper	The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called “one-name paper” and “promissory notes” issued by competitive public tender to investors, or by private treaty to one investor.	Credit Spread	The interest rate difference (expressed as basis points) between two types of debt securities. The credit spread being a reflection of the difference in credit quality, size, and liquidity between the two securities e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds.
Commoditised	When a financial market or instrument becomes so popular and “plain vanilla” that there is no longer any difference in the prices quoted by participants in the market.	Current Ratio	A liquidity measure to determine how quickly Council can generate cash. Current assets are divided by current liabilities.
Convexity rate yield curve.	A measure of the degree of curve or slope in an interest rate yield curve.	Debenture	A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.
Coupon	The interest rate and amount that will be paid on the interest due dates of a bond. The coupon will normally differ from the purchase or issue yield/interest rate on a bond instrument.	Delta	“Greek” letter that measures how the price of an option (premium) changes given a movement in the price of the underlying asset/instrument.
Counter party	The contracting party to a financial transaction or financial instrument.	Derivative(s)	A “paper” contract whose value depends on the value of some “underlying” referenced asset e.g. sharemarket stocks, bank bills, bonds or foreign currency. Also called a “synthetic.” The value of the assets will change as its market price changes, the derivative instrument will correspondingly change its value.
Covenants	Special conditions and financial ratios required to be met or maintained by a borrower for a lender under the legal security documents.	Digital Option	An option contract that provides a predetermined payout based on an agreed and contracted market price path.
Cover	A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.	Discount	A bond or bank bill is discounted when the interest rate is applied to the face value of the security and the net proceeds after deducting the interest is paid out to the borrower. Investors pay for the discounted (NPV) value at the commencement of the investment and receive the interest coupon payments along the way and the full face value at the maturity date.
Credit Risk or Exposure	The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.		

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Duration	Not the simple average maturity term of a debt or investment portfolio, but a measure of the interest rate risk in a portfolio at a particular point in time. The duration of a portfolio is the term (measured in years and months) if the total portfolio of bonds/fixed interest investments was revalued at market rates and expressed as one single bond. The profit/loss on revaluation of a one basis point movement being the same in both cases.	Fixed Rate	The interest rate on a debt of financial instrument is fixed and does not change from the commencement date to the maturity date. Fixed is defined as an interest rate that does not change in the next 12 months.
Embedded Option	An option arrangement that may be exercised by or on a borrower at a future date, but the determining conditions are buried or “embedded” in a separate debt or financial instrument.	Floating Rate	The interest rate on a loan or debt instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days). Floating is defined as an interest rate that changes in the next 12 months.
Eurodollar	The borrowing and depositing of a currency outside its domestic financial markets.	Floor	The opposite of a “cap.” An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards. A borrower may sell a floor as part of a collar structure to generate premium to pay for the “linked” bought cap.
Event Risk	The risk of a major/unforeseen catastrophe e.g. earthquake, Y2K, political elections, adversely affecting a Council’s financial position or performance.	Forward Rate Agreement	A contract (“FRA”) whereby a borrower or investor in Bank Bills or Government Bonds agrees to borrow or invest for an agreed term (normally 90-days) at a fixed rate at some specified future date. A FRA is an “over-the-counter” contract as the amount and maturity date is tailored by the bank to the specific requirements of the borrower/investor.
Exchange - Traded	A currency, debt or financial instrument that is quoted and traded on a formal exchange with standardised terms, amounts and dates.	Forward Start Swap	An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.
Exercise Date/Price	The day and fixed price that an option contract is enforced/actioned or “exercised” because it is in the interests of one of the parties to the contract to do so.	Funding Risk	The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due the Council’s own credit worthiness, industry trends or banking market conditions.
Fair Value	The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.		
Federal Reserve	The US Government’s central bank and/or monetary authority.		

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Futures	Exchange-traded financial and commodity markets which provide forward prices for the underlying asset, instrument or commodity. Futures contracts are standardised in amount, term and specifications. Futures markets are cash-based, transacting parties do not take any counter party credit risk on each other. Deposits and margin-calls are critical requirements of all futures markets.		another separate index e.g. a sharemarket index, or the gold price.
Gamma	“Greek” letter used in option pricing that measures how rapidly the delta of an option changes given a change in the price of the underlying asset/instrument.	ISDA	International Security Dealers Association: a governing body that determines legal documentation/standards for over-the-counter swaps/options/FRA's and other derivative instruments for interest rates, currencies, commodities etc.. Corporate users of such instruments sign an ISDA Master Agreement with banking counter parties that covers all transactions.
Hedging	The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.		Incidental Arrangements The term used in the Local Government Act for interest rate risk management instruments or derivatives.
High-Yield Bonds	Corporate bonds issued by borrowing companies that are non-prime i.e. have a low or no credit rating. The margin or credit spread above Government bond yields is high (>300 basis points) to compensate the investor into the bond for the higher credit and liquidity risk.	Interest Rate Swaps	A binding, paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.
Implied Volatility	Used in option pricing. To estimate the future volatility of the underlying asset or instrument, the option pricing models use historical volatility (expressed as a percentage) as a key variable to calculate the option premium amount. The movement in option prices is therefore a good indicator of future market volatility, as volatility is “implied” in the option price.	“In-the-Money” Option	An option contract that has a strike price/rate that is more favourable or valuable than the current market spot or forward rate for the underlying currency/instrument.
Index Linked Bonds	Debt instruments that pay an interest coupon or return that is wholly or partially governed by the performance of	Inverse Yield Curve	The slope of the interest rate yield curve (90-days to 10 years) is “inverse” when the short-term rates are higher than the long-term rates. The opposite, when short-term rates are lower than long-term interest rates is a normal curve or “upward sloping.” In theory, a normal curve reflects the fact that there is more time, therefore more time for risk to occur in long term rates, hence they are higher to build in this extra risk premium.

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Liability Management	The policy, strategy and process of pro-actively managing the treasury exposures arising from a portfolio of debt.	Medium Term Notes	A continuous program whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.
LIBOR	London Inter-bank Offered Rate, the average of five to six banks quote for Eurodollar deposits in London at 11:00 am each day. The accepted interest rate-fixing benchmark for most offshore loans.	Moody's	A rating agency similar to Standard & Poor's.
Limit(s)	The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called "risk control limits".	Netting	Method of subtracting currency receivables from currency payables (and vice versa) over the same time period to arrive at a net exposure position.
Liquidity Risk	The risk that Council cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.	Open Position	Where a Council has purchased or sold an asset, currency, financial security or instrument unrelated to any physical exposure, and adverse/favourable future price movements will cause direct financial loss/gain.
Loan Stock	See definition Appendix I	Option Premium	The value of an option, normally paid in cash at the commencement of the option contract, similar to an insurance premium.
"Long" Position	Holding an asset or purchased financial instrument in anticipation that the price will increase to sell later at a profit.	Order	The placement of an instruction to a bank to buy or sell a currency or financial instrument at a preset and pre-determined level and to transact the deal if and when the market rates reach this level. Orders are normally placed for a specific time period, or "good till cancelled." The bank must deal at the first price available to them once the market level is reached. Some banks will only take orders above a minimum dollar amount.
Look-back Option	An option structure where the strike price is selected and the premium paid at the end of the option period.	"Out-of-the-Money"	An option contract which has a strike price/rate that is unfavourable or has less value than the underlying current spot market rate for the instrument.
Marked-to-Market	Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.	Over-the-Counter	Financial and derivative instruments that are tailored and packaged by the bank to meet the very specific needs of the corporate client in terms of amount, term, price
Margin	The lending bank or institution's interest margin added to the market base rate, normally expressed as a number of basis points.		

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	and structure. Such financial products are non-standard and not traded on official exchanges.	Secondary Market	The market for securities or financial instruments that develops after the period of the new issue.
Perpetual Issue	A loan or bond that has no final maturity date.	Short" Position	Selling of an asset or financial instrument in anticipation that the price will decrease or fall in value to buy later at a profit.
Pre-hedging	Entering forward or option contracts in advance of an exposure being officially recognised or booked in the records of the Council.	Spot Rate	The current market rate for currencies, interest rates for immediate delivery/settlement, normally two business days after the transaction is agreed.
Primary Market	The market for new issues of bonds or MTNs.	Standard & Poor's	A credit rating agency that measures the ability for an organisation to repay its financial obligations.
Proxy Hedge	Where there is no forward or derivative market to hedge the price risk of a particular currency, instrument or commodity. A proxy instrument or currency is selected and used as the hedging method as a surrogate. There needs to be a high correlation or price movements between the two underlying prices to justify using a proxy hedge.	Stop Loss	Bank traders use a "stop-loss order" placed in the market to automatically closeout an open position at a pre-determined maximum loss.
Put Option	The right, but not the obligation to sell a debt security/currency/commodity at the contract price in the option agreement.	Strike Price	The rate or price that is selected and agreed as the rate at which an option is exercised.
Revaluation	The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counter party at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.	Strip	A series of short-term interest rate FRAs for a one or two year period, normally expressed as one average rate.
Roll-over	The maturity date for a funding period, where a new interest rate is reset and the debt re-advanced for another funding period	Structured Options	An option instrument where the relationship/profile to the underlying referenced asset or liability is not linear i.e. 1:1
		Swap Spread	The interest rate margin (in basis points) that interest rate swap rates trade above Government bond yields.
		Swaption	An option on an interest rate swap, that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

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Time Value	Option contracts taken for longer-term periods may still have some time value left even though the market rate is a long way from the strike rate of the option and the option is unlikely to be exercised.	Zero Coupon Bond	A bond that is issued with the coupon interest rate being zero i.e. no cash payments of interest made during the term of the bond, all interest paid on the final maturity date. In effect the borrower accrues interest on interest during the term, increasing the total interest cost compared to a normal bond of paying interest quarterly, half-yearly or annually
Tranches	A loan may be borrowed in a series of partial drawdowns from the facility, each part borrowing is called a tranche.		
Treasury	Generic term to describe the activities of the financial function within Council that is responsible for managing the cash resources, financial investments, debt, and interest rate risk.		
Treasury Bill	A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.		
Vega	Another “Greek” letter that is the name given to the measure of the sensitivity of the change in option prices to small changes in the implied volatility of the underlying asset or instrument price.		
Volatility	The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.		
Yield	Read - interest rate, always expressed as a percentage.		
Yield Curve	The plotting of market interest rate levels from short term (90-days) to long term on a graph i.e. the difference in market interest rates from one term (maturity) to another.		

## DEVELOPMENT CONTRIBUTIONS POLICY

### 1.0 Introduction

This policy sets out what monetary contributions or contributions in the form of land will be required by the Council when development occurs that results in a growth related impact.

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

Development contributions may be required from development if the Council has a development contributions policy in place.

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

The Council is preparing Variation 9 (Financial Contributions) to the Proposed Whakatane District Plan, being a financial contributions policy under the Resource Management Act 1991. The scope of the variation will be limited to the localised effects of subdivision or development, such as local roading impacts. The Development Contributions policy replaces many of the provisions that were proposed for inclusion in the Whakatane District Plan as part of variation 3 (Financial Contributions), which was withdrawn on 3 June 2006.

Development contributions taken by the Council under the LTCCP relate directly to the assumed cost of development on current and future infrastructure networks. Existing financial contributions taken by the Council for development and subdivision at a site for local effects directly related to the impacts of a proposed activity will still apply,

and be charged through the resource consent process as a financial contribution on the activity proposed.

### 2.0 Purpose

The purpose of the Whakatane Development Contributions Policy ("the policy") is to enable development contributions to be taken that ensure developers make a fair and equitable contribution to the development of network infrastructure, community infrastructure and reserves required to maintain an accepted level of service arising from ongoing district growth.

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

The policy is not intended to apply retrospectively, as provided by the Local Government Act 2002, for the pre-existing status of development on a property, including where applications for resource or building consents or service authorisations have already been granted by the Council before the implementation date of the policy. For clarity, a contribution is payable at a later stage of a development if an earlier application (resource consent, building consent or service connection) was granted prior to the implementation date of this policy but the subsequent application occurs after the date of implementation of the policy.

The Council may require contributions from development where the effect, including the cumulative effect of development, is to require new or additional assets or assets of increased capacity and, as a consequence, the Council incurs capital expenditure.

This also includes capital expenditure the Council has already incurred in anticipation of growth. This capital expenditure must be to provide

for community facilities, which in the case of the Whakatane District, are network infrastructure, community infrastructure and reserves.

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

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

### 3.0 Background

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

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

The number of building consents for dwellings in the Whakatane District issued in 2000/01 was 89; in 2001/02 was 112; in 2002/3 was 143; in 2003/04 was 159, and in 2004/05 this figure was 178. Of these building consents issued, 42% were located in Whakatane, 7% in Coastlands/Piripai, 23% in Ohope and 28% in other locations in the District.

Revised 1 July 2005 estimates for potential residential dwellings in the main urban centres indicates that there are currently 200 sites

in the Whakatane urban area, 247 in Ohope and 692 in Coastlands/Piripai, that are either vacant, proposed residential land or have infill potential (30% of total sections capable of an additional dwelling has been assumed in calculating the uptake for infill).

In the 2004/05 financial year, 123 additional residential lots were approved by way of subdivision. These lots were located in Whakatane (20%), Coastlands/Piripai (1%), Ohope (11%), Matata (1.5%) and other rural areas (66.5%).

These figures show that there is future capacity within the Whakatane urban area, Ohope and Coastlands/Piripai for further residential development, although the demand for residential sites may be higher than the available land area for Whakatane urban area and Ohope over a sustained 10-year period.

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

The continued development of apartment complexes and more intensive forms of residential development at Ohope and in the Whakatane urban area, and potentially at Coastlands/Piripai will provide a greater density of accommodation units to be constructed. The figures above do not include the potential redevelopment of existing sites for higher density residential development. However, over the last three years, 122 apartment units on 5 sites have gained resource consent and are either built, under construction or are planned to be built shortly. There continues to be a demand for apartment units. Based on this trend, the combined effect of building consents for dwellings and apartment units (total household units) is distributed as follows: Whakatane 40%, Ohope 28%, Coastlands/Piripai 7%, and all other locations 25%.

There continues to be a demand for rural residential properties in many rural areas of the District. There has been an average of 38 building consents per year issued for new dwellings in rural areas and rural settlements over the last five years.

In business areas, about 7 new commercial and 3 new industrial developments are created each year (based on building consents issued over the period 2000/01 to 2004/05). These developments vary widely in terms of size and demand for services. 65% of commercial development and 89% of industrial development occurred in Whakatane over this period. There is a large floor retail development under construction in Whakatane. This development is much larger in scale than most other commercial developments in Whakatane.

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

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

#### **4.0 Development Contributions and Financial Contributions**

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

The Resource Management Act 1991 restricts the charging of financial contributions to avoid, remedy or mitigate environmental effects.

The operative Financial Contributions Policy under ordinance 9C of the Transitional Whakatane District Plan and the transitional provisions of the Resource Management Act 1991 allows the Council to take financial contributions from any new development or subdivision to avoid, remedy, or mitigate the localised adverse effects of development activities on the environment. These contributions are usually limited to localised roading impact, based on up to 50% of the value of the road upgrading required, and public carparking in cases where insufficient on-site carparks are provided within a business 1 zone. A financial contribution for the upgrade or expansion of a utility service as a result of the impact of an intensive development or subdivision is charged as a proportion of new users of the service over the existing number of users.

A new variation to the Proposed Whakatane District Plan (Variation 9 (Financial Contributions)) is being prepared to enable contributions to be taken to mitigate environmental effects of a development or subdivision. This is likely to be limited to localised roading impacts and off-site carparking in Business Zones.

The previous financial contributions policy in the Proposed Whakatane District Plan (Variation 3) was withdrawn on 2 June 2006. The Proposed Whakatane District Plan does not currently include a financial contributions policy.

Development Contributions will be required from development under the policy to meet the growth component of the capital expenditure for community facilities, that is, network infrastructure, community infrastructure and reserves, specifically the following:

- Water
- Stormwater
- Wastewater
- Solid waste
- Roothing and Whakatane car parking
- Community infrastructure
- Reserves

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

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

A Financial Contributions Policy cannot be used to double take Development Contributions collected under the Local Government Act 2002. Variation 9 to the Proposed Whakatane District Plan will clearly focus on contributions that are not taken within the scope of the Development Contributions Policy.

It is anticipated that site-specific car parking will remain part of the District Plan. On site car parking for specific activities is difficult to

anticipate under a development contribution regime because of the uncertainties surrounding future capital expenditure. Because it is not possible to estimate with any accuracy ahead of the payment, the Council considers that the most practical way of taking a charge for a shortfall in car-parking is to administer the operative District Plan provisions or the Local Government Act 1974, in the interim. Requests for cash-in-lieu of car parking are sporadic in both time and location. Development contributions will be taken for Whakatane car parking (i.e. the provision of larger car parks particularly in the Whakatane town centre for the benefit of the whole district).

Similar uncertainties exist in relation to the location and the extent of road upgrading required from subdivision and development. Its impact on the roading network and on the priorities for roading works set out in the Asset Management Plan is difficult to anticipate in advance. It is appropriate for this type of contribution to remain under a financial contributions policy in the District Plan.

The anticipated income towards capital projects from financial contributions per year is as follows:

- Whakatane and Kopeopeo car parking - \$3,000 per year
- Roothing - \$20,000 per year.

### 5.0 Capital Expenditure for Community Facilities

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

The Council will spend all collected contributions on the asset classes from which they are collected. Whakatane District is divided into six

rating areas.

Development contributions for solid waste, roading and Whakatane car parking, community infrastructure and reserves will be taken on a district-wide basis (except where the policy reduces or exempts specific locations for reason of remoteness leading to no or little use of the facilities). However, once collected they will be distributed according to the area or catchment that they were derived from if necessary.

The following table summarises:

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

#### Ten-year estimated total capital expenditure and funding for growth

Community Facility	Total Cost Of Capital Works Projects	Other Sources Of Funding (including financial contributions)	Total Growth Component (Funded By Development Contributions)
Water	\$13,834,003	\$11,685,212	\$2,148,791
Stormwater	\$6,217,977	\$5,162,252	\$1,055,725
Wastewater	\$13,786,504	\$12,863,317	\$923,187
Solid Waste	\$3,049,641	\$2,902,401	\$147,240
Roading	\$80,692,650	\$77,691,916 (\$230,000 from financial contributions)	\$3,000,734
Community Infrastructure	\$35,475,793	\$30,500,493	\$4,975,300
Reserves	\$5,620,109	\$2,390,398	\$3,228,711
Flood Mitigation	\$15,550,300	\$15,550,300	-
<b>TOTAL</b>	<b>\$174,226,977</b>	<b>\$158,746,289</b>	<b>\$15,479,688</b>

Capital expenditure for reserves includes acquiring open space and the further development of existing reserves (e.g. play equipment, controlled walkways and landscaping).

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

- Any changes to the significant assumptions to the Development Contributions Policy (refer section 15.0)
- Any changes in policy as the Council deals with growth issues
- Any changes in the capital works programme for growth.

- Changes in the estimate of total units of demand expected over a 10-year period
- Any changes in the pattern and distribution of development in the District
- The regular reviews of the Funding and Financial Policy, and the LTCCP.

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

In the case of water, stormwater and wastewater, the capital expenditure figures are based on the best available information that the Council has at this time.

### 6.0 Community Outcomes

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

- Clean protected environment
- Environmentally responsible development
- Prosperous economy
- High quality affordable infrastructure
- Strong, transparent and open leadership
- Education and training opportunities for all
- Safe caring community

- Healthy people and quality housing
- Diverse, creative and active community.

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

#### a) Clean protected environment

Where:

1. The environment is clean and natural resources are protected and conserved
2. Waste is well managed

#### b) Environmentally responsible development

Where:

1. Development is planned, managed and controlled sustainably
2. Economic growth is balanced with cultural, social and environmental responsibility
3. Environmental laws are actively enforced
4. There is a sense of pride and enjoyment about how attractive the district is

#### c) Prosperous economy

Where:

1. The economy is prosperous in both urban and rural areas
2. Business builds on the district's assets to support the economy

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3. Māori economic development is supported
4. New businesses are attracted to the area and all businesses are encouraged

**d) High-quality affordable infrastructure**

Where:

1. High-quality affordable infrastructure supports growth (e.g. transport, water, energy, waste)
2. Transport links to the district are maintained and enhanced
3. Roading is safe, convenient, and appropriate to all users

**e) Strong, transparent and open leadership**

1. Council costs are appropriate for the services provided

**f) Healthy people and quality housing**

Where:

1. Affordable, quality housing is available for all

**g) Diverse, creative and active community**

Where:

1. Facilities and venues are in place to accommodate a wide range activities for all
2. Activities and events support and celebrate culture, creativity and recreation
3. Parks, reserves and recreational facilities are enhanced and increased

**7.0 Distribution of Benefits**

The Council considers it appropriate that development contributions are required from development on a **district-wide basis** in the funding of capital expenditure for growth for solid waste, roading and Whakatane car parking, community infrastructure and reserves. There is one exception to this principle, being land within the Te Urewera planning area (see below).

Development Contributions will be required on a catchment basis (within defined urban planning areas) for water, stormwater and wastewater.

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

The Council has allocated the additional capacity / growth component of capital works projects only among the units of demand estimated to be generated by new development over the next 10 years.

**Te Urewera Planning Area** - In the area defined as the Te Urewera planning area by this policy, comprising the communities of Te Whaiti, Minginui, Ruatahuna, Ngaputahi, Maungapohatu and the surrounding rural land (as defined in Appendix I), regard has been given to the relative isolation of these areas and the reduced level of benefit likely to be accrued from areas where the planned capital expenditure projects will be carried out. A development contribution will not be sought for solid waste (based on the capital expenditure works being proposed in Whakatane). A reduced development contribution will be charged in the Te Urewera planning area for reserves and community infrastructure, and roading (the Whakatane car parking component only) based on an assumption that less use of Whakatane District

reserves and community facilities and Whakatane car parking will be made by residents living in this area.

**Commercial and Industrial Development** - For commercial and/or industrial development and subdivision for this purpose, the Council will limit the application of the policy to contributions towards network infrastructure, solid waste and Whakatane car-parking. No contribution for community infrastructure and reserves will be payable for commercial or industrial development, except where that development is for permanent and/or non-permanent accommodation.

**Roading and Whakatane car parking** - The Council sees roading and Whakatane car parking as a district-wide network service. The roading network is planned, managed and delivered as a single integrated network servicing the entire district at a uniform level of service at any time. The roading network provides connectivity and accessibility throughout the district and is available to all users without restriction. The network therefore supports development throughout the district and is designed and developed as a single entity. Growth related capital expenditure for roading and additional car parking is designed to reduce the effects of having more vehicles on the road. Part of the capital expenditure for roading is a direct result of growth. Development causes the need for growth related capital expenditure.

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

**Solid waste** – This facility is generally of benefit to the district, and that is available for use by everyone. The Council considers that this facility is a public good and that new development should contribute towards them, although the remoteness of the Te Urewera area has been considered in the waiving of this component in that defined area.

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

## 8.0 Planning Timeframe

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

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

### 9.0 Role of the Council

The Council considers its role in the provision of water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking as part of its historic, growth management, and sustainable development obligations to the District. Neither individuals, the community, the private sector nor central Government can appropriately fulfil these roles.

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

- **Water**  
The Council provides and maintains water supply to the urban settlements of Whakatane including Ohope, Edgecumbe, Te Mahoe, Taneatua, Murupara, Matata, Waimana and Ruatoki. In addition there is a rural water supply scheme on the Plains, including Te Teko.
- **Stormwater**  
The Council provides and maintains stormwater reticulation and catchment management systems for the disposal of stormwater in Whakatane and Ohope. Future contributions may be sought following modelling work in Coastlands/Piripai and Mill Road industrial areas.

- **Wastewater**  
The Council provides wastewater schemes to the urban areas of Whakatane, including Ohope, Edgecumbe, Taneatua, Te Mahoe and Murupara.
- **Solid Waste**  
The Council provides refuse collection and disposal services, which includes recycling. A resource recycling centre has been built and a transfer station is currently proposed to better manage solid waste disposal in the District.
- **Roading and Whakatane car parking**  
The Council's role in roading is to provide a safe and cost effective network of roads to satisfy the current and future growth needs of road users. This includes the need for roading to form part of a safe and efficient regional and national system of transport. The Council provides car-parking within Whakatane for the whole community. This involves the construction of new car parks to meet increased demand
- **Community Infrastructure**  
The Council provides and maintains community infrastructure within the district such as sports facilities, community halls, and the museum and gallery.
- **Reserves**  
The Council provides a range of reserves for district-wide and community-wide benefit including the provision of active and passive reserves as well as those that provide protection to significant ecological areas. Population growth that is anticipated largely in the urban areas will necessitate the acquisition of land to develop new reserves and to provide facilities on existing reserves.

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

- **Legislative Requirement**  
The Council has extensive powers, duties, and functions conferred upon it by central Government providing both mandatory and discretionary responsibilities.
- **Growth Management**  
To manage the growth of the District in a timely, co-ordinated, cost-effective, and equitable manner. The Council also has a large role to play in anticipating the development drivers and trends within the district and also those occurring elsewhere that will have an effect on the district. The Council has completed a Retail Strategy for Whakatane and Ohope, and is developing a Residential Growth Strategy for these areas and an Industrial Growth Strategy for Whakatane, Ohope and around Kawerau. A transportation strategy is also underway.
- **To Ensure Public Access**  
These are activities the Council has chosen to fund and/or provide to ensure they are available at reasonable cost and in the required quantity.
- **To Meet Community Expectation**  
Community expectation is measured through yearly Annual Plan processes and annual performance measures. These processes assist in the Council's decision-making in relation to the provision of individual services. Community expectation will also be given effect through the preparation and subsequent reviews of the inaugural LTCCP.
- **To Enhance Community Identity**  
A 'sense of community' is strengthened by the provision of various recreational and community facilities.
- **As Part of Partnership with Central Government**  
The Council is in partnership with central Government in various ways and there are situations where the Council has been able to assist at the local level.
- **No-one Else will Provide the Service**  
These are activities where, if the Council were to stop providing a service, no alternative provider would appear.
- **To Enhance Community Safety**  
Community safety applies to activities that relate to the protection of the community. In some instances there is a statutory responsibility to provide this service but the level of service is higher than the statutory minimum requirements.
- **Integration with other Regional and Sub-Regional Strategies**  
Linkages with other strategies such as SmartGrowth (the Western Bay of Plenty sub-regional growth strategy), in particular the SmartGrowth Eastern Corridor Strategy, and the Regional Land Transport Strategy.

## 10.0 Costs, Benefits and Sustainable Development

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

The trend in the number of building consents for household units has been increasing, apart from a slight dip in 2001 and an anticipated dip in 2005/06 as a result of the number of building consents lodged prior to the implementation of the Development Contributions policy. The Council is also conducting an update on the Whakatane and Ohope Urban Residential Growth Strategy 2000. This update has found that the estimation of potential household units has increased in Ohope and Coastlands since the Growth Strategy was undertaken. Ohope has 247 potential household units, Coastlands/Piripai has 692 and Whakatane urban area has 200. This is due to greater subdivision opportunity through a District Plan change in 2004, and the construction of apartment development at greater densities (also refer to section 3.0 for other drivers used to indicate the level of growth in the District).

Coastal development continues to increase around New Zealand. With the significant growth currently being experienced in the Western Bay of Plenty, it is likely that some of this growth will find its way along the coast to Whakatane and the Eastern Bay of Plenty. Plan Change No. 2 to the Regional Policy Statement, derived from the SmartGrowth Strategy, has provided for a business park in Rangiuru, which may well have flow on effects for Whakatane.

The challenge is to put in place a transparent, consistent, and equitable basis for requiring contributions in order that those undertaking developments pay a fair share of the capital expenditure for water, stormwater, wastewater, solid waste, roading, community infrastructure, reserves and Whakatane town centre car parking without inhibiting growth. Those undertaking developments, the Council, and the community benefit from growth, and the cost of growth needs to be fairly balanced given the limited sources of funding available to the Council.

The overall impact of requiring development contributions on the current and future social, economic, environmental and cultural wellbeing of the community needs to be considered. If development contributions are not taken from developments, then either the Council will not be able to provide the necessary community facilities for new demand, or more revenue will need to come from rating. The latter scenario means that existing ratepayers meet the cost for new development. This situation will negatively impact on all aspects of wellbeing for the community. It is recognised that development contributions will fall on those developing land at a time of high cost through land development or construction costs, but those costs were determined to appropriately fall on those creating the need for capital expenditure, not the ratepayers generally.

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

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

### 11.0 Schedule to Development Contributions Policy

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

- The requirement for development contributions.
- Statement on Goods and Services Tax.
- Explanation of units of demand.
- The event that will give rise to a requirement for a development contribution (resource consent, building consent or authorisation for service connection).
- The development contributions required from development for capital expenditure for growth for water, stormwater, wastewater, solid waste, roading and Whakatane car parking, community infrastructure and reserves.
- The basis on which the value of additional allotments or land is assessed for reserves.

#### 11.1 Requirement for Development Contributions

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

Development Contributions shall be required from new development in the form of money or land or both at the Council's discretion for capital expenditure for growth for water, stormwater, wastewater, solid waste, roading and Whakatane car parking, community infrastructure and reserves according to the calculation of development contributions specified in 11.6.

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

The requirement for a development contribution is subject to the credits and review procedure provided for in section 12.0 of this policy. The review process allows factors such as financial hardship to be considered as reasons for reducing or waiving the development contribution that is payable. Each case will be considered on its merits.

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

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

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

complete other off-site works to provide water and wastewater facilities to serve their development.

Generally, the maximum level of development contributions will be required on development over and above that existing at the time of an application, creating additional units of demand, as assessed by the Council according to section 11.6 of this policy.

Under this policy, development contributions can be assessed with the applicant before the lodgement of a resource consent, building consent or service connection application. However, in the absence of an applicant seeking this assessment before the lodgement of an application, the Council will assess the quantity of the development contribution once it has received the relevant application and before the application for resource or building consent is granted.

### **11.2 Figures Used and Consumer Price Index (CPI) adjustment.**

All figures in this policy are expressed in 2006 dollar figures. All figures will be adjusted in accordance with the CPI (December updates) each year at the time of confirming the annual plan. The adjusted figures will then apply. For guidance, Appendix D shows adjusted figures for the capital expenditure projects for each year over the next 10 years based on an average CPI of 2.4% (December updates) for the period 2001 to 2005.

### **11.3 Statement on Goods and Services Tax (GST)**

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

### **11.4 Units of demand**

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

The unit of demand over a 10-year period for each community facility has been determined by analysing data from the Whakatane and Ohope Urban Residential Growth Strategy, and updating the data for the intervening period.

This information provides an estimate of potential household units, the basis of the unit of demand, to be constructed in the District.

For commercial and industrial development the unit of demand has been determined by using building consent data from the last five years and determining a household equivalent unit. Where possible, the Council has also used actual figures where accurately known, such as water consumption, and other published sources of information, such as the Trips and Parking Related to Land Use report by Transfund New Zealand (Research Report No. 209), to improve the accuracy of the information used. This information has been converted into a unit of demand per 100m<sup>2</sup> or 500m<sup>2</sup> of site area or gross floor area. An area of 500m<sup>2</sup> has been assumed as a household equivalent land area.

The total estimated units of demand for Whakatane over 10 years are a mix of:

- New household units and business related buildings (residential and commercial/industrial),
- Infill potential (including the potential for an increase in density of residential development by the construction of apartment complexes and similar forms of higher density residential development);
- Land zoned for a residential purpose (household unit) or that could be potentially used for a household unit that can be subdivided;
- Vacant lots that have been subdivided.

This data has provided the Council with an estimate of approximately 151 new household units each year over the period 2006/07 to 2016/2017 for the whole district, equating to 1510 units of demand over the 10 year period.

For commercial and industrial development, the estimation varies depending on the particular infrastructure being considered. In all cases, the units of demand for commercial and industrial activity are intended to equate to a household equivalent figure.

The record of units of demand generated by commercial and industrial development over the last two years has been used to improve estimates.

For roading and Whakatane car parking estimates, the estimate is 2221 units of demand over the next 10 years (based on a household equivalent of 25 vehicles per day). This figure relies on an estimate of 1510 residential units and 711 commercial and industrial units of demand over the

next 10 years. The 711 estimate is based on an assessment of traffic generation for a range of commercial, industrial and retail activities, and the characteristics of that traffic, such as whether vehicles are likely to visit the activity as an end destination in itself or as part of a combination of visits. The results have been translated into a ratio per 100m<sup>2</sup> of gross floor area. Regard has also been given to the actual units of demand generated over the last two years.

Contributions towards stormwater in Whakatane and Ohope is based on site coverage for residential, commercial and industrial activities (as assessed by survey work) and average size of businesses compared to the assumed average of 500m<sup>2</sup> used for a residential household. The Councils analysis shows that commercial development generally covers a site with buildings and impermeable surfaces by a factor of two compared to that of a residential development, and a factor of 1.6 for industrial development. The units of demand for stormwater therefore reflect a greater level of coverage in impermeable surfaces by commercial and industrial developments, while also recognising the average size of business developments as recorded over the last 5 years when compared to a household unit. This analysis provides an estimate of 376 units of demand from commercial and industrial activities.

For water and wastewater services for commercial and industrial activities, an analysis of actual water consumption for retail, offices, restaurants, cafes and bars, and industrial activity has been used to enable a comparison against a household unit. For residential households, the figures for water and wastewater use as sourced from Councils Engineering Code of Practice have been relied upon, and

are the basis for the comparison for business activities. This results in 57 water units of demand being estimated for Whakatane, and 14 for Ohope from commercial and industrial activities over the next 10 years. For wastewater, the estimates are 43 units of demand in Whakatane and 10 units for Ohope.

For solid waste, the estimate is based on an equivalent for a household unit, being a lot of 500m<sup>2</sup> in area. This analysis provides an estimate of 200 units of demand from commercial and industrial activities.

In Whakatane Urban and Ohope planning areas, the estimated number of units of demand for each planning area has been identified. These figures are based on the distribution of development over the last five years within these catchments.

This figure will be subject to change depending on the number of developments and subdivisions in any given year. **For this reason the units of demand will be reviewed on an annual basis, and adjusted in accordance with the special consultative procedure under the Local Government Act 2002 if necessary.**

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

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

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

ACTIVITY	DEMAND FACTORS
<b>Subdivision</b>	
One residential lot	1.0 unit of demand
One commercial or industrial or mixed use lot	1.0 unit of demand
<b>Development</b>	
One household unit	1.0 unit of demand per unit
One non-permanent unit of accommodation (excluding backpackers – see below). For example, motel, hotel units.	0.6 units of demand per unit for water, stormwater and wastewater contributions and 1.0 unit of demand for all other contributions
Backpackers	1.0 unit of demand per 300m <sup>2</sup> of site area or part thereof
Industrial development	<p>Water – 0.3 units of demand for each 500m<sup>2</sup> of gross floor area or part thereof.</p> <p>Wastewater – 0.25 units of demand for each 500m<sup>2</sup> of gross floor area or part thereof</p> <p>Stormwater – 2.0 units of demand per 500m<sup>2</sup> of site area</p> <p>Solid waste – 1 unit of demand per 500m<sup>2</sup> of site area or part thereof.</p> <p>Roading and Whakatane car parking – 0.8 units per 100m<sup>2</sup> of gross floor area.</p>

ACTIVITY	DEMAND FACTORS
Commercial development	Water - Retail 0.7; Commercial 0.3; Café/Restaurant/Bar 1.3; Other 0.3 unit(s) of demand per 500m <sup>2</sup> of gross floor area or part thereof  Wastewater – Retail 0.6; Commercial 0.2; Café/Restaurant/Bar 1.0; Other 0.2 units of demand for each 500m <sup>2</sup> of gross floor area or part thereof  Stormwater – 2.0 units of demand per 500m <sup>2</sup> of site area  Solid waste – 1 unit of demand per 500m <sup>2</sup> of site area or part thereof  Roading and Whakatane car parking – Retail 1.0; Other commercial 0.5 units of demand per 100m <sup>2</sup> of gross floor area or part thereof
Mixed use development	
(Excluding development for permanent or non-permanent accommodation – see above)	

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

### 11.5 Timing

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

- The granting of a resource consent under the Resource Management Act 1991; or
- The granting of a building consent under the Building Act 2004 for building work situated in the Whakatane District; or
- The granting of an authorisation for a service connection.

Where payment is not made within twelve months of the date of the assessment of a development contribution, the amount of the development contribution will be reassessed in accordance with the latest contribution policy. Section 12.0 (Review process) of this policy will apply in these circumstances.

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

- The granting of a building consent for the development;
- The granting of an authorisation of a service connection;
- A resource consent (land use) has been given effect to;
- The signing of a section 224(c) certificate under the Resource Management Act 1991 for a subdivision;

#### 11.6 Calculation of Development Contributions Required from Development or Subdivision

Where:

- DC** = Development contributions payable.
- A** = The applicable rate of development contribution as specified in Tables 2 to 8 below.
- B** = The total units of demand for the site or total units of demand for the development, whichever is greater.

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

#### Water

The development contributions payable for water will be calculated by:

$$DC = A \times B$$

**Table 2: Development contributions for water**

Planning Area	Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
Whakatane Urban	\$1,543,260	767	\$2,012
Ohope	\$434,446	434	\$1,001
Edgecumbe	\$20,522	50	\$411
Matata	\$150,563	60	\$2,509

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for water on a **planning area basis** applicable to the development as listed in Table 2. To determine if a site or development falls within the planning areas listed in the table above refer to Appendix I (Planning Areas).

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

Development contributions for water will not be required where:

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

#### Stormwater

The development contributions payable for stormwater will be calculated by: **DC = A x B**

**Table 3: Development contributions for stormwater**

Planning Area	Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
Whakatane Urban	\$934,028	850	\$1,099
Ohope	\$121,697	440	\$276

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for stormwater on a **planning area basis** applicable to the development as listed in Table 3. To determine if a site or development falls within the planning areas listed in the table above refer to Appendix I (Planning Areas).

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

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

### Waste Water

The development contributions payable for wastewater will be calculated by: **DC = A x B**

**Table 4: Development Contributions for Wastewater**

Planning Area	Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
Whakatane Urban	\$872,887	753	\$1,159
Ohope	\$35,900	430	\$83
Edgecumbe	\$10,400	50	\$208

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for wastewater on a **planning area basis** applicable to the development as listed in Table 4. To determine if a site or development falls within the

planning areas listed in the table above refer to Appendix A Planning Areas.

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

Development contributions for wastewater will not be required where:

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

#### Solid Waste

The development contributions payable for solid waste will be calculated by: **DC = A x B**

**Table 5: Development Contributions for Solid Waste**

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$147,240	1710	\$86

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for solid waste on a **district-wide basis** applicable to the development as listed in Table 5, except in the Te Urewera planning area where no contribution for solid waste is payable. See Appendix I for the definition of this planning area.

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

#### Roading and Whakatane Car Parking

The development contributions payable for roading and Whakatane car parking will be calculated by: **DC = A x B**

**Table 6: Development Contributions for Roothing and Whakatane car parking**

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$3,000,734	2221	\$1351

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for roading on a **district-wide basis** applicable to the development as listed in Table 6. In the Te Urewera Planning Area, the value of the contribution shall be reduced by the value of the contribution towards Whakatane car parking being \$949 per unit of demand.

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

#### Community Infrastructure

The development contributions payable for community infrastructure will be calculated by: **DC = A x B**

**Table 7: Development Contributions For Community Infrastructure**

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$5,175,300	1510	\$3,427

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for community infrastructure on a **district-wide basis** applicable to the development as listed in Table 7, except within the Te Urewera planning area where the contribution for community Infrastructure is to be assessed at 0.5 of the contribution that would otherwise apply. See Appendix I for the definition of this planning area.

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

#### Reserves

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

**Table 8: Development Contributions for Reserves**

Growth component of 10-year Capital Works Projects	Total Units of Demand	Development Contributions Rate per Unit of Demand
\$3,228,711	1510	\$2138

The dollar figure in the “Development Contributions Rate per Unit of Demand” column is the rate of development contribution required for reserves on a **district-wide basis** applicable to the development as listed in Table 8, except within the Te Urewera planning area where the contribution for community Infrastructure is to be assessed at 0.5 of the contribution that would otherwise apply. See Appendix I for the definition of this planning area.

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

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

Section 203 of the LGA states that development contributions for reserves must not exceed the greater of 7.5% of the value of the additional allotments created by a subdivision and the value equivalent of 20 square metres of land for each additional household unit created

by the development. The development contribution for reserves has been based on actual planned expenditure on reserves. The amount payable will be the lesser of:

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

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

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

Land will be preferred where:

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

Money will be preferred where:

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

Separate provisions for esplanade reserves as provided for by Section 229 of the Resource Management Act 1991 are contained in the Proposed District Plan.

## 12.0 Credits and Reviews

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

### 12.1 Credits

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

1. The level of existing development on the site or that occurred within the previous 12 months where the site is “between uses”. Where multiple existing uses are established the Council will have regard to the average intensity of those uses in determining the level of credit to be given.
2. Monies paid and/or works undertaken and/or land set aside by prior:
  - (i) Financial contributions taken from a development under the District Plan for capital expenditure for growth for water, stormwater, wastewater, solid waste, roading, Whakatane car parking, community infrastructure or reserve activities.
  - (ii) Agreements with the Council.
  - (iii) Development contributions.
3. Written confirmation of any other formally acknowledged credit given by the Council towards future development of a site.
4. Where a subdivision is developed (e.g. a vacant lot is built upon) or an existing lot is further subdivided full credit shall be given for the deemed existing property use rights of the parent lot.
5. For residential subdivisions (where the balance lot remains residential) the existing lot has a historic credit equal to the development contribution required for the residual lot and therefore no development contribution is payable on the residual lot.
6. Credits will be associated with the existing title and calculated and assigned on a per activity basis.
7. Historical credits for properties will be calculated based on present day planning areas and in terms of present day assessment methodology
8. Any excess historical credits that are identified as a result of an amalgamation of individual titles will accrue on the new amalgamated title but will lapse if not utilised within a period of three years.
9. Any excess historical credits that are identified for any other reason other than amalgamation such as through subdivision of a parent lot will not accrue on an individual title.
10. For existing non-residential buildings that are demolished and rebuilt to the same or higher intensity, the historical credit will be based on the gross floor area for those contributions that are measured by gross floor area and site area for those measured by site area, prior to demolition.

Generally development contributions will be required on development over and above that existing at the time of an application, creating additional units of demand, assessed by the Council according to section 11.6 of this policy.

Any credit given for a contribution paid in the past that

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

Where a development will result in a lesser number of units of demand than that exist in the site at the time of application, the credit will remain with the site for a period of 12 months and will not be payable to the applicant by the Council.

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

### 12.2 Reviews

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

Any such request shall be made by notice in writing to the

Council within 15 working days after the Council has advised in writing that development contributions are required on the development, setting out the reasons for the request.

In undertaking the review:

- The Council shall as soon as reasonably practicable consider the request.
- The Council will hold a hearing for the purposes of the review, and shall, give at least 5 working days notice to the applicant of the commencement date, time, and place, of that hearing.
- The Council may, at its discretion, uphold, reduce, postpone or cancel the original amount of development contributions required on the development and shall communicate its decision in writing to the applicant within 10 working days of any determination or hearing.

In making its decision the Council may take into account:

1. The effect of a reduction or waiver on the integrity of the Development Contributions and Funding and Financial Policies, including how the reduced or waived contribution will be funded.
2. The extent to which the value and nature of any works proposed by the applicant reduces the need for works proposed by the Council in its capital works programme.
3. The level of credit that should be given for existing development on the site. Where multiple existing uses are established the Council will have regard to the average intensity of existing development.

4. Financial hardship. Where the applicant has a low value property, which will not realise sufficient funds to pay the required development contributions and the applicant can prove they have limited financial resources. Written confirmation of property value and a declaration as to financial circumstances must be made to the Council.
5. Whether a household unit or commercial/ industrial building is of a temporary nature or is used infrequently.
6. Whether an impact on a community infrastructure can be proven to be less than that calculated by applying the formula in the policy, such as actual traffic generation figures.
7. Whether the value of the contribution is disproportionate to the value of the building or project.
8. Whether the household unit is for a dependent relative who may retain a degree of dependence on the residents of an existing household unit.
9. Whether there are unique or unusual circumstances that distinguish the development from other developments of a similar nature. Natural disaster events are likely to be considered under this category.
10. Whether a wider public benefit is derived from the project that justifies some or all of the cost being met by the public generally.
11. Any legal instruments that are relevant, such as resource consent conditions, covenants, other legal encumbrances
12. Any other matters the Council considers relevant.

The Whakatane District Council will review the implementation of the development contributions policy on an annual basis.

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

### 13.0 Enforcement

Where payment is not received, the Council will, as relevant:

- Withhold a certificate under section 224(c) of the Resource Management Act 1991;
- Prevent commencement of a resource consent under the Resource Management Act 1991;
- Withhold a code of compliance certificate under section 95 of the Building Act 2004;
- Register the development contribution under the Statutory Land Charges Registration Act 1928, as a charge on the title of the affected land.

### 14.0 Methodology

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

## 15.0 Significant Assumptions

Significant assumptions underlying the calculation of the Schedule to the Development Contributions Policy (section 11.6) are as follows:

### Best Available Knowledge

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

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

### Planning Horizon

A 10 year timeframe is being used as a basis for forecasting growth and applying a development contribution.

### Estimates of Growth Related Capital Expenditure

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

### Estimates of Service Connections and Resource and Building Consents

The Council has assumed that resource and building consents and service connections will continue at a rate similar to what has been experienced over the past few years. The result is that contributions will be received evenly each year for 10 years

### Growth Affordability

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

### Community Facilities Built in Anticipation of Growth

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

### Financial and Administrative Assumptions

That all figures in the Development Contributions Policy and Schedule to the Development Contributions Policy are in 2006 dollars. An estimate of 2.4% CPI allows for inflation, and the impact of this rate is shown in Appendix D. Refer also to section 11.2 of this policy.

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

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

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

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

That methods of service delivery will remain substantially unchanged.

### **Key Risks**

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

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

That the costs of capital are greater than expected.

### **15.1 Explanation and Justification for Calculations**

The following is an explanation of, and justification for, the way each development contribution in the Schedule to Development Contributions (11.6) is calculated. This is a summary, for more detail please refer to the full methodology (see section 14.0).

Development contributions for water, stormwater, wastewater, solid waste, roading and Whakatane car parking, community infrastructure and reserves are

all based on units of demand and the capital expenditure for growth required over a 10-year period.

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

For district-wide services (solid waste, roading and Whakatane car parking, community infrastructure and reserves) this data has provided the Council with an estimate of 1510 residential units of demand over the next 10 years. This figure will be subject to adjustment in the future. For commercial and industrial development, refer to section 11.4 and the methodology for how these units of demand have been calculated.

For catchment specific services of water, stormwater and wastewater, the figures are based on the potential household units and commercial and industrial activity for those particular areas over the next 10 years.

The unit of demand for each subdivision or development is based on a household unit, which is a building or part of a building intended to be used as an independent residence (e.g. a subdivision with one house built on the property is 1 unit of demand). Different units of demand apply to commercial and industrial development, and mixed uses but on an estimated equivalent household unit basis.

Commercial and industrial development (or a mix) will not pay for reserves contribution and community

infrastructure components except where that development is for permanent or non-permanent accommodation.

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

Section 203 of the Local Government Act 2002 sets a maximum that can be taken for reserves.

***“Section 203 Maximum development contributions not to be exceeded***

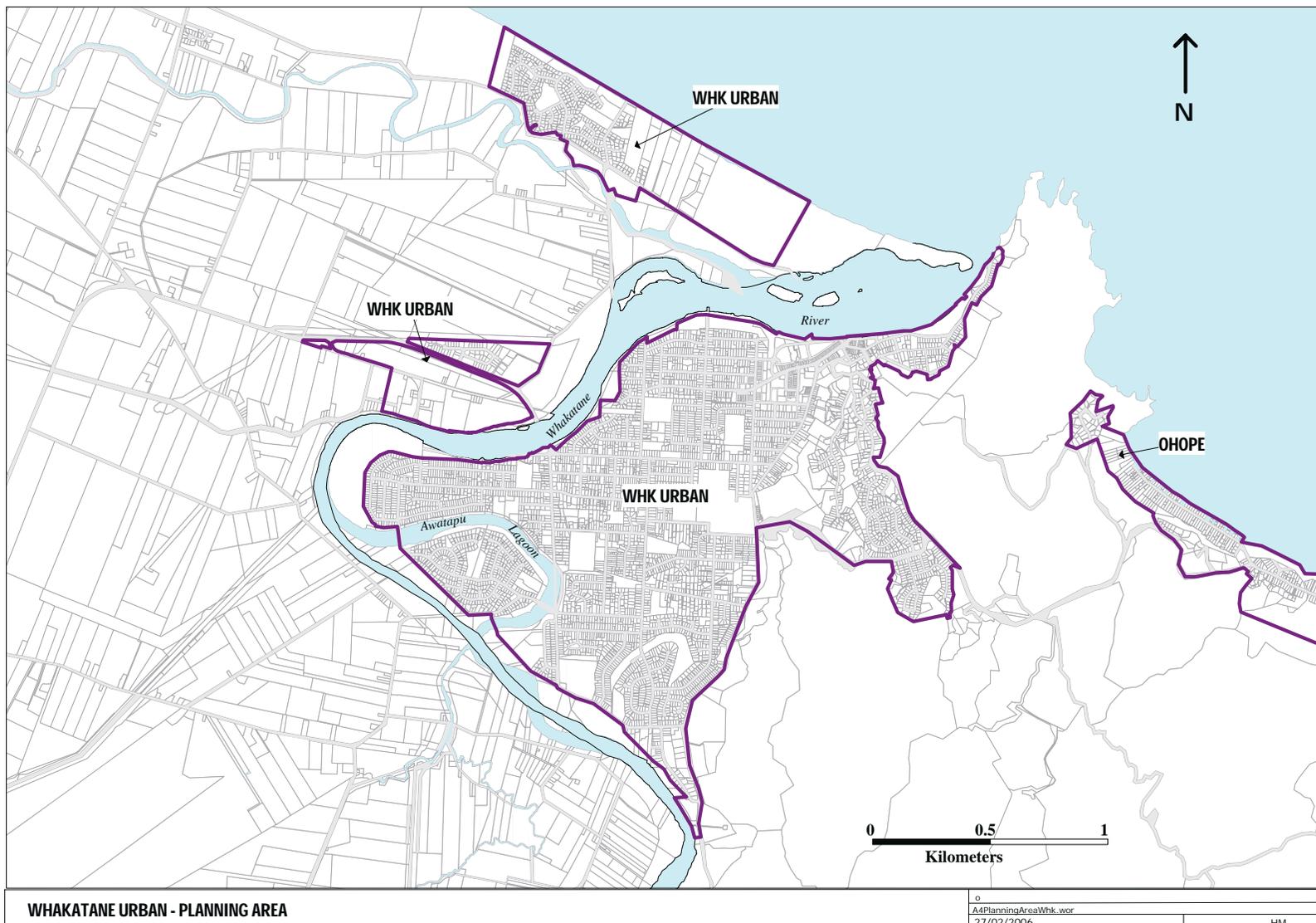
*Development contributions for reserves must not exceed the greater of-*

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

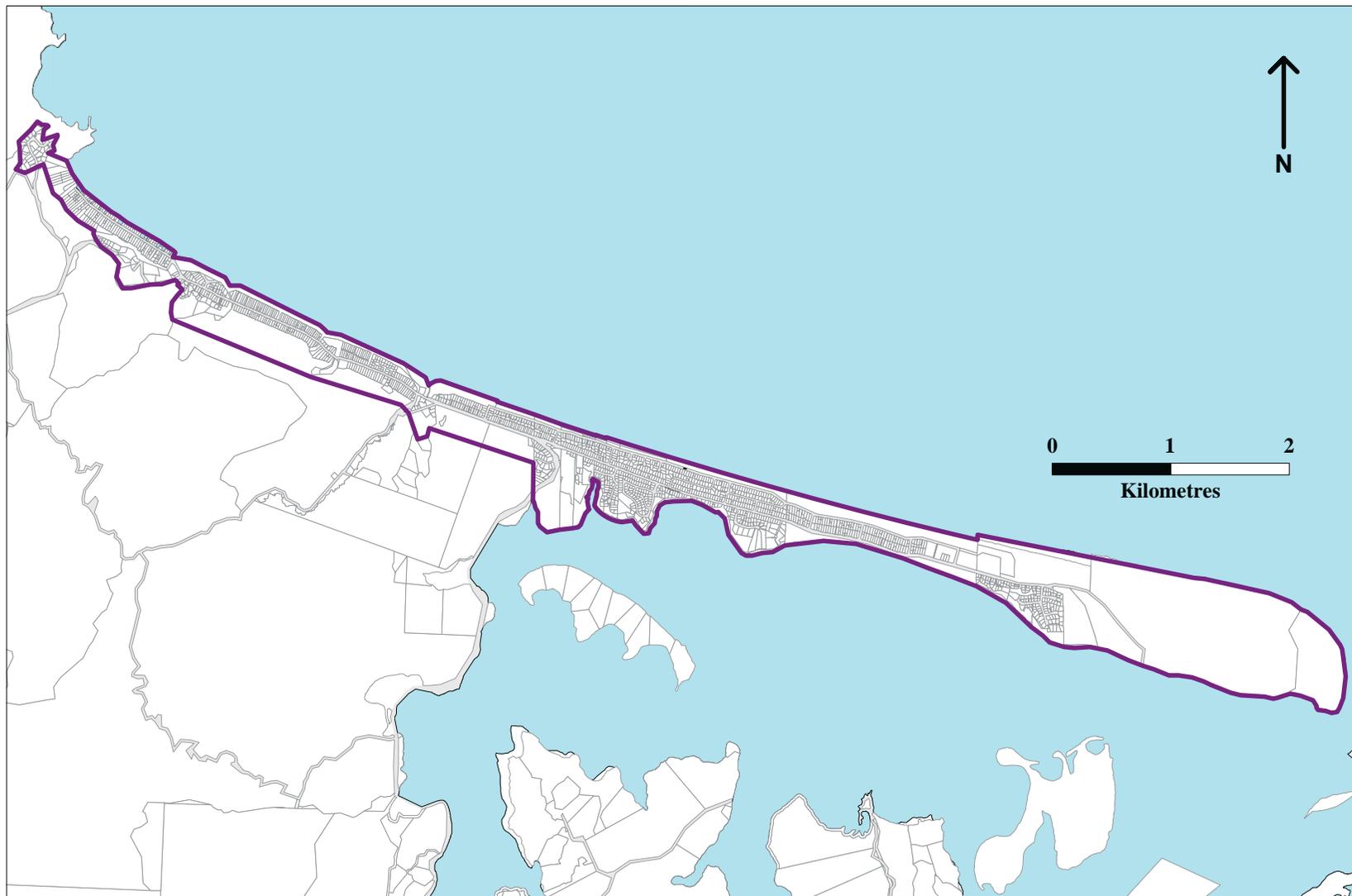
Contributions for reserves are calculated in the same way as the other community facilities. That is, the total growth related capital expenditure divided by the number of estimated new developments. Section 203 means that the amount of money or land taken cannot exceed the maximums set out above. The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

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

### APPENDIX A: PLANNING AREAS

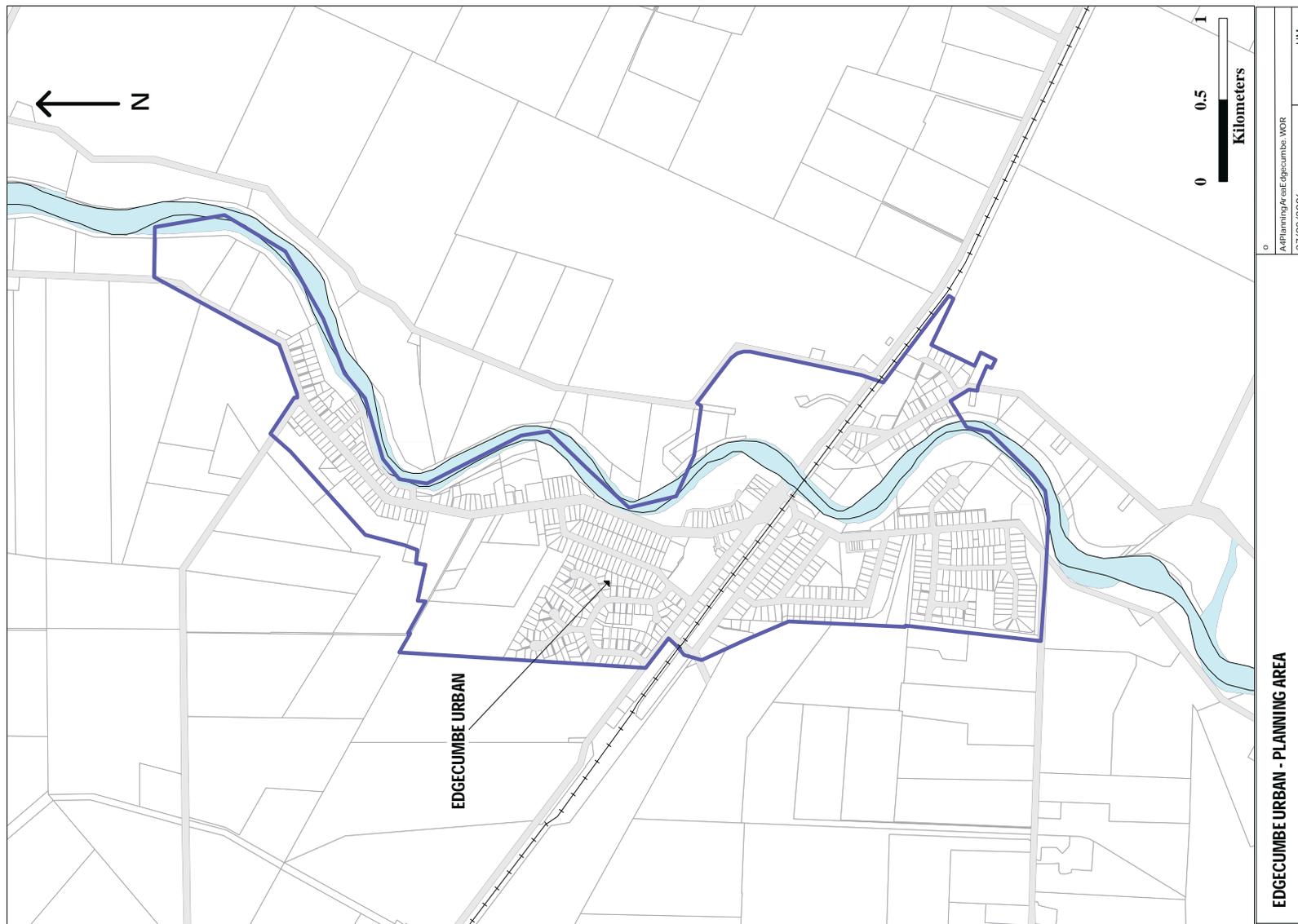


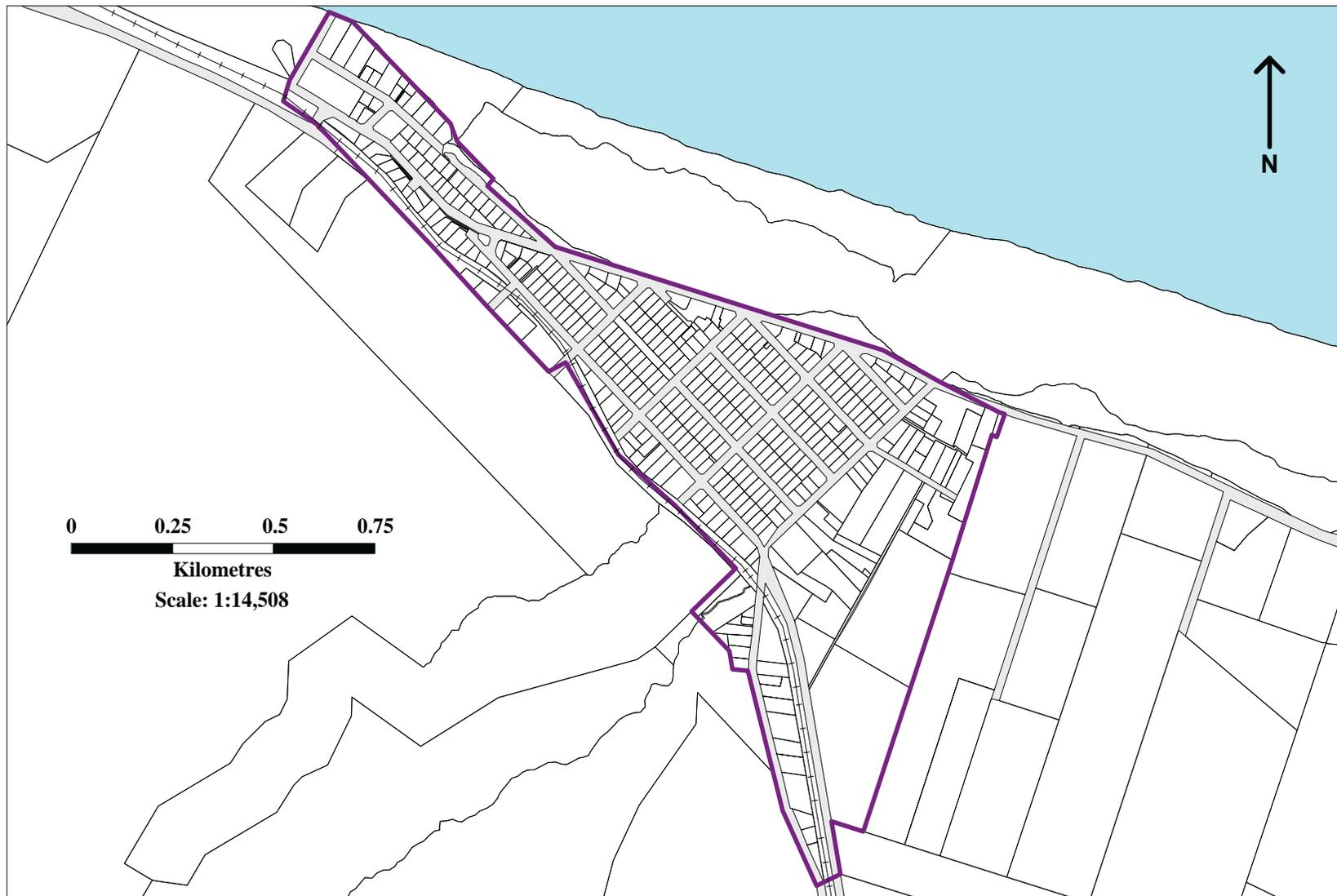
WHAKATANE URBAN - PLANNING AREA



**OHOPE - PLANNING AREA**

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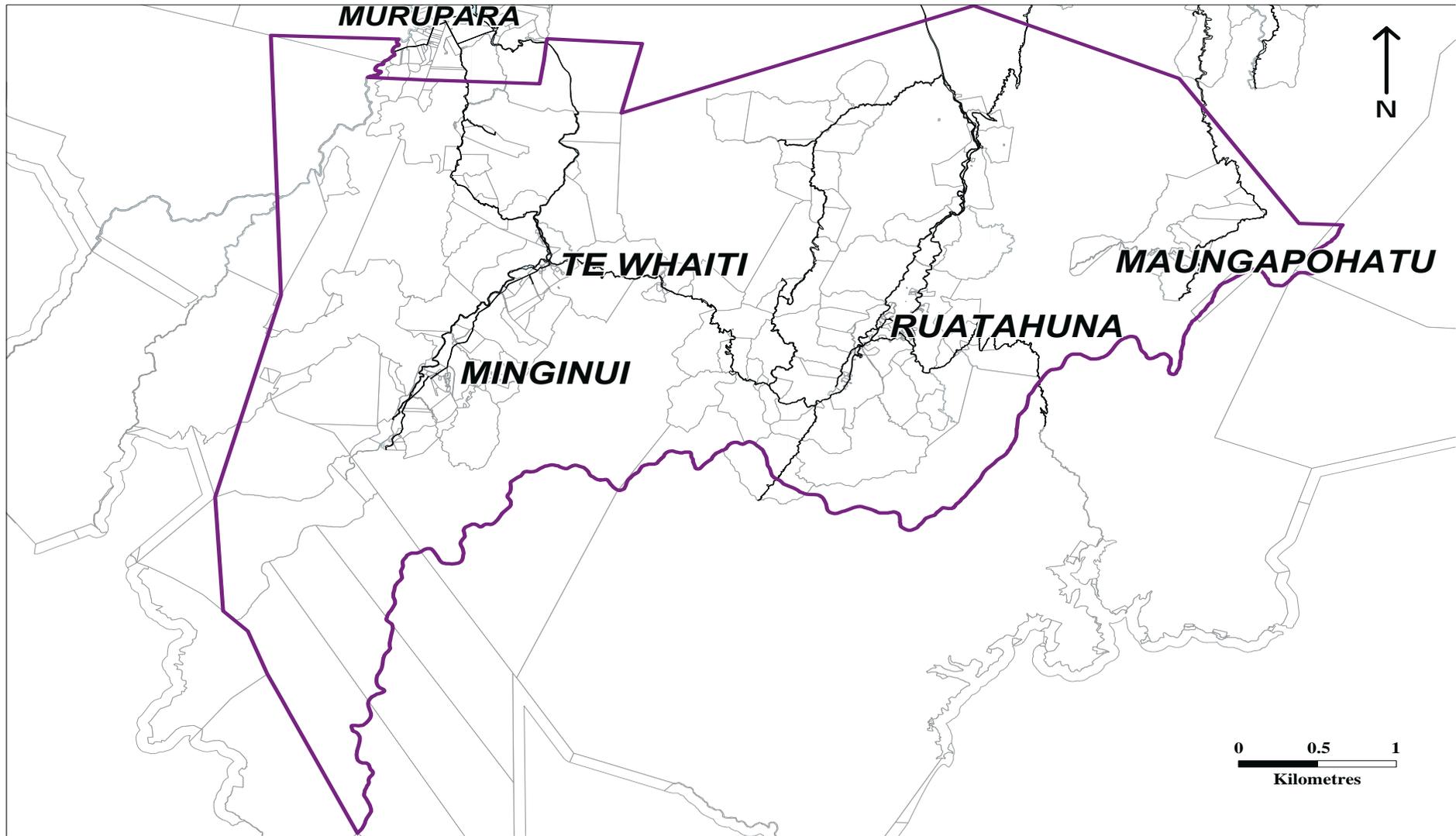


**MATATA - PLANNING AREA**

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TE UREWERA - PLANNING AREA

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APPENDIX B: DEFINITIONS

<p><b>Activity</b></p>	<p>Has the same meaning set out in section 5 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“5 Interpretation</b>                  (1) In this Act, unless the context otherwise requires,-</p> <p>activity means a good or service provided by, or on behalf of, a local authority or a council-controlled organisation; and includes-</p> <p>(a) the provision of facilities and amenities; and                  (b) the making of grants; and                  (c) the performance of regulatory and other governmental functions”</p>
<p><b>Commercial development</b></p>	<p>A development, which is not defined as an industrial activity, whose primary purpose is for commercial gain or any other professional activity not operated principally for commercial gain. It includes retailing, professional offices, banks and other service providers, social service providers, commercial recreational facilities, administrative uses, non-permanent accommodation facilities, technological activities and sorting activities, but excludes accessory buildings directly related to primary production on the land, including agriculture, pastoral, horticultural and forestry production. For clarity, this exemption does not extend to a household unit on land used for primary production or the processing of primary products.</p>

<p><b>Community infrastructure</b></p>	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“197 Interpretation</b>                  In this subpart,-</p> <p><b>community infrastructure</b> means-</p> <p>(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”</p>
<p><b>Development</b></p>	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“197 Interpretation</b>                  In this subpart,-</p> <p><b>development</b> means</p> <p>(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”</p>

<p><b>Development contribution</b></p>	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“197 Interpretation</b> In this subpart,- <b>development contribution</b> means a contribution-</p> <ul style="list-style-type: none"> <li>(a) provided for in a development contribution policy included in the long-term council community plan of a territorial authority; and</li> <li>(b) calculated in accordance with the methodology; and</li> <li>(c) comprising-             <ul style="list-style-type: none"> <li>(i) money; or</li> <li>(ii) land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Māori land within the meaning of Te Ture Whenua Act 1993, unless that Act provides otherwise; or</li> <li>(iii) both”</li> </ul> </li> </ul>
<p><b>Development Contribution Policy</b></p>	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“197 Interpretation</b> In this subpart,-</p> <p><b>development contribution policy</b> means the policy on development contributions included in the long-term council community plan of the territorial authority under section 102(4)(d).</p>
<p><b>Goods and Services Tax (GST)</b></p>	<p>Means goods and services tax under the Goods and Services Tax Act 1985 or any legislation substituted for the same.</p>

<p><b>Gross Floor Area (GFA)</b></p>	<p>The sum of the total areas of a building or buildings, including any void area in those floors such as service shafts or lift or stair wells, measured from the exterior faces of exterior walls or from the centre lines of walls separating two buildings</p>
<p><b>Household unit</b></p>	<p>A building or part of a building intended to be used as an independent residence, with a kitchen sink, a toilet and a shower or bath (or plumbing for these facilities). It includes any apartment, semi-detached or detached dwelling, townhouse, retirement unit, dwelling unit, flat or home unit.</p>
<p><b>Industrial development</b></p>	<p>A development whose primary purpose is to produce goods by manufacturing, processing, assembling or packaging, or dismantling, servicing, testing, repair, cleaning, painting, storage, and/or warehousing of any materials, goods or products, vehicles or equipment, and includes transportation activities, depots, engineering workshops, panelbeaters, spraypainters, the milling or processing of timber and offensive trades.</p>

<p><b>Lot</b></p>	<p>A parcel of land held in a separate certificate of title (or two or more titles required to be held in one ownership) but does not include a parcel of land which has been or may be disposed of separately as a public reserve or for other public purposes or which is to be amalgamated with adjoining land.</p> <p>In the case of land subdivided under the cross-lease or company lease systems (other than strata titles), lot shall mean an area of land containing:</p> <p>(a) A building or buildings for residential or business purposes with any accessory building, plus any land exclusively restricted to the users of that building, or</p> <p>(b) A remaining share or shares in the fee simple creating a vacant part of the whole for future cross-lease or company lease purposes.</p> <p>In the case of land subdivided under the Unit Titles Act 1972 (other than strata titles), lot shall mean an area of land containing a principal unit or proposed unit on a unit plan together with its accessory units, and an area of land being equivalent to the total land title area divided by the number of principal units located thereon.</p> <p>In the case of strata titles, site shall mean the underlying Certificate(s) of Title immediately prior to subdivision.</p>
<p><b>Mixed use</b></p>	<p>A development or a lot created for a development that combines commercial and industrial development.</p>
<p><b>Network infrastructure</b></p>	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“197 Interpretation</b> In this subpart,- <b>network infrastructure</b> means the provision of roads and other transport, water, wastewater, and stormwater collection and management.”</p>

<p><b>Reserves</b></p>	<p>Has the same meaning set out in section 2 of the Reserves Act 1977.</p>
<p><b>Residential Lot</b></p>	<p>A lot, as defined in this policy that is or will be used for a household unit or units.</p>
<p><b>Roading</b></p>	<p>Has the same meaning set out in section 315 of the Local Government Act 1974.</p>
<p><b>Service connection</b></p>	<p>Has the same meaning set out in section 197 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“197 Interpretation</b> In this subpart,- <b>service connection</b> means a physical connection to a service provided by, or on behalf of, a territorial authority.”</p>
<p><b>Site Area</b></p>	<p>The total area of the new and/or additional development proposed, including all buildings, structures and other areas used for car parking, access, manoeuvring areas, loading areas, outdoor storage and display areas, rubbish and waste collection areas and the like, associated with the new and/or additional development.</p>
<p><b>Solid waste</b></p>	<p>Recycling Park and refuse transfer station.</p>
<p><b>Stormwater</b></p>	<p>Stormwater drainage and any associated infrastructure.</p>

<p><b>Units of demand</b></p>	<p>Means those units set out in Schedule 13 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“Schedule 13 Methodology for calculating development contributions</b></p> <p><b>1 Methodology for relating cost of community facilities to units of demand</b></p> <p>In order to calculate the maximum development contribution in respect of a community facility or an activity or group of activities for which a separate development contribution is to be required, a territorial authority must first-</p> <p>(a) identify the total cost of the capital expenditure that the local authority expects to incur in respect of the community facility, or activity or group of activities, to meet the increased demand resulting from growth within the district, or part of the district, as the case may be, as set out in the long-term council community plan in accordance with section 106(2)(a); and</p> <p>(b) identify the share of that expenditure attributable to each unit of demand, using the units of demand for the community facility or for separate activities or groups of activities, as the case may be, by which the impact of growth has been assessed.</p>
<p><b>Units of demand</b></p>	<p><b>2 Attribution of units of demand to developments</b></p> <p>For the purpose of determining in accordance with section 203(2) the maximum development contribution that may be required for a particular development or type of development, a territorial authority must demonstrate in its methodology that it has attributed units of demand to particular developments or types of development on a consistent and equitable basis.</p>

<p><b>Wastewater</b></p>	<p>Means sewerage, treatment and disposal of sewage and all associated infrastructure.</p>
<p><b>Water</b></p>	<p>Means Water Supply which has the same meaning set out in section 124 of the Local Government Act 2002 or any legislation substituted for the same as below:</p> <p><b>“124 Interpretation</b></p> <p>In this part,- <b>water supply</b> means the provision of drinking water to communities by network reticulation to the point of supply of each dwelling house and commercial premise to which drinking water is supplied.</p>

#### APPENDIX C: SCHEDULE OF COMPLIANCE

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

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

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

##### SCHEDULE OF LGA 2002 COMPLIANCE

Provision of LGA 2002	Section of Development Contributions Policy
<b>Section 106(2)(a):</b> summarise and explain the capital expenditure required identified in the long-term council community plan that the local authority expects to incur to meet the increased demand for community facilities resulting from growth	<b>5.0 – Capital Expenditure for Community Facilities</b>
<b>Section 106(2)(b):</b> state the proportion of that capital expenditure to be funded by development contributions; financial contributions; other sources of funding	<b>5.0 – Capital Expenditure for Community Facilities</b>
<b>Section 106(2)(c):</b> explain, in terms of the matters required to be considered under section 101(3), why the local authority has determined to use these funding sources to meet the expected capital expenditure.	

Provision of LGA 2002	Section of Development Contributions Policy
<b>Section 101(3):</b> The funding needs of Council must be met from those sources that the local authority determines to be appropriate, following consideration of, -	
<b>Section 101(3)(a):</b> in relation to each activity to be funded,-	
<b>Section 101(3)(a)(i):</b> the community outcomes to which the activity primarily contributes	<b>6.0 – Community Outcomes</b>
<b>Section 101(3)(a)(ii):</b> the distribution of benefits between community as a whole, any identifiable part of the community, and individuals.	<b>7.0 – Distribution of Benefits</b>
<b>Section 101(3)(a)(iii):</b> period in or over which those benefits are expected to occur.	<b>8.0 – Timeframe</b>
<b>Section 101(3)(a)(iv):</b> the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.	<b>9.0 – Role of Council</b>
<b>Section 101(3)(a)(v):</b> the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.	<b>10.0 – Costs, Benefits and Sustainable Development</b>
<b>Section 101(3)(b):</b> the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.	<b>10.0 – Costs, Benefits and Sustainable Development</b>
<b>Section 106(2)(d):</b> identify separately each activity or group of activities for which a development contribution will be required, and in relation to each activity or group of activities, specify the total amount of funding to be sought by development contributions	<b>5.0 – Capital Expenditure for Community Facilities</b> <b>11.0 – Schedule to Development Contributions Policy</b>

### TEN-YEAR COUNCIL COMMUNITY PLAN

Provision of LGA 2002	Section of Development Contributions Policy
<b>Section 106 (2)(f):</b> Summarise the provisions that relate to financial contributions in the District Plan.	<b>Development Contributions and Financial Contributions</b>
<b>Section 106(3):</b> If development contributions are required, the local authority must keep available for public inspection the full methodology that demonstrates how calculations for those contributions were made.	<b>14.0 – Methodology</b>
<b>Section 201(1)(a):</b> an explanation of, and justification for, the way in which each development contribution in the [Schedule to Development Contributions Policy] is calculated	<b>11.0 – Schedule to Development Contributions Policy</b>  <b>14.0 – Methodology</b>  <b>15.1 – Explanation and Justification for Calculations</b>
<b>Section 201(1)(b):</b> the significant assumptions underlying the calculation of the schedule of development contributions, including an estimate of the potential effects, if there is significant uncertainty as to the scope and nature of the effects	<b>15.0 - Significant Assumptions</b>
<b>Section 201(1)(c):</b> the conditions and criteria (if any) that will apply in relation to the remission, postponement, or refund of development contributions, or the return of land.	<b>12.0 - Credits and Reviews</b>

Provision of LGA 2002	Section of Development Contributions Policy
<b>Section 202 - Contents of schedule to development contributions policy</b>	<b>11.0 – Schedule to Development Contributions Policy (in particular)</b>  <b>11.6 - Calculation of Development Contributions Required from Development)</b>
(1) The schedule of development contributions required by section 201(2) must specify	
(a) the development contributions payable in each district, calculated, in each case, in accordance with the methodology in respect of-	
(i) reserves; and	
(ii) network infrastructure; and	
(iii) community infrastructure; and 11.0 - Schedule to Development Contributions Policy (in particular 11.6 - Calculation of Development Contributions Required from Development)	
(b) the event that will give rise to a requirement for a development contribution under section 198, whether upon granting	
(i) a resource consent under the Resource Management Act 1991; or	
(ii) a building consent under the Building Act 1991; or	
(iii) an authorisation for a service connection.	

Provision of LGA 2002	Section of Development Contributions Policy
<p>(2) If different development contributions are payable in different parts of the district, subsection (1) applies in relation to the parts of the district.</p> <p>(3) The specifications required under subsection (1) or subsection (2) must be given separately in relation to each activity or group of activities for which separate development contributions are required.</p>	
<p><b>Section 203 - Maximum development contributions not to be exceeded</b></p> <p>(1) Development contributions for reserves must not exceed the greater of –</p> <ul style="list-style-type: none"> <li>(a) 7.5% of the value of the additional allotments created by a subdivision; and</li> <li>(b) the value equivalent of 20 square metres of land for each additional household unit created by the development.</li> </ul> <p>(2) Development contributions for network infrastructure or community infrastructure must not exceed the amount calculated by multiplying the cost of the relevant unit of demand calculated under clause 1 of Schedule 13 by the number of units of demand assessed for a development or type of development, as provided for in clause 2 of Schedule 13.</p>	<p><b>11.0 – Schedule to Development Contributions Policy (in particular 11.6 - Calculation of Development Contributions Required from Development)</b></p> <p><b>15.1 – Explanation and Justification for Calculations</b></p>

**APPENDIX D: DEVELOPMENT CONTRIBUTIONS  
- ADJUSTED FOR CPI AT 2.4% PER ANNUM**

Significant Activity	Activity	Data	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Grand Total	
<b>INTERNALLY RECOVERED ACTIVITIES</b>	Corporate property	Original Budget		22,450									22,450	
		Adjusted Budget		22,989										22,989
<b>LIBRARIES AND MUSEUM</b>	Library services	Original Budget			1,584,875								1,584,875	
		Adjusted Budget			1,660,949									1,660,949
<b>PARKS, RESERVES AND CEMETERIES</b>	Cemeteries	Original Budget	6,000	6,000	26,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	80,000	
		Adjusted Budget	6,000	6,144	27,248	6,432	6,576	6,720	6,864	7,008	7,152	7,296	87,440	
	Parks & gardens, Edgecumbe	Original Budget			29,340									29,340
		Adjusted Budget			30,748									30,748
	Parks & gardens, Ohope	Original Budget	371,559	324,315	338,099	251,124	210,225	251,125	200,000	200,000	251,125	200,000		2,597,572
		Adjusted Budget	371,559	332,099	354,328	269,205	230,407	281,260	228,800	233,600	299,341	243,200		2,843,798
	Parks & gardens, urban	Original Budget	123,875	185,352	236,335	10,225	35,787	10,225						601,799
		Adjusted Budget	123,875	189,800	247,679	10,961	39,223	11,452						622,990
	<b>RECREATION AND COMMUNITY FACILITIES</b>	Recreation	Original Budget				204,500	1,840,500						2,045,000
			Adjusted Budget				219,224	2,017,188						2,236,4124
		Public conveniences	Original Budget			103,913		230,062	230,062	178,937	178,937	127,812	193,252	1,242,975
			Adjusted Budget			108,901		252,148	257,669	204,704	208,998	152,352	234,994	1,419,767
<b>SOLID WASTE MANAGEMENT</b>	Refuse disposal	Original Budget	32,209	115,031									147,240	
		Adjusted Budget	32,209	117,792										150,001

### TEN-YEAR COUNCIL COMMUNITY PLAN

Significant Activity	Activity	Data	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Grand Total	
<b>TRANSPORT NETWORKS AND SYSTEMS</b>	Non - financially assisted roading	Original Budget	365,086	27,500	27,500	27,500	27,500	27,500	27,500	27,500	1,390,648	27,500	1,975,734	
		Adjusted Budget	365,086	28,160	28,820	29,480	30,140	30,800	31,460	32,120	1,657,652	33,440	2,267,158	
	Financially assisted roading	Original Budget	25,000	15,000	85,000	15,000	15,000	15,000	15,000	15,000	15,000	810,000	15,000	1,025,000
		Adjusted Budget	25,000	15,360	89,080	16,080	16,440	16,800	17,160	17,520	965,520	17,730	1,197,200	
<b>WATER-RELATED ACTIVITIES</b>	Stormwater AMP	Original Budget				4,601	4,601	12,270	4,601	4,601			30,674	
		Adjusted Budget				4,932	5,043	13,742	5,264	5,374			34,355	
	Stormwater Ohope	Original Budget	36,000	85,697										121,697
		Adjusted Budget	36,000	87,754										123,754
	Stormwater Whakatane	Original Budget	9,653	29,100	245,100	153,375	153,375	102,250	127,813	76,688	0	6,000		903,354
		Adjusted Budget	9,653	29,798	256,865	164,418	168,099	114,520	146,218	89,572	0	7,296		986,439
	Water Edgecumbe	Original Budget									20,522			20,522
		Adjusted Budget									23,970			23,970
	Water Matata	Original Budget				25,563			125,000					150,563
		Adjusted Budget				27,404			140,000					167,404
	Water Ohope	Original Budget	5,074	5,074	5,073	368,100			51,125					434,446
		Adjusted Budget	5,074	5,196	5,317	394,603			57,260					467,449
	Water Plains	Original Budget				0	0	0	0	0	0			0
		Adjusted Budget				0	0	0	0	0	0			0
	Water Whakatane	Original Budget	597,555	96,076	100,301	97,137	132,985	98,500	208,206	62,500	75,000	75,000		1,543,260
		Adjusted Budget	597,555	98,382	105,115	104,131	145,752	110,320	238,188	73,000	89,400	91,200		1,653,042

### TEN-YEAR COUNCIL COMMUNITY PLAN

Significant Activity	Activity	Data	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Grand Total	
<b>WATER-RELATED ACTIVITIES</b>	Waste water AMP	Original Budget				2,250		2,250				47,250	51,750	
		Adjusted Budget				2,412		2,520				57,456	62,388	
	Waste water Edgecumbe	Original Budget	1,350	550	1,100	550	3,750	500	0	1,500	0	1,100	10,400	
		Adjusted Budget	1,350	563	1,153	590	4,110	560	0	1,752	0	1,338	11,415	
	Waste water Ohope	Original Budget	1,800	6,200	700	3,000	2,000	700	2,600	1,200	13,200	4,500	35,900	
		Adjusted Budget	1,800	6,349	734	3,216	2,192	784	2,974	1,402	15,734	5,472	40,657	
	Waste water Whakatane	Original Budget	10,900	0	975	50,000	127,812	50,000	153,375	210,919	38,344	182,812	825,137	
		Adjusted Budget	10,900	0	1,022	53,600	140,082	56,000	175,461	246,353	45,706	222,299	951,424	
	<b>Total Orig Budget</b>			<b>1,586,061</b>	<b>918,345</b>	<b>2,784,311</b>	<b>1,218,925</b>	<b>2,789,597</b>	<b>982,507</b>	<b>924,032</b>	<b>805,367</b>	<b>2,712,129</b>	<b>758,414</b>	<b>15,479,688</b>
	<b>Total Adj Budget</b>			<b>1,586,061</b>	<b>940,385</b>	<b>2,917,958</b>	<b>1,306,688</b>	<b>3,057,398</b>	<b>1,100,408</b>	<b>1,057,093</b>	<b>940,669</b>	<b>3,232,858</b>	<b>922,231</b>	<b>17,061,748</b>

## POLICY ON PARTNERSHIPS BETWEEN THE COUNCIL AND THE PRIVATE SECTOR

### What is a partnership with the private sector

A partnership with the private sector is an arrangement or agreement that is entered into between one or more local authorities and one or more persons in business. It does not include:

- such an agreement where all the parties are local authorities or council controlled organisations;
- contracts for the supply of goods and services to or from a local authority.

The principal reason for entering into a partnership with the private sector is the substitution of private sector funds and management for the provision of a service normally provided by a local authority. It is about the provision of a service to the community, not the privatisation of public service.

### When would Council consider a private sector partnership

The Council will consider entering into partnerships with the private sector to help achieve identified community outcomes and to achieve any or all of the following:

- a need identified in measurable terms;
- where there is an opportunity to share risk, provide capital and facilitate effective and efficient community service;
- where it is clearly the best way to achieve the outcome in terms of Council's social, economic, environmental and cultural responsibilities to the community;
- the arrangement is independently recognised as sound business practice in terms of value for money and quality of service.

The Council will not enter into any partnerships that are speculative in nature, where the project can not be adequately insured, or the risk to the community is assessed as being greater than the potential benefits.

### Conditions

Before making a commitment to a partnership any public/private sector partnership proposal will be subject to the following conditions. The Council will require that:

- private participation will be subject to competitive tendering processes, with a strong emphasis on transparency and disclosure of processes and outcomes, acknowledging the need to protect commercial confidentiality where appropriate;
- any proposed partnership will be assessed against the public interest in terms of Council policies, accountability, equity, effectiveness, affordability, public assess, consumer law, lawfulness, security and privacy rights;
- the Council is confident that the partnership is the best option to achieve the community outcomes or objectives identified in the Long Term Council Community Plan;
- outputs will be clearly specified including measurable performance standards;
- the Council's information requirements for monitoring outcomes must be agreed to;
- the private sector party will be fully accountable to the Council for the delivery of specified services to specified standards before payment is made for those services;
- a clear exit/termination strategy is agreed by all parties;
- all private sector partners must be a legal entity and partnerships subject to formal signed contract documentation.

## TEN-YEAR COUNCIL COMMUNITY PLAN

**Risk management**

When considering a partnership a report will be provided to the Council which assesses the risks of the partnership by:

- identifying the risks associated with the partnership,
- identifying the probability of the risks being realised,
- identifying which risks, if any, are regarded significant; and
- identifying the potential effect of the risks if they are realised.

The assessment of risk must also cover the following points in regard to the allocation of risk:

- the major principal governing risk will be the transfer of risk to whoever is best able to manage it, taking into account public interest considerations;
- whoever is allocated risk must have the freedom to choose how to minimise risk, with materiality being considered;
- where the Council is not the only user of an asset risk may also be transferred.

The Council will monitor risk associated with private sector partnerships by ensuring that:

- all partnerships will be established under an agreed contractual instrument;
- the contractual relationship between the parties clearly identifies risks, who is responsible for managing identified and unidentified risks of the partnership and who will be responsible for costs incurred when risks eventuate;
- at all times a risk management regime will be agreed to as a condition of the partnership;

- the partnership project will be subject to Council's approved risk management and audit procedures;
- the identification and reduction of risk with respect to the environment, funding, health, safety, insurance, protection of intellectual property rights and other matters;
- private sector financial or resource funding will constitute not less than 30% of the total project cost.

**Consultation**

The consultation for each partnership proposal will include consideration of significance in accordance with the Policy on Determining Significance and will be determined on a case by case basis.

**Monitoring and reporting**

The following monitoring and reporting requirements will be included in the partnership agreement:

- the Council will monitor private sector partnerships to ensure that funding and other resources are being used effectively and that the desired community outcomes are achieved. However, the monitoring and reporting requirement will vary depending on the level of resources the Council is investing/protecting and the nature of the partnership;
- a report will be produced for the Council not less than four times a year which details the progress of the partnership, including what the status of identified risks is, and identifies any other potential risks at the time of the report. The annual results will be reported in Council's Annual Report;
- regular meetings will be held between Council and the private sector partner.

## REMISSION AND POSTPONEMENT POLICIES

### Introduction

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

### Key Definitions

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

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

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

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

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

## RATES REMISSION FOR A RATING UNIT AFFECTED BY CALAMITY

### Objective of Policy

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

### Conditions and Criteria

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

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

### Rates to be Remitted

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

### Delegation

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

#### **RATES REMISSION FOR RESIDENTIAL LAND IN COMMERCIAL, INDUSTRIAL OR RURAL AREAS**

##### **Objective of Policy**

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

##### **Conditions and Criteria**

1. To qualify for rates remission under this policy the rating unit must:
  - (a) be used solely for residential purposes and be situated within an area of land that has been zoned for commercial, industrial or rural use. (Ratepayers can ascertain the zoning of their property by inspecting the Whakatane District Council District Plan, copies of which are available at the Council Offices).
  - (b) the residential property has a value that is at least 20% greater than similar properties that are located in a residential zone area.
2. Upon receipt of an application, staff will request the Council's valuation service provider to determine a valuation that will "value" the rating unit as if it were located in a comparable area that is zoned "residential". The ratepayer may be required to contribute 50% of the cost of valuation prior to the valuation being carried out.

##### **Rates to be Remitted**

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

##### **Delegation**

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

### RATES REMISSION OF UNIFORM ANNUAL GENERAL CHARGE AND TARGETED RATES IN CERTAIN CIRCUMSTANCES

#### Objective of Policy

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

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

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

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

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

#### Conditions and Criteria:

1. The units may be in separate ownership, but if they are contiguous and are used jointly as a single unit, they will be treated as a single unit.

2. Contiguous rating units in the same ownership will be treated as a single unit where any of the following circumstances exist:
  - One unit is used as a private residence and the contiguous unit(s) is used solely as a garden or similar private part of the grounds only in connection with the residence.
  - One unit is used solely for vehicle parking in conjunction with a building on a contiguous rating unit in the same ownership.
3. The remission will be the uniform annual general charge plus targeted fixed charge rates, on all but one rating unit where all of these rating units are:
  - (a) subdivided into 5 or more lots where the titles have been issued; and
  - (b) owned by the original developer who is holding the individual titles pending their sale to subsequent purchasers; and
  - (c) originally contiguous or separated only by road, railway, drain, water race, river or stream.

#### Rates to be Remitted

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

#### Delegation

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

**RATES REMISSION FOR PENALTIES ON UNPAID RATES**

**Objective of Policy**

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

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

**Conditions and Criteria**

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

2. The Council reserves the right to impose conditions on the remission of penalties.

**Rates to be Remitted**

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

**Delegation**

That the delegated authority for the remission of penalties be set at:

Chief Executive Officer	Over \$1,000.00
Manager Finance	Up to \$1,000.00
Revenue Manager	Up to \$500.00

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

## RATES REMISSION FOR WATER-BY-METER RATES DUE TO LEAK DETECTION

### Objective of Policy

The objective of this remission policy is to enable the Council to act fairly and reasonably to reduce accounts that are unusually high due to a water leak and there is evidence that the repairs have been carried out within 30 days of the Water Account being issued.

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

### Conditions and Criteria:

1. Upon obtaining satisfactory evidence of there having been a water leak and the property owner has repaired the leak within the Policy timeframe, the Council will remit part of the additional water consumed as measured by meter due to a water leak.
2. This policy applies only to targeted rates for water-by-meter and excess water usage charges, where applicable.
3. Any remission under this policy will be limited to one application within any five year period for any particular property.
4. This policy applies only to leaks that are from pipe work that is underground or within the concrete slab foundation.

### Rates to be Remitted

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

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

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

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

### Delegation

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

#### **RATES REMISSION FOR EDUCATIONAL INSTITUTIONS SEWAGE (PAN) CHARGES**

##### **Objective of Policy**

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

##### **Conditions and Criteria:**

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

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

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

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

##### **Rates to be Remitted**

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

##### **Delegation**

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

#### **RATES POSTPONEMENT FOR EXTREME FINANCIAL HARDSHIP**

##### **Objective of Policy**

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

##### **Conditions and Criteria:**

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

##### **Rates to be Postponed**

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

Rates under this policy will be postponed until:

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

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

##### **Delegation**

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

## REMISSION OF OUTSTANDING RATES AND PENALTIES ON UNDEVELOPED SECTIONS

Remission of outstanding rates and penalties on undeveloped sections or those rating units where the building(s) have been removed or are in a derelict state and where those rating units are purchased by the owner(s) of a rating unit that is contiguous to or is separated from the rating unit in question only by a road, railway, drain, water race, river or stream and the two rating units are used as one residential unit or where the rating units have been subject to a rating sale under Section 67 of the Local Government (Rating) Act 2002.

### Objective of Policy

The objective of this policy is to facilitate the purchase of vacant rating units (sections) by adjoining property owners to enhance the social and environmental well-being of the community and to facilitate the land being brought back into use so that it may contribute towards the rating revenues of the District in future years.

### Conditions and Criteria:

1. The Council may postpone outstanding rates and outstanding rates penalties owing on a rating unit for a period of up to five years or until the purchaser of the rating unit applies for a building consent for the construction of a building on the rating unit, whichever comes first, as defined in the Whakatane District Plan if:
  - (a) That rating unit is undeveloped the building(s) have been removed or are in derelict state and the rating unit is purchased by an adjoining property such that section 20 of the Local Government (Rating) Act 2002 is satisfied; or
  - (b) The rating unit has been the subject of a rating sale under section 67 of that Act and such sale has produced insufficient funds to clear all of the rates and penalties owing, and, in either case
  - (c) After a period of five years from the date any such postponement comes into effect and the rates payable from the rating unit continue to be paid in full for that rating unit for the same period the Council may remit the postponed rates in full.

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

### Objective

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

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

### Definitions

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

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

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

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

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

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

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Section 338(1)(b) states:

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

*“Tikanga Māori means Māori customary values and practices.”*

#### Conditions and Criteria

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

The land is unoccupied and

  - (a) is uneconomic to use; or
  - (b) no benefit is derived from the use or occupation of the land; or
  - (c) the land is inaccessible; or
  - (d) the land is set apart to:
    - (i) protect its outstanding natural features for the benefit of the wider community, and/or
    - (ii) protect significant indigenous vegetation and significant habitats of indigenous fauna for the benefit of the wider community; or
  - (e) the land is set apart as a Māori reservation that is a wāhi tapu, affecting the use of the land for other purposes.
2. Any application for a remission of rates is to be made in writing annually, except where a remission has been granted for a longer period and signed by the applicant/s concerned.

3. When staff recognise a property as being unoccupied or uneconomic to use, staff initiate the application for remission of rates so that arrears are not overstated in the Council’s records.
4. That where applicable, staff have the discretion to negotiate remission of arrears and penalties as a tool to clear arrears and current rates.
5. The Council may consider unoccupied to be a portion of a block of Māori freehold land.
6. The Council reserves the right to seek such additional information from the applicant/s, or from any other source, as it may determine as necessary in considering an application.

#### Rates to be Remitted

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

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

#### Delegation

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

## POLICY ON DETERMINING SIGNIFICANCE

### Introduction

The purpose of the Policy is to provide guidance to the Council determining the significance of proposals and/or decisions. It includes procedures, criteria and some thresholds that the Council will use in assessing which issues, proposals, decisions and other matters are significant. This then gives the community some certainty about how the Council will approach its consideration of proposals and/or decisions.

### General Approach to Determining the Significance of Proposals and Decisions

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

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

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

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

### Thresholds for Determining Significance

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

- More than \$1 million unbudgeted expenditure;
- New or increased rates by more than 10% of the total rates projected in the LTCCP;
- Decisions that will result in at least 25 individual ratepayers each having rate increases of more than \$500 (per assessment per annum).

### Criteria

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

- The proposal and/or decision adversely affects all or a large portion of the community;
- The impact or consequences of the proposal and/or decision on the affected persons (being a number of persons) will be substantial;
- The financial implications of the proposal and/or decision on the Council's overall resources are substantial;

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- The impact or consequences of the proposal and/or the decision on intended level of service for a significant activity is substantial;
- The impact or consequences of the proposal and/or the decision on the level of service performed by the Council or contractor for a significant activity or activities is substantial;
- The proposal and/or decision are likely to generate a high degree of controversy in the community.

#### Procedures

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

#### Strategic Assets

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

This is not an exhaustive list of the Council's assets, but includes only

those assets that are considered critical to ensuring that the Council is able to satisfactorily achieve identified community outcomes. The list also includes those assets that have been determined as being strategic assets under the provisions of section 5 of the Act. There is not necessarily a relationship between an asset's value and whether it is deemed to be a strategic asset.

#### Significant Activities

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

#### Review of the Policy

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

#### Use of the terms "Significant" and "Significance"

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

#### APPENDIX 1 - REGISTER OF THE WHAKATANE DISTRICT COUNCIL'S STRATEGIC ASSETS

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

Asset	Notes
District Libraries	Includes books and collections.
Whakatane Aquatic Centre	Includes land, building and structures.
Whakatane, Ohope, Edgecumbe and Murupara Halls	
Port (Whakatane, Ohope and Thornton)	Includes all land, buildings and structures associated with the Port Assets.
Amenity parks, sports parks and facilities under the Reserves Act 1977	
Public toilets	
Cemeteries	
Landfills, Recycling Park and Transfer Station	
Wastewater reticulation and treatment systems	Includes land, pipes, pump stations and sewerage ponds.
Stormwater reticulation systems	
Roading system	Includes the land, carriageway, footpaths, bridges, street lighting and off-street parking.
Water reticulation, storage and treatment systems	Includes the land, pipes, pumps, reservoirs and treatment plants.
Whakatane Airport	
Harbour Endowment property	
Pensioner Housing ( <b>see note 3</b> )	

#### Notes

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

#### APPENDIX 2 - REGISTER OF THE WHAKATANE DISTRICT COUNCIL'S SIGNIFICANT ACTIVITIES

For the purposes of section 97(1) of the Act the Council considers the following activities to be significant activities.

Activities	Significant Activities ✓
Democratic Services	✓
Council Initiatives	
Disaster Mitigation	
Strategic Policy	
Roading	✓
Road Safety	
Parking Enforcement	
Airports	✓
Stormwater Services	✓
Water Supplies	✓
Wastewater Services	✓
Trade Waste Disposal	✓
Refuse Collection	✓
Refuse Disposal	✓
Refuse Recycling	✓
Promotion and Economic Development	✓
Visitor Information	
Planning Monitoring and Implementation	✓
Planning Policy	✓
Licensing (Liquor and Gambling)	
Building Inspections	✓
Environmental Health	✓
Library Services	✓
Museum and Gallery	✓
Recreation	

Activities	Significant Activities ✓
Swimming Pools	✓
Halls	
Public Conveniences	
Pensioner Housing	✓
Strategic and Investment Property	✓
Harbour Lease Property	✓
Ports	✓
Parks, reserves and gardens	✓
Sportsfields	✓
Cemeteries	✓
Hazardous Substances	
Rural Fire Control	
General Inspections	
Civil Defence	✓
Dog Control	✓
Stock Control	
Safer Communities	

#### Notes

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